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# Annual Report & Accounts 2021

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M Winkworth PLC

**Winkworth**

for every step...

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## Company Information

### DIRECTORS:

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

### SECRETARY:

Miss M O Doregos

### REGISTERED OFFICE:

1 Lumley Street  
London  
W1K 6TT

### REGISTERED NUMBER:

01189557 (England and Wales)

### NOMINATED ADVISER AND BROKER:

Shore Capital  
Cassini House  
57 St James's Street  
London  
SW1A 1LD

### AUDITORS:

Crowe U.K. LLP  
55 Ludgate Hill  
London  
EC4M 7JW

## Chief Executive Officer's Statement

The powerful post pandemic recovery drove a very buoyant property market in 2021, fuelled by extraordinary levels of activity around the time of the first proposed stamp duty deadline in June and then the extended deadline at the end of September, producing record months of sales income for the Company.

Despite concerns that the expiry of these incentives would lead to a lull, the fundamental desire to move continued to create strong buyer demand and resulted in a second half that exceeded our expectations, with growing interest in London and strong price growth in the country markets, where supply couldn't keep up with demand.

Over the course of the year, following the successful vaccine roll-out, we saw the move out of cities to the country start to reverse, with lettings demand leading the way. A return to work in London, alongside ongoing demand for houses and flats with outdoor space, saw a significant rise in interest there as the year progressed. Despite travel difficulties in central London, there were also early signs of prices moving up. Winkworth's 2021 London sales income rose by 60 per cent. over 2020 and country income by 76 per cent..

Our rental business also performed well over the year, with initial strength in activity and price growth in country markets and an upturn in London in the second half of the year following the return of young professionals, some international travel and international students. Rental income in the country increased by 10 per cent. on 2020, outer London by 8 per cent. and, with a strong finish to the year, central London by 4 per cent.. After several years of landlords selling down their property portfolios and many tenants choosing to renew agreements, a shortage of supply in the country market and in certain country towns and cities led to price increases of up to 20 per cent.. In London we saw rental prices move ahead of pre-pandemic levels towards the end of the year.

In 2021, gross revenues of the franchised network of £64.8m were significantly up both year-on-year and when compared to 2019 (2020: £47.7m; 2019: £48.3m). Sales income was up by 64 per cent. at £39.0m (2020: £23.8m; 2019: £23.8m) while Lettings and Management increased by 8 per cent. to £25.8m (2020: £23.9m; 2019: £24.4m), producing a 60:40 revenue split between these two activities compared to a 50:50 ratio in 2020.

Winkworth's revenues rose by 47% to £9.45m (2020: £6.41m) and profit before taxation was 110% higher at £3.21m (2020: £1.53m). The Group's cash position at year end increased to £5.02m (2020: £4.66m). Dividends of 9.3p per ordinary share were declared for the year (2020: 6.68p per ordinary share) as well as special dividends of 7.7p per ordinary share.

Encouraged by the strong property market, we saw an increase in activity in new franchising, with a mixture of cold start franchises by new operators and the growth of existing franchisees entering complementary areas. In total, six new offices were opened in 2021 in Eaton, Maida Vale, Wimbledon, Ferndown, Hellesdon and Tiverton. Two existing offices in Ealing and Fulham were resold to new operators, and we expect to see revenues from these long-established offices increasing as they benefit from a new injection of energy.

Wholly owned offices continued to grow above market trend in 2021, providing the Company with returns over and above the 8 per cent. franchise fee. Our Tooting office was ranked first in its area by sales agreed in 2021 and has progressed from being Winkworth's 13th office by gross revenue generated to its 9th. Our Crystal Palace office completed its first full calendar year under our ownership and revenue progressed successfully in the period. We also established our Developments and Commercial investment business, which shows early signs of promise.

**D C M Agace**  
*Director*

11 April 2022

## Non-Executive Chairman's Statement

I am pleased to report that 2021 saw a solid revival in the sales market and a recovery in prices outside of central London, where Winkworth's exposure enabled the company to benefit significantly from the upturn. Our sales income, which accounted for 60 per cent. of last year's revenues, broke all Company records.

After a strong first half of 2021, the rental market has since suffered from reduced availability of property to let, in part due to landlords selling down properties which have become less profitable due to increased regulatory and management costs, and also as a result of many tenants renewing lease agreements. Our locally-based teams remain well placed to maintain the quality of their management and lettings activity and to control costs.

The experience within our group has enabled our franchisees, and our management team to build a unique estate agency business, with a complete and complementary offering of specialised residential sales, letting and property management. Winkworth benefits from a broadly even mix between sales and rentals, but for the immediate future we expect our sales commissions to account for more than half of total revenues, as was the case in 2021.

The focus of our management has always been to ensure that our franchisees can build their local businesses for the long term under the umbrella of our brand. Besides helping our franchisees to become established and grow, our franchising team is developing co-ordinated actions for those that require help to plan for their eventual retirement. Winkworth is perhaps unique in this approach to inter-generational planning, which we believe will help us to further build our brand as new joiners accept the challenge of taking franchises on to the next level.

As a further incentive to our entrepreneurial estate agents, we are also looking to selectively increase the number of owners with equity stakes in local offices, where these are majority owned by the Company. At our Tooting and Crystal Palace offices, where the Company has majority stakes, the managers that we have backed have performed very well, achieving in excess of £2.0m of turnover in 2021.

From my inception of Winkworth's franchise system in 1981, I have always backed teams of experienced estate agents to grow their operations. The current management team has steadily and carefully continued this strategy to even greater effect. We are a debt-free business and have advanced plans for investing in new franchises, while at all times maintaining a prudent level of cash reserves.

**S P Agace**

*Non Executive Chairman*

11 April 2022

# Group Strategic Report

The directors present their strategic report of the company and the group for the year ended 31 December 2021.

## PRINCIPAL ACTIVITY

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

## 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:

Revenues of up 47% to £9.45 million (2020 £6.41 million).

Profit before taxation up 110% to £3.21 million (2020: £1.53 million).

Year-end cash balance of £5.02 million (2020: £4.66 million). No debt.

6 new offices opened in the year (2020: 2).

Ordinary dividends of 9.3p per ordinary share (2020: 6.68p per ordinary share) and special dividends of 7.7p per ordinary share declared (2020: nil).

The key business highlights during the year were as follows:

Franchised office network revenue up 36% to £64.8 million (2020: £47.7 million).

Sales income 60 per cent. of total revenues (2020: 50.2 per cent.).

## FRANCHISE OFFICES

The improved market conditions and increased confidence saw a further six new offices being opened in 2021, a mixture of cold starts and additional offices for existing franchisees.

## REVENUE

Gross revenues for the franchised office network in 2021 were 36% up on 2020 with the Sales increase of 64% masking the steady 8% increase in Lettings and Management. The record year for Sales meant they accounted for 60% of total network revenue.

Winkworth's revenues benefited from the buoyant market, with franchising income also up by 36% in the year as the increase in network revenue fed through to the franchising business. The Winkworth-owned offices, Tooting Estates Limited, Crystal Place Estates Limited and Winkworth Development and Commercial Investment Limited, contributed £2.2 million (2020: £1.0 million) to revenue and £0.45 million (2020: £0.19 million) to profit before tax.

## COST OF SALES

Cost of sales were up year on year as a result of increased franchising costs and additional recharge expenses.

## ADMINISTRATIVE EXPENSES

The increase has been largely driven by the inclusion of full year of the salary and on costs of the new Corporate owned offices and increased commission and bonus payments on the back of the strong revenue and profitability performance in the year.

## Group Strategic Report continued

### PROFIT BEFORE TAXATION

The net result of the above was that profits before tax increased to £3.21m.

### DIVIDENDS

On the back of the buoyant trading, the Group declared Ordinary Dividends of 9.3p in the year and decided to declare additional Special Dividends totalling 7.7p in the year, making a total of 17.0p per share (2020: 6.68p).

### WORKING CAPITAL

We increased our working capital levels from 2020, including cash balances of £5.02m (2020: £4.66m), and continue to have no external debt.

### PRINCIPAL RISKS AND UNCERTAINTIES

The group is exposed to more external than internal risks, the main ones being competitive pressures, the state of the housing market and the legal and regulatory environment.

#### EXTERNAL HEALTH AND POLITICAL UNCERTAINTIES

##### GEOPOLITICAL DEVELOPMENTS

Risk: Consumer confidence may weaken as a result of the Ukrainian crisis and its impact on inflation, particularly of energy costs. A tightening of UK interest rates in response to higher prices could have a negative impact on housing demand.

Management action: Winkworth is used to working through all points of the interest rate cycle and, through a conservative management approach to costs, is well positioned to adapt to changing market conditions.

##### LOCKDOWNS

Risk: Further waves of Covid-19 variants could lead to new lockdowns, impacting on our ability to trade and potentially reducing our income. The health and safety of staff, franchise staff and customers remain our first priority.

Mitigation: We will continue to work with our franchisees to follow Government advice addressing public safety and the economic impacts of lockdown. The group's digital infrastructure and systems have proven their ability to enable the network to conduct its business with minimised interruption during lockdown. Our franchise model, strong cash position and debt-free balance sheet also mean we are well-placed to deal with evolving situations.

##### COMPETITION

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

Management action: We monitor the market and our competitors' activities closely and are constantly working to ensure that quality and value remains at the heart of our service offering. We invest consistently in our digital offering to ensure that it meets the high standards required by our franchisees and their customers.

## Group Strategic Report continued

### **MARKET**

**Risk:** 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 fluctuations in the London market, with the majority of revenues generated by franchisees concentrated in the London area.

**Management action:** We have strong local market knowledge and expertise, both in London and in the country markets, and aim to provide the highest level of service in order to satisfy the requirements of our customers and win repeat business.

### **LEGAL & REGULATORY ENVIRONMENT**

**Risk:** 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.

**Mitigation:** 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.

### **DIGITAL INFRASTRUCTURE AND IT RISK**

**Risk:** Winkworth's IT and Digital infrastructure connects the Winkworth network and is therefore a source of competitive advantage. However, it also means that our operations are reliant on IT systems and technology and certain external suppliers. These are at risk of failure either because of technical issues or from the growing threat of cyber-attacks. Any failure of systems or technology would cause disruption, and any extended period of downtime, loss of backed up information or delay in recovering information could impact significantly on our ability to conduct business.

**Mitigation:** Firewalls and anti-virus software are installed to protect our networks. Information is routinely backed up and our in-house IT team works with external parties to ensure that the IT infrastructure is securely maintained in accordance with data protection regulations and appropriate disaster recovery and business continuity plans are in place. The IT needs of the business are regularly monitored, and we invest in new technology and services as necessary.

### **RECRUITMENT OF FRANCHISEES AND THE BUILDING OF FRANCHISES**

**Risk:** Winkworth looks to attract new franchisees with the necessary skills, expertise and resources either to set up a "cold start" in a new territory or convert their existing business to the Winkworth brand. Winkworth also looks to support existing franchisees looking to purchase businesses.

Failure to do so may have a detrimental effect upon Winkworth's trading performance.

**Mitigation:** Winkworth has an established new franchising department which runs a robust selection process to reduce the risk of failure. The department verifies the suitability of its prospective franchisees and provides ongoing training and monitoring to its franchisees once they are accepted into the Group. The Board monitors the performance of the new franchising team and is focused on identifying innovative ways of attracting successful new franchise owners.

## Group Strategic Report continued

### REPUTATIONAL RISK

Risk: Winkworth's brand and reputation is central to its franchise offering. The way in which Winkworth and its franchisees conduct their business and the service they provide helps drive the financial results of the business.

Failure by the franchisees to meet the expectations of their sellers, buyers, landlords and tenants may have a material impact on Winkworth's business, operations and financial performance. Similarly, failure to comply with regulations or legislation may also adversely affect Winkworth's reputation and its brand.

Mitigation: All franchisees are required to be members of trade bodies and the Property Ombudsman Service.

Winkworth strives to make sure that its franchisees achieve the service levels set down for them and remain compliant with the law by regular training provided through the Winkworth Academy and internal auditing.

Whilst Winkworth conducts extensive checks on the suitability of its prospective franchisees, it cannot be entirely certain that a franchisee does not have some potentially embarrassing adverse history which may come to light and which risks damaging the reputation of the brand.

### SECTION 172(1) STATEMENT

The directors set out their statement of compliance with s172 (1) of the Companies Act 2006 which should be read in conjunction with the rest of the annual report and with the Corporate Governance section of the M Winkworth plc website

Stakeholder	How we engage
<b>Shareholders</b>	
We seek to build long term investor loyalty through dynamic performance and regular updates on the market and our positioning	<ul style="list-style-type: none"> <li>– Annual report &amp; accounts- Interim report &amp; trading updates- AGM where directors can take questions- Investor roadshows- Stock Exchange announcements</li> </ul>
<b>Franchisees</b>	
The success of our franchisees, independent managers building businesses backed by our brand and support, is key to the performance of our Company.	<ul style="list-style-type: none"> <li>– Meetings with franchisee groups to establish a common agenda- Proactive and reactive contact with individual franchisees</li> <li>– Up to-date regulatory and commercial information published on the website- Training programmes and help with recruitment- Working groups designed to align interests on specific projects</li> </ul>
<b>Employees</b>	
The pandemic has presented new challenges, including periods of working from home, for our head office staff. We enjoy a long average length of service, reflecting the positive and inclusive culture we seek to create	<ul style="list-style-type: none"> <li>– Close and informative communications maintained during lockdowns</li> <li>– Regular assessments and equal opportunities- Focus on employee retention</li> <li>– Social events in person or on Zoom to encourage integration</li> </ul>



## Group Strategic Report continued

Stakeholder	How we engage
<p><b>Customers</b></p> <p>We are constantly aware of the evolving needs of our customers, discerning property buyers and landlords requiring the highest levels of service</p>	<ul style="list-style-type: none"> <li>– Franchisees are provided with extensive training to update their understanding of regulatory issues and best practice</li> <li>– Company website is systematically upgraded to provide highest levels of service and ease of access</li> <li>– Undertake market research to understand the perception of the Company and where we can improve</li> </ul>
<p><b>Community &amp; Environment</b></p> <p>We consider the impact on local communities and the environment in all of our decisions</p>	<ul style="list-style-type: none"> <li>– Winkworth is a carbon neutral company. Our Corporate Carbon Footprint (CCF) has been independently calculated and we are continuously reducing our carbon emissions while offsetting unavoidable ones through carbon offset projects.- Encourage involvement in local communities across our network- Rotate the charities that we support to match the footprint of our business and the communities that we operate in- Support Habitat for Humanity by organising awaydays for employees to contribute to building community projects, and sponsor LYR, helping on volunteer days to encourage youngsters' involvement in sport to learn the benefits of teamwork and self-discipline</li> </ul>

The directors preside over the Group for the benefit of all stakeholders. In making decisions, the directors take into account both their potential short- and long-term implications. The basic goal is the long-term sustainable growth of the business which will see returns to shareholders increasing, enable franchisees and employees to realise their ambitions, and help customers of the Winkworth network achieve their goals.

As a number of significant shareholders sit on the Board, the discussions on key strategic decisions and the quarterly dividend payments ensure that the wishes of shareholders are aligned with those of the company over both the short and longer term.

Winkworth strives to maintain a reputation for the highest standards of business conduct. The directors always endeavour to operate to the highest ethical standards in order to maintain and promote the reputation of the Company.

Our adoption of the QCA Corporate Governance Code provides the oversight and context for how we achieve these standards. We support best practice in estate agency through involvement with regulatory bodies such as NAEA and NALS as well as providing training and professional development through our Learning and Development Hub.

## Group Strategic Report continued

Looking at the individual stakeholder groups in more detail:

**Shareholders:** The directors provide information for shareholders through the AGM, the annual report, the interim report, public announcements made through RNS and via its website. The Board recognises the AGM as an important opportunity to meet private shareholders and the Directors are available to listen to the views of shareholders informally immediately following the AGM. The CEO and CFO conduct roadshows for institutional investors at the time of our interim and annual reports.

**Franchisees:** Meetings are held with representative groups of franchisees to share their input on key strategic and operational issues. The ownership of Tooting Estates Limited and Crystal Palace Estates Limited, whilst not representing a departure from our traditional franchising approach, will improve our own awareness of day-to-day market issues and their impact on customers, suppliers and other stakeholders.

**Employees:** When considering the long-term prosperity of the Company, the directors take considered account of the outcome of all decisions on its employees and undertake to act in their best interests. Employees are given regular assessments and offered equal opportunities. We are committed to providing a working environment that promotes employees' wellbeing whilst facilitating their performance.

**Customers:** In a highly competitive environment, winning and retaining customers is a key objective. Winkworth takes great store in the quality of its brand and maintains it by applying the highest standards of conduct and business practice in its everyday dealings. By developing and enhancing its digital presence, the Company is ensuring that it more than meets the evolving needs of its franchisees and their customers.

**Community and environment:** The Company is mindful of the impact of its operations on both the community and the environment, and expects both its employees and its suppliers to meet exacting standards in their everyday business conduct.

### OUTLOOK

With a busy end to the year in London and increasing interest in central London markets, where both sales and lettings are benefiting as city life returns to a more normal footing, we expect activity to be brisk in 2022. London sales prices are again starting to rise, supported by a historically low interest rate environment and record levels of household savings.

Houses in all locations remain the most sought-after type of property, albeit we are seeing demand for flats in London being more active in 2022 than they have been for several years. Overall, we expect to see London prices improve further this year. In the country markets, it is possible that activity will drop off from the elevated levels experienced in 2021, but a shortage of supply should continue to support prices in the near term.

In lettings we anticipate that prices will move up significantly due to a lack of supply. Rental demand remains very strong and, while we expect to see growth in rentals income in 2022, this will be limited by the availability of properties.

## Group Strategic Report continued

Having recruited talented new franchisees to create local hubs in Devon, Norfolk and Dorset, we plan to further expand in these areas through a combination of organic growth and acquisitions supported by the Company.

With new areas of regional expansion, our backing of ambitious operators building local businesses, and growth in our core business, where our long-established offices are benefiting from a revival in activity in their prime markets, we see opportunities to grow our business above market trend whilst both paying a progressive dividend and maintaining a healthy cash balance.

**ON BEHALF OF THE BOARD:**

**D C M Agace**  
*Director*

11 April 2022

# Report of the Directors

The directors present their report with the financial statements of the company and the group for year ended 31 December 2021.

## PAYMENTS TO SHAREHOLDERS

Dividends of £1,566k (2020 – 889k) were paid during the year.

## DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2021 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 names, together with biographical details, are shown on the group's website [www.winkworthplc.com](http://www.winkworthplc.com). The directors' remuneration for the year is set out in note 4 to the financial statements. There were no changes to the directors during the period.

## Compliance with the QCA Code

As mentioned in the Chairman's Statement on Corporate Governance, Winkworth adheres to the QCA Code on Corporate Governance. Full details of how the ten principles have been applied are shown on our website [www.winkworthplc.com](http://www.winkworthplc.com).

The website was reviewed for compliance with the QCA Code on 29 March 2022 and was updated accordingly.

## Composition, experience and training

The Board comprises two Executive Directors and three Non-executive Directors. The Non-executive Directors are all professionally qualified and experienced in Winkworth's areas of operation. Whilst Lawrence Alkin owns more than 3 per cent. of the Ordinary Shares of M Winkworth PLC, he is considered to be independent, and all the non-executive Directors are considered to bring an

independent judgement to bear notwithstanding their relationships, varying lengths of service, and investments in M Winkworth PLC.

The chairman and CEO review the balance of skills, knowledge and experience on the board and make appropriate recommendations for consideration by the whole board. The directors consider that the board is well-balanced and has the right number of members for the size of the group. The Non-executive Directors are professionally qualified and have considerable property, estate agency and franchise experience and expertise. Andrew Nicol is a chartered accountant with broad finance and operational experience. Dominic Agace has grown through the ranks of the business and has been CEO of Winkworth since flotation.

Regular briefings on legislative developments such as GDPR, Money Laundering, and the like are provided by the company's lawyers and General Counsel. The Board also received training on compliance with the AIM Rules for Companies and aspects of the Market Abuse Regulations. As members of the ICAEW, Andrew Nicol and John Nicol keep up-to-date through their CPD.

## Performance evaluation

All Directors undergo a performance evaluation before being proposed for re-election to ensure that their performance is, and continues to be, effective; that, where appropriate, they maintain their independence; and that they are demonstrating continued commitment to the role. Appraisals are carried out each year for all Executive Directors.

The Board carries out an evaluation of its performance annually, taking into account the Financial Reporting Council's Guidance on Board Effectiveness.

## Report of the Directors continued

### Time commitments

The Executive Directors are expected to devote substantially the whole of their time, attention and ability to their duties, whereas, as one would expect, the Non-executives have a lesser time commitment. It is anticipated that each of the Non-executives will dedicate 15 days a year. The Non-executive directors have all confirmed that they are able to allocate sufficient time to meet the expectations of their role.

### Meeting attendance

Details of the meetings of the Board and the various sub-committees of the Board during 2021, together with the attendance of the different Directors is as follows:-.

Director	Board	Remuneration Committee	Audit Committee
Simon Agace	11	–	–
Lawrence Alkin	11	1	3
John Nicol	11	1	3
Dominic Agace	11	–	–
Andrew Nicol	11	–	–

### Board Committee Reports

#### Remuneration Committee

The Committee, chaired by Lawrence Alkin and with John Nicol in attendance met in December to discuss and approve certain bonuses in respect of 2021 and the 2022 remuneration of the Executive Directors and key senior managers in the group.

#### Audit Committee

The Committee, chaired by John Nicol, and with Lawrence Alkin in attendance met three times in 2021. In March the Committee met with Crowe to discuss and approve the 2020 Accounts and to review the Audit. In September, the Committee met to discuss and approve the 2021 Interim results and Announcement. In December, the Committee met to discuss Risk and approve the Accounting Policies.

The Remuneration Committee looks to ensure that the pay of directors and other senior Winkworth staff is set at a level that is competitive and will help retain senior talent. Remuneration is reviewed annually against internal and external measures to ensure that levels are appropriate. In addition, the Committee will sound out major shareholders before finalising their decisions.

As well as considering wage inflation and other economic considerations in the UK, the Committee review executive director fixed and variable remuneration levels against a peer group of quoted estate agency companies to ensure that the different elements are not out of line. The level of bonuses paid in 2021 reflect the group's exceptionally strong performance in the year and the significantly increased returns that shareholders enjoyed in the period.

## Report of the Directors continued

### 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 Annual 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 UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 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*

11 April 2022

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

## Opinion

We have audited the financial statements of M Winkworth Plc (the “parent company”) and its subsidiaries (the “group”) for the year ended 31 December 2021 which comprise:

- the Group statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021;
- the Group and Parent Company statements of financial position as at 31 December 2021;
- the Group and Parent Company statements of changes in equity for the year ended 31 December 2021;
- the Group and Parent Company statements of cash flows for the year ended 31 December 2021; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and in accordance with UK adopted International Accounting Standards and, as regards the Parent 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 of the parent company’s affairs as at 31 December 2021 and of the group’s profit for the period then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards, as applied in accordance with 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 other 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 opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors assessment of the Group’s and Parent Company’s ability to continue to adopt the going concern basis of accounting included:

- Reviewing management’s financial projections for the Group and Parent Company for a period of more than 12 months from the date of approval of the financial statements.
- Checking the numerical accuracy of management’s financial projections
- Challenging management on the assumptions underlying those projections and considering the impact of reductions in anticipated net cash inflows.

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

- Obtaining the latest management results post year end 31 December 2021 to assess how the Group and Parent Company are performing compared to the projections.
- Performing sensitivity analysis on key inputs into the projections by calculating the impact of various scenarios and considering the impact on the group and parent Company's ability to continue as a going concern in the event that a downward scenario occurs.
- Assessing the completeness and accuracy of the matters described in the going concern disclosures within the significant accounting policies as set out in Note 2.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Our approach to the audit

#### Our application of materiality

##### Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group

financial statements as a whole to be £105,000 (2020: £76,500) based on 5% of the average profit before tax over the 3 financial years to the reporting date, a benchmark chosen to normalise the effects of the Covid-19 pandemic on the group. Materiality for the Parent Company financial statements was set at £15,000 (2020: £20,000) based on a percentage of net assets, which we consider to be appropriate as the Parent Company is an investment holding company.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. We determined performance materiality for the Group financial statements as a whole to be £78,750 (2020: £57,375). Performance materiality for the Parent Company financial statements was set at £11,250 (2020: £15,000). £10,500 to £90,000 (2020: £15,000 to £71,000) is the range of performance materiality allocated to the significant components of the group.

Where considered appropriate performance materiality may be reduced to a lower level, such as for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £5,250 (2020: £4,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.



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

### Overview of the scope of our audit

There are three significant components in the group, the parent company, Winkworth Franchising and Tooting Estates. The parent company and Winkworth Franchising were subject to full scope audit by ourselves, Tooting Estates was audited by a component auditor.

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

We directed the component auditor regarding the audit approach at the planning stage, issued instructions that detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported on. The audit team, including the audit engagement partner, met with the component auditor to review the component auditors' working papers, discuss key findings directly with the component audit team and component auditor reporting partner and conclude on significant issues.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

This is not a complete list of all risks identified by our audit.

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

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Completeness of revenue</b> Group revenue was derived mainly from its principal activity, being commissions and subscriptions to the Group under franchise agreements, the accounting policy for which is disclosed in note 2. Revenue in respect of commissions due on house sales is recognized upon completion of the sale of the relevant property by the franchisee. Revenue in respect of commissions due on lettings, property management and administration services is recognized 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 the part of franchisees. Therefore there is a potential risk in terms of the completeness of revenue being recognised.</p>	<p>We performed audit procedures follows:</p> <ul style="list-style-type: none"> <li>• performing a proof in total completeness check over the franchise commission income against income recognized</li> <li>• agreeing a sample of sales income to completion statements from lawyers and franchisees in respect of property sales</li> <li>• for a sample of rental and sales transactions, checking the accuracy of commission received to source documentation such as franchisee returns and completion statements, to the nominal ledger to check that revenue had been accurately calculated</li> <li>• testing completeness of income from ‘for sale’ and ‘lettings available’ information on franchisee websites in the year through to subsequent receipt of commission</li> <li>• checking the group’s internal compliance procedures, which are carried out to ensure completeness of income, had been undertaken on a monthly basis</li> </ul> <p>Based on the outcome of the above procedures, we did not identify any material misstatements in our assessment of the completeness of income.</p>

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

#### Other information

The Directors are responsible for the other information contained within the annual report.

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.

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

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of our 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 their 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns

adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

### Use of our report

This report is made solely to the 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.

### Stephen Bullock

Crowe U.K. LLP, *Senior Statutory Auditor*  
55 Ludgate Hill  
London  
EC4M 7JW

11 April 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
<b>CONTINUING OPERATIONS</b>			
Revenue	3	9,451	6,406
Cost of sales		(1,294)	(1,137)
<b>GROSS PROFIT</b>		<b>8,157</b>	<b>5,269</b>
Other operating income		18	48
Administrative expenses		(4,941)	(3,921)
Other operating expenses		–	119
<b>OPERATING PROFIT</b>		<b>3,234</b>	<b>1,515</b>
Finance costs	5	(52)	(22)
Finance income	5	32	39
<b>PROFIT BEFORE TAX</b>	6	<b>3,214</b>	<b>1,532</b>
Tax	7	(606)	(295)
<b>PROFIT AND TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,608</b>	<b>1,237</b>
Profit attributable to:			
Owners of the parent		2,519	1,169
Non-controlling interests		89	68
		<b>2,608</b>	<b>1,237</b>
		£	£
Earnings per share expressed in pence per share:	9		
Basic		19.78	9.18
Diluted		19.48	9.14

The notes form part of these financial statements

# Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 £'000	2020 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	925	850
Property, plant and equipment	11	944	827
Prepaid assisted acquisitions support	12	279	338
Investments	13	71	71
Trade and other receivables	14	334	307
		<b>2,553</b>	<b>2,393</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	14	1,301	911
Cash and cash equivalents	15	5,019	4,661
		<b>6,320</b>	<b>5,572</b>
<b>TOTAL ASSETS</b>		<b>8,873</b>	<b>7,965</b>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	17	64	64
Other reserves	18	51	51
Retained earnings	18	6,145	5,147
		<b>6,260</b>	<b>5,262</b>
Non-controlling interests	16	72	165
<b>TOTAL EQUITY</b>		<b>6,332</b>	<b>5,427</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	19	632	512
Deferred tax	21	97	90
		<b>729</b>	<b>602</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	1,412	1,756
Tax payable		400	180
		<b>1,812</b>	<b>1,936</b>
<b>TOTAL LIABILITIES</b>		<b>2,541</b>	<b>2,538</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,873</b>	<b>7,965</b>

The financial statements were approved by the Board of Directors and authorised for issue on 11 April and were signed on its behalf by:

**D C M Agace**  
Director

The notes form part of these financial statements

# Company Statement of Financial Position

31 December 2021

	Notes	2021 £'000	2020 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments	13	63	63
		<b>63</b>	<b>63</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	14	1,268	1,268
Cash and cash equivalents	15	425	425
		<b>1,693</b>	<b>1,693</b>
<b>TOTAL ASSETS</b>		<b>1,756</b>	<b>1,756</b>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	17	64	64
Other reserves	18	51	51
Retained earnings	18	1,641	1,641
<b>TOTAL EQUITY</b>		<b>1,756</b>	<b>1,756</b>
<b>LIABILITIES</b>			
<b>TOTAL LIABILITIES</b>		<b>–</b>	<b>–</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,756</b>	<b>1,756</b>

As permitted by Section 408 the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The profit for the year was £1,566,000 (2020 – £890,000).

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 11 April and were signed on its behalf by:

**D C M Agace**  
Director

The notes form part of these financial statements

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Called up share capital £'000	Retained earnings £'000	Other reserves £'000
<b>Balance at 1 January 2020</b>	64	4,867	51
<b>Changes in equity</b>			
Dividends	–	(889)	–
Total comprehensive income	–	1,169	–
<b>Balance at 31 December 2020</b>	64	5,147	51
<b>Changes in equity</b>			
NCI on acquisition of shares	–	45	–
Dividends	–	(1,566)	–
Total comprehensive income	–	2,519	–
<b>Balance at 31 December 2021</b>	<b>64</b>	<b>6,145</b>	<b>51</b>

  

	Total £'000	Non-controlling interests £'000	Total equity £'000
<b>Balance at 1 January 2020</b>	4,982	97	5,079
<b>Changes in equity</b>			
Dividends	(889)	–	(889)
Total comprehensive income	1,169	68	1,237
<b>Balance at 31 December 2020</b>	5,262	165	5,427
<b>Changes in equity</b>			
NCI on acquisition of shares	45	(182)	(137)
Dividends	(1,566)	–	(1,566)
Total comprehensive income	2,519	89	2,608
<b>Balance at 31 December 2021</b>	<b>6,260</b>	<b>72</b>	<b>6,332</b>

The notes form part of these financial statements



# Company Statement of Changes in Equity

for the year ended 31 December 2021

	Called up share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
<b>Balance at 1 January 2020</b>	64	1,640	51	1,755
<b>Changes in equity</b>				
Dividends	–	(889)	–	(889)
Total comprehensive income	–	890	–	890
<b>Balance at 31 December 2020</b>	64	1,641	51	1,756
<b>Changes in equity</b>				
Dividends	–	(1,566)	–	(1,566)
Total comprehensive income	–	1,566	–	1,566
<b>Balance at 31 December 2021</b>	64	1,641	51	1,756

The notes form part of these financial statements

# Consolidated Statement of Cash Flows

for the Year Ended 31 December 2021

	Notes	2021 £'000	2020 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	2,958	2,762
Interest paid		(1)	–
Tax paid		(382)	(313)
<b>Net cash from operating activities</b>		<b>2,575</b>	<b>2,449</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(180)	(142)
Purchase of tangible fixed assets		(46)	(82)
Purchase of assisted acquisitions support		(50)	(17)
Interest received		32	39
<b>Net cash from investing activities</b>		<b>(244)</b>	<b>(202)</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(219)	(246)
Interest paid on lease liabilities		(51)	(22)
Acquisition of non-controlling interest		(137)	–
Equity dividends paid		(1,566)	(889)
<b>Net cash from financing activities</b>		<b>(1,973)</b>	<b>(1,157)</b>
<b>Increase in cash and cash equivalents</b>		<b>358</b>	<b>1,090</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>4,661</b>	<b>3,571</b>
<b>Cash and cash equivalents at end of year</b>		<b>5,019</b>	<b>4,661</b>

The notes form part of these financial statements

# Company Statement of Cash Flows

For the Year Ended 31 December 2021

	Notes	2021 £'000	2020 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	–	1
Net cash from operating activities		–	1
<b>Cash flows from investing activities</b>			
Dividends received		1,566	889
Net cash from investing activities		1,566	889
<b>Cash flows from financing activities</b>			
Equity dividends paid		(1,566)	(889)
Net cash from financing activities		(1,566)	(889)
<b>Increase/(decrease) in cash and cash equivalents</b>		–	1
<b>Cash and cash equivalents at beginning of year</b>		425	424
<b>Cash and cash equivalents at end of year</b>		425	425

The notes form part of these financial statements

# Notes to the Statements of Cash Flows

For the Year Ended 31 December 2021

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

### Group

	2021 £'000	2020 £'000
Profit before tax	3,214	1,532
Depreciation charges	509	555
Loss on disposal of fixed assets	1	–
Impairment of intangible	–	66
Negative goodwill	–	(119)
FV uplift on investment	–	(28)
Finance costs	52	22
Finance income	(32)	(39)
	<b>3,744</b>	<b>1,989</b>
(Increase)/decrease in trade and other receivables	(411)	67
(Decrease)/increase in trade and other payables	(375)	706
<b>Cash generated from operations</b>	<b>2,958</b>	<b>2,762</b>

### Company

	2021 £'000	2020 £'000
Profit before tax	1,566	890
Finance income	(1,566)	(889)
<b>Cash generated from operations</b>	<b>–</b>	<b>1</b>

The notes form part of these financial statements

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2021

## 1. STATUTORY INFORMATION

M Winkworth Plc is a public company, registered in England and Wales and listed on AIM. The company's registered number and registered office address can be found on the General 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 UK adopted International Accounting Standards. The financial statements are presented in pound sterling, which is also the company's functional currency. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

### 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.

The group has a strong cash base and no borrowings, with a high level of discretionary expenditure, which can be cut at short notice. Income would need to fall substantially for a prolonged period, beyond six months, before a cash shortfall arose, at which point stronger measures would be taken to cut costs. Thus they continue to adopt the going concern basis of accounting in preparing the accounts.

### 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. Negative goodwill is recognised in the statement of comprehensive income immediately.

The only acquisition in the year was of an additional shareholding in Tooting Estates Limited of 35 per cent. (see note 24).

### Revenue

Revenue represents the value of commissions and subscriptions due to the group under franchise agreements, together with the value of fees earned by its subsidiary lettings business. 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. The group earns a straight 8 per cent. by value on all sales and lettings income generated by the franchisees.

### Intangible assets

Intangible assets represent customer lists acquired with an acquisition in the year and website development costs relating to the franchisee platform.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 2. ACCOUNTING POLICIES – continued

The website development costs are amortised over their useful life which is deemed to be 3-6 years. Customer lists are amortised over 15 years on a straight line basis. 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.

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

#### Prepaid assisted acquisitions support

Prepaid assisted acquisitions support represents amounts paid to franchisees on the incorporation of their business into the Winkworth brand. The amounts paid to franchisees are contributions towards their growth plans, which in turn will grow the Winkworth brand.

Amounts paid to franchisees are amortised over the initial 10 year franchise agreement on a straight-line basis as a reduction in revenue.

#### 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 – 25% 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 substantively 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.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

## 2. ACCOUNTING POLICIES – continued

### Government grants

Government assistance was claimed during 2020 as entitled under the Coronavirus Job Retention Scheme (CJRS). CJRS is a furlough scheme administered by Her Majesty's Revenue & Customs (HMRC). The scheme allowed companies to reclaim up to 80 per cent. of employment costs for employees who might otherwise have been subject to redundancy as a result of downturn in trade caused by the Coronavirus pandemic.

Any amounts received in the year were recorded as other income within 2020. Where amounts have been or are planned to be repaid back to HMRC, these have reduced the other income.

The assistance provided was unconditional, outside of the obligation to pay a minimum of the amount received over to affected employees, that these employees would no longer be required to perform any duties whilst furloughed and that they were retained in the company's employ for the period of each claim. There are no other contingencies that apply to the amounts received.

### Investments

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

Listed investments are recognised at fair value by reference to publicly available share prices.

### 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. The share based payment vested in the year and the charge was immaterial.

### Cash and cash equivalents

Cash and cash equivalents is defined as cash balances in hand and in the bank (including short term cash deposits).

### Dividends

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

### Financial assets

The group has only financial assets classified into the amortised cost category and these comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

These assets arise principally through the provision of services to customers (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.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

## 2. ACCOUNTING POLICIES – continued

The group recognises an allowance for expected credit losses (ECLs) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables due from related parties and loans to related parties are recognised on the general approach within IFRS 9 applying 12 months expected credit losses, unless there has been a significant increase in credit risk since initial recognition of the financial asset, in which case lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

### Financial liabilities

The group has only financial liabilities classified into the amortised cost category. These liabilities consist of trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

### Leases

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

Short term leases of 12 months or less or leases of low-value assets are charged to the statement of comprehensive income on a straight-line basis over the life of the lease.



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 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 website development and franchise branding prepaid acquisitions assisted support.  
The group is required to test, where indicators of impairment exist, whether website development and franchise prepaid acquisitions assisted support branding have suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires a number of estimates to be made including the estimation of future cash flows from franchisees, which are based on historic trends, and the choice of a discount rate in order to calculate the present value of the cash flows. At 31 December 2021 there were no indicators of impairment.
- (b) Valuation and impairment of customer lists  
The valuation of customer lists was based on industry multiples of 150 per cent. of the historic lettings revenue and 100 per cent. of the sales revenue, discounted by 30 per cent. for lettings and 70 per cent. for sales revenues, to reflect the future prospects and inherent goodwill relating to the staff of the business. An assumption has been made that cash flows from the lettings business will fall by 7 per cent. per annum.  
  
The group is required to test, where indicators of impairment exist, whether customer lists have suffered any impairment. At 31 December 2021 there were no indications of impairment. Should future cashflows of the business fall by 15 per cent., this would give rise to impairment of £85,769.
- (c) 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. The group recognises an allowance for ECLs for trade receivables in accordance with the Financial assets accounting policy on page 30.

### 3. REVENUE

#### Segmental reporting

The board of directors, as the chief operating decision making body, review financial information and make decisions about the group's business and have identified a single operating segment, that of estate agency and related services and the franchising thereof.

The directors believe that there are two material revenue streams relevant to estate agency franchising.

	2021 £'000	2020 £'000
<b>Revenue</b>		
Estate agency and lettings business	<b>2,231</b>	1,083
Commissions and subscriptions due to the group under franchise agreements	<b>7,220</b>	5,323
	<b>9,451</b>	6,406

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 4. EMPLOYEES AND DIRECTORS

	2021 £'000	2020 £'000
Wages and salaries	3,113	2,290
Social security costs	357	276
Other pension costs	44	34
	<b>3,514</b>	<b>2,600</b>

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

	2021	2020
Office and management	54	46

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 2021 Total £'000	Year to 31 December 2020 Total £'000
D C M Agace	226	1	4	–	228	179
S P Agace	55	–	21	–	58	54
J Nicol	22	–	8	–	23	20
L M Alkin	22	–	–	–	22	20
A J D Nicol	172	1	–	–	173	123
Total	497	2	33	–	532	396

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 (2020 – 2).

At the year end, D C M Agace held 327,686 (2020 – 327,686) share options with a value of £20,306 (2020 – £20,306) and A J D Nicol held 161,157 (2020 – 161,157).

There was no charge in the year in respect of share options

#### Company

The company had no employees other than the directors, who were remunerated by Winkworth Franchising Limited.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 5. NET FINANCE COSTS

	2021 £'000	2020 £'000
Finance income:		
Interest receivable	32	39
Finance costs:		
Lease interest payable	(52)	(22)
Net finance (cost)/income	(20)	17

### 6. PROFIT BEFORE TAX

The profit before tax is stated after charging:

	2021 £'000	2020 £'000
Depreciation – owned assets	54	46
Depreciation – right of use asset	244	247
Intangible assets and prepaid assisted acquisitions support amortisation	212	304
Fees attributable to the auditors of the parent company		
– audit of the group	48	45
Fees attributable to the component auditors' remuneration unaffiliated with the parent company auditors		
– audit of the subsidiary	13	6
– non audit	20	18
Bad debts	(86)	(29)

Included within auditor's remuneration above is £11,000 (2020 – £11,000) relating to the company.

### 7. TAX

#### Analysis of tax expense

	2021 £'000	2020 £'000
Current tax:		
Taxation	599	302
Adjustment re previous years	–	(3)
Total current tax	599	299
Deferred tax	7	(4)
Total tax expense in consolidated statement of profit or loss and other comprehensive income	606	295

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 7. TAX – continued

#### Factors affecting the tax expense

The tax assessed for the year is lower (2020 – higher) than the standard rate of corporation tax in the UK.

The difference is explained below:

	2021 £'000	2020 £'000
Profit before income tax	3,214	1,532
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 – 19%)	611	291
Effects of:		
(Income)/Expenses not deductible for tax purposes	(18)	3
Adjustment in respect of prior periods taxable	–	(3)
Depreciation in excess of capital allowances	12	5
Other movements	1	(1)
Tax expense	606	295

### 8. DIVIDENDS

	2021 £'000	2020 £'000
Ordinary shares of 0.5p each		
Interim	1,566	889

### 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	2021 Weighted average number of shares '000	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	2,519	12,733	19.78
<b>Effect of dilutive securities</b>			
Options	–	195	–
<b>Diluted EPS</b>			
Adjusted earnings	2,519	12,928	19.48

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 9. EARNINGS PER SHARE – continued

	Earnings £'000	2020 Weighted average number of shares '000	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	1,169	12,733	9.18
<b>Effect of dilutive securities</b>			
Options	–	57	–
<b>Diluted EPS</b>			
Adjusted earnings	1,169	12,790	9.14

### 10. INTANGIBLE ASSETS

	Customer lists £'000	Website Development £'000	Total £'000
<b>COST</b>			
At 1 January 2021	643	567	1,210
Additions	–	179	179
At 31 December 2021	643	746	1,389
<b>AMORTISATION</b>			
At 1 January 2021	58	302	360
Amortisation for year	45	59	104
At 31 December 2021	103	361	464
<b>NET BOOK VALUE</b>			
At 31 December 2021	540	385	925
At 31 December 2020	585	265	850

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 10. INTANGIBLE ASSETS – continued

	Customer lists £'000	Website Development £'000	Total £'000
<b>COST</b>			
At 1 January 2020	496	425	921
Additions	147	142	289
At 31 December 2020	643	567	1,210
<b>AMORTISATION</b>			
At 1 January 2020	18	235	253
Amortisation for year	40	67	107
At 31 December 2020	58	302	360
<b>NET BOOK VALUE</b>			
At 31 December 2020	585	265	850

### 11. PROPERTY, PLANT AND EQUIPMENT

#### Group

Year ended 31 December 2021

	Right of use £'000	Computer equipment £'000	Fixtures and fittings £'000	Totals £'000
<b>COST</b>				
At 1 January 2021	1,238	23	417	1,678
Additions	368	5	42	415
Disposals	(407)	–	–	(407)
At 31 December 2021	1,199	28	459	1,686
<b>DEPRECIATION</b>				
At 1 January 2021	532	9	310	851
Charge for year	244	6	48	298
Eliminated on disposal	(407)	–	–	(407)
At 31 December 2021	369	15	358	742
<b>NET BOOK VALUE</b>				
At 31 December 2021	830	13	101	944

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 11. PROPERTY, PLANT AND EQUIPMENT – continued

Year ended 31 December 2020

	Right of use £'000	Computer equipment £'000	Fixtures and fittings £'000	Totals £'000
<b>COST</b>				
At 1 January 2020	807	9	349	1,165
Additions	431	14	68	513
At 31 December 2020	1,238	23	417	1,678
<b>DEPRECIATION</b>				
At 1 January 2020	285	6	267	558
Charge for year	247	3	43	293
At 31 December 2020	532	9	310	851
<b>NET BOOK VALUE</b>				
At 31 December 2020	706	14	107	827

### 12. PREPAID ASSISTED ACQUISITIONS

SUPPORT

Group

Year ended 31 December 2021

	Total £'000
<b>COST</b>	
At 1 January 2021	1,603
Additions	50
Disposals	(13)
At 31 December 2021	1,640
<b>DEPRECIATION</b>	
At 1 January 2021	1,265
Charge for year	109
Eliminated on disposal	(13)
At 31 December 2021	1,361
<b>NET BOOK VALUE</b>	
At 31 December 2021	279

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 12. PREPAID ASSISTED ACQUISITIONS – continued

#### Group

Year ended 31 December 2021

	Total £'000
<b>COST</b>	
At 1 January 2020	1,652
Additions	17
Impairment	(66)
At 31 December 2020	1,603
<b>DEPRECIATION</b>	
At 1 January 2020	1,111
Charge for year	154
At 31 December 2020	1,265
<b>NET BOOK VALUE</b>	
At 31 December 2020	338

Prepayments to franchisees on the incorporation of their business into the Winkworth brand are presented as prepaid assisted acquisitions support. Additions represent sums provided to franchisees that have made qualifying acquisitions as contributions towards their growth plans.

#### Company

No prepaid acquisitions support exists in the Parent Company.

### 13. INVESTMENTS

#### Group

Listed investments

	Listed investments £'000
<b>COST</b>	
At 1 January 2021	71
Fair value uplift	–
At 31 December 2021	71
<b>NET BOOK VALUE</b>	
At 31 December 2021	71



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 13. INVESTMENTS – continued

	Listed investments £'000
<b>COST</b>	
At 1 January 2020	43
Fair value uplift	28
At 31 December 2020	71
<b>NET BOOK VALUE</b>	
At 31 December 2020	71

The listed investments are considered at level 1 under the IFRS 13 hierarchy.

#### Company

	2021 £'000	2020 £'000
<b>COST</b>		
At 1 January	63	63
<b>NET BOOK VALUE</b>		
At 31 December	63	63

#### Subsidiary undertakings

M Winkworth Plc had the following subsidiary undertakings as at 31 December 2021:

	per cent. 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

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 13. INVESTMENTS – continued

The following are shares held indirectly through Winkworth Franchising Limited:

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 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
Tooting Estates Limited	England and Wales	Estate agency and lettings management	Ordinary Shares	90
Crystal Palace Estates Limited	England and Wales	Real estate agency	Ordinary Shares	100
Winkworth Development and Commercial Investment Limited	England and Wales	Other business support service activities	Ordinary Shares	100
Lumley 1 Limited	England and Wales	Dormant	Ordinary Shares	100

The registered office for Tooting Estates Limited is 17 Upper Tooting Road, London, SW17 7TS.

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

Winkworth Client Services Limited has taken advantage of S479A of the Companies Act 2006 to dispense with the need to have an audit. In order to qualify for this exemption M Winkworth Plc has provided a guarantee under this section of the act.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

## 14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Current:</b>				
Trade receivables	667	454	–	–
Amounts owed by group undertakings	–	–	1,268	1,268
Loans to franchisee	195	218	–	–
Other receivables	38	32	–	–
Prepayments and accrued income	401	207	–	–
	<b>1,301</b>	<b>911</b>	<b>1,268</b>	<b>1,268</b>
<b>Non-current:</b>				
Loans to franchisees	334	307	–	–
Aggregate amounts	<b>1,635</b>	<b>1,218</b>	<b>1,268</b>	<b>1,268</b>

Trade receivables are stated net of bad debt provisions of £66,536 (2020 – £45,567). A bad debt reversal of £85,645 (2020 – £29,214) has been released to the statement of comprehensive income.

The company applies IFRS 9 simplified approach to measuring credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the company's historical credit losses experienced over the previous year.

### Expected credit loss assessment for customers as at 31 December 2021

The following table provides information about the exposure to credit risk and ECLs (expected credit losses) for trade receivables as at 31 December 2021. The simplified approach has been used, as permitted by IFRS 9.

	Weighted average loss rate £'000	Gross carrying amount £'000	Impairment loss allowance £'000
<b>31 December 2021</b>			
Current (not past due)	0%	248	–
1-30 days past due	1%	121	1.2
31-60 days past due	2%	70	0.7
over 60 days past due	28%	227	64.6
<b>31 December 2020</b>			
Current (not past due)	0%	303	–
1-30 days past due	1%	46	0.5
31-60 days past due	2%	16	0.4
Over 60 days past due	44%	103	44.8

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 14. TRADE AND OTHER RECEIVABLES – continued

Loss rates are based on actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Impaired receivables are only written off following the conclusion of administration proceedings.

#### Movements in the allowance for impairment in respect of trade receivables

Movements in the allowance for impairment in respect of trade receivables during the year was as follows:

	2021 £'000	2020 £'000
Balance at 1 January	45.6	306.1
Amounts written off	(85.6)	(29.2)
Net remeasurement of loss allowance	106.5	(231.3)
Balance at 31 December	66.5	45.6

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

Loans to franchisees are spread across varying terms and the agreements do not include any collateral on behalf of the franchisees. No bad debt provisions have been recognised in respect of franchise loans and other debtors in the current or previous years.

### 15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bank accounts	5,019	4,661	425	425

There were no overdrafts at either year end.

### 16. NON-CONTROLLING INTERESTS

Non-controlling interests relate to minority 10 per cent. (2020 – 45 per cent. holding) in Tooting Estates Limited.

Summarised financial information relating to Tooting Estates Limited is as follows:

	2021 £'000	2020 £'000
Non-current assets	248	313
Current assets	702	450
Current liabilities	(422)	(346)
Non-current liabilities	(69)	(312)
Net assets	459	105
Revenue	1,679	979
Profit after tax	351	151

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 17. CALLED UP SHARE CAPITAL

		2021 £'000	2020 £'000
<b>Authorised:</b>			
20,000,000	Ordinary shares of 0.5p	100	100
<b>Issued and fully paid:</b>			
12,733,238	Ordinary shares of 0.5p	64	64

### 18. 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.

### 19. TRADE AND OTHER PAYABLES

	2021 £'000	Group 2020 £'000
<b>Current:</b>		
Trade payables	411	323
Other taxes and social security	317	643
Other payables	8	107
Lease liability	239	211
Accruals and deferred income	368	369
VAT	69	103
	1,412	1,756
<b>Non-current:</b>		
Lease liability	632	512
	632	512
Aggregate amounts	2,044	2,268
<b>Maturity analysis</b>		
	2021 £'000	2020 £'000
Not later than one year	239	211
Later than one year and not more than five years	402	512
Later than five years	230	–
	871	723

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

## 19. TRADE AND OTHER PAYABLES – continued

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

### 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
- 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.

## 20. FINANCIAL INSTRUMENTS

### Categories of financial instruments

The group has the following financial instruments:

	2021 £'000	2020 £'000
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Trade receivables	667	454
Loans to franchisees	530	525
Other receivables	37	32
<b>Financial liabilities measured at amortised cost</b>		
Trade payables	411	323
Lease liability	871	723
Other payables	8	107
<b>Financial assets measured at fair value</b>		
Listed investments	64	64

Listed investment are valued by reference to publicly available share prices.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 20. FINANCIAL INSTRUMENTS – continued

#### Principal financial instruments

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

- trade receivables
- cash at bank
- 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. 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.

#### 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.

A maturity analysis of financial liabilities is provided in the table in the Trade and other payables note.

#### 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

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

sensitivity analysis has been carried out on any potential impacts to the financial statements. No material market risk arises from the listed investments due to the size of the holding.

### 20. FINANCIAL INSTRUMENTS – continued

#### Interest rate and currency of cash balances

Floating rate financial assets of £5,019,677 (2020 – £4,661,788) comprise sterling cash deposits. There are no fixed rate financial assets. If interest rates had been 0.25 per cent. higher during the year, then the group would have generated c£12,000 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.

### 21. DEFERRED TAX

#### Group

	2021 £'000	2020 £'000
Balance at 1 January	90	66
Transfer from/(to) profit or loss	7	(4)
Deferred tax asset recognised on acquisition of subsidiary	–	(7)
Fair value adjustment on acquisition of subsidiary	–	35
Balance at 31 December	97	90

Deferred tax comprises £Nil in respect of the acquisition of Crystal Palace Estates Limited (2020 – £28,000 in respect of the acquisition of Tooting Estates Limited) and £Nil (2020- £62,000) in respect of accelerated capital allowances.

### 22. RELATED PARTY DISCLOSURES

During the year total dividends of £539,917 (2020 – £449,133) were paid to directors.

During the year the company received a dividend of £1,566,188 (2020- £888,780) from its subsidiary undertaking Winkworth Franchising Limited. The balance owed by Winkworth Franchising Limited to the company at the year end was £1,267,587 (2020 – £1,267,587).

On 17 December 2021 Faith Cook, Dominic Agace's wife, and her business partner acquired the Fulham franchise from its previous owner. Fees of £3,204 were payable by the new venture in respect of the period to 31 December 2021, and £Nil was owed to Winkworth Franchising Limited at the year end.

### 23. 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.

The Reduction of Capital, authorised by the High Court on 24 July 2018, impacted the calculations around the Share Options granted before that date. In order to adhere to the Rules of the Option Plan, the exercise price and number of options over shares had to be adjusted so that the amount payable on full exercise and the value of the shares acquired on full exercise, and hence the value of the options, were kept constant.



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

HMRC has agreed to the terms of the adjustment and the numbers have been amended accordingly with effect from the date of the Capital Reduction. There is no impact on the cost of the options to the group.

### 23. SHARE-BASED PAYMENT TRANSACTIONS – continued

Movements in the number of share options outstanding and their related weighted average exercise prices following the Reduction of Capital are as follows:

Option series	Number	Grant date	Expiry date	Exercise price (p)	Fair value at grant date (p)
Granted on 1 July 2013	175,554	01/07/2013	30/06/2023	102.38	43
Granted on 10 May 2017	386,777	10/05/2017	09/05/2027	139.62	6

The weighted average fair value of options granted during 2017 determined using the Black-Scholes valuation model was £0.06 per option. The significant inputs into the model were weighted average share price of £1.30 at the date of the reduction of capital, exercise price shown above, volatility of 21 per cent., an expected option life of eight years and an annual risk-free interest rate of 1.17 per cent.. 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:

	2021		2020	
	Number of options	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)
Balance at beginning of year	562,331	128	562,331	128
Granted during the year	–	–	–	–
Balance at end of year	562,331	128	562,331	128

At 31 December 2021, all the options were exercisable. No options were exercised in 2021. The share options outstanding at the year-end had a weighted average contractual life of 4.2 years.

The fair value of the share options was not materially different as a result of the adjustment, and no charge has been made to profit or loss.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

### 24. ACQUISITION OF ADDITIONAL SHARES IN SUBSIDIARY

On 23 March 2021, the Heads of Terms were signed in relation to Winkworth Franchising Limited's acquisition of a further 35 per cent. of Tooting Estates Limited, which operates in the Winkworth franchise in the Tooting area, for £136,963.

Per IFRS 10, when the holding in a subsidiary changes but the parent retains control, which is the case with the purchase of the additional shares in Tooting Estates Limited, the NCI is to be adjusted to reflect the change in ownership as demonstrated below:

	45% NCI 3m to March 21	10% NCI	Total
<b>Tooting Estates Limited</b>			
Profit after tax	152,628	198,774	351,402
NCI in the year	68,683	19,877	88,560
	45% NCI	Restated 10% NCI	Impact of additional 35% holding on NCI
NCI b/fwd	165,229	36,718	(128,511)
NCI to March 2021	68,683	15,263	(53,420)
<b>Total NCI to March 2021</b>	<b>233,912</b>	<b>51,981</b>	<b>(181,931)</b>

### 25. FINANCIAL COMMITMENTS

The group has contracted capital expenditure of £123,000 (2020: nil) not recognised as liabilities at the end of the reporting period. These costs relate to website development intangible assets.

### 26. POST BALANCE SHEET EVENTS

On 12 January 2022, M Winkworth Plc declared dividends of 2.7p per share for the fourth quarter of 2021.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of M Winkworth PLC (the “**Company**”) (the “**AGM**”) will be held on Tuesday 24 May 2022 at 10.30 am at 1 Lumley Street, London W1K 6TT to transact the following business, of which Resolutions 1 to 4 (inclusive) will be proposed as ordinary resolutions and Resolutions 5 and 6 will be proposed as special resolutions:

## 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 2021.
2. TO re-appoint Crowe U.K. LLP as auditors of 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 RESOLUTIONS

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.
6. THAT the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its ordinary shares of 0.5 pence each provided that in doing so it:
  - 6.1 purchases no more than 1,273,323 ordinary shares in aggregate;
  - 6.2 pays not less than 0.5 pence (excluding expenses) per ordinary share; and
  - 6.3 pays a price per share that is not more (excluding expenses) per ordinary share than the higher of:
    - (i) 5% above the average of the middle market quotations for the ordinary shares as derived from the Daily Official List for the five business days immediately before the day on which it purchases that share; and
    - (ii) the higher of the price of the last independent trade and the highest current independent bid on the market where the purchase is carried out.

## Notice of Annual General Meeting continued

This authority shall expire at the conclusion of the Company's next annual general meeting or within 15 months from the date of passing of this resolution (whichever is the earlier), but the Company may, if it agrees to purchase ordinary shares under this authority before it expires, complete the purchase wholly or partly after this authority expires.

12 April 2022

**REGISTERED OFFICE:**

4th Floor,  
1 Lumley Street,  
London W1K 6TT

**BY ORDER OF THE BOARD**

**Margaret Ogunbunmi Doregos**  
*Secretary*

### PROXY VOTING

You will not receive a hard copy form of proxy for the AGM in the post. Instead, you will be able to vote electronically using the link [www.signalshares.com](http://www.signalshares.com). You will need to log into your Signal Shares account or register if you have not previously done so. To register you will need your Investor Code, which is detailed on your share certificate or available from our Registrar, Link Group.

Voting by proxy prior to the AGM does not affect your right to attend the AGM and vote in person should you so wish. Proxy votes must be received no later than 10.30 am on 20 May 2022.

You may request a hard copy form of proxy directly from the registrars, Link Group, on 0371 664 0300. Calls are charged at the standard geographical rate. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09.00 – 17.30, Monday to Friday excluding public holidays in England and Wales.

## Notice of Annual General Meeting continued

### NOTES:

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the AGM. Such a proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.
2. We strongly encourage you to appoint the Chair of the AGM as your proxy. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. 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. Shareholders are recommended to vote their shares electronically at [www.signalshares.com](http://www.signalshares.com). On the home page, search “M Winkworth PLC” and then register or log in, using your Investor Code. To vote at the AGM, click on the “Vote Online Now” button by not later than 10.30 am on 20 May 2022 (or 48 hours (excluding weekends and public holidays) before the time appointed for any adjournment of it). Electronic votes and proxy votes should be submitted as early as possible and, in any event, to be received by no later than 10.30 am on 20 May 2022. Any power of attorney or other authority under which the proxy is submitted must be sent to the Company’s Registrar (Link Group, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL) so as to have been received by the Company’s Registrars by not later than 10.30 am on 20 May 2022 (or 48 hours (excluding weekends and public holidays) before the time appointed for any adjournment of it). You are entitled to request a hard copy form of proxy directly from the Registrar, Link Group. If a paper form of proxy is requested from the Company’s Registrar, it must be completed and sent to the Company’s Registrar (Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL) so as to have been received by not later than 10.30 am on 20 May 2022 (or 48 hours (excluding weekends and public holidays) before the time appointed for any adjournment of it).
4. To change your proxy instructions simply submit a new proxy appointment using the methods set out in Note 3. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. 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 Group at PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
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 Group, (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.

## Notice of Annual General Meeting continued

- (c) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
  - (d) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. Only those shareholders registered in the Register of Members of the Company as at close of business on Friday 20 May 2022 (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, speak 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, speak 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 11 April 2022 (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 11 April 2022 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](http://winkworthplc.com)

**Winkworth**

for every step...