M Winkworth PLC
Annual Report & Accounts 2020

Winkworth

for every step...

Contents

Company Information

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D C M Agace
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A J D Nicol

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Winkworth

Chief Executive Officer's Statement

After the dramatic shutdown of the property market in March last year, following the first lockdown when all non-essential sales were suspended, the property market bounced back strongly once trading resumed.

The pandemic brought a new set of buyers to the market, driven by a desire to change their living conditions after several months of working from home. It effectively brought forward moves that may well have been up to five years away, as people pushed for more space in suburban London or moved to the country.

This new influence, boosted by a stamp duty holiday, led to a surge in sales in the second half of the year, creating a logjam in conveyancing and extending transaction times considerably as the system struggled to cope with demand. All our markets benefitted from this with the exception of central London, where a lack of international travel and the repatriation of much of the international community limited demand in sales.

We further improved our strong position in the marketplace and ranked 2nd in London with a market share of 4.53%, having increased our share of SSTC properties in 2020 by 0.35%[1]. From a national perspective the results were also good as we saw our market share of SSTC properties increasing, climbing by another place in the UK rankings to 11th in 2020.

The rentals and management side of the business was little affected in the first half of the year, with lettings income proving resilient as many tenants stayed put and renewals business increased. Over the course of the second half of the year our London rentals saw some weakness, but country rentals progressed well. Once again, our management fees continued to grow as landlords chose our management service to guide them through a rapidly changing regulatory environment, growing by 6% and accounting for 21% of group revenue (2019: 20%).

In central London, the pandemic had a more immediate impact on rentals demand due not only to a lack of international travel, but also to students and young professionals returning to family homes in the country. Whereas our outer London rentals revenues were broadly unchanged on 2019, central London rents declined by up to 20% in certain areas in 2020 and our overall London revenues fell by 4%. Our country rental income, however, grew by 12%.

In 2020, gross revenues of the franchised network of £47.7m were broadly flat year-on-year (2019: £48.3m). Sales income was unchanged at £23.8m (2019: £23.8m) while Lettings and Management fell by 2% to £23.9m (2019: £24.4m), producing an equal revenue split between these two activities compared to a ratio of 45% Sales and 55% Lettings and Management at the end of H1.

Winkworth's revenues were flat at £6.41m (2019: £6.42m) and profit before taxation was 6% lower at £1.53m (2019: £1.63m). The Group's cash position at year end increased to £4.66m (2019: £3.57m). Dividends of 6.68p were declared for the year (2019: 7.8p).

Despite the challenging market conditions, we were able to open two new franchises in Long Melford and Bagshot, with a new office in Hellesdon falling into 2021. We have several further offices scheduled to open in 2021 and maintain our target of opening five new offices per year.

Tooting, in which we made an investment in 2019, continued to show promising growth, with revenues up by 17%. Having started the year ranking second in the area by market share of sales agreed, it ended it ranking consistently as the leading agent. Tooting is now the 13th largest office in the Winkworth network by gross revenue.

[1] Source: TwentyCI

Chief Executive Officer's Statement continued

As we pursue the strategy of backing talented operators, and where appropriate taking an equity position to deliver more than the 8% franchise return, in 2020 we took a second step by investing in the Crystal Palace office. Having mapped target markets and identified individuals who we believe can make a significant contribution to our business, we have further developments in the pipeline. We will incentivize these individuals with the prospect of earning equity in the office or offices that they manage.

Last year saw a resurgence of merger and acquisition activity in the sector and some consolidation amongst our peers. We believe that this will provide us with an opportunity to attract new franchisees and managers looking for an opportunity to strike out on their own. The strength of our brand, our ongoing investment in the digital platform, our compliance solutions, and the support that we provide from our central office are all powerful selling points for dynamic entrepreneurs.

D C M Agace
Director

7 April 2021

Winkworth

Non-Executive Chairman's Statement

We have delivered a positive set of results for 2020, especially in view of the shutdown of sales in the second quarter of the year. Management and lettings activity held up well and was carefully managed throughout the lockdown. Clearly, the close relationship between the local office teams and their clients and tenants has been an important factor and maintaining the revenue from this business line reflects well on our systems and training.

During both the first and second lockdowns, the benefit of our outlets being in key locations was once again proven. Our local experience meant that we were able to perform valuations remotely and it was noticeable that, on the lifting of lockdown, our clients were delighted to meet us in a controlled environment. We believe that this relationship helped to power our recovery, which confirms our confidence in Winkworth's high street presence. It is not our intention to develop remote working – this pandemic has demonstrated that our business is reliant on teamwork and good communications.

In recent months we have seen some reduction in interest in lettings and, in particular, there has been lower demand in central London, especially in the foreign student market. As families re-plan their lives, however, the market has swung back towards sales. This has been driven by buyers seeking extra room for workspace and gardens, while still maintaining access to central London. Our country offices have experienced an influx of new buyers, while in the suburbs we have been inundated with buyers seeking additional or outside space. We expect this trend to continue.

We acted with caution during the first lockdown but progressed with the projects in hand such as the improvements to our knowledge and regulation hub, which we use to deliver our support services and training to our franchisees, and further upgrades to our website. We will be adding new franchises in 2021 and will continue to use the Company's substantial resources to attract and back entrepreneurial estate agents in key growth areas of Southern England, acting opportunistically as opportunities arise.

Winkworth ended the year with no debt and a healthy cash balance of £4.66m after paying dividends for 2020 of 6.68p per share. The reduction in quarterly payments on the previous year reflected restraint in the face of the unpredictable fluctuations in trading due to lockdowns. Our offices have now been open since mid-May of last year and, after a rebound in sales activity in the second half, we have experienced strong momentum going into the first quarter of this year. Having repaid the furlough money received from the government for franchisor staff, the board remains committed to paying a quarterly dividend and restoring its progressive dividend policy.

S P Agace
Non Executive Chairman

7 April 2021

Group Strategic Report

The directors present their strategic report of the company and the group for the year ended 31 December 2020.

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

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

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

Turnover, at £6.41 million, was in line with the £6.42 million delivered in 2019.

Profit before taxation was £1.53 million, 6% lower than 2019's result of £1.63 million.

Year-end cash balance of £4.66 million (2019: £3.57 million). No debt.

2 new offices opened in the year (2019: 3) and the group acquired the trade and assets of the Crystal Palace franchise.

Dividends of 6.68p declared (2019: 7.8p).

The key business highlights during the year were as follows:

Franchised office network revenue of £47.7 million (2019: £48.3 million).

Rental income 50.2% of total revenues (2019: 50.5%).

Tooting Estates Limited contributed a full year's results in 2020 which added £1.0 million to revenue and £0.19 million to profits (6 months results in 2019 which added £0.5 million to revenue and £0.05 million to profits). The group acquired the trade and assets of the Crystal Palace franchise in July 2020, and is operating it as a subsidiary of the group.

FRANCHISE OFFICES
Despite the challenging market conditions, and in line with the group's plan to grow and improve the network, a further two new offices were opened in 2020. In addition, following on from the successful investment made in the Tooting office in 2019, the group acquired the Crystal Palace franchise when it came up for renewal.

REVENUE
Gross revenues for the franchised office network in 2020 were broadly unchanged on 2019 and split equally between Sales and Lettings and Management. This result demonstrates the resilience of the group's model under very volatile market conditions. After a strong start to the year following the General Election in December 2019, the second quarter was significantly impacted by lockdown. Winkworth responded rapidly to the re-opening of offices in mid-May and saw a surge in sales demand which persisted through the second half of the year, ending 2020 with a significant backlog of transactions awaiting completion.

Winkworth's revenues were also broadly unchanged in 2020 after including a full year's contribution from Tooting Estates Limited, resulting in the inclusion of c£1.0m of revenue and a profit before tax of c£190k in 2020.

Group Strategic Report continued

The small drop in franchising income reflected a 2% fall in rentals income at the network level as well as lower ancillary income. This resulted from the conscious decision made to reduce certain fees to franchisees during lockdown as well as lower activity for certain central businesses.

COST OF SALES
Cost of sales were down year on year as a result of various cost saving measures during lockdown.

ADMINISTRATIVE EXPENSES
The increase has been driven by the inclusion of full year of Tooting Estates Limited and the inclusion of the salary and on costs of the Corporate owned offices.

PROFIT BEFORE TAXATION
The net result of the above was that profits before tax decreased to £1.53m.

DIVIDENDS
The Group continued to declare dividends throughout lockdown, albeit at reduced rates in comparison with 2019. We have repaid the furlough monies received in respect of franchisor staff.

WORKING CAPITAL
We increased our working capital levels from 2019, including cash balances of £4.66m (2019: £3.57m), with no external debt.

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

EXTERNAL HEALTH AND POLITICAL UNCERTAINTIES

COVID-19
Risk: Covid-19 will inevitably continue to have an impact on the market over the remainder of 2021, and the health and safety of staff, franchise staff and customers remains paramount. Further waves driven by new variants might lead to more severe lock downs, which would impact on our ability to trade and potentially reduce sales income.

Mitigation: We continue to work with the franchisees to follow all Government advice addressing public safety and the economic impacts of the pandemic on them and their customers. Our franchise model, strong cash position and debt-free balance sheet all mean we are comparatively well-placed to deal with the evolving situation. The group’s digital infrastructure and systems enabled the network to conduct their business during lockdown. Any short-term measures will be balanced against ensuring the long-term health of the business.

BREXIT
Whilst the UK has now exited the European Union, an element of uncertainty remains as to how Brexit will affect economic activity and international business intentions. This could impact on both sales and rentals demand in London.

STAMP DUTY HOLIDAY
Although we welcome the extension of the Stamp Duty holiday, its re-introduction in the third quarter may lead to a pause in market activity as people and prices re-adjust. Additionally, buyers who miss the deadline could pull out of transactions as the savings disappear. Both eventualities could affect transactions and, as a result, sales commissions.

Group Strategic Report continued

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.

Management action: We monitor the market and our competitors' activities closely and are constantly working to ensure that quality and value remains at the heart of our service offering.

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.

Management action: We have a significant London market bias and continue to have a high level of local market knowledge and expertise in this 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 Knowledge Hub, support is provided to offices by centralised legal and compliance teams who also oversee the group's dispute resolution procedure.

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.

Group Strategic Report continued

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

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

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

SECTION 172(1) STATEMENT

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

Stakeholder	How we engage
Shareholders Our aim is to build long term investor loyalty through dynamic performance, regular updates and informed discussion	– Annual report & accounts – AGM where directors are available for discussion – Interim report & trading updates – Investor roadshows after results announcements – Stock Exchange announcements
Franchisees We depend on the success of our franchisees, who are independent managers building businesses backed by our brand and support	– Meetings with representative groups of franchisees to establish a common agenda – Proactive and reactive contact with individual franchisees – Up to-date regulatory and commercial information on the website – Training programmes and help with recruitment – Different working groups to align our and their interests on specific projects
Employees We have a relatively small head office staff and encourage a lively and diverse working environment We enjoy a long average length of service, reflecting the positive and inclusive culture we seek to create	– Regular assessments and equal opportunities – Constructive forum for the exchange of ideas – Focus on employee retention – Weekly social events in person or on Zoom – Bi-annual social events to encourage integration

Group Strategic Report continued

Stakeholder	How we engage
Customers Winkworth's customers are discerning property buyers and landlords requiring the highest levels of service	– Franchisees are provided with extensive training to enhance their understanding of regulatory issues and best practice – Company website is systematically upgraded to provide highest levels of service and ease of access – Undertake market research to understand the perception of the Company and where we can improve
Community & Environment We consider the impact on local communities and the environment in all of our decisions	– Encourage involvement in local communities across our network – Rotate the charities that we support to match the footprint of our business and the communities that we operate in – Support Habitat for Humanity by organising away days for employees to contribute to building community projects, and sponsor London Youth Rowing, helping on volunteer days to encourage youngsters' involvement in sport to learn the benefits of teamwork and self-discipline – Engaging in a review to look at our carbon footprint and examine how it can be measured to plan for carbon neutrality

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

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

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

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

Group Strategic Report continued

Looking at the individual stakeholder groups in more detail:

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

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

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

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

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

OUTLOOK

Sparked by the stamp duty holiday on purchases up to £500,000, demand has remained strong throughout the recent lockdown and there is a considerable backlog of transactions to be cleared. The government has signalled its intention to continue to support homeownership, extending the existing stamp duty holiday until June and on purchases up to £250,000 until September, as well as committing to help first time buyers by providing guarantee support on 95% mortgages.

With a successful vaccination campaign making great progress, and as travel and non-essential shops and hospitality open again, we expect the residential sales market to continue to show healthy momentum. After several years in the doldrums due to Brexit uncertainty, and backed by a proactively supportive government, the prospects look positive, albeit that affordability constraints in London will limit price growth.

We expect the appeal of owning property in central London to return. With prices having come off some 15% since 2014, and with Brexit and its initial uncertainty now behind us, we would expect central London to regain its safe haven status and attract significant investment once international travel resumes.

Group Strategic Report continued

As cities re-open in 2021, we would also expect rentals demand to recover as young professionals return to city living and the re-opening of borders brings back international students, reversing some of the price declines seen in 2020. Supply may be limited by landlords selling down their portfolios after the difficulties of the last 12 months and as the stricter legislative requirements to which they are now required to adhere to discourage marginal participants. While these elements should help activity and rental prices to recover, it may take several years for urban rents to surpass 2019 levels.

Growth in rental prices in the country may slow as demand eases slightly and the support for 95% LTV mortgages from the government encourages tenants into the sales market, but we believe that activity will hold up well, albeit with more measured price growth of around 3%.

In the first quarter we have seen a strong uptick in sales agreed and a very encouraging increase in applications for both sales and rentals. We anticipate an increase in transactions this year and Winkworth is set to benefit from this, as a more active market encourages agents to set up and manage their own agency. Franchising under a top-quality name is the safest and quickest way to do this. We also see the opportunity to accelerate our growth by financially supporting talented agents and increasing our market share in high potential areas, thus enhancing our returns.

ON BEHALF OF THE BOARD:

D C M Agace
Director

7 April 2021

Winkworth

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 2020.

PAYMENTS TO SHAREHOLDERS
Dividends of £889k (2019 – £968k) were paid during the year.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

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

The Directors names, together with biographical details, are shown on the group's website www.winkworthplc.com. The directors' remuneration for the year is set out in note 4 to the financial statements. There were no changes to the directors during the period.

Compliance with the QCA Code
As mentioned in the Chairman's Statement on Corporate Governance, Winkworth adheres to the QCA Code on Corporate Governance. Full details of how the ten principles have been applied are shown on our website www.winkworthplc.com.

The website was reviewed for compliance with the QCA Code on 26 March 2021 and was updated accordingly.

Composition, experience and training
The Board comprises two Executive Directors and three Non-executive Directors. The Non-executive Directors are all professionally qualified and experienced in Winkworth's areas of operation. Whilst Lawrence Alkin owns more than 3% of the Ordinary Shares of M Winkworth PLC, he is considered to be independent, and all the Non-executive Directors are considered to bring an independent judgement to bear notwithstanding their relationships, varying lengths of service, and investments in M Winkworth PLC.

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

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

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

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

Report of the Directors continued

Time commitments

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

Meeting attendance in 2020

Details of the meetings of the Board and the various sub-committees of the Board during 2020, together with the attendance of the different Directors is as follows:-

Director	Board	Remuneration Committee	Audit Committee
Simon Agace	10	–	–
Lawrence Alkin	10	1	4
John Nicol	10	1	4
Dominic Agace	10	–	–
Andrew Nicol	10	–	–

Board Committee Reports

Remuneration Committee	The Committee, chaired by Lawrence Alkin and with John Nicol in attendance met in December to discuss and approve certain bonuses in respect of 2020 and the 2021 remuneration of the Executive Directors and key senior managers in the group.
Audit Committee	The Committee, chaired by John Nicol, and with Lawrence Alkin in attendance met four times in 2020. In March the Committee met with BDO to discuss and approve the 2020 Accounts and to review the Audit. In July the Committee met to discuss and agree the appointment of the new auditors. In September, the Committee met to discuss and approve the 2020 Interim results and Announcement. In December, the Committee met to discuss Risk and approve the Accounting Policies.

GOING CONCERN

The Board of Directors has undertaken a recent thorough review of the group's budgets and forecasts and has produced detailed and realistic cash flow projections. These cash flow projections, when considered in conjunction with the group's existing undrawn overdraft facilities and cash (including consideration of reasonable possible changes in trading performance), demonstrate that the group has sufficient working capital for the foreseeable future. Consequently, the directors believe that the group has adequate resources to continue its operational existence. The financial statements have accordingly been prepared on a going concern basis.

WEBSITES

The group's website is www.winkworthplc.com

The commercial website is www.winkworth.co.uk

Report of the Directors continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the 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;

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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

ON BEHALF OF THE BOARD:

D C M Agace
Director

7 April 2021

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

Opinion

We have audited the financial statements of M Winkworth Plc (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2020 which comprise the Statement of Consolidated 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 Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosures Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

– the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the period then ended;

– the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

– the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

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

Basis for opinion

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

Conclusions relating to going concern

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

The going concern assessment period used by the Directors was at least 12 months from the date of the approval of the financial statements. We assessed the appropriateness of the approach, assumptions and arithmetic accuracy of the model used by management when performing their going concern assessment.

We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment. Additionally, we reviewed and challenged the results of management's stress testing, to assess the reasonableness of economic assumptions in light of the impact of Covid-19 on the Group's solvency and liquidity position.

Further details of the Directors' assessment of going concern is provided in Note 2.

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

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

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

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

– £76,500 (2019: £75,000) is the group level of materiality determined for the financial statements as a whole, this has been determined based on approximately 5% (2019: 5%) of the consolidated profit before tax for the period. As the Group is a trading group we determined that a trading based metric was the most appropriate to use for determining materiality.

– £15,000 to £71,000 is the range of performance materiality (2019: £35,000 to £70,000) allocated to the significant components of the group. Performance materiality is used to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

– £4,000 (2019: £1,500) is the group level of triviality agreed with the Audit Committee. Errors above this threshold are reported to the Audit Committee, errors below this threshold would also be reported to the Audit Committee if, in our opinion as auditor, disclosure was required on qualitative grounds.

The parent company materiality was assessed as £20,000 (2019: £35,000).

Overview of the scope of our audit
There are three significant group components, the parent company, Winkworth Franchising and Tooting Estates. The parent company and Winkworth Franchising were subject to full scope audit by ourselves, Tooting Estates was audited by a component auditor. We directed the component auditor regarding the audit approach at the planning stage, issued instructions that detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported on. The audit team, including the audit engagement partner, met with the component auditor to review the component auditors' working papers, discuss key findings directly with the component audit team and component auditor reporting partner and conclude on significant issues.

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

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

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

Key audit matter	How the scope of our audit addressed the key audit matter
Completeness of revenue Group revenue was derived mainly from its principal activity, being commissions and subscriptions to the Group under franchise agreements, the accounting policy for which is disclosed in note 2. Revenue in respect of commissions due on house sales is recognized upon completion of the sale of the relevant property by the franchisee. Revenue in respect of commissions due on lettings, property management and administration services is recognized in the period to which the services relate. There is a risk that revenue is received and not recorded , especially due to the under reporting of revenue on the part of franchisees. Therefore there is a potential risk in terms of the completeness of revenue being recognised.	We performed audit procedures as follows: • performing a proof in total completeness check over the franchise commission income against income recognised • agreeing a sample of sales income to completion statements from lawyers and franchisees in respect of property sales • for a sample of rental and sales transactions, checking the accuracy of commission received to source documentation such as franchisee returns and completion statements, to the nominal ledger to check that revenue had been accurately calculated • testing completeness of income from ‘for sale’ and ‘lettings available’ information on franchisee websites in the year through to subsequent receipt of commission • checking the group’s internal compliance procedures, which are carried out to ensure completeness of income, had been undertaken on a monthly basis Based on the outcome of the above procedures, we did not identify any material misstatements in our assessment of the completeness of income.

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

Other information

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

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

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

misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

Use of our report

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

Stephen Bullock *Senior Statutory Auditor*
For and on behalf of **Crowe U.K. LLP**
Statutory Auditor
London

7 April 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

	Notes	**2020 £'000**	2019 £'000
CONTINUING OPERATIONS			
Revenue	3	**6,406**	6,416
Cost of sales		**(1,137)**	(1,320)
GROSS PROFIT		**5,269**	5,096
Other operating income		**48**	–
Administrative expenses		**(3,921)**	(3,561)
Negative goodwill		**119**	68
OPERATING PROFIT		**1,515**	1,603
Finance costs	5	**(22)**	(29)
Finance income	5	**39**	54
PROFIT BEFORE TAX	6	**1,532**	1,628
Tax	7	**(295)**	(320)
PROFIT AND TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		**1,237**	1,308
Profit attributable to:			
Owners of the parent		**1,169**	1,285
Non-controlling interests		**68**	23
		1,237	1,308
Earnings per share expressed in pence per share:	9		
Basic		**9.18**	10.09
Diluted		**9.14**	10.07

The notes form part of these financial statements

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 £'000	2019 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	**850**	668
Property, plant and equipment	11	**827**	607
Prepaid assisted acquisitions support	12	**338**	541
Investments	13	**71**	43
Trade and other receivables	14	**307**	372
		2,393	2,231
CURRENT ASSETS			
Trade and other receivables	14	**911**	913
Cash and cash equivalents	15	**4,661**	3,571
		5,572	4,484
TOTAL ASSETS		**7,965**	6,715
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	**64**	64
Other reserves	18	**51**	51
Retained earnings	18	**5,147**	4,867
		5,262	4,982
Non-controlling interests	16	**165**	97
TOTAL EQUITY		**5,427**	5,079
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	19	**512**	294
Deferred tax	21	**90**	66
		602	360
CURRENT LIABILITIES			
Trade and other payables	19	**1,756**	1,085
Tax payable		**180**	191
		1,936	1,276
TOTAL LIABILITIES		**2,538**	1,636
TOTAL EQUITY AND LIABILITIES		**7,965**	6,715

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 7 April 2021 and were signed on its behalf by:

D C M Agace
Director

The notes form part of these financial statements

Winkworth

Company Statement of Financial Position

31 December 2020

	Notes	**2020 £'000**	2019 £'000
ASSETS			
NON-CURRENT ASSETS			
Investments	13	**63**	63
		63	63
CURRENT ASSETS			
Trade and other receivables	14	**1,268**	1,268
Cash and cash equivalents	15	**425**	424
		1,693	1,692
TOTAL ASSETS		**1,756**	1,755
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	**64**	64
Other reserves	18	**51**	51
Retained earnings	18	**1,641**	1,640
TOTAL EQUITY AND LIABILITIES		**1,756**	1,755

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 profit for the year was £890,000.

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 7 April 2021 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 2020

	Called up share capital £'000	Retained earnings £'000	Other reserves £'000
Balance at 1 January 2019	64	4,550	51
Changes in equity			
Dividends	–	(968)	–
Total comprehensive income	–	1,285	–
Balance at 31 December 2019	64	4,867	51
Changes in equity			
Dividends	–	(889)	–
Total comprehensive income	–	1,169	–
Balance at 31 December 2020	**64**	**5,147**	**51**

	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 January 2019	4,665	–	4,665
Changes in equity			
Dividends	(968)	–	(968)
Acquired with subsidiary	–	74	74
Profit and total comprehensive income	1,285	23	1,308
Balance at 31 December 2019	4,982	97	5,079
Changes in equity			
Dividends	(889)	–	(889)
Total comprehensive income	1,169	68	1,237
Balance at 31 December 2020	**5,262**	**165**	**5,427**

The notes form part of these financial statements

Company Statement of Changes in Equity
for the year ended 31 December 2020

	Called up share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2019	64	1,640	51	1,755
Changes in equity				
Dividends	–	(968)	–	(968)
Total comprehensive income	–	968	–	968
Balance at 31 December 2019	64	1,640	51	1,755
Changes in equity				
Dividends	–	(889)	–	(889)
Total comprehensive income	–	890	–	890
Balance at 31 December 2020	**64**	**1,641**	**51**	**1,756**

The notes form part of these financial statements

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	1	**2,762**	2,275
Tax paid		**(313)**	(255)
Net cash from operating activities		**2,449**	2,020
Cash flows from investing activities			
Purchase of intangible fixed assets		**(142)**	(170)
Purchase of tangible fixed assets		**(82)**	(9)
Assisted acquisitions support		**(17)**	(98)
Cash acquired on acquisition		**–**	116
Cash paid to acquire subsidiary		**–**	(23)
Interest received		**39**	54
Net cash from investing activities		**(202)**	(130)
Cash flows from financing activities			
Principal paid on lease liabilities		**(246)**	(257)
Interest paid on lease liabilities		**(22)**	(29)
Equity dividends paid		**(889)**	(968)
Net cash from financing activities		**(1,157)**	(1,254)
Increase in cash and cash equivalents		**1,090**	636
Cash and cash equivalents at beginning of year		**3,571**	2,935
Cash and cash equivalents at end of year		**4,661**	3,571

The notes form part of these financial statements

Company Statement of Cash Flows

For the Year Ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	1	**1**	(1)
Net cash from operating activities		**1**	(1)
Cash flows from investing activities			
Interest received		**–**	1
Dividends received		**889**	968
Net cash from investing activities		**889**	969
Cash flows from financing activities			
Equity dividends paid		**(889)**	(968)
Net cash from financing activities		**(889)**	(968)
Increase/(decrease) in cash and cash equivalents		**1**	–
Cash and cash equivalents at beginning of year		**424**	424
Cash and cash equivalents at end of year		**425**	424

The notes form part of these financial statements

Notes to the Statements of Cash Flows
For the Year Ended 31 December 2020

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

Group

	2020 £'000	2019 £'000
Profit before tax	**1,532**	1,628
Depreciation charges	**555**	573
Impairment of fixed asset investments	**–**	10
Impairment of intangible	**66**	–
Negative goodwill	**(119)**	(68)
FV uplift on investment	**(28)**	–
Finance costs	**22**	29
Finance income	**(39)**	(54)
	1,989	2,118
Decrease/(increase) in trade and other receivables	**67**	(1,464)
Increase in trade and other payables	**706**	1,621
Cash generated from operations	**2,762**	2,275

Company

	2020 £'000	2019 £'000
Profit before tax	**890**	968
Finance income	**(889)**	(969)
Cash generated from operations	**1**	(1)

The notes form part of these financial statements

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

1. STATUTORY INFORMATION

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

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention, with the exception of financial instruments as set out below, and in accordance with 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.

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.

Although Covid-19 will inevitably continue to have an impact on the market over the remainder of 2021, the directors have outlined on page 6 the risks which the group may be faced with, and how they intend on mitigating these risks. This demonstrates that the group has sufficient working capital for the foreseeable future.

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

Basis of consolidation

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

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

The only acquisition in the year was of Crystal Palace Estates Limited (see note 24).

Revenue

Revenue represents the value of commissions and subscriptions due to the group under franchise agreements, together with the value of fees earned by its subsidiary lettings business. Revenue in respect of commissions due on house sales is recognised at the point of the relevant property sale having been completed by the franchisee. Revenue in respect of commissions due on lettings, property management and administration services is recognised in the period to which the services relate. The group earns a straight 8% by value on all sales and lettings income generated by the franchisees.

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

2. ACCOUNTING POLICIES – continued

Intangible assets

Intangible assets represent customer lists acquired with an acquisition of a subsidiary and website development costs relating to the franchisee platform.

The website development costs are amortised over their useful life which is deemed to be 3 years. Customer lists are amortised over 15 years on a straight line basis. They are assessed for impairment by performing a value in use calculation when indicators of impairment exist. Amortisation is included within administrative expenses in the statement of comprehensive income.

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

Prepaid assisted acquisitions support

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

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

Property, plant and equipment

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

Fixtures and 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 substantively enacted by the reporting date.

Deferred tax

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

2. ACCOUNTING POLICIES – continued

Government grants

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

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

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

Investments

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

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

Share based payments

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

Cash and cash equivalents

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

Dividends

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

Financial assets

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

These assets arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

2. ACCOUNTING POLICIES – continued

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

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

Financial liabilities

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

Leases

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

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

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

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

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

2. ACCOUNTING POLICIES – continued

Critical accounting estimates and judgements

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

(a) Impairment of website development and franchise branding prepaid acquisitions assisted support.

The group is required to test, where indicators of impairment exist, whether website development and franchise prepaid acquisitions assisted support branding have suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires a number of estimates to be made including the estimation of future cash flows from franchisees, which are based on historic trends, and the choice of a discount rate in order to calculate the present value of the cash flows. At 31 December 2020 there were no indicators of impairment.

(b) Valuation and impairment of customer lists

The valuation of customer lists was based on industry multiples of 150% of the historic lettings revenue and 100% of the sales revenue, discounted by 30% for lettings and 70% for sales revenues, to reflect the future prospects and inherent goodwill relating to the staff of the business. An assumption has been made that cash flows from the lettings business will fall by 7% per annum.

The group is required to test, where indicators of impairment exist, whether customer lists have suffered any impairment. At 31 December 2020 there were no indications of impairment. Should future cashflows of the business fall by 15%, this would give rise to impairment of £85,769.

(c) Recoverability of trade receivables

The group determines concentrations of credit risk by quarterly monitoring of the creditworthiness rating of franchisees and through a monthly review of the trade receivables' ageing analysis. The group recognises an allowance for ECLs for trade receivables in accordance with the Financial assets accounting policy on page 30.

3. REVENUE

Segmental reporting

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

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

	2020 £'000	2019 £'000
Revenue		
Corporate owned offices	**1,083**	498
Management service fees	**5,323**	5,918
	6,406	6,416

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

4. EMPLOYEES AND DIRECTORS

	2020 £'000	2019 £'000
Wages and salaries	**2,290**	1,942
Social security costs	**276**	234
Other pension costs	**34**	32
	2,600	2,208

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

	2020	2019
Office and management	**46**	44

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 2020 Total £'000	Year to 31 December 2019 Total £'000
D C M Agace	177	2	–	–	**179**	173
S P Agace	51	–	3	–	**54**	52
J Nicol	20	–	–	–	**20**	20
L M Alkin	20	–	–	–	**20**	20
A J D Nicol	121	1	1	–	**123**	112
Total	389	3	4	–	**396**	377

Key management personnel are defined as directors of the group.

The number of directors to whom retirement benefits were accruing during the year was 2 (2019 – 2).

Following the amendments resulting from the Capital Reduction, at the year end, D C M Agace held 327,686 (2019 – 327,686) share options with a value of £20,306 (2019 – £20,306) and A J D Nicol held 161,157 (2019 – 161,157) share option with a value of £192 (2019 – £192).

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

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

5. NET FINANCE INCOME

	2020 £'000	2019 £'000
Finance income:		
Interest receivable	**39**	54
Finance costs:		
Least interest payable	**22**	29
Net finance income	**17**	25

6. PROFIT BEFORE TAX

The profit before tax is stated after charging:

	2020 £'000	2019 £'000
Depreciation – owned assets	**60**	40
Depreciation – right of use asset	**246**	304
Intangible assets and prepaid assisted acquisitions support amortisation	**304**	229
Fees attributable to the auditors of the parent company		
– audit of the group	**45**	50
Fees attributable to the component auditors' remuneration unaffiliated with the parent company auditors		
– audit of the subsidiary	**6**	6
– non audit	**18**	17
Bad debts	**(29)**	162

Included within auditor's remuneration above is £11,000 (2018 – £11,000) relating to the company.

7. TAX

Analysis of tax expense

	2020 £'000	2019 £'000
Current tax:		
Taxation	**302**	311
Adjustment re previous years	**(3)**	6
Total current tax	**299**	317
Deferred tax	**(4)**	3
Total tax expense in consolidated statement of profit or loss and other comprehensive income	**295**	320

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2020

7. TAX – 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:

	2020 £'000	2019 £'000
Profit before income tax	1,532	1,628
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 – 19%)	291	309
Effects of:		
Expenses not deductible for tax purposes	3	10
Adjustment in respect of prior periods	(3)	6
Depreciation in excess of capital allowances	5	11
Income not taxable	–	(13)
Other movements	(1)	(3)
Tax expense	295	320

8. DIVIDENDS

	2020 £'000	2019 £'000
Ordinary shares of 0.5p each		
Interim	**889**	968

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

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2020

9. EARNINGS PER SHARE – continued

	Earnings £'000	2019 Weighted average number of shares '000	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,285	12,733	10.09
Effect of dilutive securities			
Options	–	37	–
Diluted EPS			
Adjusted earnings	1,285	12,770	10.06

10. INTANGIBLE ASSETS

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

10. INTANGIBLE ASSETS – continued

	Customer lists £'000	Website Development £'000	Total £'000
COST			
At 1 January 2019	–	255	255
Additions	–	170	170
Acquired with subsidiary	496	–	496
At 31 December 2019	496	425	921
AMORTISATION			
At 1 January 2019	–	184	184
Amortisation for year	18	51	69
At 31 December 2019	18	235	253
NET BOOK VALUE			
At 31 December 2019	478	190	668

11. PROPERTY, PLANT AND EQUIPMENT

Group

Year ended 31 December 2020

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

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2020

11. PROPERTY, PLANT AND EQUIPMENT – continued
Year ended 31 December 2019

	Right of use £'000	Computer equipment £'000	Fixtures and fittings £'000	Totals £'000
COST				
At 1 January 2019	–	5	330	335
Additions	–	1	8	9
Modification of leases	675	–	–	675
Acquired with subsidiary	132	3	11	146
At 31 December 2019	807	9	349	1,165
DEPRECIATION				
At 1 January 2019	–	5	209	214
Charge for year	285	1	58	344
At 31 December 2019	285	6	267	558
NET BOOK VALUE				
At 31 December 2019	522	3	82	607

12. PREPAID ASSISTED ACQUISITIONS SUPPORT
Group
Year ended 31 December 2020

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

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2020

12. PREPAID ASSISTED ACQUISITIONS SUPPORT – continued

Group
Year ended 31 December 2019

	Total £'000
COST	
At 1 January 2019	1,554
Additions	98
At 31 December 2019	1,652
DEPRECIATION	
At 1 January 2019	951
Charge for year	160
At 31 December 2019	1,111
NET BOOK VALUE	
At 31 December 2019	541

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

Company
No prepaid assisted acquisitions support exists in the Parent Company.

13. INVESTMENTS

Group
Listed investments

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

13. INVESTMENTS – continued

	Listed investments £'000
COST	
At 1 January 2019	53
Reduction in fair value	(10)
At 31 December 2019	43
NET BOOK VALUE	
At 31 December 2019	43

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

Company

	2020 £'000	2019 £'000
COST		
At 1 January	**63**	63
NET BOOK VALUE		
At 31 December	**63**	63

Subsidiary undertakings

M Winkworth Plc had the following subsidiary undertakings as at 31 December 2020:

	% holding
Winkworth Franchising Limited	
Country of incorporation: England and Wales	
Nature of business: Franchisor to the Winkworth estate agencies	
Class of shares: Ordinary shares	100

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2020

13. INVESTMENTS – continued

The following are shares held indirectly through Winkworth Franchising Limited:

Company Name	Country of Incorporation	Nature of Business	Class of Shares	% Holding
Winkworth Client Services Limited	England and Wales	Administration services to estate agencies	Ordinary Shares	100
Winkworth Financial Services Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Auctions Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Conveyancing Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Land and New Homes Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Management Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Private Clients Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Property Management Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Residential Lettings Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Residential Sales Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Short Lets Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Surveying Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Surveyors Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Surveys Limited	England and Wales	Dormant	Ordinary Shares	100
See Things Differently Limited	England and Wales	Dormant	Ordinary Shares	100
Tooting Estates Limited	England and Wales	Estate agency and lettings management	Ordinary Shares	55
Crystal Palace Estates Limited	England and Wales	Real estate agency	Ordinary Shares	100
Winkworth Development and Commercial Investment Limited	England and Wales	Other business support service activities	Ordinary Shares	100

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

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

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Current:				
Trade receivables	**454**	476	**–**	–
Amounts owed by group undertakings	**–**	–	**1,268**	1,268
Loans to franchisees	**218**	218	**–**	–
Other receivables	**32**	20	**–**	–
Prepayments and accrued income	**207**	199	**–**	–
	911	913	**1,268**	1,268
Non-current:				
Loans to franchisees	**307**	372	**–**	–
Aggregate amounts	**1,218**	1,285	**1,268**	1,268

Trade receivables are stated net of bad debt provisions of £45,567 (2019 – £306,121). A bad debt reversal of £29,214 has been released to the statement of comprehensive income (2019 – £162,316 has been charged to the statement of comprehensive income as a bad debt expense). In addition, £105,152 of the 2019 provision has been reallocated in 2020 to better reflect the nature of the provision.

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

Expected credit loss assessment for customers as at 31 December 2020

The following table provides information about the exposure to credit risk and ECLs (expected credit losses) for trade receivables as at 31 December 2020. The simplified approach has been used, as permitted by IFRS 9.

31 December 2020	**Weighted average loss rate £'000**	**Gross carrying amount £'000**	**Impairment loss allowance £'000**
Current (not past due)	**0%**	**303**	**–**
1-30 days past due	**1%**	**46**	**0.5**
31-60 days past due	**2%**	**16**	**0.4**
over 60 days past due	**44%**	**103**	**44.8**

31 December 2019	Weighted average loss rate £'000	Gross carrying amount £'000	Impairment loss allowance £'000
Current (not past due)	0%	233	–
1-30 days past due	1%	98	1.0
31-60 days past due	2%	56	1.1
Over 60 days past due	77%	395	304.0

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

14. TRADE AND OTHER RECEIVABLES – continued

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

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

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

	2020 £'000	2019 £'000
Balance at 1 January	**306.1**	293.3
Amounts written off	**(29.2)**	162.3
Net remeasurement of loss allowance	**(231.3)**	(149.5)
Balance at 31 December	**45.6**	306.1

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

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

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Bank accounts	**4,661**	3,571	**425**	424

There were no overdrafts at either year end.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

16. NON-CONTROLLING INTERESTS

Non-controlling interests relate to minority 45% holding in Tooting Estates Limited.

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

	2020 £'000	2019 £'000
Non-current assets	**617**	618
Current assets	**450**	182
Current liabilities	**(346)**	(203)
Non-current liabilities	**(369)**	(396)
Net assets	**352**	201

	2020 £'000	2019 £'000
Revenue	**979**	871
Profit after tax	**151**	68

17. CALLED UP SHARE CAPITAL

Authorised:		**2020 £'000**	2019 £'000
20,000,000	Ordinary shares of 0.5p	**100**	100

Issued and fully paid:		**2020 £'000**	2019 £'000
12,733,238	Ordinary shares of 0.5p	**64**	64

18. RESERVES

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

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

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

19. TRADE AND OTHER PAYABLES

	Group	
	2020 £'000	2019 £'000
Current:		
Trade payables	**323**	362
Other taxes and social security	**643**	257
Other payables	**107**	104
Lease liability	**211**	244
Accruals and deferred income	**369**	66
VAT	**103**	52
	1,756	1,085
Non-current:		
Lease liability	**512**	294
	512	294
Aggregate amounts	**2,268**	1,379

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

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

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

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

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

- Credit risk
- Liquidity risk
- Market risk

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

19. TRADE AND OTHER PAYABLES – continued

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

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

20. FINANCIAL INSTRUMENTS

Categories of financial instruments

The group has the following financial instruments:

	2020 £'000	2019 £'000
Financial assets that are debt instruments measured at amortised cost		
Trade receivables	**454**	476
Loans to franchisees	**525**	590
Other receivables	**32**	20
Financial liabilities measured at amortised cost		
Trade payables	**323**	362
Lease liability	**723**	244
Other payables	**107**	104
Financial assets measured at fair value		
Listed investments	**64**	36

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

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

20. FINANCIAL INSTRUMENTS – continued

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. There are no significant concentrations of risk within the group. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the group if a franchisee or a counterparty to a financial instrument fails to meet its contractual obligations. The group is mainly exposed to credit risk from franchise commissions and loans to franchises. It is group policy to assess the credit risk of new franchisees before entering contracts.

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

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

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

Liquidity risk

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due. The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

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

Market risk

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

Interest rate and currency of cash balances

Floating rate financial assets of £4,661,788 (2019 – £3,570,090) comprise sterling cash deposits. There are no fixed rate financial assets. If interest rates had been 0.25% higher during the year, then the group would have generated c£9,000 of additional interest income.

Fair values of financial instruments

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

21. DEFERRED TAX

Group

	2020 £'000	2019 £'000
Balance at 1 January	**66**	17
Transfer from/(to) profit or loss	**(4)**	3
Deferred tax asset recognised on acquisition of subsidiary	**(7)**	(12)
Fair value adjustment on acquisition of subsidiary	**35**	58
Balance at 31 December	**90**	66

Deferred tax comprises £28,000 in respect of the acquisition of Crystal Palace Estates Limited (2019 – £46,000 in respect of the acquisition of Tooting Estates Limited) and £62,000 (2019- £20,000) in respect of accelerated capital allowances.

22. RELATED PARTY DISCLOSURES

During the year total dividends of £449,133 (2019 – £485,497) were paid to directors.

During the year the company received a dividend of £888,780 (2019 – £967,726) 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 (2019 – £1,267,587).

During 2019 the group purchased a 55% shareholding in Tooting Estates Limited from Bazmore Enterprise Limited, owned by a shareholder in the group, for consideration of £22,500.

23. SHARE-BASED PAYMENT TRANSACTIONS

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

The Reduction of Capital, authorised by the High Court on 24 July 2018, impacted the calculations around the Share Options granted before that date. In order to adhere to the Rules of the Option Plan, the exercise price and number of options over shares had to be adjusted so that the amount payable on full exercise and the value of the shares acquired on full exercise, and hence the value of the options, were kept constant. HMRC has agreed to the terms of the adjustment and the numbers have been amended accordingly with effect from the date of the Capital Reduction. There is no impact on the cost of the options to the group.

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2020

23. SHARE-BASED PAYMENT TRANSACTIONS – continued
Movements in the number of share options outstanding and their related weighted average exercise prices following the Reduction of Capital are as follows:

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

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

	2020		2019	
	Number of options	**Weighted average exercise price (p)**	Number of options	Weighted average exercise price (p)
Balance at beginning of year	**562,331**	**128**	562,331	128
Granted during the year	**–**	**–**	–	–
Balance at end of year	**562,331**	**128**	562,331	128

At 31 December 2020, all the options were exercisable. No options were exercised in 2020. The share options outstanding at the year-end had a weighted average contractual life of 5.2 years.

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2020

24. ACQUISITION OF A BUSINESS

The franchisee of the Winkworth business in Crystal Palace did not renew their franchise agreements and, as a result, on 20 July 2020, Crystal Palace Estates Limited, a newly incorporated subsidiary of Winkworth Franchising Limited, took control of the trade and assets of the business. There was no consideration for the transaction. In the opinion of the directors the transaction qualified to be accounted for as a business combination in accordance with IFRS 3.

As with the acquisition of Tooting Estates Limited as a subsidiary, Crystal Palace Estates Limited will keep Winkworth in touch with and learning from front end experiences and industry trends. It will also provide a live platform to test and develop future digital initiative and evolve our centralised CRM systems, which will be of benefit to all our franchisees.

	At acquisition £'000	Fair value adjustment £'000	Fair value of net assets £'000
Intangible	–	147	147
Other assets/liabilities	–	–	–
Deferred tax at 19%	–	(28)	(28)
	–	119	119
Consideration			–
Less net assets acquired			(119)
Negative goodwill			(119)

The acquired intangible asset represents the fair value of the customer lists of the business which have been valued by the directors through the application of a revenue multiple.

The negative goodwill is included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The post-acquisition results for the period to 31 December 2020 are as follows:

	£'000
Revenue	104
Profit before tax	25

It is impracticable to estimate the pre-acquisition results because of the different cost structure of the franchised business prior to its acquisition.

25. POST BALANCE SHEET EVENTS

On 13 January 2021, M Winkworth Plc declared dividends of 1.8p per share for the fourth quarter of 2020.

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of M Winkworth PLC (the "**Company**") (the "**AGM**") will be held on Tuesday 11 May 2021 at 10.30a.m. at 1 Lumley Street, London W1K 6TT to transact the following business, of which Resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and Resolutions 9 and 10 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 2020.
2. TO appoint Crowe U.K. LLP as auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
3. TO authorise the directors to determine the auditors' remuneration.
4. TO re-elect Dominic Agace as a director of the Company.
5. TO re-elect Simon Agace as a director of the Company.
6. TO re-elect Lawrence Alkin as a director of the Company
7. TO re-elect John Nicol as a director of the Company.
8. THAT the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "**2006 Act**") in substitution for all existing and unexercised authorities:

   8.1 to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together, "**Relevant Securities**") up to an aggregate nominal amount of twenty-one thousand, two hundred and twenty-two pounds (£21,222); and

   8.2 to exercise all the powers of the Company to allot equity securities (within the meaning of section 560(1) of the 2006 Act) up to an additional aggregate nominal amount of twenty-one thousand, two hundred and twenty-two pounds (£21,222) provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities, subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

   provided that the authorities in paragraphs 8.1 and 8.2 shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, on the date which is 15 months after the date of the annual general meeting, except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities, as the case may be, to be allotted after such expiry and the directors may allot Relevant Securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired.

Notice of Annual General Meeting continued

SPECIAL RESOLUTIONS

9. THAT, subject to the passing of resolution 8, the directors be and are empowered generally, in accordance with section 570 of the 2006 Act, in substitution for all existing and unexercised powers, to allot equity securities (as defined in section 560(1) of the 2006 Act) for cash either pursuant to the authority conferred by resolution number 8 or by way of a sale of treasury shares as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

   9.1 the allotment of equity securities in connection with a rights issue or other pro rata offer (but, in the case of the authority conferred by paragraph 8.2 above, by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held (or deemed to be held) by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and

   9.2 the allotment (otherwise than pursuant to paragraph 9.1 above) of equity securities up to an aggregate nominal amount of twelve thousand, seven hundred and thirty-three pounds (£12,733),

   and shall expire upon the expiry of the general authority conferred by resolution 8 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

10. 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:

   10.1 purchases no more than 1,273,323 ordinary shares in aggregate;

   10.2 pays not less than 0.5 pence (excluding expenses) per ordinary share; and

   10.3 pays a price per share that is not more (excluding expenses) per ordinary share than the higher of:

      (i) 5% above the average of the middle market quotations for the ordinary shares as derived from the Daily Official List for the five business days immediately before the day on which it purchases that share; and

      (ii) the higher of the price of the last independent trade and the highest current independent bid on the market where the purchase is carried out.

Notice of Annual General Meeting continued

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

14 April 2021

REGISTERED OFFICE:
1 Lumley Street,
London W1K 6TT

BY ORDER OF THE BOARD
Margaret Ogunbunmi Doregos
Secretary

PROXY VOTING

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

Voting by proxy prior to the AGM does not affect your right to attend the AGM and vote in person should you so wish. Proxy votes must be received no later than 10.30 a.m. on 7 May 2021.

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

Notice of Annual General Meeting continued

NOTES:

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the AGM. However, noting the current UK government restrictions on non-essential travel and public gatherings, we strongly encourage shareholders to appoint a proxy in accordance with the procedures set out below in order to vote in advance of the AGM. Such a proxy need not be a shareholder of the Company, however, if you appoint the Chair of the AGM as your proxy, this will ensure that your votes are cast in accordance with your wishes given that, as a result of the current UK government restrictions, any other person appointed as your proxy will not be able to attend the meeting to vote in your place. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. The appointment of a proxy does not preclude a shareholder from attending and voting in person if he or she wishes to do so, should this be permitted under applicable COVID-19 restrictions.
2. We strongly encourage you to appoint the Chair of the AGM as your proxy. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Appointing a proxy does not preclude you from attending the meeting and voting in person, should this be permitted under applicable COVID-19 restrictions. If you attend the meeting in person, your proxy appointment will automatically be terminated.
3. Shareholders are recommended to vote their shares electronically at www.signalshares.com. On the home page, search "M Winkworth PLC" and then register or log in, using your Investor Code. To vote at the AGM, click on the "Vote Online Now" button by not later than 10:30 a.m. on 7 May 2021 (or 48 hours (excluding weekends and public holidays) before the time appointed for any adjournment of it). Electronic votes and proxy votes should be submitted as early as possible and, in any event, to be received by no later than 10:30 a.m. on 7 May 2021. Any power of attorney or other authority under which the proxy is submitted must be sent to the Company's Registrar (Link Group , PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL.) so as to have been received by the Company's Registrars by not later than 10:30 a.m. on 7 May 2021 (or 48 hours (excluding weekends and public holidays) before the time appointed for any adjournment of it).You are entitled to request a hard copy form of proxy directly from the Registrar, Link Group . If a paper form of proxy is requested from the Company's Registrar, it must be completed and sent to the Company's Registrar (Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL.) so as to have been received by not later than 10:30 a.m. on 7 May 2021 (or 48 hours (excluding weekends and public holidays) before the time appointed for any adjournment of it).
4. To change your proxy instructions simply submit a new proxy appointment using the methods set out in Note 3. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Group at PXS 1. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
5. (a) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   (b) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with

Notice of Annual General Meeting continued

Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent, Capita Asset Services, (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

(c) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(d) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

6. Only those shareholders registered in the Register of Members of the Company as at close of business on Friday 7 May 2021 (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 13 April 2021 (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 13 April 2021 are 12,733,238.

10. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:

    (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

    (b) the answer has already been given on a website in the form of an answer to a question; or

    (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Notice of Annual General Meeting continued

11. The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the annual general meeting for 15 minutes prior to and during the meeting:
    (a) copies of the executive directors' service contracts with the Company; and
    (b) copies of the letters of appointment of the non-executive directors.

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