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Annual Report & Accounts 2022

M Winkworth PLC



Winkworth

for every step...

Contents

Company Information	1	Company Statement of Financial Position	23
Chief Executive Officer's Statement	2	Consolidated Statement of Changes in Equity	24
Non-executive Chairman's statement	4	Company Statement of Changes in Equity	25
Group Strategic Report	6	Consolidated Statement of Cash Flows	26
Report of the Directors	13	Company Statement of Cash Flows	27
Report of the Independent Auditors	16	Notes to the Statements of Cash Flows	28
Consolidated Statement of Profit or Loss and Other Comprehensive Income	21	Notes to the Consolidated Financial Statements	29
Consolidated Statement of Financial Position	22	Notice of Annual General Meeting	49

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:

13 Charles II Street
St. James's
London
SW14 4QU

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

In a year of fiscal tightening, the property market remained remarkably resilient until the mini budget in October 2022, when confidence was upset by the sharp rise in interest rates. Our results for 2022, while below those recorded by an exceptionally strong performance in 2021, were very satisfactory. It is worth noting that in 2022 our revenues, profit before tax and net cash position were all some 50% higher than the pre-pandemic levels achieved in 2019. Our ordinary dividends declared for 2022 showed an increase of 18% over the prior year and were 41% above those declared in 2019.

Despite the upwards drift in the cost of finance, prices peaked at record levels in August 2022, but after the budget we saw pricing being tested and a predictable slowdown in activity, with early signs being for a soft landing rather than significant weakness.

The ongoing reversal of the Covid-induced race for space, with a reversion to office working and city life returning to business as usual, translated into gross revenues of the franchised network in London being down by only 1% year-on-year, compared to a fall of 9% in the country markets. As expected, Central London benefitted from the return of international travel, with income 11% ahead of 2021.

Over the course of the year, we retained our position as the second agency by number of properties exchanged in inner London¹.

The rental market remained incredibly strong across all regions, with price increases of over 10% in many areas due to a shortage of supply following the sell-off of many buy-to-let properties by landlords facing the higher tax and regulatory changes that have reduced the viability of this activity in recent years. This, combined with a significant movement of people to and from the country driven by pandemic-related factors, led to notable price movements. Increased market share and higher rents resulted in our network revenue growing by 11%, led by central London where the additional factor of the return of international travel boosted growth to 16%.

In 2022, gross revenues of the franchised network of £63.1m were down by 3% year-on-year (2021: £64.8m). Sales income was down by 12% at £34.3m (2021: £39.0m) while Lettings and Management increased by 11% to £28.7m (2021: £25.8), producing a 54:46 revenue split between these two activities, compared to a 60:40 ratio in 2021 as the sales market eased in the second half of 2022 and lettings revenue continued to grow.

Winkworth's revenues declined by 1% to £9.31m (2021: £9.45m) and profit before taxation fell by 23% at £2.46m (2021: £3.21m). The Group's cash position at year end increased to £5.25m (2021: £5.02m). Dividends of 11.0p per share were declared for the year (2021: 9.3p per share).

We continued to grow our franchise base, opening two new offices and developing regional networks by backing existing successful franchisees. Our Exeter franchisee opened a new office in Crediton and our Bath franchisee opened in Bristol through acquisition. We successfully resold our leading office in Shepherds Bush to a new generation franchisee to take it on to the next level. While some openings expected to complete in the second half were delayed, our pipeline remains healthy with five new offices in new markets expected. We continue to see opportunities to support both key talent in the network and outstanding candidates in the industry to acquire new businesses and expand the Winkworth brand.

Our owned offices in Tooting and Crystal Palace, and our Development and Commercial Investment (DCI) business showed significant progress over 2021 in terms of their combined contribution to both revenues and profit before taxation.

Note¹: based on postcodes where Winkworth has listed a property – Source: twentyea

Chief Executive Officer's Statement continued

Tooting retained its position as number one for 'Sold Subject to Contract' in its area and Crystal Palace continued to grow its revenue and improve its market share, rising from 7th to 4th in its area and growing its revenue by 30% over 2021. DCI revenues more than doubled in 2022.

Overall, our partnered businesses revenue grew by 27% from £2.2m to £2.8m. We will seek to grow the revenues and profitability of our partnered businesses and plan to launch a new homes operation within our DCI venture as part of its evolution.

Dominic Agace
Chief Executive Officer

18 April 2023

Non-Executive Chairman's Statement

I am pleased to report that Winkworth traded well in 2022, with growth on all fronts compared to pre-pandemic levels of business. There has been substantial growth in the business since 2019, which we are pleased has been reflected in increased dividends.

I congratulate the franchisees on maintaining their staff and their relationships with local communities, which led to an excellent performance. Completed sales instructions hit an exceptionally high level which, allowing for normal withdrawals due to outside issues, is remarkable. I believe that in recent years the Company has taken a stride forward as key offices in the country markets have matured, adding to the long-established London core and the ongoing progress being made by our new partner businesses.

I enjoy my non-executive role but, of course, I was an estate agent on the 'shop floor' for over 50 years through some of the most interesting times in the property market and, in more recent years, I have influenced the business to maintain our personal touch and the quality of the business. We believe that our customers should have freedom of access to our agents and directors or partners and we welcome discussion and casual calls on any subject related to property. In this way, franchisees are able not only to gather useful background information but also to exercise their expertise and judgement on the market at all times. We do not have our own legal offering or financial services business, but we encourage our franchisees to use their market connections to help our clients with their transaction requirements.

While we have continued to upgrade our digital, online and other systems, as we consistently invest to support the needs of our franchisees and customers, Winkworth's greatest asset is its people. Our technology is there to enable them to use their skills to create better outcomes for clients, not to reduce headcount to the detriment of client care.

We are well-placed to interpret the large number of often disparate judgements being made on the property market and to establish why certain reports on trends may be more accurate than others. For instance, a report on site registrations of properties for sale, in a changing market where some agents may still be pitching over-optimistic prices, can distort the real picture. Equally misleading can be analysis based on land registry prices which, as it takes six months for the data to be published, are always out of date. Likewise, building societies using their own data may only be lending to a section of the market.

Local knowledge is vital for estimating realistic pricing, whereas blatant over-pricing is a danger to the client and subsequently lowers the agent's percentage of sales completed from instructions. This, not the largest number of properties to sell, is the best gauge of success. Winkworth is not trying to be the highest volume agent for property listings but instead aims to achieve a high level of completed transactions at the best price for the client.

In lettings and management, we continue to build the number of landlords and tenants with whom the Company has a close relationship. We have always found that proprietor-led management and lettings brings tenants and landlords closer to decision-taking and guidance on their property. Our experience is that landlords like to connect with a local individual rather than a centralised, often remote team, so our relationship between landlords and the manager of the office is, in our opinion, a long-term win.

Non-Executive Chairman's Statement continued

When we listed on the London Stock Exchange in 2009, we raised capital to grow outside of London, to maintain our London business and to develop our brand, and we have made considerable strides in this direction since then. Our managers have done a tremendous job in diversifying our profit centres, whilst being committed to building and backing substantial businesses alongside our core London offices, such as we have done in Bristol, Bath, Exeter, Norwich, Brighton, Reading etc. Besides our focus on both residential sales and lettings, we now also have a growing commercial business.

We also committed to maintain a strong balance sheet in order to develop the Company without debt. This policy has enabled us not only to grow the business, but also to pay progressive dividends to shareholders under all but the most extreme market conditions. With uncertain times ahead, where economically viable we will continue to prioritise dividend payments, while retaining sufficient cash to be able to expand.

Simon Agace

Non-Executive Chairman

18 April 2023

Group Strategic Report

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 £9.31 million in line with 2021 (2021: £9.45 million).

Profit before taxation down 23% to £2.47 million (2021: £3.21 million).

Year-end cash balance of £5.25 million (2021: £5.02 million) – no debt.

Two new offices opened in the year (2021: 6).

Ordinary dividends of 11.0p per ordinary share declared (2021: 9.3p per ordinary share excluding Special Dividends).

Financial performance in 2022 was in line management expectations but below the exceptional level achieved in 2021. Compared to 2019, the last full pre-pandemic year, both revenues and pre-tax profits were markedly higher. The key business highlights were as follows:

Franchised office network revenue down 3% to £63.1 million (2021: £64.8 million). Within which:

- Network sales revenue down 12% to £34.3 million (2021: £39.0 million).
- Network lettings revenue up 11% to £28.7 million (2021: £25.8 million).

Sales revenues 54% of total revenues (2021: 60%).

FRANCHISE OFFICES

Two new offices were opened in 2022, extending the reach of the successful franchises in Exeter and Bath. One office was resold to new management. Further new openings scheduled for the second half of the year were delayed by the disturbed conditions following the October mini budget. The pipeline for 2023 remains healthy.

REVENUE

Gross revenues for the franchised office network in 2022 were 3% lower than 2021 with an 11% increase in Lettings and Management going some way to offset the Sales drop of 12%. The ratio of Sales to Lettings and Management stood at 54:46 compared to 60:40 in 2021, some way closer to the historical norm of 50:50.

Winkworth's franchising fees mirrored this, but the more uncertain economic outlook impacted some of our ancillary services whose revenue were lower by comparison to their very strong performance in 2021. The drop in Franchising revenue was largely offset by the growth in revenue from the Winkworth-owned offices, Tooting Estates Limited, Crystal Place Estates Limited and Winkworth Development and Commercial Investment Limited, which contributed £2.78 million (2021: £2.23 million) to revenue.

Group Strategic Report continued

COST OF SALES

Cost of sales rose year on year as a result of full year contributions from the owned offices, administrative costs around the renewal of certain franchises, and some additional recharge expenses.

ADMINISTRATIVE EXPENSES

Higher administrative expenses were driven largely by the increased salary and on costs of the new Corporate owned offices that as well as the general inflationary impact of the higher cost of living.

PROFIT BEFORE TAXATION

The net result of the above was that profits before tax decreased to £2.47 million (2021: £3.21 million).

DIVIDENDS

On the back of the buoyant trading, the Group declared Ordinary Dividends of 11.0p in the year per share (2021: 17.0p including Special Dividends of 7.7p).

WORKING CAPITAL

We increased our working capital levels from 2021, including cash balances of £5.25m (2021: £5.02m), 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: Inflationary pressures resulting from higher energy prices and supply imbalances post-Covid have led to rising interest rates worldwide. In the UK, the higher cost of finance for both new buyers and existing owners needing to refinance their mortgages is likely to have a negative impact on prices and the number of transactions in the housing market.

Management action: Winkworth has a long history of 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.

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.

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

SALES MARKET

Risk: In a low volume market, pressure on commission margins can increase, which may lead 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 this area.

Management action: We have strong local market knowledge and expertise, both in London and in the country markets, and aim to uphold our fees by providing the highest level of service to satisfy the requirements of our customers. We seek to build confidence and trust with our customers and win repeat business.

LETTINGS MARKET

Risk: The cost of complying with increasing regulation and the threat of the introduction of rent controls has discouraged some landlords from entering or remaining in the buy to let business, which may further reduce the supply of available properties. With demand at a high level, this has already led to a sharp increase in rental prices.

Management action: We look to grow our book of rental properties by offering landlords the highest standards of service and by attempting to balance both their needs and those of tenants fairly.

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 on the growth of Winkworth’s business.

Management action: Winkworth has a new franchising department which runs a robust marketing and selection process. The department verifies the suitability of its prospective franchisees and provides ongoing training and monitoring once new franchisees 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.

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.

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.

Management action: Winkworth has a rigorous vetting procedure for new franchisees and only a small number of applicants are successful in joining the group. Once accepted, franchisees are closely monitored to make sure that they achieve the service levels set down for them and remain compliant with the law by providing regular training through the Winkworth Academy and internal auditing.

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

Group Strategic Report continued

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.

Management action: 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.

Management action: 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.

PUBLIC HEALTH

Risk: Further waves of Covid-19 variants could lead to interruptions to our business, 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.

Management action: We continue to work with our franchisees to follow Government advice addressing public safety. The group's digital infrastructure and systems have proven their ability to enable the network to conduct its business with minimised interruption. Our franchise model, strong cash position and debt-free balance sheet also mean we are well-placed to adapt rapidly to new challenges

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

Shareholders

We recognise the importance of our relationship with shareholders and seek to build long term investor loyalty through regular updates on the market, our positioning and our returns

- Annual report & accounts- Interim report & trading updates- AGM where directors can take questions- Investor roadshows – Stock Exchange announcements
- Online presentations and Q&A using the services provided by Investor Meet Company

Group Strategic Report continued

Stakeholder	How we engage
<p>Franchisees</p> <p>The success of our franchisees, independent managers building businesses backed by our brand and support, is key to the performance of our Company</p>	<ul style="list-style-type: none"> – Meetings with franchisee groups to establish a common agenda- Proactive and reactive contact with individual franchisees – 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
<p>Employees</p> <p>We enjoy a long average length of service, reflecting the positive and inclusive culture we seek to create. We are an equal opportunities employer</p>	<ul style="list-style-type: none"> – Close and informative communications – Regular assessments and equal opportunities- Focus on employee retention – Social events in person or on Zoom to encourage integration
<p>Customers</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"> – Franchisees are provided with extensive training to update their understanding of regulatory issues and best practice – Company website is systematically upgraded to provide highest levels of service and ease of access – Undertake market research to understand the perception of the Company and where we can improve
<p>Community & Environment</p> <p>We consider the impact on local communities and the environment in all of our decisions</p>	<ul style="list-style-type: none"> – 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

Group Strategic Report continued

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.

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 as well as using the services of Investor Meet Company to address all interested parties via online presentations and Q&A.

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.

Group Strategic Report continued

OUTLOOK

The sales market continues to be supported by the shortage and high cost of rental property, pent-up savings post-pandemic, a strong employment market, and private sector wage inflation. After a positive start to the year, we expect the property market to perform towards the higher end of expectations, albeit at transaction levels more closely aligned to historic averages than the boom levels of the last two years, with the increased cost of finance leading to prices drifting down by 5%.

A severe shortage of supply continues to underpin rental prices, particularly in London where the return to city living is driving demand and buy-to-let landlords have sold down portfolios in response to the increased costs of finance and management. Affordability ceilings are, however, now being reached and, as financing costs fall from peak levels, some landlords may now be tempted back into the market.

With mortgages rates having fallen from the peak levels seen after the mini budget and now settling at more historic norms of around 4%, we see a rebased market emerging, with UK transactions reverting closer to the long term average of around 1m per annum. As such we see opportunities to invest in the right talented people in the industry, supporting their entrepreneurial ambition to own a business, and in existing franchisees seeking to grow the revenue of their existing offices or open new ones.

ON BEHALF OF THE BOARD:

D C M Agace

Director

18 April 2023

Report of the Directors

DIVIDENDS

An interim dividend of £1,859k (2021 – £1,566k) was paid during the year.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2022 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. 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.

The website was reviewed for compliance with the QCA Code on 26 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% 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 2022, together with the attendance of the different Directors is as follows:-

Director	Board	Remuneration Committee	Audit Committee
Simon Agace	10	–	–
Lawrence Alkin	8	1	3
John Nicol	10	1	3
Dominic Agace	10	–	–
Andrew Nicol	10	–	–

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 2022 and the 2023 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 2022. In March the Committee met with Crowe to discuss and approve the 2021 Accounts and to review the Audit. In September, the Committee met to discuss and approve the 2022 Interim results and Announcement. In December, the Committee met to discuss Risk and approve the Accounting Policies.

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, which cover a period of at least twelve months from the date of approval of the financial statements, when considered in conjunction with the group's existing undrawn overdraft facilities and cash (including consideration of reasonable possible changes in trading performance),

demonstrate that the group has sufficient working capital for the foreseeable future. Consequently, the directors believe that the group has adequate resources to continue its operational existence. The financial statements have accordingly been prepared on a going concern basis.

WEBSITES

The group's website is www.winkworthplc.com

The commercial website is www.winkworth.co.uk

Report of the Directors continued

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 whether applicable UK adopted International Accounting Standards have been followed, subject to any material departures disclosed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The maintenance and integrity of the M Winkworth Plc website is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

DIRECTORS' INDEMNITIES

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

ON BEHALF OF THE BOARD:

D C M Agace
Director

18 April 2023

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 2022 which comprise

- the Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022;
- the Consolidated and Parent Company statements of financial position as at 31 December 2022;
- the Consolidated and Parent Company statements of changes in equity for the year ended 31 December 2022; and
- the Consolidated and Parent Company statements of cash flows for the year ended 31 December 2022.

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. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 The Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

- 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 2022 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 United Kingdom Generally Accepted Accounting Practice; 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 and the Parent Company 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 as applied to listed entities, 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.
- Obtaining the latest management results after the reporting date to assess how the Group and Parent Company are performing compared to the projections.

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

- 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.

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 £120,000 (2021: £105,000) based, as in 2021, 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 (2021: £15,000) 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 £84,000 (2021: £78,500). Performance materiality for the Parent Company financial statements was set at £11,250 (2021: £11,250). Performance materiality allocated to the significant components of the group was in the range £23,800 to £70,000 (2021: £23,800 to £68,250). Where considered appropriate performance materiality may be reduced to a lower level.

We agreed with the Audit Committee to report to it all identified errors in excess of £6,000 (2021: £5,250). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

There are three significant components 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 auditor, 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.

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

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.

Key audit matter

How the scope of our audit addressed the key audit matter

Revenue recognition – completeness of revenue

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 earned but not recorded, especially due to under reporting of revenue on the part of franchisees. Therefore there is a potential risk in terms of the completeness of revenue being recognised.

We tested the completeness of revenue by:

- checking that the Group’s internal compliance procedures over completeness of income operated as designed and had been undertaken throughout the period
- performing a proof in total completeness check over franchise commission income by developing an expectation of the franchise commission income and comparing this to income recognised
- testing completeness of income from ‘for sale’ and ‘lettings available’ information on franchisee websites to subsequent receipt of commission
- checking the accuracy of a sample of commissions receivable from rental and sales transactions to source documentation such as franchisee returns and completion statements and to the nominal ledger to ensure that the revenue had been correctly calculated

Based on the outcome of the above procedures, we did not identify any material misstatements in our assessment of the completeness of income.

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 the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and 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 15, 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.

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.

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

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.

Auditors' responsibilities for the audit of the financial statements

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. 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
(Senior Statutory Auditor)

18 April 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
CONTINUING OPERATIONS			
Revenue	3	9,307	9,451
Cost of sales		(1,594)	(1,294)
GROSS PROFIT			
Other operating income		1	18
Administrative expenses		(5,246)	(4,941)
OPERATING PROFIT			
Finance costs	5	(38)	(52)
Finance income	5	39	32
PROFIT BEFORE TAX			
Tax	7	(488)	(606)
PROFIT FOR THE YEAR			
OTHER COMPREHENSIVE INCOME			
		1,981	2,608
		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,981	2,608
Profit attributable to:			
Owners of the parent		1,951	2,519
Non-controlling interests		30	89
		1,981	2,608
		£	£
Earnings per share expressed in pence per share:			
Basic	9	15.32	19.78
Diluted		15.18	19.48

The notes form part of these financial statements

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	906	925
Property, plant and equipment	11	666	944
Prepaid assisted acquisitions support	12	503	279
Investments	13	41	71
Trade and other receivables	14	385	334
		2,501	2,553
CURRENT ASSETS			
Trade and other receivables	14	1,146	1,301
Cash and cash equivalents	15	5,251	5,019
		6,397	6,320
TOTAL ASSETS		8,898	8,873
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	64	64
Other reserves	18	51	51
Retained earnings	18	6,212	6,145
		6,327	6,260
Non-controlling interests	16	102	72
TOTAL EQUITY		6,429	6,332
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	19	433	632
Deferred tax	21	91	97
		524	729
CURRENT LIABILITIES			
Trade and other payables	19	1,575	1,412
Tax payable		370	400
		1,945	1,812
TOTAL LIABILITIES		2,469	2,541
TOTAL EQUITY AND LIABILITIES		8,898	8,873

The financial statements were approved by the Board of Directors and authorised for issue on 18 April 2023 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 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
NON-CURRENT ASSETS			
Investments	13	63	63
		63	63
CURRENT ASSETS			
Trade and other receivables	14	1,268	1,268
Cash and cash equivalents	15	425	425
		1,693	1,693
TOTAL ASSETS		1,756	1,756
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	64	64
Other reserves	18	51	51
Retained earnings	18	1,641	1,641
TOTAL EQUITY		1,756	1,756
LIABILITIES			
TOTAL LIABILITIES		–	–
TOTAL EQUITY AND LIABILITIES		1,756	1,756

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 £1,859,000 (2021 – £1,566,000)

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 18 April 2023 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 2022

	Called up share capital £'000	Retained earnings £'000	Other reserves £'000
Balance at 1 January 2021	64	5,147	51
Changes in equity			
NCI on acquisition of shares	–	45	–
Dividends	–	(1,566)	–
Total comprehensive income	–	2,519	–
Balance at 31 December 2021	64	6,145	51
Changes in equity			
Dividends	–	(1,884)	–
Total comprehensive income	–	1,951	–
Balance at 31 December 2022	64	6,212	51

	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 January 2021	5,262	165	5,427
Changes in equity			
NCI on acquisition of shares	45	(182)	(137)
Dividends	(1,566)	–	(1,566)
Total comprehensive income	2,519	89	2,608
Balance at 31 December 2021	6,260	72	6,332
Changes in equity			
Dividends	(1,884)	–	(1,884)
Total comprehensive income	1,951	30	1,981
Balance at 31 December 2022	6,327	102	6,429

The notes form part of these financial statements

Company Statement of Changes in Equity

for the year ended 31 December 2022

	Called up share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2021	64	1,641	51	1,756
Changes in equity				
Dividends	–	(1,566)	–	(1,566)
Total comprehensive income	–	1,566	–	1,566
Balance at 31 December 2021	64	1,641	51	1,756
Changes in equity				
Dividends	–	(1,859)	–	(1,859)
Total comprehensive income	–	1,859	–	1,859
Balance at 31 December 2022	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 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	1	3,333	2,958
Interest paid		–	(1)
Tax paid		(521)	(382)
Net cash from operating activities		2,812	2,575
Cash flows from investing activities			
Purchase of intangible fixed assets		(123)	(180)
Purchase of tangible fixed assets		(19)	(46)
Purchase of fixed asset investments		1	(1)
Purchase of investment property		(316)	(50)
Interest received		–	1
Interest received		39	32
Net cash from investing activities		(418)	(244)
Cash flows from financing activities			
Payment of lease liabilities		(240)	(219)
Interest paid on lease liabilities		(38)	(51)
Non controlling interest		–	(137)
Equity dividends paid		(1,884)	(1,566)
Net cash from financing activities		(2,162)	(1,973)
Increase in cash and cash equivalents		232	358
Cash and cash equivalents at beginning of year		5,019	4,661
Cash and cash equivalents at end of year		5,251	5,019

The notes form part of these financial statements

Company Statement of Cash Flows

For the Year Ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	1	–	–
Cash flows from investing activities			
Dividends received		1,859	1,566
Net cash from investing activities		1,859	1,566
Cash flows from financing activities			
Equity dividends paid		(1,859)	(1,566)
Net cash from financing activities		(1,859)	(1,566)
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		425	425
Cash and cash equivalents at end of year		425	425

The notes form part of these financial statements

Notes to the Statements of Cash Flows

For the Year Ended 31 December 2022

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

Group

	2022 £'000	2021 £'000
Profit before tax	2,469	3,214
Depreciation and amortisation charges	531	509
Loss on disposal of fixed assets	–	1
Impairment of fixed asset investments	30	–
Finance costs	38	52
Finance income	(39)	(32)
	3,029	3,744
Decrease/(increase) in trade and other receivables	106	(411)
Increase/(decrease) in trade and other payables	198	(375)
Cash generated from operations	3,333	2,958

Company

	2022 £'000	2021 £'000
Profit before tax	1,859	1,566
Finance income	(1,859)	(1,566)
Cash generated from operations	–	–

The notes form part of these financial statements

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

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.

The presentation currency of the financial statements is the Pound Sterling (£).

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.

There were no standards and amendments which were applicable for the first time for the reporting period ended 31 December 2022 which had any significant impact on the amounts recognised in prior periods or which are expected to significantly affect the current or future periods.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023, and have not been applied in preparing these financial statements. The Group does not anticipate a material impact within its financial statements as a result of the applicable standards and interpretations.

Going concern

Based on their review of budgets and projections covering a minimum period of twelve months from the date of approval of the financial statements, the directors have, at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

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% by value on all sales and lettings income generated by the franchisees.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

2. ACCOUNTING POLICIES – continued

In Tooting Estates Limited and Crystal Palace Estates Limited, revenue in respect of commissions due on house sales is recognised on completion. Revenue in respect of commissions due on lettings and property management is recognised over the life of the rental agreement.

Cash and cash equivalents

Cash represents cash in hand and deposits held on demand with financial institutions. Cash equivalents are short-term, highly-liquid investments with original maturities of three months or less (as at their date of acquisition). Cash equivalents are readily convertible to known amounts of cash and subject to an insignificant risk of change in that cash value.

In the presentation of the Statement of Cash Flows, cash and cash equivalents also include bank overdrafts. Any such overdrafts are shown within borrowings under 'current liabilities' on the Statement of Financial Position.

Intangible assets

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

The website development costs are amortised over their useful life which is deemed to be 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. They are tested for impairment at each reporting date by reference to the financial performance of the relevant franchise.

Property, plant and equipment

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

Fixtures and fitting – 15% – 33% straight line,
Computer equipment – 25% straight line.

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

2. ACCOUNTING POLICIES – continued

Taxation

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

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.

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 2022

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 2022

2. ACCOUNTING POLICIES – continued

Critical accounting estimates and judgements

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

- (a) Impairment of 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 2022 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% of the historic lettings revenue and 100% of the sales revenue, discounted by 30% for lettings and 70% 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 annum.

The group is required to test, where indicators of impairment exist, whether customer lists have suffered any impairment. At 31 December 2022 there were no indications of impairment. Should future cashflows of the business fall by 15%, 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 31.

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.

	2022 £'000	2021 £'000
Revenue		
Corporate owned offices	2,781	2,227
Management service fees	6,526	7,224
	9,307	9,451

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

4. EMPLOYEES AND DIRECTORS

	2022 £'000	2021 £'000
Wages and salaries	3,064	3,113
Social security costs	363	357
Other pension costs	50	44
	3,477	3,514

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

	2022	2021
Office and management	56	57

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 2022 Total £'000	Year to 31 December 2021 Total £'000
D C M Agace	249	4	1	–	254	228
S P Agace	63	–	3	–	66	58
J Nicol	26	–	1	–	27	23
L M Alkin	26	–	–	–	26	22
A J D Nicol	161	3	–	–	164	173
Total	525	7	5	–	537	532

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 (2021 – 2).

At the year end, D C M Agace held 327,686 (2021 – 327,686) share options and A J D Nicol held 161,157 (2021 – 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 2022

5. NET FINANCE INCOME

	2022 £'000	2021 £'000
Finance income:		
Interest receivable	39	32
Finance costs:		
Lease interest payable	(38)	(52)
Net finance income/(cost)	1	(20)

6. PROFIT BEFORE TAX

The profit before tax is stated after charging:

	2022 £'000	2021 £'000
Depreciation – owned assets	50	53
Depreciation – right of use asset	247	244
Intangible assets and prepaid assisted acquisitions support amortisation	234	212
Fees attributable to the auditors of the parent company		
– audit of the group	55	48
Fees attributable to the component auditors' remuneration unaffiliated with the parent company auditors		
– audit of the subsidiary	14	13
– non audit	31	20
Bad debts	–	(86)

Included within auditor's remuneration above is £11,000 (2021 – £11,000) relating to the company.

Analysis of tax expense

	2022 £'000	2021 £'000
Current tax:		
Taxation	496	599
Adjustment re previous years	(2)	–
Total current tax	494	599
Deferred tax	(6)	7
Total tax expense in consolidated statement of profit or loss and other comprehensive income	488	606

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

7. TAX – continued

Factors affecting the tax expense

The tax assessed for the year is higher (2021 – lower) than the standard rate of corporation tax in the UK.

The difference is explained below:

	2022 £'000	2021 £'000
Profit before income tax	2,469	3,214
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 – 19%)	469	611
Effects of:		
Expenses/(income) not deductible/(taxable) for tax purposes	9	(18)
Adjustment in respect of prior periods taxable	(2)	–
Depreciation in excess of capital allowances	18	12
Other movements	(6)	1
Tax expense	488	606

8. DIVIDENDS

	2022 £'000	2021 £'000
Ordinary shares of 0.5p each		
Interim	1,884	1,566

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	2022 Weighted average number of shares '000	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,951	12,733	15.32
Effect of dilutive securities			
Options	–	122	–
Diluted EPS			
Adjusted earnings	1,951	12,855	15.18

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

9. EARNINGS PER SHARE – continued

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

10. INTANGIBLE ASSETS

	Customer lists £'000	Website Development £'000	Total £'000
COST			
At 1 January 2022	643	746	1,389
Additions	–	123	123
At 31 December 2022	643	869	1,512
AMORTISATION			
At 1 January 2022	103	361	464
Amortisation for year	45	97	142
At 31 December 2022	148	458	606
NET BOOK VALUE			
At 31 December 2022	495	411	906
At 31 December 2021	540	385	925

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

10. INTANGIBLE ASSETS – continued

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

11. PROPERTY, PLANT AND EQUIPMENT

Group

Year ended 31 December 2022

	Right of use £'000	Computer equipment £'000	Fixtures and fittings £'000	Totals £'000
COST				
At 1 January 2022	1,199	28	459	1,686
Additions	–	3	16	19
Disposals	–	(1)	–	(1)
At 31 December 2022	1,199	30	475	1,704
DEPRECIATION				
At 1 January 2022	369	15	358	742
Charge for year	247	6	44	297
Eliminated on disposal	–	(1)	–	(1)
At 31 December 2022	616	20	402	1,038
NET BOOK VALUE				
At 31 December 2022	583	10	73	666

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

11. PROPERTY, PLANT AND EQUIPMENT – continued

Year ended 31 December 2021

	Right of use £'000	Computer equipment £'000	Fixtures and fittings £'000	Totals £'000
COST				
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
DEPRECIATION				
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
NET BOOK VALUE				
At 31 December 2021	830	13	101	944

12. PREPAID ASSISTED ACQUISITIONS

SUPPORT

Group

	Total £'000
FAIR VALUE	
At 1 January 2022	1,640
Additions	316
Disposals	(46)
At 31 December 2022	1,910
DEPRECIATION	
At 1 January 2022	1,361
Charge for year	92
Eliminated on disposal	(46)
At 31 December 2022	1,407
NET BOOK VALUE	
At 31 December 2022	503
At 31 December 2021	279

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

13. INVESTMENTS

Group

Listed investments

	Listed investments £'000
COST	
At 1 January 2022	71
Impairment of fair value	(30)
At 31 December 2022	41
NET BOOK VALUE	
At 31 December 2022	41

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

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

Company

	2022 £'000	2021 £'000
COST		
At 1 January	63	63
NET BOOK VALUE		
At 31 December	63	63

Subsidiary undertakings

M Winkworth Plc had the following subsidiary undertakings as at 31 December 2022:

	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 2022

13. INVESTMENTS – continued

The following are shares held indirectly:

Company Name	Country of Incorporation	Nature of Business	Class of Shares	% Holding
Group				
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
Lumley 2 Limited	England and Wales	Dormant	Ordinary Shares	100
Lumley 3 Limited	England and Wales	Dormant	Ordinary Shares	100
Lumley 4 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 13 Charles II Street, St James's, London, England, SW1Y 4QU.

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 2022

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current:				
Trade receivables	657	667	–	–
Amounts owed by group undertakings	–	–	1,268	1,268
Other receivables	317	233	–	–
Prepayments and accrued income	172	401	–	–
	1,146	1,301	1,268	1,268
Non-current:				
Other debtors	385	334	–	–
Aggregate amounts	1,531	1,635	1,268	1,268

Trade receivables are stated net of bad debt provisions of £78,768 (2021 – £66,536). A bad debt reversal of £Nil (2021 – £85,645) 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 2022

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
31 December 2022			
Current (not past due)	0%	387	–
1-30 days past due	1%	101	1
31-60 days past due	2%	25	–
over 60 days past due	31%	223	78
31 December 2021			
Current (not past due)	0%	248	–
1-30 days past due	1%	122	1
31-60 days past due	2%	71	1
Over 60 days past due	44%	292	65

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

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:

	2022 £'000	2021 £'000
Balance at 1 January	66.5	45.6
Amounts written off	–	(85.6)
Net remeasurement of loss allowance	12.3	106.5
Balance at 31 December	78.8	66.5

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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Bank accounts	5,251	5,019	425	425

There were no overdrafts at either year end.

16. NON-CONTROLLING INTERESTS

Non-controlling interests relate to minority 10% in Tooting Estates Limited.

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

	2022 £'000	2021 £'000
Non-current assets	412	248
Current assets	573	702
Current liabilities	(225)	(422)
Non-current liabilities	(22)	(70)
Net assets	738	459
Revenue	1,743	1,679
Profit after tax	301	351

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

17. CALLED UP SHARE CAPITAL

		2022	2021
		£'000	£'000
Authorised:			
20,000,000	Ordinary shares of 0.5p	100	100
Issued and fully paid:			
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

		Group	
		2022	2021
		£'000	£'000
Current:			
Trade payables		393	411
Other taxes and social security		373	317
Other payables		22	8
Lease liability		200	239
Accruals and deferred income		462	368
VAT		125	69
		1,575	1,412
Non-current:			
Lease liability		433	632
		433	632
Aggregate amounts		2,008	2,044
Maturity analysis			
		2022	2021
		£'000	£'000
Not later than one year		200	239
Later than one year and not more than five years		230	402
Later than five years		203	230
		633	871

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

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:

	2022 £'000	2021 £'000
Financial assets that are debt instruments measured at amortised cost		
Trade receivables	657	667
Loans to franchisees	664	530
Other receivables	38	37
Financial liabilities measured at amortised cost		
Trade payables	393	411
Lease liability	633	871
Other payables	22	8
Financial assets measured at fair value		
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 2022

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

20. FINANCIAL INSTRUMENTS – continued

Market risk

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

Interest rate and currency of cash balances

Floating rate financial assets of £5,250,963 (2021 – £5,019,677) comprise sterling cash deposits. There are no fixed rate financial assets. If interest rates had been 0.25% higher during the year, then the group would have generated c£13,000 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

	2022 £'000	2021 £'000
Balance at 1 January	97	90
Transfer from/(to) profit or loss	(6)	7
Balance at 31 December	91	97

22. RELATED PARTY DISCLOSURES

During the year total dividends of £935,523 (2021 – £539,917) were paid to directors.

During the year the company received a dividend of £1,859,053 (2021- £1,566,188) 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 (2021 – £1,267,587).

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 2022

23. SHARE-BASED PAYMENT TRANSACTIONS – continued

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.

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%, an expected option life of eight years and an annual risk-free interest rate of 1.17%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

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

	2022		2021	
	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 2022, all the options were exercisable. No options were exercised in 2022. The share options outstanding at the year-end had a weighted average contractual life of 3.2 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.

24. POST BALANCE SHEET EVENTS

On 13 January 2023, M Winkworth Plc declared a dividend of 2.9p per share for the fourth quarter of 2022.

After the reporting date the Directors became aware that aggregate dividends totalling £713,000 paid in the period and shortly after the end of the period had been made otherwise than in accordance with the Companies Act 2006 as unaudited interim accounts had not been filed at Companies House prior to the dividend payment. A resolution has been proposed at the General Meeting to be held on 6 June 2023 to authorise the appropriation of distributable profits to the payment of the relevant dividends and waive the entitlement of the Company to pursue shareholders and Directors for repayment. This will constitute a related party transaction under IAS24 'Related party disclosures', the effect of which will be to return all parties, so far as possible, to the position they would have been in had the relevant dividends been made in full compliance with the Companies Act 2006.

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 6 June 2023 at 10.30 am at 13 Charles II Street, St. James’s, London SW1Y 4QU to transact the following business, of which Resolutions 1 to 5 (inclusive) will be proposed as ordinary resolutions and Resolutions 6 to 8 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 2022.
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. TO re-elect Andrew Nicol as a director of the Company.
5. THAT the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “2006 Act”) in substitution for all existing and unexercised authorities:
 - 5.1 to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together, “Relevant Securities”) up to an aggregate nominal amount of twenty-one thousand, two hundred and twenty-two pounds (£21,222); and
 - 5.2 to exercise all the powers of the Company to allot equity securities (within the meaning of section 560(1) of the 2006 Act) up to an additional aggregate nominal amount of twenty-one thousand, two hundred and twenty-two pounds (£21,222) provided that this authority may only be used in connection with a pre-emptive offer in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities, subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

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

Notice of Annual General Meeting continued

SPECIAL RESOLUTIONS

6. THAT:

- 6.1 the appropriations of distributable profits of the Company (as shown in the interim accounts of the Company made up to 30 November 2022 and filed with the Registrar of Companies on 18 April 2023) to the payment of each of the interim dividend of 2.7 pence per ordinary share of 0.5 pence each in the capital of the Company (an “**ordinary share**”) paid on 17 November 2022 and the interim dividend of 2.9 pence per ordinary share paid on 16 February 2023 to the shareholders (together, the “**Relevant Distributions**”) and together having a total value of £713,000 be and are authorised, each by reference to the same record date as the original accounting entries for the Relevant Distributions;
- 6.2 any and all claims that the Company has or may have arising out of or in connection with the payment of the Relevant Distributions against its shareholders who appeared on the register of shareholders on the relevant record date for each Relevant Distribution (or the personal representatives and their successors in title (as appropriate) of a shareholder’s estate if he or she is deceased) be waived and released, and a deed of release in favour of such shareholders (or the personal representatives and their successors in title (as appropriate) of a shareholder’s estate if he or she is deceased) be entered into by the Company in the form produced to the Annual General Meeting and initialled by the Chairman for the purposes of identification and any director in the presence of a witness, any two directors or any director and the company secretary be authorised to execute the same as a deed poll for and on behalf of the Company (the “**Shareholders’ Deed of Release**”), and any distribution involved in the giving of such release be made out of the distributable profits appropriated to the dividend; and
- 6.3 any and all claims the Company has or may have against its directors or the personal representatives and their successors in title (as appropriate) of his or her estate if such director is deceased, arising out of or in connection with the approval, declaration or payment of the Relevant Distributions be waived and released and that a deed of release in favour of each of such directors (or the personal representatives and their successors in title of his or her estate if such director is deceased), be entered into by the Company in the form produced to the Annual General Meeting and initialled by the Chairman for purposes of identification and any director in the presence of a witness, any two directors or any director and the Company Secretary be authorised to execute the same as a deed poll for and on behalf of the Company (the “**Directors’ Deed of Release**”).

Notice of Annual General Meeting continued

7. THAT, subject to the passing of resolution 5, the directors be and are empowered generally, in accordance with section 570 of the 2006 Act, in substitution for all existing and unexercised powers, to allot equity securities (as defined in section 560(1) of the 2006 Act) for cash either pursuant to the authority conferred by resolution number 5 or by way of a sale of treasury shares as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:
- 7.1 the allotment of equity securities in connection with a pre-emptive offer 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
- 7.2 the allotment (otherwise than pursuant to paragraph 7.1 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 5 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.
8. 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:
- 8.1 purchases no more than 1,273,323 ordinary shares in aggregate;
- 8.2 pays not less than 0.5 pence (excluding expenses) per ordinary share; and
- 8.3 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.

19 April 2023

REGISTERED OFFICE:

13 Charles II Street,
St. James's,
London SW1Y 4QU

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. 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 2 June 2023.

You may request a hard copy form of proxy directly from the registrars, Link Group, by email at shareholderenquiries@linkgroup.co.uk or by telephone 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. 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 2 June 2023 (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 2 June 2023. 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 2 June 2023 (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 2 June 2023 (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 by email at shareholderenquiries@linkgroup.co.uk or by telephone on 0371 664 0300. 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 & International’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 & International 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.
 - (e) If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10.30am on 2 June 2023 in order to be considered valid or, in the event of any adjournment, close of business on the date which is two working days before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
6. Only those shareholders registered in the Register of Members of the Company as at close of business on Friday 2 June 2023 (or, if the meeting is adjourned, on the date which is two days before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting in respect of the number of shares registered in their respective names at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or adjourned meeting.
 7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
 8. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
 9. As at 18 April 2023 (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 18 April 2023 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.

Notice of Annual General Meeting continued

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;
 - (b) copies of the letters of appointment of the non-executive directors;
 - (c) a final form of the Shareholders' Deed of Release; and
 - (d) a final form of the Directors' Deed of Release.
12. Copies of the final forms of the Shareholders' Deed of Release and the Directors' Deed of Release are also available on the Company's website at www.winkworthplc.com/annual-reports-results until the conclusion of the annual general meeting.

Explanatory Notes to the Notice of Annual General Meeting

The notice of the Annual General Meeting of the Company to be held on Tuesday 6 June 2023 is set out on pages 52 to 55 of the annual accounts and reports. The following notes provide an explanation as to why the resolutions set out in the notice are to be put to shareholders.

Resolutions 1 to 5 are ordinary resolutions. These resolutions will be passed if more than 50% of the votes cast for or against are in favour.

Resolution 1 – Laying of Accounts

The directors are required by the Companies Act 2006 to present to the shareholders of the Company at a general meeting the reports of the directors (including the strategic report) and auditors, and the audited accounts of the Company, for the year ended 31 December 2022. The reports of the directors and the audited accounts have been approved by the directors, and the report of the auditors has been approved by the auditors, and a copy of each of these documents may be found in the annual accounts and reports, starting at page 6.

Resolution 2 – Auditors' appointment

The Companies Act 2006 requires that auditors be appointed at each general meeting at which accounts are laid, to hold office until the next such meeting. This resolution seeks shareholder approval for the reappointment of Crowe U.K. LLP. The Audit Committee keeps under review the independence and objectivity of the external auditors. After considering relevant information, the Audit Committee recommended to the board of directors that Crowe U.K. LLP be reappointed.

Resolution 3 – Auditors' remuneration

This resolution gives the directors the authority to determine the remuneration of the auditors for the audit work to be carried out by them in the next financial year.

Resolution 4 – Reappointment of Andrew Nicol

The Company's articles of association require that each director must retire at the third annual general meeting after that at which they were last elected, although they may offer themselves for reappointment. Accordingly, Andrew Nicol is retiring and seeking reappointment at this year's annual general meeting.

Resolution 5 – Authority to the directors to allot shares

The Companies Act 2006 provides that the directors may only allot shares or grant rights to subscribe for or to convert any security into shares if authorised by shareholders to do so. Resolution 5 will, if passed, authorise the directors to allot shares up to a maximum nominal amount of £42,444, which represents an amount which is approximately equal to two-thirds of the issued ordinary share capital of the Company as at 18 April 2023, the latest practicable date prior to the publication of the notice. As at that date, the Company did not hold any treasury shares.

As provided in paragraph 5.1 of the resolution, up to half of this authority (equal to one-third of the issued share capital of the Company) will enable directors to allot and issue new shares in whatever manner (subject to pre-emption rights) they see fit. Paragraph 5.2 of the resolution provides that the remainder of the authority (equal to a further one-third) may only be used in connection with a pre-emptive offer in favour of ordinary shareholders. As paragraph 5.1 imposes no restrictions on the way the authority may be exercised, it could be used in conjunction with paragraph 5.2 so as to enable the whole two-thirds authority to be used in connection with a pre-emptive offer.

Explanatory Notes to the Notice of Annual General Meeting continued

The authority will expire at the earlier of the conclusion of the next annual general meeting of the Company and 6 September 2024.

Passing this resolution will ensure that the directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. There are no current plans to issue new shares except in connection with employee share schemes.

The Company does not at present hold any shares in treasury.

Resolutions 6, 7 and 8 are special resolutions. These resolutions will be passed if not less than 75% of the votes cast for and against are in favour.

Resolution 6 – Dividend rectification

The Company has identified a technical irregularity regarding an inadvertent failure to file unaudited interim accounts at Companies House required in relation to the Relevant Distributions made by the Company.

The Company had sufficient cash and distributable reserves to make the Relevant Distributions. However, unaudited interim accounts (as defined in the Companies Act 2006) confirming that the Company had the requisite level of distributable profits had inadvertently not been prepared and filed at Companies House, as required by the Companies Act 2006. As a result, the Relevant Distributions were paid in technical infringement of the Companies Act 2006. Neither the amount nor the payment of the Relevant Distributions, nor the Company's prior audited accounts were affected, and there is no impact on the Company's financial position either at the time of payment of the Relevant Distributions or as of today. Upon identification, the relevant interim accounts were prepared and filed at Companies House.

The Company has been advised that, as a consequence of the payment of the Relevant Distributions having been made otherwise than in accordance with the Companies Act 2006, the Company may have claims against past and present shareholders who were recipients of the Relevant Distributions, and against directors of the Company in respect of the payment of the Relevant Distributions.

The Company has no intention that any claims should be made by the Company against either the past and present shareholders who were recipients of the Relevant Distributions, and against directors of the Company in respect of the payment of the Relevant Distributions. Resolution 6 asks the shareholders to approve the appropriation of the historic profits of the Company to the Relevant Distributions concerned and to release the current and former shareholders who were recipients of the Relevant Distributions and directors of the Company from any claim by the Company for repayment of the Relevant Distributions. Resolution 6 also asks the shareholders to approve the Company entering into the Shareholders' Deed of Release and the Directors' Deed of Release.

The purpose of Resolution 6 is to put the shareholders and directors so far as possible into the position in which they were always intended to be had the Relevant Distributions been made in accordance with full procedural requirements of the Companies Act 2006. The proposed authorisation of the appropriation of the Company's distributable profits to the payment of the Relevant Distributions and the entry by the Company into the Shareholders' Deed of Release and the Directors' Deed of Release will not have any effect on the Company's financial position.

Explanatory Notes to the Notice of Annual General Meeting continued

All of the directors and their related parties (if any) are considered to be related parties under the AIM Rules for Companies. Entering into the Shareholders' Deed of Release and the Directors' Deed of Release, and a consequential waiver of any rights of the Company to make claims against directors and shareholders in respect of the Relevant Distributions will therefore constitute related party transactions under the AIM Rules for Companies. As no independent directors' recommendation in relation to these transactions will be possible, in order to provide a statement as to what is fair and reasonable, Shore Capital Stockbrokers Limited, in its capacity as nominated adviser to the Company for the purposes of the AIM Rules for Companies, considers that the entry into the Shareholders' Deed of Release and the Directors' Deed of Release is fair and reasonable insofar as the Company's shareholders are concerned.

Resolution 7 – Disapplication of statutory pre-emption rights

The Companies Act 2006 prescribes certain pre-emption rights under which, if the Company issues new shares, or grants rights to subscribe for or to convert any security into shares, for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings.

Under Resolution 7, it is proposed that the directors be authorised to issue shares for cash and/or sell shares from treasury (if any are so held) without offering them first to existing shareholders in accordance with statutory pre-emption rights:

- (i) up to an aggregate nominal amount of £12,733 (up to 2,546,600 new ordinary shares of 0.5 pence each). This amount represents approximately 20% of the Company's issued share capital as at 18 April 2023, the latest practicable date prior to the publication of the notice. This part of the authority is designed to provide the board with flexibility to raise further equity funding and to pursue acquisition opportunities as and when they may arise; or
- (ii) in respect of a pre-emptive offer that generally provides existing shareholders with the opportunity to subscribe for new shares pro rata to their existing holdings. This part of the authority is designed to give the directors flexibility to exclude certain shareholders from such an offer where the directors consider it necessary or desirable to do so in order to avoid legal, regulatory or practical problems that would otherwise arise.

If passed, the authority in Resolution 7 will expire at the same time as the authority to allot shares given pursuant to Resolution 5.

Resolution 8 – Purchase of own shares by the Company

If passed this resolution will grant the Company authority for a period of up to 15 months after the date of passing of the resolution to buy its own shares in the market. The resolution limits the number of shares that may be purchased to approximately 10% of the Company's issued share capital as at 18 April 2023, the latest practicable date prior to the publication of the notice. The price per ordinary share that the Company may pay is set at a minimum amount (excluding expenses) of 0.5 pence per ordinary share and a maximum amount (excluding expenses) of the higher of: (i) 5% over the average of the previous five business days' middle market prices; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. This authority will only be exercised if market conditions make it advantageous to do so.

Explanatory Notes to the Notice of Annual General Meeting continued

The directors' present intention is that shares purchased pursuant to this authority (to the extent statutory requirements are met and provided any treasury shares held do not exceed 10% of the Company's issued share capital) will be held in treasury for future cancellation, sale for cash, or transfer for the purposes of or pursuant to an employee share scheme, although they may be cancelled immediately on repurchase in the light of circumstances at the time. The effect of any cancellation would be to reduce the number of shares in issue. For most purposes, while held in treasury, shares are treated as if they have been cancelled (for example, they carry no voting rights and do not rank for dividends). The directors will only make purchases under this authority if they believe that to do so would result in an increase in earnings per share for the remaining shareholders and was in the best interests of shareholders generally.

M Winkworth PLC

13 Charles II Street,
St James's, London
SW1Y 4QU

winkworthplc.com

Winkworth

for every step...