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M WINKWORTH PLC

# ANNUAL REPORT & ACCOUNTS 2018

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Winkworth

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## Company Information

### DIRECTORS

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

### SECRETARY:

M O Doregos

### REGISTERED OFFICE:

4th Floor  
1 Lumley Street  
London  
W1K 6TT

### REGISTERED NUMBER:

01189557 (England and Wales)

### NOMINATED ADVISER AND BROKER:

Stockdale Securities Limited  
7th Floor  
100 Wood Street  
London  
EC2V 7AN

### AUDITORS:

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

## Chief Executive Officer's Statement

Stretched affordability levels and increased taxation, combined with uncertainty around Brexit discussions, meant that despite strong employment and low interest rates, property prices continued to decline in 2018. This led to a reduction in transactions as many sellers chose not to put their properties on the market. This was accentuated in London, where tax and political concerns have a greater impact on its international community and asking prices are higher. The market was driven by needs-based buyers and sellers, with the greatest activity being in the outer London house market as families took advantage of price reductions, offsetting stamp duty taxation increases, to move up the ladder.

Winkworth's sales transactions fell by 4% overall and 6% in London, but in this low transactional market we outperformed our peers and grew market share, improving our ranking to second for properties exchanged in London and third in listings, a reflection of our efficiency at selling the properties we list.

Rentals and management revenues continued to grow strongly, and we reinforced this side of the business with the appointment of a group head of lettings. Revenues rose by 8%, after a 6% increase in 2017, supported by our central initiatives – the Corporate Relocation Department (CRD) providing quality tenants and the Client Services Department (CSD) quality landlords. Within this increase it was notable to see property management revenues continuing to grow rapidly, rising by 12% following an increase of 15% in 2017. This enabled us to reach a 50/50 split in sales and lettings, up from 54/46 in 2017.

Total gross revenues for the franchised office network rose by 1% in 2018 to £46.5m (2017 – £46.2m) with sales 6% lower at £23.4m (2017 – £24.8m) and rentals up 8% to £23.1m (2017 – £21.3m). London offices accounted for 81% of gross revenues (2017 – 80%). The best performing area was outer London, which saw a slight 1% dip in sales income but an increase of 10% in lettings and management, compared to sales income down 6% and lettings management up 8% for the group as a whole. We opened six new offices and new franchising applicants were up 78%, from 158 in 2017 to 282 in 2018. In addition, six offices were resold to new management, and we would expect these to have a positive impact on 2019 revenues.

Winkworth's revenues grew by 10% to £5.98m (2017 – £5.42m) and profit before taxation increased by 5% to £1.45m (2017 – £1.38m). The Group's cash stood at £2.94m (2017 – £3.58m), after returning £1.15m of cash to shareholders in August 2018. Dividends of 7.45p were declared for the year (2017 – 7.25p).

Our central teams continued to drive revenue to our franchisees, with CSD and CRD producing just over £1m in combined revenue for participating offices. CSD generated 1538 valuations leading to 377 instructions, a 25% increase on 2017. The digital marketing campaign conducted in 2018 also paid off, with a 41% rise in visits to the website compared to 2017, 30% more new users and a 21% increase in leads sent out through the website to franchisees.

We continue to invest in our digital platform. Now that stage one of the sales platform has been rolled out and is evolving, we are looking to start the roll out of the lettings platform this year.

**D C M Agace**  
*Director*

2 April 2019

## Non-Executive Chairman's Statement

In these changing times, Winkworth's stakeholders are entitled to a recap on their company's policy for the future.

For our shareholders, our priority is to increase the dividend steadily and maintain a strong balance sheet. This is achievable through a combination of organic growth and careful investment. For our franchisees, it is to maintain their competitive advantage, lower their costs where possible and deliver brand growth and back-up services.

The uncertainties brought about by various Stamp Duty changes, Brexit, pending withdrawal of tenant fees, and changes in taxation in the rental market, have all influenced the residential market. Reduced investment in the rental market due to over-regulation, coupled with lower sale prices in the Home Counties, can affect land prices dramatically and thus cause a subsequent reduction in new home building. These are matters for those in the industry to consider.

Our rentals business will this year see a minor negative impact from the well-publicised change in tenant fees, and this has been factored into our budget. Rental management and lettings remain important parts of our business and development of our portfolio management activity bodes well for future profitability. Pressure on smaller agencies from increased regulation and lower returns means that we expect to continue to grow the numbers of properties managed and let.

Our clean balance sheet, with its strong cash position of £2.94m at 31 December 2018, has meant that we are well positioned to continue to grow in what we believe will be an ongoing low volume market that benefits our franchised system. Even a modest upturn in sales volume, or increased market share following competitors' closures, will feed through to increased profits. Our cost base is closely contained, which means that top line improvements feed straight through to the bottom line.

We remain an attractive proposition for well-run companies within the agency and professional property businesses interested in discussing becoming part of the Winkworth franchise.

### **THE CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE**

As Chairman, it remains my responsibility, working with my fellow board colleagues, to ensure that good standards of corporate governance are embraced throughout M Winkworth PLC ("Winkworth", the "Company" or the "Group") and its franchised offices.

As a board, we set clear expectations concerning the Group's culture, values and behaviour. Every new starter at Winkworth attends an induction course covering not only our vision and values, but also explaining how we work with our customers and franchisees.

We firmly believe that this approach is key to helping us drive our premium high-street estate agency franchise. Our offering is based on local ownership and experienced staff with strong local knowledge supported by the centralised infrastructure, policies, processes, training and services provided by us as franchisor. Within this framework, our franchisees are encouraged to be entrepreneurial and thereby deliver long-term value for our shareholders.

## Non-Executive Chairman's Statement *continued*

Further details about the way in which the Company addresses the key governance principles as defined in the QCA Code are contained in the rest of the Annual Report and Accounts. Further information on compliance with the QCA Code is also provided on our website: [www.winkworthplc.com](http://www.winkworthplc.com).

**S P Agace**

*Non Executive Chairman*

2 April 2019

# Group Strategic Report

The directors present their strategic report of the company and the group for the year ended 31 December 2018.

## REVIEW OF BUSINESS

A review of the business during the year and an indication of likely future developments can be found in the Chairman and Chief Executive's Statements.

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

Turnover grew to £5.98 million, an increase of 10.3% on the 2017 level of £5.42 million.

Operating profits were £1.37 million, 5.1% higher than 2017's result of £1.30 million.

The group continues to grow with 6 new franchise offices opened in the UK (2017 – 7).

Dividends paid in the year amounted to £942k, up by 2.7% on the £917k paid in 2017.

The Statement of Financial Position remained strong and debt free with cash balances at 31 December 2018 of £2.94m, 18% down on December 2017 balance of £3.58m after returning £1.15m of capital to shareholders.

The key business highlights during the year were as follows:

Franchised offices sales at £46.5 million in line with 2017 level of £46.2 million 50% being derived from lettings and management. London property sales accounted for 82% (2017 – 80%) of the group total.

## RISK FACTORS

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.

## COMPETITION

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

## MARKET

Risk: Winkworth is exposed to material fluctuations in the housing market. In a low volume market pressure on fees is increased, leading to lower revenues on a smaller number of transactions. In particular, Winkworth is exposed to material fluctuations in the London market, with the majority of revenues generated by franchisees concentrated in the London area.

## LEGAL & REGULATORY ENVIRONMENT

Risk: The legal and regulatory environment in which Winkworth operates is changing and evolving. Winkworth needs to comply with these developments and avoid or manage situations or actions that could negatively impact on its finances, brand and reputation.

Mitigation: The group requires adherence to membership of regulatory bodies which monitor developments and also, where able, participates in industry forums set up to respond to issues. Along with the training made available to all staff via the central Academy, support is provided to offices by centralised legal and compliance teams who also oversee the group's dispute resolution procedure.

## Group Strategic Report continued

### **BREXIT**

Uncertainty regarding the possible outcomes of Brexit has weighed on consumer confidence. We look forward to getting clarity on Brexit and the removal of an element of concern that is currently impacting the market.

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

Risk: Winkworth looks to attract new franchisees with the necessary skills, expertise and resources either to set up a “cold start” in a new territory, or convert their existing business to the Winkworth brand.

Winkworth also looks to support existing franchisees looking to purchase businesses.

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

Mitigation: As part of its strong franchise offering, Winkworth has an established new franchising department which runs a robust selection process to reduce the risk of failure.

The department conducts checks on the suitability of its prospective franchisees and maintains ongoing training and monitoring.

The Board continually monitor 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 strong franchise offering.

The way in which Winkworth and its franchisees conduct their business and the service they provide help 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’ reputation and its brand.

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

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

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

### **OUTLOOK**

As prices have declined over the last few years, we have noticed a consistent increase in applicants and so a pent-up demand that has not yet flowed through to a rise in sales. This is partly attributable to changing political dynamics creating uncertainty and holding transaction levels back. So long as political uncertainty dominates the news we anticipate that this will remain the case. But when we eventually enter a period of relative stability we would expect the market to unlock, with sellers coming forward and buying demand feeding through to increased transactions, albeit without significant price increases due to affordability and tax changes. In lettings we anticipate strong levels of demand to continue to be driven by young professionals.

## Group Strategic Report continued

So far this year, we are generating new franchising applicants and a pipeline for new offices broadly in-line with 2018. We expect a delay in some of the new applicants coming onboard as they await the outcome of Brexit negotiations, but we do envisage that these will come through once there is greater clarity. We will continue to invest in the digital platform and the services we provide to franchisees to support their expertise and skills with a strong central platform to enable them to offer best-in-class services to their clients.

We expect to see new opportunities deriving from agencies looking to convert to and plug into the Winkworth platform in order to grow their market share, as well as agencies looking to sell their portfolios. Under current market conditions and as some successful franchisees who have been with us for many years look to pass on the baton, we also see an exciting opportunity to bring in new talented operators with successful track records looking for equity to acquire offices and take them on to the next level. Four of our top five fastest growing offices in 2018 were managed by new operators joining the network.

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

**D C M Agace**  
*Director*

2 April 2019



## Report of the Directors

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2018.

### PRINCIPAL ACTIVITY

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

### PAYMENTS TO SHAREHOLDERS

An interim dividend of £942,260 (2017 – £916,793) was paid during the year. In addition a capital reduction of £1,145,991 (2017 – £Nil) was paid to shareholders in August 2018.

### DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

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

The Directors names, together with biographical details, are shown on the group's website [www.winkworthplc.com](http://www.winkworthplc.com). The directors' remuneration for the year is set out in note 4 to the financial statements.

### 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-executives 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 consider 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.

### 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.

# Report of the Directors

## Meeting attendance

Details of the meetings of the Board and the various sub-committees of the Board during 2018, together with the attendance of the different Directors is as follows:-

### Meeting Attendance in 2018

Director	Board	Remuneration Committee	Audit Committee
Simon Agace	10	–	–
Lawrence Alkin	9	2	2
John Nicol	10	2	3
Dominic Agace	10	–	–
Andrew Nicol	10	–	2

On the adoption of the QCA Code, Lawrence Alkin was appointed to the Audit Committee and Andrew Nicol resigned his position on the Committee.

The board were advised by Norton Rose on the return of capital that was effected during 2018. Neither the board nor any of its committees have engaged other external advisors.

## Board Committee Reports

### Remuneration Committee

The Committee, chaired by Lawrence Alkin and with John Nicol in attendance met twice in 2018. In September they discussed and approved the updated Committee Terms of Reference, and in December they met to discuss and approve certain bonuses in respect of 2018 and the 2019 remuneration of the Executive Directors and key senior managers in the group.

### Audit Committee

The Committee, chaired by John Nicol, met three times in 2018. In March John Nicol and Andrew Nicol met with Moore Stephens to discuss and approve the 2017 Accounts and to review the Audit. In September John Nicol, Andrew Nicol and Lawrence Alkin met to discuss and approve the 2018 Interim results and Announcement and the updated Committee Terms of Reference. In December, John Nicol and Lawrence Alkin 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, 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 investor website is [www.winkworthplc.com](http://www.winkworthplc.com)

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

## Report of the Directors continued

### AUDITOR

On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the directors have appointed BDO LLP as auditor in their place. BDO LLP has indicated its willingness to continue in office.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adapted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation of the financial statements may differ from legislation in other jurisdiction.

### 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*

2 April 2019

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

## Opinion

We have audited the financial statements of M Winkworth Plc (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2018 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies and the notes to the Statements of Cash Flows. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- they 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 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, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our

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

audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Completeness of revenue*

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 recognised upon completion of the sale of the relevant property by the franchisee. Revenue in respect of commission due on lettings, property management and administration services is recognised in the period to which the services relate. There is a risk that revenue is received and not recorded, especially due to the under-reporting of revenue on part of the franchisees. Therefore there is a potential risk in terms of the completeness of the revenue being recognised.

In this area our audit procedures included:

- We checked that the Group internal compliance procedures, which are carried out to ensure completeness of income, had been undertaken on a monthly basis.
- We agreed a sample of income received to documentation from lawyers and franchisees in respect of house sales.
- For a random selection of rental and sales transactions we traced from the source documentation to the nominal ledger to check that revenue had been accurately calculated and appropriately recorded.
- We tested completeness of income from 'for sale' information on franchisee websites through to a subsequent sale and receipt of revenues.

### *Debtors recoverability*

The current weakness in the housing market is described in the Chief Executive Officer's and Non-Executive Chairman's statements on page 2

and 3. The impact on estate agents, particularly operating from single shops, is an increased risk of insolvency and the failure to repay loans.

There is therefore a potential risk that the loans to the franchisees are impaired.

In this area our audit procedures included:

- Assessing the repayment history and payment methods of the franchisees, to check that loans are being repaid according to the loan terms.
- Obtaining the latest available management accounts of the franchisees to obtain sufficient comfort over their ability to continue trading and to be able to repay their loans.

### **Our application of materiality**

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

We determined the materiality for the Group financial statements as a whole to be £80,000 (2017 - £82,500), calculated with reference to a benchmark of Group profit before tax averaged over 4 years, of which it represents 5%. This is the threshold above which missing or incorrect information in financial statements is considered to have an impact on the decision making of users.

Whilst materiality for the financial statements of a whole was £80,000, each component of the Group was audited to a lower level of materiality. Component materiality ranged from £5,000 to £75,000.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the

financial statements as a whole. The Group's performance materiality was set at £56,000 (2017: £57,750) which represents 70% (2017: 70%) of the above materiality levels.

We reported to the Audit and Risk Committee all potential adjustments in excess of £4,000 being 5% of the materiality for the financial statements as a whole.

The parent Company materiality was £35,000.

#### **An overview of the scope of our audit**

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

There are three trading companies in the Group, which are all registered and operate in the UK, each of which is subject to a full scope audit by BDO LLP.

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

#### **Other information**

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

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

We have nothing to report in this regard.

#### **Opinion 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 Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the ' Report of the Directors 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:



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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities on page nine, 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 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 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Paul Clark** (*Senior Statutory Auditor*)

for and on behalf of **BDO LLP**

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

2 April 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
<b>CONTINUING OPERATIONS</b>			
Revenue	3	5,979	5,423
Cost of sales		(1,547)	(1,292)
<b>GROSS PROFIT</b>			
Administrative expenses		(3,063)	(2,829)
<b>OPERATING PROFIT</b>			
Finance income	5	83	74
<b>PROFIT BEFORE TAX</b>			
Tax	7	(288)	(273)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			
		1,164	1,103
Earnings per share expressed in pence per share:			
	9		
Basic		9.14	8.66
Diluted		9.14	8.66

The notes form part of these financial statements



# Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 £'000	2017 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	674	796
Property, plant and equipment	11	121	98
Investments	12	53	7
Trade and other receivables	13	724	516
		<b>1,572</b>	<b>1,417</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	1,026	1,102
Corporation tax receivable		–	208
Cash and cash equivalents		2,935	3,579
		<b>3,961</b>	<b>4,889</b>
<b>TOTAL ASSETS</b>		<b>5,533</b>	<b>6,306</b>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	14	64	64
Share premium		–	1,793
Other reserves		51	51
Retained earnings		4,550	3,742
<b>TOTAL EQUITY</b>		<b>4,665</b>	<b>5,650</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax	20	17	11
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	722	645
Corporation tax payable		129	–
		<b>851</b>	<b>645</b>
<b>TOTAL LIABILITIES</b>		<b>868</b>	<b>656</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,533</b>	<b>6,306</b>

The financial statements were approved by the Board of Directors on 2 April 2019 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 2018

	Notes	2018 £'000	2017 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments	12	63	63
		<b>63</b>	<b>63</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	1,268	2,474
Cash and cash equivalents		424	424
		<b>1,692</b>	<b>2,898</b>
<b>TOTAL ASSETS</b>		<b>1,755</b>	<b>2,961</b>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	14	64	64
Share premium		–	1,793
Other reserves		51	51
Retained earnings		1,640	1,053
<b>TOTAL EQUITY</b>		<b>1,755</b>	<b>2,961</b>
<b>LIABILITIES</b>			
<b>TOTAL LIABILITIES</b>		<b>–</b>	<b>–</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,755</b>	<b>2,961</b>
Company's profit for the year		<b>943</b>	<b>917</b>

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements.

The financial statements were approved by the Board of Directors on 2 April 2019 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 2018

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Other reserves £'000	Total equity £'000
<b>Balance at 1 January 2017</b>	64	3,556	1,793	51	5,464
<b>Changes in equity</b>					
Dividends	–	(917)	–	–	(917)
Total comprehensive income	–	1,103	–	–	1,103
<b>Balance at 31 December 2017</b>	64	3,742	1,793	51	5,650
<b>Changes in equity</b>					
Capital reduction	–	–	(1,146)	–	(1,146)
Capital reduction expenses	–	(61)	–	–	(61)
Transfer of excess share premium	–	647	(647)	–	–
Dividends	–	(942)	–	–	(942)
Total comprehensive income	–	1,164	–	–	1,164
<b>Balance at 31 December 2018</b>	64	4,550	–	51	4,665

The notes form part of these financial statements

# Company Statement of Changes in Equity

for the year ended 31 December 2018

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Other reserves £'000	Total equity £'000
<b>Balance at 1 January 2017</b>	64	1,053	1,793	51	2,961
<b>Changes in equity</b>					
Dividends	–	(917)	–	–	(917)
Total comprehensive income	–	917	–	–	917
<b>Balance at 31 December 2017</b>	64	1,053	1,793	51	2,961
<b>Changes in equity</b>					
Capital reduction	–	–	(1,146)	–	(1,146)
Capital reduction expenses	–	(61)	–	–	(61)
Transfer of excess share premium	–	647	(647)	–	–
Dividends	–	(942)	–	–	(942)
Total comprehensive income	–	943	–	–	943
<b>Balance at 31 December 2018</b>	64	1,640	–	51	1,755

The notes form part of these financial statements

# Consolidated Statement of Cash Flows

for the Year Ended 31 December 2018

	Notes	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,612	2,115
Tax paid		56	(417)
<b>Net cash from operating activities</b>		<b>1,668</b>	<b>1,698</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(119)	(224)
Purchase of tangible fixed assets		(70)	(23)
Purchase of fixed asset investments		(78)	–
Sale of intangible fixed assets		21	–
Interest received		83	74
<b>Net cash from investing activities</b>		<b>(163)</b>	<b>(173)</b>
<b>Cash flows from financing activities</b>			
Capital reduction		(1,146)	–
Costs relating to capital reduction		(61)	–
Equity dividends paid		(942)	(917)
<b>Net cash from financing activities</b>		<b>(2,149)</b>	<b>(917)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(644)</b>	<b>608</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>3,579</b>	<b>2,971</b>
<b>Cash and cash equivalents at end of year</b>		<b>2,935</b>	<b>3,579</b>

The notes form part of these financial statements

# Company Statement of Cash Flows

For the Year Ended 31 December 2018

	Notes	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,206	–
Net cash from operating activities		1,206	–
<b>Cash flows from investing activities</b>			
Interest received		1	–
Dividends received		942	917
Net cash from investing activities		943	917
<b>Cash flows from financing activities</b>			
Capital reduction		(1,146)	–
Costs relating to capital reduction		(61)	–
Equity dividends paid		(942)	(917)
Net cash from financing activities		(2,149)	(917)
Increase in cash and cash equivalents		–	–
Cash and cash equivalents at beginning of year		424	424
Cash and cash equivalents at end of year		424	424

The notes form part of these financial statements

# Notes to the Statements of Cash Flows

for the Year Ended 31 December 2018

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

### Group

	2018 £'000	2017 £'000
Profit before tax	1,452	1,376
Depreciation charges	270	246
Profit on disposal of fixed assets	(3)	–
Impairment of fixed asset investments	32	–
Finance income	(83)	(74)
	<b>1,668</b>	<b>1,548</b>
(Increase)/decrease in trade and other receivables	(133)	446
Increase in trade and other payables	77	121
<b>Cash generated from operations</b>	<b>1,612</b>	<b>2,115</b>

### Company

	2018 £'000	2017 £'000
Profit before tax	943	917
Finance income	(943)	(917)
	–	–
Decrease in trade and other receivables	1,206	–
<b>Cash generated from operations</b>	<b>1,206</b>	<b>–</b>

The notes form part of these financial statements

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2018

## 1. STATUTORY INFORMATION

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

## 2. ACCOUNTING POLICIES

### Basis of preparation

The financial statements have been prepared under the historical cost convention, with the exception of financial instruments as set out below, and in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS"). The 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.

### Basis of consolidation

The group financial statements consolidate the financial statements of M Winkworth Plc and all its subsidiary undertakings. All subsidiary companies have coterminous year ends.

Acquisitions of companies that are consolidated are accounted for using the purchase method, by allocating their acquisition cost to the acquired identifiable assets and liabilities at the time of acquisition. Where the acquisition cost exceeds the net fair value of the acquired assets and liabilities, the difference is recognised as goodwill. Goodwill is not amortised but is tested for impairment at least annually and written down only in the event of impairment.

### Revenue

Revenue represents the value of commissions and subscriptions due to the group under franchise agreements. Revenue in respect of commissions due on house sales is recognised at the point of the relevant property sale having been completed by the franchisee. Revenue in respect of commissions due on lettings, property management, subscriptions and administration services is recognised in the period to which the services relate.

The group adopted IFRS 15 in the year and the directors have reviewed the revenue recognition policies in place. IFRS 15 sets out a five step recognition process as follows:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfied a performance obligation

The group has two main revenue streams, these being commissions from property sales and commissions on lettings, property management and administration services. In both of these cases the customer, transaction price and performance obligations are set out in a written contract. Revenue in respect of commissions due on property sales is recognised at the point of the relevant property sale having been completed by the franchisee, which is the single performance obligation. Revenue in respect of commissions due on lettings, property management and administration services is recognised when the performance obligations are completed, which is over the course of each rental period.



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

### 2. ACCOUNTING POLICIES – continued

Revenue represents the value of commissions and subscriptions due to the group under franchise agreements.

The directors are of the opinion that there are no material changes to revenue recognition as a result of adopting IFRS 15.

#### Intangible assets

Intangible assets represent amounts paid to franchisees on the incorporation of their business into the Winkworth brand and website development costs.

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

#### Property, plant and equipment

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

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

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

#### Taxation

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

#### Deferred tax

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

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

#### Employee benefit costs

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

#### Leased assets and obligation

Lease arrangements where substantially all the benefits and risks of ownership remain with the lessor are treated as operating leases and charged to the statement of comprehensive income on a straight line basis over the life of the lease.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

### 2. ACCOUNTING POLICIES – continued

#### Investments

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

#### Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### Share based payments

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

#### Cash and cash equivalents

Cash and cash equivalents is defined as cash balances in hand and in the bank (including short term cash deposits). The company routinely utilises short term bank overdraft facilities, which are repayable on demand, as an integral part of its cash management policy. As such these are included as a component of net cash and cash equivalents within the statement of cash flows.

#### Dividends

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

#### Financial assets

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

The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

#### Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to franchisees (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

#### Financial liabilities

Trade payables and other short-term monetary liabilities are classified as financial liabilities and are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

### 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 intangibles

The group is required to test, where indicators of impairment exist, whether intangible assets have suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary.

(b) Recoverability of trade receivables

The group determines concentrations of credit risk by quarterly monitoring of the creditworthiness rating of franchisees and through a monthly review of the trade receivables' ageing analysis.

#### Standards and interpretations in issue but not yet effective

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31 December 2018. The Directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

##### *IFRS 16 – Leases*

IFRS 16 Leases will take effect on 1 January 2019 and will be applied following the retrospective approach with full restatement for the comparison period, when implemented in 2019. The standard broadens the criteria for recognition of lease assets and liabilities and will have a material impact on the financial statements, as off-balance operating leases will be capitalised and accounted for similar to our current finance lease accounting policies. Reported operating profit will increase, as operating lease expenses will be replaced by depreciation and interest expenses. The impact on net profit will be neutral over time, but a timing effect will occur due to frontloading of interest expenses. Reported cash flow from operating activities will increase but be offset by an increased cash outflow from financing activities, and, accordingly, there will be no change in the underlying cash flow for the year.

Impact assessments and implementation strategies are being adapted as the implementation progresses. Based on current estimates, the standard will have an effect on the Group's consolidated statement of financial position at 1 January 2018, where the leased assets are expected to increase by around £1,056,000, and the lease liabilities are expected to increase by around £1,075,000, the difference of £19,000 being an adjustment through opening reserves at 1 January 2019. The estimated impact on the consolidated income statement for 2018 is an expected increase in operating profit before amortisation, depreciation and special items of around £286,000, an expected decrease in operating profit before special items of around £240,000, and an expected increase in financial expenses of around £47,000. The estimated effects are provisional and subject to significant uncertainties and are based on analysis of our current contract portfolio and therefore do not take any future significant changes in activities or contracts in 2018 into account.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

### 2. ACCOUNTING POLICIES – continued

Adoption of IFRS 16 will not imply any major changes to our existing accounting policies for finance leases. In addition to our existing policies, we have elected not to recognise right-of-use assets, lease liabilities for leases with a lease term of 12 month or less or leases of low-value assets. Furthermore, any gains recognised on sale and leaseback transactions will be partly deferred and recognised over the duration of the lease as a reduction of depreciation expenses.

### 3. SEGMENTAL REPORTING

The directors believe that the group has only one segment, that of a franchising business. Currently, these operations principally occur in the UK, with only limited business in other territories. Accordingly no segmental analysis is considered necessary.

### 4. EMPLOYEES AND DIRECTORS

	2018 £'000	2017 £'000
Wages and salaries	1,584	1,421
Social security costs	186	171
Other pension costs	14	8
	<b>1,784</b>	1,600

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

	2018	2017
Office and management	33	33

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 2018 Total £'000	Year to 31 December 2017 Total £'000
D C M Agace	159	1	-	-	160	185
S P Agace	50	-	2	-	52	52
J Nicol	20	-	-	-	20	20
L M Alkin	20	-	-	-	20	20
A J D Nicol	111	1	-	-	112	92
Total	360	2	2	-	364	369

Key management personnel are defined as the directors of the group.

The number of directors to whom retirement benefits were accruing during the year was 2 (2017 – 2).

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

#### 4. EMPLOYEES AND DIRECTORS – continued

At the year end, D C M Agace held 305,000 (2017 – 305,000) share options with a value of £20,306 (2017 – £20,306) and A J D Nicol held 150,000 (2017 – 150,000) share options with a value of £192 (2017 – £192).

See also note 22 for transactions with directors.

#### 5. NET FINANCE INCOME

	2018 £'000	2017 £'000
Finance income:		
Interest receivable	83	74

#### 6. PROFIT BEFORE TAX

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

	2018 £'000	2017 £'000
Depreciation – owned assets	47	41
Profit on disposal of fixed assets	(3)	–
Intangible assets amortisation	223	205
Auditors' remuneration	30	30
Rents payable under operating leases	259	217

Included within auditor's remuneration above is £11,000 (2017 – £11,000) relating to the company.

Included within comprehensive income are bad debts of £288,345 (2017 – £209,754).

#### 7. TAXATION

##### Analysis of tax expense

	2018 £'000	2017 £'000
Current tax:		
Taxation	280	274
Adjustment re previous years	2	4
Total current tax	282	278
Deferred tax (note 20)	6	(5)
Total tax expense in consolidated statement of profit or loss and other comprehensive income	288	273

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

### 7. TAXATION – continued

#### Factors affecting the tax expense

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

	2018 £'000	2017 £'000
Profit before income tax	1,452	1,376
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	275	265
Effects of:		
Expenses not deductible for tax purposes	1	7
Adjustment in respect of prior periods	10	4
Depreciation in excess of capital allowances	2	(3)
Tax expense	288	273

### 8. DIVIDENDS

	2018 £'000	2017 £'000
Ordinary shares of 0.5p each		
Interim	942	917

There are no proposed dividends at the reporting date.

### 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	Earnings £'000	2018 Weighted average number of shares '000	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	1,164	12,733	9.14
Effect of dilutive securities	–	–	–
<b>Diluted EPS</b>			
Adjusted earnings	1,164	12,733	9.14

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

### 9. EARNINGS PER SHARE – continued

Given that the market price of the shares has fallen lower than the strike price, for the options granted on 10 May 2017, this has made the options anti-dilutive.

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

### 10. INTANGIBLE ASSETS

Group	Franchises £'000	Website development £'000	Total £'000
<b>COST</b>			
At 1 January 2018	1,480	241	1,721
Additions	104	14	118
Disposals	(30)	–	(30)
At 31 December 2018	1,554	255	1,809
<b>AMORTISATION</b>			
At 1 January 2018	815	110	925
Amortisation for year	149	74	223
Eliminated on disposal	(13)	–	(13)
At 31 December 2018	951	184	1,135
<b>NET BOOK VALUE</b>			
At 31 December 2018	603	71	674
At 31 December 2017	665	131	796

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

### 10. INTANGIBLE ASSETS – continued

	Franchises £'000	Website development £'000	Total £'000
<b>COST</b>			
At 1 January 2017	1,340	336	1,676
Additions	140	85	225
Disposals	–	(180)	(180)
At 31 December 2017	1,480	241	1,721
<b>AMORTISATION</b>			
At 1 January 2017	676	223	899
Amortisation for year	139	67	205
	–	(180)	(180)
At 31 December 2017	815	110	925
<b>NET BOOK VALUE</b>			
At 31 December 2017	665	131	796
At 31 December 2016	664	113	777

Intangible assets relate to the carrying value of amounts paid to franchisees on incorporation of their business into the Winkworth brand which are being amortised over the period of the franchise agreement to which they relate and website development costs which are being amortised over 3 years.

### 11. PROPERTY, PLANT AND EQUIPMENT

#### Group

Year ended 31 December 2018

	Computer equipment £'000	Fixtures and fittings £'000	Totals £'000
<b>COST</b>			
At 1 January 2018	5	260	265
Additions	–	70	70
At 31 December 2018	5	330	335
<b>DEPRECIATION</b>			
At 1 January 2018	4	163	167
Charge for year	1	46	47
At 31 December 2018	5	209	214
<b>NET BOOK VALUE</b>			
At 31 December 2018	–	121	121



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

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

Year ended 31 December 2017

	Computer equipment £'000	Fixtures and fittings £'000	Totals £'000
<b>COST</b>			
At 1 January 2017	5	237	242
Additions	–	23	23
At 31 December 2017	5	260	265
<b>DEPRECIATION</b>			
At 1 January 2017	3	123	126
Charge for year	1	40	41
At 31 December 2017	4	163	167
<b>NET BOOK VALUE</b>			
At 31 December 2017	1	97	98

### 12. INVESTMENTS

Group	Listed investments £'000	Unlisted investments £'000	Totals £'000
<b>COST</b>			
At 1 January 2018	–	7	7
Additions	78	–	78
Impairments	(32)	–	(32)
<b>NET BOOK VALUE</b>			
At 31 December 2018	46	7	53
At 31 December 2017	–	7	7

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

#### Company

	2018 £'000	2017 £'000
<b>COST</b>		
At 1 January	63	63
<b>NET BOOK VALUE</b>		
At 31 December	63	63

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

### 12. INVESTMENTS – continued

#### Subsidiary undertakings

M Winkworth Plc had the following subsidiary undertakings as at 31 December 2018:

	% 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

The following are shares held indirectly:

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

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

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

### 13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Current:</b>				
Trade receivables	591	491	–	–
Amounts owed by group undertakings	–	–	1,268	2,474
Loans to franchisees	283	465	–	–
Other receivables	–	8	–	–
Prepayments and accrued income	152	138	–	–
	<b>1,026</b>	<b>1,102</b>	<b>1,268</b>	<b>2,474</b>
<b>Non-current:</b>				
Loans to franchisees	724	516	–	–
Aggregate amounts	<b>1,750</b>	<b>1,618</b>	<b>1,268</b>	<b>2,474</b>

Trade receivables are stated net of bad debt provisions of £288,345 (2017 – £209,754). The movement in the provision has been recognised in the statement of comprehensive income.

#### Ageing of trade receivables

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade receivables not past due	301	308	–	–
Trade receivables past due 1-30 days	101	72	–	–
Trade receivables past due 31-60 days	26	26	–	–
Trade receivables past due 61-90 days	35	13	–	–
Trade receivables past due over 90 days	128	72	–	–
	<b>591</b>	<b>491</b>	<b>–</b>	<b>–</b>

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

### 14. CALLED UP SHARE CAPITAL

		2018 £'000	2017 £'000
<b>Authorised:</b>			
20,000,000	Ordinary shares of 0.5p	100	100
<b>Issued and fully paid:</b>			
12,733,238	Ordinary shares of 0.5p	64	64

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

### 15. RESERVES

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

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

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

On 24 July, 2018, the High Court of Justice of England and Wales made an order approving a Reduction of Capital. Under the terms of this arrangement, the Company's share premium account of approximately £1.793 million was cancelled and approximately £1.146 million of capital was returned to shareholders. The balance of approximately £0.647 million, less the costs of the Return of Capital, was transferred to the Company's profit and loss account.

The share price at close of business on 23 July 2018, the day before the High Court made the order was 130.0p for each 0.5p share.

### 16. TRADE AND OTHER PAYABLES

	Group	
	2018 £'000	2017 £'000
<b>Current:</b>		
Trade payables	299	281
Other taxes and social security	251	235
Other payables	2	3
Accruals and deferred income	163	122
VAT	7	4
	<b>722</b>	<b>645</b>

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

### 17. LEASING AGREEMENTS

#### Group

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

	2018 £'000	2017 £'000
Within one year	259	259
Between one and five years	352	569
More than five years	116	158
	<b>727</b>	<b>986</b>

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

### 17. LEASING AGREEMENTS – continued

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

	2018 £'000	2017 £'000
Within one year	42	42
Between one and five years	168	168
More than five years	116	158
	<b>326</b>	<b>368</b>

### 18. CONTINGENT LIABILITIES

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

### 19. FINANCIAL INSTRUMENTS

#### Capital management

The group manages its capital to ensure its operations are adequately provided for, while maximising the return to shareholders through the effective management of its resources.

The group's objectives when managing capital are to safeguard its ability to continue as a going concern and so provide returns for shareholders and benefits for other members. The group meets its objectives by aiming to achieve a steady growth while mitigating risk, which will generate regular and increasing returns to the shareholders.

The group also seeks to minimise the cost of capital and optimise its capital structure. The capital structure of the group consists of cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. The group currently does not carry any debt.

#### Risk management

The group is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk

In common with all other businesses, the group is also exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

## 19. FINANCIAL INSTRUMENTS – continued

### Principal financial instruments

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

- trade 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 franchisees. It is group policy to assess the credit risk of new franchisees before entering contracts.

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

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

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

All financial liabilities are repayable on demand.

#### Liquidity risk

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

## 19. FINANCIAL INSTRUMENTS – continued

### Market risk

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

### Currency risk

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

### Interest rate and currency of cash balances

Floating rate financial assets of £2,934,197 (2017 – £3,580,732) comprise sterling cash deposits which are all held with one bank. 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£7,000 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.

## 20. DEFERRED TAX

### Group

	2018 £'000	2017 £'000
Balance at 1 January	11	16
Transfer from/(to) profit or loss (note 7)	6	(5)
Balance at 31 December	17	11

Deferred tax relates wholly to accelerated capital allowances.

## 21. RELATED PARTY DISCLOSURES

During the year total dividends of £472,830 (2017 – £457,661) were paid to directors.

During the year the company received a dividend of £942,260 (2017 – £916,793) 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 (2017 – £2,474,284).

Winkworth Franchising Limited received net income of £62,980 (2017 – £66,231) from, paid fees of £4,904 (2017 – £7,605) to and purchased tax losses of £2,255 (2017 – £4,935) from Winkworth Client Services Limited. The balance owed by Winkworth Client Services Limited to Winkworth Franchising Limited at the year end was £11,699 (2017 – £2,570).

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

### 22. SHARE-BASED PAYMENT TRANSACTIONS

Share options are granted to directors and to selected employees. The exercise price of the granted options is equal to the market price of the shares at date of the grant. Options are conditional on the employee completing two years' service (the vesting period). The options are exercisable starting two years from the grant date and expire ten years from the grant date. The company has no legal or constructive obligation to repurchase or settle the options in cash.

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

Option series	Number	Grant date	Expiry date	Exercise price (p)	Fair value at grant date (p)
Granted on 1 July 2013	163,400	01/07/2013	30/06/2023	110	21
Granted on 10 May 2017	360,000	10/05/2017	09/05/2027	150	1

When the 10 May 2017 share options were granted the market price of shares was 112p. With the exercise price of these options being 150p this created a significant performance hurdle for the share price to reach the exercise price.

The weighted average fair value of options granted during the previous period determined using the Black-Scholes valuation model was £0.0041 per option. The significant inputs into the model were weighted average share price of £1.10 at the grant date, exercise price shown above, volatility of 21%, an expected option life of eight years and an annual risk-free interest rate of 1.17%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

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

	2018		2017	
	Number of options	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)
Balance at beginning of year	523,400	138	163,400	110
Granted during the year	–	–	360,000	150
Balance at end of year	523,400	138	523,400	138

At 31 December 2018, 163,400 of the above options were exercisable. No options were exercised in 2018. The share options outstanding at the year-end had a weighted average contractual life of 7.1 years.

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



## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of M Winkworth PLC (the “**Company**”) will be held on Tuesday 14 May 2019 at 10.30 a.m. at 1 Lumley Street, London W1K 6TT to transact the following business, of which Resolutions 1 to 4 (inclusive) will be proposed as ordinary resolutions and Resolutions 5 and 6 will be proposed as special resolutions:

### ORDINARY RESOLUTIONS

1. TO receive the accounts, the report of the directors and the auditors’ report on the accounts for the year ended 31 December 2018.
2. TO re-appoint Moore Stephens LLP as auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
3. TO authorise the directors to determine the auditors’ remuneration.
4. THAT the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “**2006 Act**”) in substitution for all existing and unexercised authorities:
  - 4.1 to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together, “**Relevant Securities**”) up to an aggregate nominal amount of twenty-one thousand, two hundred and twenty-two pounds (£21,222); and
  - 4.2 to exercise all the powers of the Company to allot equity securities (within the meaning of section 560(1) of the 2006 Act) up to an additional aggregate nominal amount of twenty-one thousand, two hundred and twenty-two pounds (£21,222) provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities, subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

provided that the authorities in paragraphs 4.1 and 4.2 shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, on the date which is 15 months after the date of the annual general meeting, except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities, as the case may be, to be allotted after such expiry and the directors may allot Relevant Securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired.

### SPECIAL RESOLUTIONS

5. THAT, subject to the passing of resolution 4, the directors be and are empowered generally, in accordance with section 570 of the 2006 Act, in substitution for all existing and unexercised powers, to allot equity securities (as defined in section 560(1) of the 2006 Act) for cash either pursuant to the authority conferred by resolution number 4 or by way of a sale of treasury shares as

## Notice of Annual General Meeting continued

if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

- 5.1 the allotment of equity securities in connection with a rights issue or other pro rata offer (but, in the case of the authority conferred by paragraph 4.2 above, by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held (or deemed to be held) by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and
- 5.2 the allotment (otherwise than pursuant to paragraph 5.1 above) of equity securities up to an aggregate nominal amount of twelve thousand, seven hundred and thirty-three pounds (£12,733),

and shall expire upon the expiry of the general authority conferred by resolution 4 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

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

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.

2 April 2019

**REGISTERED OFFICE:**  
1 Lumley Street,  
London W1K 6TT

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

## Notice of Annual General Meeting continued

### NOTES:

1. A member entitled to attend and vote at the annual general meeting is entitled to appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the annual general meeting. A member can appoint more than one proxy in relation to the annual general meeting, provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by him.
2. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form. Appointing a proxy does not preclude you from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
3. An appointment of proxy is provided with this notice and instructions for use are shown on the form. In order to be valid, completed proxies must be received (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) by Link Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not later than 10.30 a.m. on 10 May 2019.
4. To change your proxy instructions you may return a new proxy appointment using the methods set out in the form. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Link Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
5. (a) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.  
  
(b) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & Ireland’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer’s agent, Link Asset Services, (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.  
  
(c) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## Notice of Annual General Meeting continued

- (d) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. Only those shareholders registered in the Register of Members of the Company as at close of business on 10 May 2019 (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 2 April 2019 (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 2 April 2019 are 12,733,238.
10. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:
- (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - (b) the answer has already been given on a website in the form of an answer to a question; or
  - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
11. The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the annual general meeting for 15 minutes prior to and during the meeting:
- (a) copies of the executive directors' service contracts with the Company; and
  - (b) copies of the letters of appointment of the non-executive directors.

For your notes

# M Winkworth PLC

1 Lumley Street  
Mayfair, London  
W1K 6TT

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

