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**M WINKWORTH PLC**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

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for the Year Ended 31 December 2009**

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**M WINKWORTH PLC**

**COMPANY INFORMATION**  
**for the Year Ended 31 December 2009**

**DIRECTORS**

S P Agace  
A J Snarey  
D C M Agace  
L M Alkin  
C Neoh

**SECRETARY:**

Miss M O Doregos

**REGISTERED OFFICE:**

The Triangle  
5-17 Hammersmith Grove  
London  
W6 0LG

**REGISTERED NUMBER:**

01189557

**COUNTRY OF INCORPORATION**

England and Wales

**AUDITOR**

Chantrey Vellacott DFK LLP  
Chartered Accountants and Statutory Auditor  
Russell Square House  
10-12 Russell Square  
London  
WC1B 5LF

## M WINKWORTH PLC

### CHAIRMAN'S STATEMENT for the Year Ended 31 December 2009

First of all, I would like to thank our Chief Executive, Dominic Agace, and our Chief Financial Officer, Chris Neoh, for their role in the Company's admission to AIM in November last year. I would also like to thank our non executive directors Tony Snarey and Lawrence Alkin for their support and advice throughout the process.

We are pleased to report that 2009 was a successful year for Winkworth and marked a welcome reversal of the difficulties faced by estate agents in general in 2008. We have been fortunate in being able to grow the number of our franchises in 2008 and 2009 and with that growth being carried forward into 2010 our prospects for the current year are encouraging.

We welcome the fact that many of our new franchisees are very experienced estate agents who have been in discussion with us for more than a year. With a steady flow of new enquiries, we have many able future franchisees forming a bank of potential clients looking for the right opportunity and timing to take up a franchise. Our growth has been outside of London and we expect this to continue with even stronger growth in the west of England in 2010.

We have maintained our control of expenses preparing the Company for the foreseeable future, as we anticipate an ongoing period of historically low volumes of both sales and rentals. However, at the same time we have used our resources to give our franchisees increased support, revisiting and upgrading some services on which we reduced expenditure in 2008.

In 2008 and 2009 we saw the growth of the rentals business offset some of the fall in sales volumes. In 2010, however, this trend has reversed. We expect to see a recovery in the rental sector midway through 2010 as supply becomes more balanced with demand.

Overseas, we have continued to expand strategically at a modest pace without necessarily seeking all new opportunities while the unfavourable Sterling/Euro exchange rate continues to affect sales volumes. In France nonetheless, we have sold a number of substantial properties to both British and foreign buyers. However, we consider the international market to be more volatile than that of the UK at present.

We believe there will be opportunities in the second half of the year to add to our rate of growth. We are continuing with our policy of maximising shareholders' income and where we expand we will seek to do so without diluting our resources.

We are confident that your Company is in good shape and we look forward to making further progress in 2010.

Simon Agace  
Chairman

## **M WINKWORTH PLC**

### **CHIEF EXECUTIVE'S STATEMENT for the Year Ended 31 December 2009**

2009 marked the start of the road to recovery for the property market, with activity picking up from January onwards. The upturn was led by prime central London, rippling out through the capital and then more broadly into the national property market. This fed through into a strong second half performance, in stark contrast to the bottom of the market in the last quarter of 2008, which has been carried through into 2010.

During this two part year our model proved its worth, maintaining profitability in every month, as has been the case since the start of the recession. This, combined with the opening of eight offices as planned and performance which exceeded targets, has meant that 2009 was a very good year for Winkworth. We strengthened our position in the national property market by opening offices in Exeter, Market Deeping, Shoreham, Worthing, Beckenham and Basingstoke, as well as setting up a Devon & Cornwall Waterfront business. Target towns such as Exeter provide a focal point for activity in the surrounding area and, by creating a greater regional profile, increase the appeal of the Winkworth franchise to both existing agencies and professionals looking to start their own estate agencies. On the international front, we also added to our French operations with a new office in Antibes.

In 2009 we successfully raised £1.143m through our IPO and admission to AIM to facilitate expansion through acquisition at the low point of the cycle. We grew our sales to £3,386,053, an increase of 14.4% on 2008 and at £869,014 our profit before tax was 31% higher than last year, allowing us to pay an increased dividend of 4.56p per share based on total dividends for the year of £522,144 and a year end number of shares in issue of 11,428,750.

The current year has started strongly, with transactions in Q1 2010 increasing by 109% on the depressed levels seen at the bottom of the market in Q1 2009. Commissions over the same periods increased by 120% as the prime markets have led the recovery. We would, naturally, expect these percentage increases to reduce as we move through the year and track the recovery, moving away from comparisons with Q1 2009.

#### **Outlook**

After an encouraging start to 2010, the momentum in the property market continues and there is demand for increased finance availability. Key determinants for 2010 continue to be the outlook for interest rates and the availability of finance. Looking forward, we intend to build on the success of last year by growing our franchise base organically in-line with or above our target of eight new organic franchises per annum. In 2009 we received 34 new franchise applicants, while in Q1 2010 alone we received a further 48. In addition, we plan to use the funds raised at the time of our IPO to significantly add to this growth by acquiring franchise revenues in strategic locations. This will be through the conversion of existing agencies or franchise chains to the Winkworth network, enabling us to add value to these businesses by providing them with the benefits available within our organisation.

Dominic Agace  
Chief Executive Officer

## **M WINKWORTH PLC**

### **REPORT OF THE DIRECTORS for the Year Ended 31 December 2009**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2009

#### **CHANGE OF NAME**

On 3 November 2009 the Company was re-registered as a public limited company and its name was changed to M Winkworth Plc

#### **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

The group continued to grow with 7 new franchise offices opened in the UK (2008 – 1) and 1 in France (2008 – Nil) After a very healthy start to 2010, where we opened two brand new Winkworth franchises in Bath and Northampton in Q1 we intend to continue the push to grow the brand into new key towns where we feel the Winkworth brand would succeed We are about to open the doors on further franchises in Highbury (London), Romsey (Hampshire) and Brockenhurst (Hampshire) in Q2, whilst we are in a number of detailed discussions for new Winkworth franchises by way of 'cold starts' and 'conversions' (of independent estate agencies) in parts of the Home Counties

#### **RISK FACTORS**

The group is exposed to more external than internal risks, the main ones being competitive pressures and the housing market

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

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

#### **FINANCIAL RISK 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 principal financial risks faced by the group are liquidity risk and interest rate risk The directors review and agree policies for managing each of these risks These policies remain unchanged from previous periods

**Capital risk management** 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 also seeks to minimise the cost of capital and optimise its capital structure The group currently does not carry any debt

#### **CREDITORS' PAYMENT POLICY AND PRACTICE**

It is the group's policy to settle the terms of payment with suppliers when agreeing the terms of any transaction to ensure that suppliers are aware of these terms and endeavour to abide by them Trade payables amount to 25 days on average during the year

## **WINKWORTH PLC**

### **REPORT OF THE DIRECTORS for the Year Ended 31 December 2009**

#### **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 overdrafts 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 been prepared on a going concern basis.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2009 to the date of this report.

S P Agace  
A J Snarey

Other directors holding office were as follows:

D C M Agace - appointed 4 June 2009  
L M Alkin - appointed 4 June 2009  
C Neoh - appointed 4 June 2009  
Mrs I Ho-Terry - resigned 4 June 2009

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing 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 for use in 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

## **M WINKWORTH PLC**

### **REPORT OF THE DIRECTORS for the Year Ended 31 December 2009**

#### **FINAL DIVIDEND**

On 18 March 2010, the company paid a final interim dividend for the year ended 31 December 2009 of 0.5p per share. This amounts to a total net dividend of £57,144.

#### **SHARE CAPITAL**

During the year the following share transactions took place:

September 2009 - The authorised share capital was increased from £100 to £100,000 by the creation of 99,900 Ordinary shares of £1 each.

September 2009 - A bonus issue of 499 shares for each existing £1 Ordinary share was distributed. The bonus issue increased the Ordinary shares of £1 each in issue from 100 shares to 50,000 shares.

September 2009 - 100,000 issued and unissued Ordinary shares of £1 each were subdivided into 20,000,000 0.5p shares.

November 2009 - 1,428,750 Ordinary shares of 0.5p each were allotted fully paid for cash at a premium of 79.5p per share.

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

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 auditor is 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 auditor is aware of that information.

#### **DIRECTORS' INDEMNITIES**

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

#### **WEBSITES**

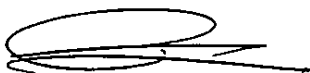
The group's website is [www.winkworthplc.com](http://www.winkworthplc.com)

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

#### **AUDITOR**

The previous auditor Duncan & Topliss resigned and Chantrey Vellacott DFK LLP was appointed. Chantrey Vellacott DFK LLP will be proposed for re-appointment at the forthcoming Annual General Meeting.

#### **ON BEHALF OF THE BOARD.**



D C M Agace - Director

Date 7 May 2010



## **REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF M WINKWORTH PLC**

We have audited the group and parent company financial statements ("financial statements") of M Winkworth Plc for the year ended 31 December 2009 on pages eight to thirty. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the company's members as a body in accordance with Sections 495 and 496 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 a Report of the Auditor 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.

### **Respective responsibilities of directors and the auditor**

As explained more fully in the statement of directors' responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

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



Ian Staunton (Senior Statutory Auditor)  
for and on behalf of Chantrey Vellacott DFK LLP  
Chartered Accountants and Statutory Auditor  
Russell Square House  
10-12 Russell Square  
London  
WC1B 5LF

Date 7 May 2010

**M WINKWORTH PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2009

|                                                      | Notes | 2009<br>£          | 2008<br>£          |
|------------------------------------------------------|-------|--------------------|--------------------|
| <b>CONTINUING OPERATIONS</b>                         |       |                    |                    |
| Revenue                                              |       | 3,386,053          | 2,960,578          |
| Cost of sales                                        |       | <u>(989 800)</u>   | <u>(933 085)</u>   |
| <b>GROSS PROFIT</b>                                  |       | 2,396,253          | 2,027,493          |
| Other operating income                               |       | 3,515              | -                  |
| Administrative expenses                              |       | <u>(1,532,594)</u> | <u>(1 371 655)</u> |
| <b>OPERATING PROFIT</b>                              |       | 867,174            | 655,838            |
| Finance costs                                        | 4     | (474)              | (6,768)            |
| Finance income                                       | 4     | <u>2,314</u>       | <u>12,178</u>      |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> | 5     | 869,014            | 661,248            |
| Taxation                                             | 6     | <u>(232 789)</u>   | <u>(207 961)</u>   |
| <b>PROFIT FOR THE YEAR</b>                           |       | 636,225            | 453,287            |
| <b>OTHER COMPREHENSIVE INCOME</b>                    |       |                    |                    |
| Unrealised exchange gain                             |       | <u>13,223</u>      | <u>31,207</u>      |
| <b>TOTAL COMPREHENSIVE INCOME</b>                    |       | <u>649</u>         | <u>484,494</u>     |
| Profit attributable to                               |       |                    |                    |
| Owners of the parent                                 |       | 651,779            | 483,170            |
| Non-controlling interests                            |       | <u>(2,331)</u>     | <u>1,324</u>       |
|                                                      |       | <u>649 448</u>     | <u>484 494</u>     |
| Earnings per share expressed                         |       |                    |                    |
| in pence                                             | 9     |                    |                    |
| Basic and diluted                                    |       | <u>6 39p</u>       | <u>4 83p</u>       |

The notes on pages 15 to 30 form part of these financial statements

**M WINKWORTH PLC**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 December 2009**

|                                     | Notes | 2009<br>£               | 2008<br>£               |
|-------------------------------------|-------|-------------------------|-------------------------|
| <b>ASSETS</b>                       |       |                         |                         |
| <b>NON-CURRENT ASSETS</b>           |       |                         |                         |
| Goodwill                            | 10    | 218,430                 | 236,319                 |
| Intangible assets                   | 11    | 136,228                 | 156,797                 |
| Property, plant and equipment       | 12    | 257,913                 | 197,788                 |
| Investments                         | 13    | <u>7,050</u>            | <u>7,050</u>            |
|                                     |       | <u>619,621</u>          | <u>597,954</u>          |
| <b>CURRENT ASSETS</b>               |       |                         |                         |
| Trade and other receivables         | 14    | 357,831                 | 335,529                 |
| Cash and cash equivalents           |       | <u>1,412,665</u>        | <u>185,444</u>          |
|                                     |       | <u>1,770,496</u>        | <u>520,973</u>          |
| <b>TOTAL ASSETS</b>                 |       | <u><u>2,390,117</u></u> | <u><u>1,118,927</u></u> |
| <b>EQUITY</b>                       |       |                         |                         |
| <b>SHAREHOLDERS' EQUITY</b>         |       |                         |                         |
| Called up share capital             | 16    | 57,144                  | 100                     |
| Share premium                       |       | 777,213                 | -                       |
| Retained earnings                   |       | <u>689,759</u>          | <u>552,880</u>          |
|                                     |       | 1,524,116               | 552,980                 |
| Non-controlling interests           | 15    | <u>8,470</u>            | <u>10,801</u>           |
| <b>TOTAL EQUITY</b>                 |       | <u><u>1,532,586</u></u> | <u><u>563,781</u></u>   |
| <b>LIABILITIES</b>                  |       |                         |                         |
| <b>NON-CURRENT LIABILITIES</b>      |       |                         |                         |
| Deferred tax                        | 21    | <u>22,200</u>           | <u>21,200</u>           |
| <b>CURRENT LIABILITIES</b>          |       |                         |                         |
| Trade and other payables            | 17    | 458,287                 | 326,365                 |
| Financial liabilities - borrowings  | 18    | 111,392                 | 52,353                  |
| Tax payable                         |       | <u>265,652</u>          | <u>155,228</u>          |
|                                     |       | <u>835,331</u>          | <u>533,946</u>          |
| <b>TOTAL LIABILITIES</b>            |       | <u><u>857,531</u></u>   | <u><u>555,146</u></u>   |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <u><u>2,390,117</u></u> | <u><u>1,118,927</u></u> |

The notes on pages 15 to 30 form part of these financial statements

**M WINKWORTH PLC**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**31 December 2009**

|                                     | Notes | 2009<br>£               | 2008<br>£             |
|-------------------------------------|-------|-------------------------|-----------------------|
| <b>ASSETS</b>                       |       |                         |                       |
| <b>NON-CURRENT ASSETS</b>           |       |                         |                       |
| Investments                         | 13    | 1                       | 1                     |
| <b>CURRENT ASSETS</b>               |       |                         |                       |
| Trade and other receivables         | 14    | <u>1,104,057</u>        | <u>319 700</u>        |
| <b>TOTAL ASSETS</b>                 |       | <u><u>1,104 058</u></u> | <u><u>319 701</u></u> |
| <b>EQUITY</b>                       |       |                         |                       |
| <b>SHAREHOLDERS' EQUITY</b>         |       |                         |                       |
| Called up share capital             | 16    | 57,144                  | 100                   |
| Share premium                       |       | 777,213                 | -                     |
| Retained earnings                   |       | <u>269,701</u>          | <u>319 601</u>        |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <u><u>1 104,058</u></u> | <u><u>319,701</u></u> |

The financial statements were approved by the Board of Directors and authorised for issue on 7 May 2010 and were signed on its behalf by



D C M Agace - Director

Company registration number 01189557

The notes on pages 15 to 30 form part of these financial statements

**M WINKWORTH PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2009

|                                    | Notes | Called up<br>share<br>capital<br>£ | Retained<br>earnings<br>£ | Share<br>premium<br>£ | Shareholders'<br>equity<br>£ |
|------------------------------------|-------|------------------------------------|---------------------------|-----------------------|------------------------------|
| <b>Balance at 1 January 2008</b>   |       | 100                                | 469,710                   | -                     | 469,810                      |
| Total comprehensive income         |       | -                                  | 483,170                   | -                     | 483,170                      |
| Dividends                          | 8     | -                                  | (400,000)                 | -                     | (400,000)                    |
| <b>Balance at 31 December 2008</b> |       | <u>100</u>                         | <u>552,880</u>            | <u>-</u>              | <u>552,980</u>               |
| Issue of share capital             |       | 7,144                              | -                         | 777,213               | 784,357                      |
| Total comprehensive income         |       | -                                  | 651,779                   | -                     | 651,779                      |
| Bonus issue                        |       | 49,900                             | (49,900)                  | -                     | -                            |
| Dividends                          | 8     | -                                  | (465,000)                 | -                     | (465,000)                    |
| <b>Balance at 31 December 2009</b> |       | <u>57,144</u>                      | <u>689,759</u>            | <u>777,213</u>        | <u>1,524,116</u>             |

|                                    |   | Non-controlling<br>interests<br>£ | Total<br>equity<br>£ |
|------------------------------------|---|-----------------------------------|----------------------|
| <b>Balance at 1 January 2008</b>   |   | -                                 | 469,810              |
| Total comprehensive income         |   | 10,801                            | 493,971              |
| Dividends                          | 8 | -                                 | (400,000)            |
| <b>Balance at 31 December 2008</b> |   | <u>10,801</u>                     | <u>563,781</u>       |
| Issue of share capital             |   | -                                 | 784,357              |
| Total comprehensive income         |   | (2,331)                           | 649,448              |
| Dividends                          | 8 | -                                 | (465,000)            |
| <b>Balance at 31 December 2009</b> |   | <u>8,470</u>                      | <u>1,532,586</u>     |

The notes on pages 15 to 30 form part of these financial statements

**M WINKWORTH PLC**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
for the Year Ended 31 December 2009

|                                    | Notes | Called up<br>share<br>capital<br>£ | Retained<br>earnings<br>£ | Share<br>premium<br>£ | Total<br>equity<br>£ |
|------------------------------------|-------|------------------------------------|---------------------------|-----------------------|----------------------|
| <b>Balance at 1 January 2008</b>   |       | 100                                | 319 601                   | -                     | 319,701              |
| Total comprehensive income         |       | -                                  | 400,000                   | -                     | 400,000              |
| Dividends                          | 8     | -                                  | (400 000)                 | -                     | (400 000)            |
| <b>Balance at 31 December 2008</b> |       | <u>100</u>                         | <u>319 601</u>            | <u>-</u>              | <u>319,701</u>       |
| Issue of share capital             |       | 7,144                              | -                         | 777,213               | 784,357              |
| Total comprehensive income         |       | -                                  | 465,000                   | -                     | 465,000              |
| Bonus issue                        |       | 49 900                             | (49,900)                  | -                     | -                    |
| Dividends                          | 8     | -                                  | (465 000)                 | -                     | (465,000)            |
| <b>Balance at 31 December 2009</b> |       | <u>57 144</u>                      | <u>269 701</u>            | <u>777,213</u>        | <u>1,104,058</u>     |

The notes on pages 15 to 30 form part of these financial statements

**M WINKWORTH PLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2009

|                                                         | Notes    | 2009<br>£               | 2008<br>£             |
|---------------------------------------------------------|----------|-------------------------|-----------------------|
| <b>Cash flows from operating activities</b>             |          |                         |                       |
| Cash generated from operations                          | 1        | 1 065,523               | 1 027,321             |
| Finance costs                                           |          | (474)                   | (6,768)               |
| Tax paid                                                |          | <u>(121 365)</u>        | <u>(243 302)</u>      |
| Net cash from operating activities                      |          | <u>943 684</u>          | <u>777,251</u>        |
| <b>Cash flows from investing activities</b>             |          |                         |                       |
| Purchase of goodwill                                    |          | -                       | (236,319)             |
| Purchase of intangible fixed assets                     |          | -                       | (52,476)              |
| Purchase of property, plant and equipment               |          | (115,563)               | (63,378)              |
| Sale of property, plant and equipment                   |          | 100                     | 3,682                 |
| Sale of non-current asset investments                   |          | -                       | 108,963               |
| Finance income                                          |          | <u>2 314</u>            | <u>12,178</u>         |
| Net cash from investing activities                      |          | <u>(113,149)</u>        | <u>(227,350)</u>      |
| <b>Cash flows from financing activities</b>             |          |                         |                       |
| Loan repayments in year                                 |          | (46,000)                | (110,312)             |
| Directors' loan repayments                              |          | -                       | (56,389)              |
| Share issue                                             |          | 1,143,000               | -                     |
| Flotation costs                                         |          | (358,643)               | -                     |
| Equity dividends paid                                   |          | <u>(465 000)</u>        | <u>(400,000)</u>      |
| Net cash from financing activities                      |          | <u>273,357</u>          | <u>(566,701)</u>      |
| <b>Increase/(decrease) in cash and cash equivalents</b> |          | <b>1,103,892</b>        | <b>(16,800)</b>       |
| <b>Cash and cash equivalents at beginning of year</b>   | <b>2</b> | <b>179,091</b>          | <b>195,891</b>        |
| <b>Effect of foreign exchange rate changes</b>          |          | <b><u>18 290</u></b>    | <b><u>-</u></b>       |
| <b>Cash and cash equivalents at end of year</b>         | <b>2</b> | <b><u>1,301,273</u></b> | <b><u>179,091</u></b> |

**COMPANY STATEMENT OF CASH FLOWS**

The company did not hold any cash and cash equivalents throughout the year

The notes on pages 15 to 30 form part of these financial statements

**M WINKWORTH PLC**

**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2009

**1 RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

|                                                            | 2009                    | 2008                    |
|------------------------------------------------------------|-------------------------|-------------------------|
|                                                            | £                       | £                       |
| Profit on ordinary activities before taxation              | 882,237                 | 692,455                 |
| Depreciation and amortisation                              | 75,042                  | 122,170                 |
| Loss/(profit) on disposal of property, plant and equipment | 464                     | (108,538)               |
| Depreciation of disposed subsidiary                        | -                       | (505)                   |
| Finance costs                                              | 474                     | 6,768                   |
| Finance income                                             | <u>(2,314)</u>          | <u>(12,178)</u>         |
|                                                            | 955,903                 | 700,172                 |
| (Increase)/decrease in trade and other receivables         | (22,302)                | 494,458                 |
| Increase/(decrease) in trade and other payables            | <u>131,922</u>          | <u>(167,309)</u>        |
| <b>Cash generated from operations</b>                      | <b><u>1,065,523</u></b> | <b><u>1,027,321</u></b> |

**2 CASH AND CASH EQUIVALENTS**

**Year ended 31 December 2009**

|                           | 31 12 09                | 1 1 09                |
|---------------------------|-------------------------|-----------------------|
|                           | £                       | £                     |
| Cash and cash equivalents | 1,412,665               | 185,444               |
| Bank overdrafts           | <u>(111,392)</u>        | <u>(6,353)</u>        |
|                           | <b><u>1,301,273</u></b> | <b><u>179,091</u></b> |

**Year ended 31 December 2008**

|                           | 31 12 08              | 1 1 08                |
|---------------------------|-----------------------|-----------------------|
|                           | £                     | £                     |
| Cash and cash equivalents | 185,444               | 343,259               |
| Bank overdrafts           | <u>(6,353)</u>        | <u>(147,368)</u>      |
|                           | <b><u>179,091</u></b> | <b><u>195,891</u></b> |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009**

**1 ACCOUNTING POLICIES**

**Basis of preparation**

The financial information has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

**Basis of consolidation**

The group financial statements consolidate the financial statements of M Winkworth Plc and all its subsidiary undertakings. The consolidated financial statements are based on financial statements of subsidiary undertakings which are coterminous with those of the parent company.

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 (including contingent 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. Pursuant to IFRS 3, goodwill is not amortised but instead is tested for impairment at least annually and written down only in the event of impairment.

All expenses, income, receivables, payables and provisions from transactions between consolidated companies are eliminated.

The comparative figures have been adjusted to reflect the acquisition of SARL Agence Fraxinoise in November 2008 but previously not consolidated.

The following IFRS, International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments have been adopted in the financial statements:

IAS 1 (Revised) – 'Presentation of Financial Statements' was issued in January 2008. It affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRS. The Group has applied IAS 1 (Revised) from 1 January 2009. This implementation has had no material impact on the results or net assets of the Group.

IAS 27 (Revised) – 'Consolidated and Separate Financial Statements' was issued in January 2008. The amendments relate primarily to accounting for non-controlling interests and the loss of control of a subsidiary. This implementation has had no material impact on the results or net assets of the Group.

IFRS 8 – 'Operating Segments' was issued in November 2006. It replaces IAS 14 – 'Segmental Reporting'. The new standard uses a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The following IFRS have been issued by the International Accounting Standards Board during the year but are not yet effective and have not been adopted by the Group:

IFRS 3 (Revised) – 'Business Combinations' was issued in January 2008. It addresses the guidance for applying the acquisition method of accounting. It is required to be implemented prospectively by the Group from 1 January 2010.

IAS 23 (Revised) – 'Borrowing Costs' was issued in March 2007. It removes the option of immediately expensing borrowing costs that are directly attributable to a qualifying asset and implemented prospectively by the Group from 1 January 2010.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2009**

**1 ACCOUNTING POLICIES - continued**

**Revenue recognition**

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

**Goodwill**

Goodwill (being the difference between the fair value of consideration paid and the fair value of the net assets) is capitalised. Goodwill is not amortised, but is subject to an annual review for impairment (or more frequently if necessary). Any impairment is charged to the income statement as it arises.

Impairment is based on a value in use calculation whereby the net present value of future cash flows are looked to in order to see whether these exceed the current net book value.

**Intangible assets**

Intangibles represent amounts paid to franchisees on the incorporation of their business into the Winkworth brand.

Intangibles are amortised over the period of the franchise to which they relate on a straight line basis. They are assessed for impairment by performing a value in use calculation when indicators of impairment exist. Amortisation is shown within administrative expenses in the income statement.

**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% on reducing balance,

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

**Taxation**

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

**Deferred tax**

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet 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 balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

**Foreign currencies**

SARL Agence Fraxinoise is a foreign subsidiary of the group and carries out its trade in Euros. At the balance sheet date all balances are restated into sterling at the rate of exchange ruling at that date. Exchange differences are taken into account in arriving at the operating result.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2009**

**1 ACCOUNTING POLICIES - continued**

**Leased assets and obligations**

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

**Borrowing costs**

Borrowing costs are recognised in the income statement in the period in which they are incurred

**Investments**

Long term investments described as unlisted investments are classified as non-current assets

Unlisted investments are stated at cost less provision in the company statement of financial position

Provision is made for any impairment in the value of non-current asset investments

**Cash and cash equivalents**

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

**Financial assets**

The group has only financial assets classified as loans and receivables

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision From time to time, the Group elects to renegotiate the terms of trade receivables due from franchisees Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, where material the new expected cash flows are discounted at the original effective interest rate

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

Cash and cash equivalents includes cash in hand and deposits held at call with banks Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**1 ACCOUNTING POLICIES - continued**

**Financial liabilities**

The group classifies its financial liabilities as other financial liabilities

Other financial liabilities include the following items

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

**Critical accounting estimates and judgements**

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

**(a) Impairment of intangibles**

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

**(b) Useful lives of property, plant and equipment**

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods.

**(c) Recoverability of trade receivables**

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

**(d) Legal proceedings**

In accordance with IFRS the group recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements, could have a material effect on the group's financial position. Application of these accounting principles to legal cases requires the group's management to make determinations about various factual and legal matters beyond its control. The group reviews outstanding legal cases following developments in the legal proceedings and at each balance sheet date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the group's management as to how it will respond to the litigation, claim or assessment.

# M WINKWORTH PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) for the year ended 31 December 2009

### 2 SEGMENTAL DISCLOSURE

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

### 3 EMPLOYEES AND DIRECTORS

|                       | 2009           | 2008           |
|-----------------------|----------------|----------------|
|                       | £              | £              |
| Wages and salaries    | 703,573        | 551,401        |
| Social security costs | <u>86,102</u>  | <u>58,281</u>  |
|                       | <u>789,675</u> | <u>609,682</u> |

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

|                       | 2009      | 2008      |
|-----------------------|-----------|-----------|
| Office and management | <u>13</u> | <u>15</u> |

|                         | 2009           | 2008           |
|-------------------------|----------------|----------------|
|                         | £              | £              |
| Directors' remuneration | <u>203,464</u> | <u>176,188</u> |
| Highest paid director   | <u>93,170</u>  |                |

Key management personnel are defined as directors of the group

### 4 FINANCE INCOME AND COST

|                     | 2009         | 2008          |
|---------------------|--------------|---------------|
|                     | £            | £             |
| Interest receivable | <u>2,314</u> | <u>12,178</u> |
| Bank interest       | 15           | 109           |
| Bank loan interest  | <u>459</u>   | <u>6,659</u>  |
|                     | <u>474</u>   | <u>6,768</u>  |

### 5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit before taxation is stated after charging/(crediting)

|                                                                | 2009          | 2008          |
|----------------------------------------------------------------|---------------|---------------|
|                                                                | £             | £             |
| Depreciation                                                   | 54,473        | 56,898        |
| Loss/(profit) on disposal of property, plant and equipment     | 464           | (108,538)     |
| Amortisation                                                   | 22,538        | 64,766        |
| Auditor's remuneration – audit fees (parent and consolidation) | 11,000        | 5,955         |
| Auditor's remuneration – audit fees (other group companies)    | 10,000        | 10,000        |
| Auditor's remuneration – taxation fees                         | -             | 1,000         |
| Exchange rate variance                                         | 4,453         | (2,286)       |
| Rents payable under operating leases                           | <u>60,580</u> | <u>60,580</u> |

# M WINKWORTH PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) for the year ended 31 December 2009

### 6 TAXATION

#### Analysis of the tax charge

|                                      | 2009<br>£      | 2008<br>£      |
|--------------------------------------|----------------|----------------|
| Current tax                          | 231,789        | 202,861        |
| Deferred tax                         | <u>1,000</u>   | <u>5,100</u>   |
| Total tax charge in income statement | <u>232,789</u> | <u>207,961</u> |

#### Factors affecting the tax charge

The current tax charge differs from the standard rate of corporation tax in the UK for the reasons explained below

|                                                                                                                      | 2009<br>£      | 2008<br>£      |
|----------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Profit on ordinary activities before taxation<br>(including other comprehensive income)                              | <u>882,237</u> | <u>692,455</u> |
| Profit on ordinary activities<br>multiplied by the standard rate of corporation tax<br>in the UK of 28% (2008 - 28%) | 247,026        | 193,887        |
| Effects of                                                                                                           |                |                |
| Expenses not deductible for tax purposes                                                                             | 11,857         | 12,062         |
| Adjustment in respect of prior periods                                                                               | (26,909)       | -              |
| Different tax rates                                                                                                  | 842            | (3,088)        |
| Capital allowances in excess of depreciation                                                                         | <u>(1,027)</u> | <u>-</u>       |
| Total current tax                                                                                                    | 231,789        | 202,861        |
| Deferred tax                                                                                                         | <u>1,000</u>   | <u>5,100</u>   |
| Total tax charge in income statement                                                                                 | <u>232,789</u> | <u>207,961</u> |

### 7 PROFIT OF PARENT COMPANY

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 parent company's profit for the financial year was £465,000 (2008 - £400,000)

### 8 DIVIDENDS

|                                                           | 2009<br>£      | 2008<br>£      |
|-----------------------------------------------------------|----------------|----------------|
| Ordinary shares of £1 each                                |                |                |
| Interim 2009 - £4,650 per share (2008 - £4,000 per share) | <u>465,000</u> | <u>400,000</u> |

After the statement of financial position date a final interim dividend of 0.5p per 0.5p Ordinary share was paid, which is not reflected on the statement of financial position at the year end

# M WINKWORTH PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) for the year ended 31 December 2009

### 9 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period

The weighted average number of shares has been adjusted to reflect the bonus issue and the sub-division set out in note 16

There are no dilutive potential shares in issue

|             | Earnings<br>£ | Weighted<br>average<br>number<br>of shares | Per-share<br>amount<br>pence |
|-------------|---------------|--------------------------------------------|------------------------------|
| <b>2009</b> | 651,779       | 10,195,719                                 | 6 39                         |
| <b>2008</b> | 483,170       | 10,000,000                                 | 4 83                         |

### 10 GOODWILL

#### Group – Movements in 2009

|                       | £              |
|-----------------------|----------------|
| <b>COST</b>           |                |
| At 1 January 2009     | 236,319        |
| Exchange differences  | (17,889)       |
| At 31 December 2009   | <u>218 430</u> |
| <b>NET BOOK VALUE</b> |                |
| At 31 December 2009   | <u>218 430</u> |

#### Group – Movements in 2008

|                       | £              |
|-----------------------|----------------|
| <b>COST</b>           |                |
| Additions             | <u>236,319</u> |
| At 31 December 2008   | <u>236,319</u> |
| <b>NET BOOK VALUE</b> |                |
| At 31 December 2008   | <u>236 319</u> |

Goodwill relates entirely to an acquisition made during 2008 of the trade of an overseas estate agent

**M WINKWORTH PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2009**

**11 INTANGIBLE ASSETS**

**Group – Movements in 2009**

|                                        |                |
|----------------------------------------|----------------|
|                                        | £              |
| <b>COST</b>                            |                |
| At 1 January 2009 and 31 December 2009 | <u>556,639</u> |
| <b>AMORTISATION</b>                    |                |
| At 1 January 2009                      | 399,842        |
| Charge for year                        | <u>20,569</u>  |
| At 31 December 2009                    | <u>420,411</u> |
| <b>NET BOOK VALUE</b>                  |                |
| At 31 December 2009                    | <u>136,228</u> |

**Group - Movements in 2008**

|                       |                |
|-----------------------|----------------|
|                       | £              |
| <b>COST</b>           |                |
| At 1 January 2008     | 504,163        |
| Additions             | <u>52,476</u>  |
| At 31 December 2008   | <u>556,639</u> |
| <b>AMORTISATION</b>   |                |
| At 1 January 2008     | 335,076        |
| Charge for year       | <u>64,766</u>  |
| At 31 December 2008   | <u>399,842</u> |
| <b>NET BOOK VALUE</b> |                |
| At 31 December 2008   | <u>156,797</u> |



**M WINKWORTH PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**12 PROPERTY, PLANT AND EQUIPMENT**

**Group – Movements in 2009**

|                        | Freehold<br>property<br>£ | Fixtures<br>and<br>fittings<br>£ | Totals<br>£    |
|------------------------|---------------------------|----------------------------------|----------------|
| <b>COST</b>            |                           |                                  |                |
| At 1 January 2009      | -                         | 539,212                          | 539,212        |
| Additions              | 83,407                    | 32,156                           | 115,563        |
| Disposals              | -                         | (1,002)                          | (1,002)        |
| Exchange differences   | -                         | (615)                            | (615)          |
| At 31 December 2009    | <u>83,407</u>             | <u>569,751</u>                   | <u>653,158</u> |
| <b>DEPRECIATION</b>    |                           |                                  |                |
| At 1 January 2009      | -                         | 341,425                          | 341,425        |
| Charge for year        | -                         | 54,473                           | 54,473         |
| Eliminated on disposal | -                         | (438)                            | (438)          |
| Exchange differences   | -                         | (215)                            | (215)          |
| At 31 December 2009    | <u>-</u>                  | <u>395,245</u>                   | <u>395,245</u> |
| <b>NET BOOK VALUE</b>  |                           |                                  |                |
| At 31 December 2009    | <u>83,407</u>             | <u>174,506</u>                   | <u>257,913</u> |

**Group – Movements in 2008**

|                        | Freehold<br>property<br>£ | Fixtures<br>and<br>fittings<br>£ | Totals<br>£    |
|------------------------|---------------------------|----------------------------------|----------------|
| <b>COST</b>            |                           |                                  |                |
| At 1 January 2008      | -                         | 480,339                          | 480,339        |
| Additions              | -                         | 63,377                           | 63,377         |
| Disposals              | -                         | (4,503)                          | (4,503)        |
| At 31 December 2008    | <u>-</u>                  | <u>539,213</u>                   | <u>539,213</u> |
| <b>DEPRECIATION</b>    |                           |                                  |                |
| At 1 January 2008      | -                         | 285,348                          | 285,348        |
| Charge for year        | -                         | 56,898                           | 56,898         |
| Eliminated on disposal | -                         | (821)                            | (821)          |
| At 31 December 2008    | <u>-</u>                  | <u>341,425</u>                   | <u>341,425</u> |
| <b>NET BOOK VALUE</b>  |                           |                                  |                |
| At 31 December 2008    | <u>-</u>                  | <u>197,788</u>                   | <u>197,788</u> |

**M WINKWORTH PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**13 INVESTMENTS**

**Group – 2009 movements**

|                                           | Unlisted<br>investments<br>£ |
|-------------------------------------------|------------------------------|
| <b>COST</b>                               |                              |
| At 1 January 2009<br>and 31 December 2009 | <u>7 050</u>                 |
| <b>NET BOOK VALUE</b>                     |                              |
| At 31 December 2009                       | <u><u>7,050</u></u>          |

**Group – 2008 movements**

|                           | Interest<br>in other<br>participating<br>interests<br>£ | Unlisted<br>investments<br>£ | Totals<br>£         |
|---------------------------|---------------------------------------------------------|------------------------------|---------------------|
| <b>COST</b>               |                                                         |                              |                     |
| At 1 January 2008         | 244,527                                                 | 7,050                        | 251,577             |
| Disposals                 | (60,425)                                                | -                            | (60,425)            |
| Reclassification/transfer | <u>(184,102)</u>                                        | <u>-</u>                     | <u>(184,102)</u>    |
| At 31 December 2008       | <u>-</u>                                                | <u>7 050</u>                 | <u>7,050</u>        |
| <b>PROVISIONS</b>         |                                                         |                              |                     |
| At 1 January 2008         | 60,000                                                  | -                            | 60,000              |
| Eliminated on disposal    | <u>(60 000)</u>                                         | <u>-</u>                     | <u>(60,000)</u>     |
| At 31 December 2008       | <u>-</u>                                                | <u>-</u>                     | <u>-</u>            |
| <b>NET BOOK VALUE</b>     |                                                         |                              |                     |
| At 31 December 2008       | <u><u>-</u></u>                                         | <u><u>7,050</u></u>          | <u><u>7,050</u></u> |

**Company – 2009 movements**

|                                           | Shares in<br>group<br>undertakings<br>£ |
|-------------------------------------------|-----------------------------------------|
| <b>COST</b>                               |                                         |
| At 1 January 2009<br>and 31 December 2009 | <u>1</u>                                |
| <b>NET BOOK VALUE</b>                     |                                         |
| At 31 December 2009                       | <u><u>1</u></u>                         |

**M WINKWORTH PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**13 INVESTMENTS - continued**

**Company – 2008 movements**

Shares in  
group  
undertakings  
£

**COST**

At 1 January 2008  
and 31 December 2008

1

**NET BOOK VALUE**

At 31 December 2008

1

**Subsidiaries**

**Winkworth Franchising Limited**

Country of incorporation England and Wales

Nature of business Franchisor to the Winkworth estate agencies

%

Class of shares

holding

A ordinary shares

100

**Winkworth France Limited (shares held indirectly)**

Country of incorporation England and Wales

Nature of business International estate agents

%

Class of shares

holding

Ordinary shares

90

**SARL Agence Fraxinoise (shares held indirectly)**

Country of incorporation France

Nature of business Estate agents

%

Class of shares

holding

Ordinary shares

90

**Winkworth Financial Services Limited (shares held indirectly)**

Country of incorporation England and Wales

Nature of business Dormant

%

Class of shares

holding

Ordinary shares

100

**M WINKWORTH PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**14 TRADE AND OTHER RECEIVABLES - continued**

|                                     | <b>Group</b>   |                | <b>Company</b>   |                |
|-------------------------------------|----------------|----------------|------------------|----------------|
|                                     | 2009           | 2008           | 2009             | 2008           |
|                                     | £              | £              | £                | £              |
| Trade receivables                   | 192,172        | 229,857        | -                | -              |
| Amounts due from group undertakings | -              | -              | 1,104,057        | 319,700        |
| Other receivables                   | 10,279         | 24,194         | -                | -              |
| Amounts due from related parties    | 78,546         | 26,314         | -                | -              |
| Prepayments and accrued income      | <u>76,834</u>  | <u>55,164</u>  | <u>-</u>         | <u>-</u>       |
|                                     | <u>357,831</u> | <u>335,529</u> | <u>1,104,057</u> | <u>319,700</u> |

Trade receivables are stated net of bad debt provisions of £45,012 (2008 - £42,204) The movement in the provision has been recognised in the income statement

**Ageing of trade receivables**

|                             | 2009           | 2008           |
|-----------------------------|----------------|----------------|
|                             | £              | £              |
| Total trade receivables     | 192,172        | 229,857        |
| Of which                    |                |                |
| Not overdue                 | 116,671        | 123,268        |
| Past due less than one year | <u>75,501</u>  | <u>106,589</u> |
|                             | <u>192,172</u> | <u>229,857</u> |

**15 NON-CONTROLLING INTERESTS**

Non-controlling interests relate to a minority shareholding of Winkworth France Limited and SARL Agence Fraxinoise that is not held by members of the group

**16 SHARE CAPITAL**

| Authorised            |                            | 2009           | 2008       |
|-----------------------|----------------------------|----------------|------------|
|                       |                            | £              | £          |
| 100                   | Ordinary shares of £1 each | -              | 100        |
| 20,000,000            | Ordinary shares of 0.5p    | <u>100,000</u> | <u>-</u>   |
|                       |                            | <u>100,000</u> | <u>100</u> |
| Issued and fully paid |                            |                |            |
|                       |                            | 2009           | 2008       |
|                       |                            | £              | £          |
| 100                   | Ordinary shares of £1 each | -              | 100        |
| 11,428,750            | Ordinary shares of 0.5p    | <u>57,144</u>  | <u>-</u>   |
|                       |                            | <u>57,144</u>  | <u>100</u> |

# M WINKWORTH PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) for the year ended 31 December 2009

### 16 SHARE CAPITAL - continued

During the year the following share transactions took place

September 2009- The authorised share capital was increased from £100 to £100,000 by the creation of 99,900 Ordinary shares of £1 each

September 2009 – A bonus issue of 499 shares for each existing £1 Ordinary share was distributed The bonus issue increased the Ordinary shares of £1 each in issue from 100 shares to 50,000 shares

September 2009 - 100,000 issued and unissued Ordinary shares of £1 each were subdivided into 20,000,000 0 5p shares

November 2009 - 1,428.750 Ordinary shares of 0 5p each were allotted fully paid for cash at a premium of 79 5p per share

### 17 TRADE AND OTHER PAYABLES

|                                 | Group          |                |
|---------------------------------|----------------|----------------|
|                                 | 2009<br>£      | 2008<br>£      |
| Trade payables                  | 133,125        | 154,940        |
| Accruals and deferred income    | 161,358        | 55 418         |
| Other taxes and social security | 118,893        | 58,423         |
| Amounts due to related parties  | 6,197          | 4,232          |
| Other payables                  | <u>38,714</u>  | <u>53 352</u>  |
|                                 | <u>458,287</u> | <u>326,365</u> |

### 18 FINANCIAL LIABILITIES - BORROWINGS

| Group           | 2009<br>£      | 2008<br>£     |
|-----------------|----------------|---------------|
| Bank overdrafts | 111,392        | 6,353         |
| Bank loans      | <u>-</u>       | <u>46,000</u> |
|                 | <u>111,392</u> | <u>52,353</u> |

The bank overdraft is secured by a fixed and floating charge on all assets of Winkworth Franchising Limited  
The bank loans are secured by debentures giving fixed and floating charges on all assets of Winkworth Franchising Limited The bank overdraft is repayable on demand

## M WINKWORTH PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) for the year ended 31 December 2009

#### 19 LEASING AGREEMENTS

##### Group

|                            | Non-cancellable operating leases |                |
|----------------------------|----------------------------------|----------------|
|                            | 2009                             | 2008           |
|                            | £                                | £              |
| Land and buildings         |                                  |                |
| Within one year            | 30,000                           | -              |
| Between two and five years | <u>-</u>                         | <u>151 000</u> |

This disclosure relates to the minimum future payments on non-cancellable operating leases

#### 20 FINANCIAL INSTRUMENTS

##### Financial instruments - Risk Management

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

- Credit risk
- Liquidity risk

In common with all other businesses, the group is 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 unless otherwise stated in this note.

##### 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
- bank overdrafts
- trade and other payables
- floating-rate bank loans
- loans from related parties

##### General objectives, policies and processes

The Board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The Board receives monthly reports from the group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. 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 omissions. It is group policy to assess the credit risk of new franchisees before entering contracts. Such credit ratings are taken into account by local business practices.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**20 FINANCIAL INSTRUMENTS - continued**

The Risk Management Committee has 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.

**Interest rate and currency of cash balances**

Floating rate financial assets of £1,411,887 (2008: £184,602) comprise sterling cash deposits. There are no fixed rate financial assets.

**Fair values of financial instruments**

There are no material differences between book value and fair value of financial instruments as all are subject to floating rates as set by the market.

**21 DEFERRED TAX**

**Group**

|                              | 2009          | 2008          |
|------------------------------|---------------|---------------|
|                              | £             | £             |
| Balance at 1 January         | 21,200        | 16,100        |
| Transfer to income statement | <u>1,000</u>  | <u>5,100</u>  |
| Balance at 31 December       | <u>22,200</u> | <u>21,200</u> |

Deferred tax relates wholly to accelerated capital allowances.

**22 TRANSACTIONS WITH DIRECTORS**

During the year the group was charged £41,942 (2008: £40,508) in respect of consultancy fees and travel expenses by Tony Snarey Developments and Construction Limited, a company in which A J Snarey has an interest.

During the year the group was charged £50,000 (2008: £Nil) in respect of consultancy fees by Pibeta S A, a company in which S P Agace has an interest.

# M WINKWORTH PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) for the year ended 31 December 2009

### 23 RELATED PARTY DISCLOSURES

The group trades in the normal course of business with some of the franchisees, groups and other companies where one or more of the directors is a related party or the directors exercise significant control

Details of net income (commissions received from franchisees), fees charged (for services received) and year end balances are as follows

|                                                   | Note | Net income |           | Fees charged |           | Year end balances |           |
|---------------------------------------------------|------|------------|-----------|--------------|-----------|-------------------|-----------|
|                                                   |      | 2009<br>£  | 2008<br>£ | 2009<br>£    | 2008<br>£ | 2009<br>£         | 2008<br>£ |
| Caxton Street Properties Limited                  | c    | -          | -         | -            | -         | (15)              | 138,384   |
| Snarey Price Shelley Limited                      | a    | 72,419     | 95,434    | -            | -         | 9,910             | 8,616     |
| Tony Snarey Developments and Construction Limited | a    | -          | -         | 41,942       | 40,508    | (6,182)           | (899)     |
| Christopher Garveigh Limitada                     | a    | 43,712     | 76,905    | -            | -         | 19,202            | 15,310    |
| YH Investments Limited                            | b    | 38,287     | 47,245    | -            | -         | 48,067            | 86,060    |
| Waldeck Snarey & Brown Limited                    | a    | 51,150     | 53,764    | -            | -         | 1,367             | 2,204     |

During 2008 the group gave an unlimited guarantee in relation to a bank loan to Res Synd 03 Limited, a company of which Mr S P Agace is a shareholder. The loan was settled in the year and guarantee removed

The relationship of the above companies is as follows

- a Company of which Mr A J Snarey is a director
- b Company of which Mr S P Agace is a director
- c Company in which Mr S P Agace has an interest

During the year the following dividends were paid to directors

- A J Snarey £45,750 (2008 £60,000)
- S P Agace £416,550 (2008 £340,000)