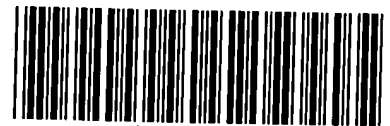


M WINKWORTH PLC
ANNUAL REPORT & ACCOUNTS 2016

WEDNESDAY



A68LNECH

A08

14/06/2017

#189

COMPANIES HOUSE

**CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the Year Ended 31 December 2016**

	Page
Company Information	1
Chief Executive Officer's Statement	2 to 3
Non-Executive Chairman's Statement	4
Group Strategic Report	5 to 6
Report of the Directors	7 to 8
Report of the Independent Auditors	9 to 10
Consolidated Statement of Profit or Loss and Other Comprehensive Income	11
Consolidated Statement of Financial Position	12
Company Statement of Financial Position	13
Consolidated Statement of Changes in Equity	14
Company Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Company Statement of Cash Flows	17
Notes to the Statements of Cash Flows	18
Notes to the Financial Statements	19 to 36
Consolidated Income Statement Summaries	37 to 38

M WINKWORTH PLC

COMPANY INFORMATION
for the Year Ended 31 December 2016

DIRECTORS:

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

SECRETARY:

Miss M O Doregos

REGISTERED OFFICE:

1 Lumley Street
London
W1K 6TT

REGISTERED NUMBER:

01189557 (England and Wales)

AUDITORS:

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

**CHIEF EXECUTIVE OFFICER'S STATEMENT
for the Year Ended 31 December 2016**

The theme of macro events influencing market sentiment continued into 2016, a year which turned out to be an irregular one for sales. The early part of the year saw a boom in activity in the run up to stamp duty changes on second home properties, but this was followed by a lull surrounding uncertainty over Brexit and its likely implications. As a result, we experienced an unusually strong first half and a weaker second one.

Underlying these events, the sales market was driven by strong fundamentals, with interest rates remaining at record lows, employment high, and wage inflation showing an uptick. These fundamentals underpinned demand with the exception of the higher end of the market, where stamp duty changes announced in the November 2015 Autumn Statement continue to weigh on properties valued in excess of £1 million. Here, buyers are still adjusting to this increased cost, resulting in lower levels of activity. In prime markets, however, with sterling having devalued and prices fallen by some 15%, we are starting to see signs of the tax changes being absorbed and central London market activity picked up significantly in the last quarter of 2016, albeit from a low base.

Our rentals business continued to grow on the back of new initiatives such as the corporate relocation department and, in 2016, represented 44% of our income versus 38% in 2015. With an improved proposition for landlords, property management commissions grew by 16% to represent 15% of rental revenue compared to 12% in 2015.

Post Brexit, we saw a reduction in searches through our corporate relocation department. While we still received over 4,000 searches for companies looking to move staff to London, we witnessed a change in the make-up of these companies, with an increasing bias towards the technology and creative sectors which partly offset a reduction in financial services. The latter were not only less active but also reduced their relocation budgets, while the former were typically seeking less expensive space in areas outside of the traditional central London zones. This contributed to downward pressure on rents in central London, whereas outer London rental markets remained strong. As rents in central London soften and greater value becomes apparent in 2017, we expect to see demand pick up in this market.

In geographic terms, the best performing markets over the course of the year were in suburban areas and provincial towns, where higher stamp duty was less of an impediment. Winkworth's sales income grew by 3% in the country markets, despite a pause in activity around the Brexit vote, and represented 27% of our total sales revenues, up from 22% in 2015. Rental income growth in the country was stronger still, rising by 21%, so that the total contribution to group turnover from offices outside of London increased from 19% in 2015 to 21%. This vindicates our strategy of expansion outside of London since 2008.

In 2016, gross revenues of the franchised office network fell by 5.9% to £46.12m (£49.01m) with sales 13.8% lower at £25.98m (£30.14m) and rentals up 6.9% to £20.05m (£18.78m). Winkworth's revenues fell by 5.1% to £5.57m (£5.87m) and profit before taxation was 25.7% lower at £1.42m (£1.91m). Following the £229,198 special dividend declared in December 2015 and paid in 2016, there was a cash outflow in the year of £(195,632) (2015 inflow of £662,217). Year end cash balances remained strong at £2.97 million (£3.17 million) and the group remained debt free. Dividends of 7.1p were declared for the year (2015: 8.3p including a special dividend of 1.8p), representing a 9.2% increase in regular dividends.

In 2016, two new offices were opened in Colindale and Marlborough, while four existing offices were resold to new management, giving us a total number of offices at year end of 94. With a new office in Cheltenham and the conversion of an existing estate agency in Kingsbury, we have a further seven new offices in the pipeline and so anticipate 6-8 openings in 2017 as well as a further 1-2 resales. We anticipate seeing further opportunities to add or resell offices to talented individuals looking to take the step of owning their own business and so being able to share in the equity rewards that this can bring.

We continue to build central services to support our franchisees and help them to grow market share. The client services department, which refers searches across offices, met with further success, generating gross franchise office fees of £0.61 million, up from £0.36 million in 2015. The corporate relocation department continued to help franchisees let more properties to high quality tenants, generating £0.35 million in franchised offices fees against £0.25 million in 2015.

**CHIEF EXECUTIVE OFFICER'S STATEMENT
for the Year Ended 31 December 2016**

To add to these central facilities, we are launching a recruitment service in Q3 2017 to help franchisees lower costs while improving their ability to attract high quality employees. We are also excited about the new website that was launched in March 2017, providing a platform that will enable clients to deal with their properties and interact with us both on and offline. Our experienced local franchisees will be in a position to maintain the high standards of personal service that they provide while offering clients new digital options for communicating, transacting or managing their properties.

Dominic Agace
Chief Executive Officer

30 March 2017

M WINKWORTH PLC

NON-EXECUTIVE CHAIRMAN'S STATEMENT for the Year Ended 31 December 2016

Last year was a testing one for the UK residential property market. In such a market, marked by uncertainty, a reduced number of transactions and shifting dynamics in rentals, motivating buyers and tenants to view properties becomes more than ever the prime differentiator for a successful agency.

To achieve a satisfactory sale or rental price, clients require maximum exposure for every property - without the power to generate and execute viewings, an agency is unable to service their needs adequately. The numerous investments that we have made since our admission to AIM in 2009 have contributed to strengthening both our business and our brand and, consequently, our ability to achieve the exposure that our clients require.

In terms of growing the franchise network, the board is confident that the market has to a large extent settled following the unease caused by political upheaval in the UK over the last couple of years and there are signs of reinvigorated interest in joining the Winkworth franchise. As we remain highly diligent throughout our selection process, however, always seeking winners and well-funded applicants, it does take time to sign up new franchisees. We remain of the belief that, in most cases, we can create greater long term value through organic growth than through acquisition.

We will continue to build services centrally to administer the Winkworth network, thus helping to reduce overheads at the same time as benefitting our franchisees. I welcome our new website which is aimed at offering buyers, sellers, tenants and landlords a digital solution backed by a full service experience.

I remain confident that Winkworth will not only grow but also increase its market share as it evolves its offering to meet the highest standards of today's marketplace.

Simon Agace
Non-Executive Chairman

30 March 2017

M WINKWORTH PLC

GROUP STRATEGIC REPORT for the Year Ended 31 December 2016

The directors present their strategic report of the company and the group for the year ended 31 December 2016.

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 fell to £5.57 million, a decrease of 5.1% on the 2015 level of £5.87 million.

Operating profits were £1.35 million, 25.8% lower than 2015's result of £1.82 million.

Cash balances at 31 December 2016 remained strong at £2.97 million, 6.3% down on the December 2015 balance of £3.17 million. The Statement of Financial Position has no debt.

The group opened 2 new franchise offices in the UK (2015 - 2).

The key business highlights during the year were as follows:

Franchised offices sales down 5.9% on 2015 to £46 million, and London property sales accounted for 79% (2015 - 81%) of the group total.

44% of sales derived from lettings and management (2015 - 38%).

RISK MANAGEMENT

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.

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

**GROUP STRATEGIC REPORT
for the Year Ended 31 December 2016**

OUTLOOK


We believe that low unemployment, wage inflation and record low interest rates will continue to underpin the domestic property market. While the increased cost of transactions above £1 million and the knock-on effect lower down the chain will continue to act as a brake on transactions in 2017, we are starting to see higher stamp duty absorbed in prime central London where prices are stabilising. We also anticipate that without the macro events of a referendum or an election and a positive outlook for UK growth, there will be a gradual improvement in sentiment and so buyer interest this year. We expect the country markets to be at the forefront of this improvement, with good affordability ratios and cheap mortgages leading to price growth.

In the rentals market, we expect that the over-supply from the buy-to-let boom will increasingly be absorbed and that demand from corporate tenants will stabilise. As interest in central London, the area most affected, recovers there may be some lowering of rents in greater London as a result. We anticipate that rental prices in the country markets will remain broadly flat while the increased supply from Q1 2016 is absorbed.

We expect a broadly flat market to continue to be favourable to the franchising model and provide new opportunities to grow the business. We are in regular conversation with existing agencies to explore how we can help them grow market share in a slow market and with entrepreneurs looking to start-up businesses with the support of a strong brand. In particular, we see an opportunity to convert lettings and management businesses in provincial markets to Winkworth. By joining us we can not only support their existing business but also offer them a sales operation, more than offsetting the loss of tenancy administration fees in 2018, which, in the case of some independent specialist lettings agencies we estimate could account for up to 30% of their revenue. With an average Winkworth franchised office posting a 56/44 balance between sales and rental income, we can help talented operators to more than replace this revenue loss.

We remain debt-free, and the strength of our cash position provides us with opportunities in the current market to deliver growth both by supporting the expansion plans of existing franchisees and by helping the conversion of established businesses to the Winkworth brand.

ON BEHALF OF THE BOARD:



.....
D C M Agace - Director

Date: 30 March 2017

M WINKWORTH PLC

REPORT OF THE DIRECTORS for the Year Ended 31 December 2016

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

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

DIVIDENDS

An interim dividend of £904,060 (2015 - £1,053,154) was declared during the year.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

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

Other changes in directors holding office are as follows:

C Neoh - resigned 30 September 2016
A J D Nicol - appointed 17 October 2016

The directors' remuneration for the year is set out in note 4 to the financial statements.

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

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.

M WINKWORTH PLC

**REPORT OF THE DIRECTORS
for the Year Ended 31 December 2016**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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 the financial statements may differ from legislation in other jurisdictions.

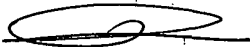
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

DIRECTORS' INDEMNITIES

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

ON BEHALF OF THE BOARD:



.....
D C M Agace - Director

Date: 30 March 2017

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF M WINKWORTH PLC

We have audited the financial statements of M Winkworth Plc for the year ended 31 December 2016 on pages eleven to thirty six. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 a Report of the Auditors 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages four and 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 and of the group's profit for the year then ended;
- 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 IFRSs 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 matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements, and these reports have been prepared in accordance with applicable legal requirements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
M WINKWORTH PLC**

Matters on which we are required to report by exception

In light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.

Neil Tustian

Neil Tustian (Senior Statutory Auditor)
for and on behalf of Moore Stephens LLP
Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

Date: 30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the Year Ended 31 December 2016

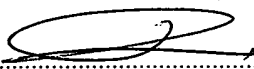
	Notes	2016 £	2015 £
CONTINUING OPERATIONS			
Revenue	3	5,566,389	5,865,182
Cost of sales		<u>(1,477,542)</u>	<u>(1,551,281)</u>
GROSS PROFIT		4,088,847	4,313,901
Administrative expenses		<u>(2,743,291)</u>	<u>(2,496,711)</u>
OPERATING PROFIT		1,345,556	1,817,190
Finance income	5	<u>71,383</u>	<u>89,839</u>
PROFIT BEFORE TAXATION	6	1,416,939	1,907,029
Taxation	7	<u>(290,919)</u>	<u>(391,578)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,126,020</u></u>	<u><u>1,515,451</u></u>
Total comprehensive income attributable to:			
Owners of the parent		<u><u>1,126,020</u></u>	<u><u>1,515,451</u></u>
Earnings per share expressed in pence per share:			
Basic	10	8.84	11.95
Diluted		<u>8.84</u>	<u>11.91</u>

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2016

	Notes	2016 £	2015 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	11	776,819	976,001
Property, plant and equipment	12	115,357	34,650
Investments	13	7,200	7,200
Trade and other receivables	14	715,654	800,189
Deferred tax	19	-	2,222
		<u>1,615,030</u>	<u>1,820,262</u>
CURRENT ASSETS			
Trade and other receivables	14	1,347,693	1,166,173
Tax receivable		69,167	-
Cash and cash equivalents		<u>2,972,072</u>	<u>3,167,704</u>
		<u>4,388,932</u>	<u>4,333,877</u>
TOTAL ASSETS		<u><u>6,003,962</u></u>	<u><u>6,154,139</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	15	63,666	63,666
Share premium		1,792,906	1,792,906
Other reserves		51,295	51,295
Retained earnings		<u>3,556,228</u>	<u>3,334,268</u>
TOTAL EQUITY		<u>5,464,095</u>	<u>5,242,135</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	19	<u>16,164</u>	-
CURRENT LIABILITIES			
Trade and other payables	16	523,703	800,536
Tax payable		-	<u>111,468</u>
		<u>523,703</u>	<u>912,004</u>
TOTAL LIABILITIES		<u>539,867</u>	<u>912,004</u>
TOTAL EQUITY AND LIABILITIES		<u><u>6,003,962</u></u>	<u><u>6,154,139</u></u>

The financial statements were approved by the Board of Directors on 30 March 2017 and were signed on its behalf by:



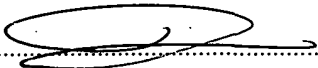
.....
D C M Agace - Director

The notes form part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION
31 December 2016

	Notes	2016 £	2015 £
ASSETS			
NON-CURRENT ASSETS			
Investments	13	<u>63,318</u>	<u>63,318</u>
		<u>63,318</u>	<u>63,318</u>
CURRENT ASSETS			
Trade and other receivables	14	2,474,283	2,703,481
Cash and cash equivalents		<u>423,397</u>	<u>421,326</u>
		<u>2,897,680</u>	<u>3,124,807</u>
TOTAL ASSETS		<u><u>2,960,998</u></u>	<u><u>3,188,125</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	15	63,666	63,666
Share premium		1,792,906	1,792,906
Other reserves		51,295	51,295
Retained earnings		<u>1,052,719</u>	<u>1,050,671</u>
TOTAL EQUITY		<u>2,960,586</u>	<u>2,958,538</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	-	229,198
Tax payable		<u>412</u>	<u>389</u>
		<u>412</u>	<u>229,587</u>
TOTAL LIABILITIES		<u>412</u>	<u>229,587</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,960,998</u></u>	<u><u>3,188,125</u></u>
Company's profit for the financial year		<u>906,108</u>	<u>1,054,713</u>

The financial statements were approved by the Board of Directors on 30 March 2017 and were signed on its behalf by:


D C M Agace - Director

M WINKWORTH PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2016

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
Balance at 1 January 2015	63,381	1,718,469	47,488	2,871,971	4,701,309
Changes in equity					
Total comprehensive income	-	-	-	1,515,451	1,515,451
Transactions with owners in their capacity as owners					
Issue of share capital	285	62,415	-	-	62,700
Share options exercised	-	12,022	(12,022)	-	-
Dividends	-	-	-	(1,053,154)	(1,053,154)
Share-based payment	-	-	15,829	-	15,829
Balance at 31 December 2015	<u>63,666</u>	<u>1,792,906</u>	<u>51,295</u>	<u>3,334,268</u>	<u>5,242,135</u>
Changes in equity					
Total comprehensive income	-	-	-	1,126,020	1,126,020
Transactions with owners in their capacity as owners					
Dividends	-	-	-	(904,060)	(904,060)
Balance at 31 December 2016	<u>63,666</u>	<u>1,792,906</u>	<u>51,295</u>	<u>3,556,228</u>	<u>5,464,095</u>

The notes form part of these financial statements

M WINKWORTH PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2016

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
Balance at 1 January 2015	63,381	1,718,469	47,488	1,049,112	2,878,450
Changes in equity					
Total comprehensive income	-	-	-	1,054,713	1,054,713
Transactions with owners in their capacity as owners					
Issue of share capital	285	62,415	-	-	62,700
Share options exercised	-	12,022	(12,022)	-	-
Dividends	-	-	-	(1,053,154)	(1,053,154)
Share-based payment	-	-	15,829	-	15,829
Balance at 31 December 2015	<u>63,666</u>	<u>1,792,906</u>	<u>51,295</u>	<u>1,050,671</u>	<u>2,958,538</u>
Changes in equity					
Total comprehensive income	-	-	-	906,108	906,108
Transactions with owners in their capacity as owners					
Dividends	-	-	-	(904,060)	(904,060)
Balance at 31 December 2016	<u>63,666</u>	<u>1,792,906</u>	<u>51,295</u>	<u>1,052,719</u>	<u>2,960,586</u>

The notes form part of these financial statements

M WINKWORTH PLC

**CONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended 31 December 2016**

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	1,569,185	1,913,669
Tax paid		<u>(453,167)</u>	<u>(471,919)</u>
Net cash from operating activities		<u>1,116,018</u>	<u>1,441,750</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(121,758)	(107,477)
Purchase of tangible fixed assets		(128,017)	(639)
Interest received		<u>71,383</u>	<u>89,839</u>
Net cash from investing activities		<u>(178,392)</u>	<u>(18,277)</u>
Cash flows from financing activities			
Share issue			62,700
Equity dividends paid		<u>(1,133,258)</u>	<u>(823,956)</u>
Net cash from financing activities		<u>(1,133,258)</u>	<u>(761,256)</u>
(Decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	3,167,704	2,505,487
Cash and cash equivalents at end of year	2	<u>2,972,072</u>	<u>3,167,704</u>

The notes form part of these financial statements

M WINKWORTH PLC

**COMPANY STATEMENT OF CASH FLOWS
for the Year Ended 31 December 2016**

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	229,190	(229,329)
Tax paid		-	(372)
Net cash from operating activities		<u>229,190</u>	<u>(229,701)</u>
Cash flows from investing activities			
Interest received		2,079	2,079
Dividends received		904,060	1,053,154
Net cash from investing activities		<u>906,139</u>	<u>1,055,233</u>
Cash flows from financing activities			
Share issue		-	62,700
Equity dividends paid		(1,133,258)	(823,956)
Net cash from financing activities		<u>(1,133,258)</u>	<u>(761,256)</u>
Increase in cash and cash equivalents		2,071	64,276
Cash and cash equivalents at beginning of year	2	421,326	357,050
Cash and cash equivalents at end of year	2	<u>423,397</u>	<u>421,326</u>

The notes form part of these financial statements

NOTES TO THE STATEMENTS OF CASH FLOWS
for the Year Ended 31 December 2016

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

Group

	2016	2015
	£	£
Profit before tax	1,416,939	1,907,029
Depreciation amortisation and impairment	368,249	275,466
Share based payments	-	15,829
Finance income	<u>(71,383)</u>	<u>(89,839)</u>
	1,713,805	2,108,485
Increase in trade and other receivables	(96,985)	(276,100)
(Decrease)/increase in trade and other payables	<u>(47,635)</u>	<u>81,284</u>
Cash generated from operations	<u><u>1,569,185</u></u>	<u><u>1,913,669</u></u>

Company

	2016	2015
	£	£
Profit before tax	906,131	1,055,102
Dividend income	<u>(906,139)</u>	<u>(1,055,233)</u>
	(8)	(131)
Decrease/(increase) in trade and other receivables	<u>229,198</u>	<u>(229,198)</u>
Cash generated from operations	<u><u>229,190</u></u>	<u><u>(229,329)</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statements of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2016	Group		Company	
	31/12/16	1/1/16	31/12/16	1/1/16
	£	£	£	£
Cash and cash equivalents	<u>2,972,072</u>	<u>3,167,704</u>	<u>423,397</u>	<u>421,326</u>
Year ended 31 December 2015				
	31/12/15	1/1/15	31/12/15	1/1/15
	£	£	£	£
Cash and cash equivalents	<u>3,167,704</u>	<u>2,505,487</u>	<u>421,326</u>	<u>357,050</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the Year Ended 31 December 2016

1. STATUTORY INFORMATION

M Winkworth Plc is a public company, limited by shares, registered in England and Wales. 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 following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of consolidation

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

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

Standards and interpretations in issue but not yet effective

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31 December 2016. The Directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

IFRS 9 Financial Instruments

The standard is effective for periods beginning on or after 1 January 2018.

The standard makes substantial changes to the measurement of financial assets and financial liabilities. There will only be three categories of financial assets whereby financial assets are recognised at either fair value through profit and loss, fair value through other comprehensive income or measured at amortised cost. On adoption of the standard, the group will have to re-determine the classification of its financial assets based on the business model for each category of financial asset. This is not considered likely to give rise to any significant adjustments other than reclassifications.

The principal change to the measurement of financial assets measured at amortised cost or fair value through other comprehensive income is that impairments will be recognised on an expected loss basis compared to the current incurred loss approach. As such, where there are expected to be credit losses these are recognised in profit or loss. For financial assets measured at amortised cost the carrying amount of the asset is reduced for the loss allowance. For financial assets measured at fair value through other comprehensive income the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset.

Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit or loss, for example derivative financial instruments, with changes in the liabilities' credit risk recognised in other comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the Year Ended 31 December 2016**

2. ACCOUNTING POLICIES - continued

IFRS 15 – Revenue from contracts with customers

The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around the following steps in recognising revenue:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price; and
5. Recognise revenue when a performance obligation is satisfied.

On application of the standard the disclosures are likely to increase. The standard includes principles on disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, by providing qualitative and quantitative information.

The standard is effective from 1 January 2018.

IFRS 16 – Leases

The standard is effective for periods beginning on or after 1 January 2019, but can be applied before that date if the company also applies IFRS 15 revenue from Contracts with Customers. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. IFRS 16 replaces the typical straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for lease assets (included within operating costs) and an interest expense on lease liabilities (included within finance costs).

Revenue

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

Intangible assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

2. ACCOUNTING POLICIES - continued

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,

Freehold property - 2% straight line.

Computer equipment – 25% straight line.

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

Taxation

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

Deferred tax

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

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

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

Employee benefit costs

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

Leased assets and obligation

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

Investments

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

Going concern

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

2. ACCOUNTING POLICIES - continued

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 grant date 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. The fair value is charged as an expense in the statement of comprehensive income over the vesting period and the charge is adjusted each year to reflect the expected and actual level of vesting, taking into account the terms and conditions upon which the options were granted.

Cash and cash equivalents

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

There is a cross guarantee and debenture between M Winkworth Plc and Winkworth Franchising Limited and also between M Winkworth Plc and Winkworth Client Services Limited. There is a floating charge over the property or undertaking of the company filed at Companies House.

Financial assets

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

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

Loans and receivables:

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

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.

Financial liabilities

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

Bank borrowings are recognised at fair value net of any transaction costs directly attributable to the issue of the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

2. ACCOUNTING POLICIES - continued

Critical accounting estimates and judgements

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

(a) Impairment of intangibles

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

(b) Recoverability of trade receivables

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

3. SEGMENTAL REPORTING

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

4. EMPLOYEES AND DIRECTORS

	2016	2015
	£	£
Wages and salaries	1,341,265	1,360,740
Social security costs	148,305	151,891
Other pension costs	2,216	-
Share based payment charge	-	15,829
	<u>1,491,786</u>	<u>1,528,460</u>

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

	2016	2015
Office and management	<u>32</u>	<u>34</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

4. EMPLOYEES AND DIRECTORS - continued

Details of the remuneration of the directors individually and in total are shown below:

	Salary (including bonus	Benefits in kind	Share based payments	Year to 31 December 2016 Total	Year to 31 December 2015 Total
D C M Agace	152,600	507	-	153,107	156,021
C Neoh	36,833	820	-	37,653	37,737
S P Agace	50,000	1,651	-	51,651	51,527
J Nicol	20,000	-	-	20,000	15,000
L M Alkin	20,000	-	-	20,000	20,000
A J D Nicol	15,218	-	-	15,218	-
Total	294,651	2,978	-	297,629	280,285

Key management personnel are defined as directors of the group.

The number of directors to whom retirement benefits were accruing during the year was 1 (2015 – 1).

See also note 20 for transactions with directors.

5. NET FINANCE INCOME

	2016 £	2015 £
Finance income:		
Interest receivable	<u>71,383</u>	<u>89,839</u>

6. PROFIT BEFORE TAXATION

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

	2016 £	2015 £
Depreciation - owned assets	47,310	51,200
Intangible assets amortisation	320,940	224,266
Auditors' remuneration	30,185	31,000
Rents payable under operating leases	<u>141,691</u>	<u>103,670</u>

Included within auditor's remuneration above is £11,000 (2015 - £11,000) relating to the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

7. TAXATION**Analysis of tax expense**

	2016 £	2015 £
Current tax:		
Taxation	274,450	405,389
Adjustment re previous years	<u>(1,918)</u>	<u>(4,740)</u>
Total current tax	272,532	400,649
Deferred tax	<u>18,387</u>	<u>(9,071)</u>
Total tax expense in consolidated statement of profit or loss and other comprehensive income	<u>290,919</u>	<u>391,578</u>

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:

	2016 £	2015 £
Profit before tax	<u>1,416,939</u>	<u>1,907,029</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.250%)	283,388	386,173
Effects of:		
Expenses not deductible for tax purposes	8,781	11,176
Adjustment in respect of prior periods taxable	(1,918)	(4,740)
Different tax rates	149	(340)
Depreciation in excess of capital allowances	<u>519</u>	<u>(691)</u>
Tax expense	<u>290,919</u>	<u>391,578</u>

8. 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 £906,108 (2015 - £1,054,713).

9. DIVIDENDS

	2016 £	2015 £
Ordinary shares of 0.5p each		
Final 2015 and interim 2016 paid – 7.1p per share (2015 – 8.3p per share)	<u>904,060</u>	<u>1,053,154</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

10. 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 £	2016 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,126,020	12,733,238	8.84
Effect of dilutive securities			
Options	-	-	-
Diluted EPS			
Adjusted earnings	<u>1,126,020</u>	<u>12,733,238</u>	<u>8.84</u>

The share options are underwater as at 31 December 2016.

	Earnings £	2015 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,515,451	12,681,548	11.95
Effect of dilutive securities			
Options	-	41,298	-
Diluted EPS			
Adjusted earnings	<u>1,515,451</u>	<u>12,722,846</u>	<u>11.91</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

11. INTANGIBLE ASSETS

	Franchises	Website Development	Total
COST			
At 1 January 2016	2,041,470	232,685	2,274,155
Additions	18,388	103,370	121,758
Disposals	(163,817)	-	(163,817)
At 31 December 2016	<u>1,896,041</u>	<u>336,055</u>	<u>2,232,096</u>
AMORTISATION			
At 1 January 2016	1,159,863	138,291	1,298,154
Amortisation for year	130,460	84,757	215,217
Eliminated on disposal	(58,094)	-	(58,094)
At 31 December 2016	<u>1,232,229</u>	<u>223,048</u>	<u>1,455,277</u>
NET BOOK VALUE			
At 31 December 2016	<u>663,812</u>	<u>113,007</u>	<u>776,819</u>
At 31 December 2015	<u>881,607</u>	<u>94,394</u>	<u>976,001</u>
COST			
At 1 January 2015	2,011,470	155,208	2,166,678
Additions	30,000	77,477	107,477
At 31 December 2015	<u>2,041,470</u>	<u>232,685</u>	<u>2,274,155</u>
AMORTISATION			
At 1 January 2015	993,912	79,976	1,073,888
Amortisation for year	165,951	58,315	224,266
At 31 December 2015	<u>1,159,863</u>	<u>138,291</u>	<u>1,298,154</u>
NET BOOK VALUE			
At 31 December 2015	<u>881,607</u>	<u>94,394</u>	<u>976,001</u>
At 31 December 2014	<u>1,017,558</u>	<u>75,232</u>	<u>1,092,790</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

12. PROPERTY, PLANT AND EQUIPMENT

Group

Year ended 31 December 2016

	Computer equipment £	Fixtures and fittings £	Totals £
COST			
At 1 January 2016	4,870	752,367	757,237
Additions	-	128,017	128,017
Disposals	-	(18,311)	(18,311)
At 31 December 2016	<u>4,870</u>	<u>862,073</u>	<u>866,943</u>
DEPRECIATION			
At 1 January 2016	1,888	720,699	722,587
Charge for year	1,218	34,480	35,698
Eliminated on disposal	-	(6,699)	(6,699)
At 31 December 2016	<u>3,106</u>	<u>748,480</u>	<u>751,586</u>
NET BOOK VALUE			
At 31 December 2016	<u>1,764</u>	<u>113,593</u>	<u>115,357</u>

Year ended 31 December 2015

	Computer equipment £	Fixtures and fittings £	Totals £
COST			
At 1 January 2015	4,870	751,728	756,598
Additions	-	639	639
Disposals	-	-	-
At 31 December 2015	<u>4,870</u>	<u>752,367</u>	<u>757,237</u>
DEPRECIATION			
At 1 January 2015	671	670,716	671,387
Charge for year	1,217	49,983	51,200
Eliminated on disposal	-	-	-
At 31 December 2015	<u>1,888</u>	<u>720,699</u>	<u>722,587</u>
NET BOOK VALUE			
At 31 December 2015	<u>2,982</u>	<u>31,668</u>	<u>34,650</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

13. INVESTMENTS

Group
Unlisted investments

	2016 £	2015 £
COST		
At 1 January	<u>7,200</u>	<u>7,200</u>
At 31 December	<u>7,200</u>	<u>7,200</u>
NET BOOK VALUE		
At 31 December	<u><u>7,200</u></u>	<u><u>7,200</u></u>

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

Company

	2016 £	2015 £
COST		
At 1 January	63,318	47,489
Addition	<u>-</u>	<u>15,829</u>
NET BOOK VALUE		
At 31 December	<u><u>63,318</u></u>	<u><u>63,318</u></u>

Subsidiary undertakings

M Winkworth Plc had the following subsidiary undertakings as at 31 December 2016:

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

The following are shares held indirectly:

Company Name	Country of Incorporation	Nature of Business	Class of Shares	% Holding
Winkworth Client Services Limited (formerly Winkworth France Limited)	England and Wales	Administration services to estate agencies	Ordinary Shares	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

13. **INVESTMENTS - continued**

Winkworth Financial Services Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Auctions Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Conveyancing Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Land and New Homes Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Management Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Private Clients Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Property Management Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Residential Lettings Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Residential Sales Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Short Lets Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Surveying Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Surveyors Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Surveys Limited	England and Wales	Dormant	Ordinary Shares	100
See Things Differently Limited	England and Wales	Dormant	Ordinary Shares	100

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

14. **TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Current:				
Trade receivables	641,814	602,597	-	-
Amounts owed by group undertakings	-	-	2,474,283	2,703,481
Other receivables	487,879	375,257	-	-
Amounts due from related company	-	198	-	-
Prepayments and accrued income	218,000	188,121	-	-
	<u>1,347,693</u>	<u>1,166,173</u>	<u>2,474,283</u>	<u>2,703,481</u>
Non-current:				
Other receivables	<u>715,654</u>	<u>800,189</u>	-	-
Aggregate amounts	<u>2,063,347</u>	<u>1,966,362</u>	<u>2,474,283</u>	<u>2,703,481</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

14. TRADE AND OTHER RECEIVABLES - continued

Trade receivables are stated net of bad debt provisions of £129,667 (2015 - £101,425). The movement in the provision has been recognised in the statement of comprehensive income.

Ageing of trade receivables

	Group		Company	
	2016 £	2015 £	2016 £	2015
Trade receivables not due	367,674	313,465	-	-
Trade receivables past due 1-30 days	63,326	94,652	-	-
Trade receivables past due 31-60 days	33,544	25,803	-	-
Trade receivables past due 61-90 days	39,199	32,053	-	-
Trade receivables past due over 90 days	<u>138,071</u>	<u>136,624</u>	-	-
	<u>641,814</u>	<u>602,597</u>	-	-

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

15. CALLED UP SHARE CAPITAL

Authorised:		2016	2015
20,000,000	Ordinary shares of 0.5p	£ <u>100,000</u>	£ <u>100,000</u>
Issued and fully paid:		2016	2015
12,733,238	Ordinary shares of 0.5p	£ <u>63,666</u>	£ <u>63,666</u>

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Current:				
Trade payables	258,672	243,154	-	-
Other taxes and social security	191,050	197,221	-	-
Other payables	35,556	348,927	-	229,198
Accruals and deferred income	38,160	8,008	-	-
VAT	<u>265</u>	<u>3,226</u>	-	-
	<u>523,703</u>	<u>800,536</u>	-	<u>229,198</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

17. LEASING AGREEMENTS

Group

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

	2016 £	2015 £
Within one year	216,843	45,603
Between one and five years	<u>617,672</u>	<u>-</u>
	<u><u>834,515</u></u>	<u><u>45,603</u></u>

18. FINANCIAL INSTRUMENTS

Capital management

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

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

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

Risk management

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

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

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

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

Principal financial instruments

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

- trade and other receivables
- cash at bank
- trade and other payables

These are considered below

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

18. FINANCIAL INSTRUMENTS - continued

General objectives, policies and processes

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

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

Credit risk

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

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

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

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

All financial liabilities are repayable on demand.

Liquidity risk

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

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

Currency risk

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

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.

Interest rate and currency of cash balances

Floating rate financial assets of £2,972,072 (2015 - £3,167,704) 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£7,000 of additional interest income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

18. FINANCIAL INSTRUMENTS - continued

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.

Changes in legislation

The directors estimate that the loss of tenancy administration fees in 2018, resulting from changes in government legislation, could account for up to 30% of franchisees' revenue, which will in turn impact on commission income.

19. DEFERRED TAX

Group

	2016	2015
	£	£
Balance at 1 January	(2,222)	6,849
Transfer from/(to) profit or loss	<u>18,386</u>	<u>(9,071)</u>
Balance at 31 December	<u>16,164</u>	<u>(2,222)</u>

Deferred tax relates wholly to accelerated capital allowances.

20. 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 commission income received, fees payable and year end balances are as follows:

	Note	Net income		Fees payable		Year end balances	
		2016	2015	2016	2015	2016	2015
		£	£	£	£	£	£
Heathdene Limited	a	-	164	-	-	-	198

The relationships with the above company is as follows:

- a Company in which a director has a significant interest

Details of transactions within the group during the year and year end balances are as follows:

- The company received a dividend of £904,060 (2015 - £1,053,154) from its subsidiary undertaking Winkworth Franchising Limited. The balance owed by Winkworth Franchising Limited to the company at the year end was £2,474,284 (2015 - £2,703,483).

- Winkworth Franchising Limited received net income of £41,484 (2015 - 77,988) from, paid fees of £4,991 (2015 - £12,264) to and purchased tax losses of £16,240 (2015 - £42,000) from Winkworth Client Services Limited. The balance owed by Winkworth Client Services Limited to Winkworth Franchising Limited at the year end was £346,391 (2015 - £296,245)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

20. RELATED PARTY DISCLOSURES - continued

During the year the following dividends were paid to directors:

- S P Agace £376,912 (2015 - £440,616)
- L M Alkin £28,584 (2015 - £21,269)
- D Agace £39,095 (2015 - £45,329)
- C Neoh £2,883 (2015 - £2,064)
- J Nicol £4,083 (2015 - £3,113)

21. SHARE-BASED PAYMENT TRANSACTIONS

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

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

Option series	Number	Grant date	Expiry date	Exercise price (p)	Fair value at grant date (p)
Granted on 1 July 2013	300,200	01/07/2013	30/06/2023	110	21

The weighted average fair value of options granted during 2013 determined using the Black-Scholes valuation model was £0.2109 per option. The significant inputs into the model were weighted average share price of £1.10 at the grant date, exercise price shown above, volatility of 33%, dividend yield of 3.46%, an expected option life of two years and an annual risk-free interest rate of 0.38%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

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

	2016		2015	
	Number of options	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)
Balance at beginning of year	243,200	110	300,200	110
Exercised during the year			(57,000)	110
Balance at end of year	<u>243,200</u>	110	<u>243,200</u>	110

At 31 December 2016, all options were exercisable. No options were exercised in 2016. The share options outstanding at the year-end had a weighted average contractual life of 6.5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2016

21. SHARE-BASED PAYMENT TRANSACTIONS - continued

On 13 September 2016, the Board approved the grant of options over 636,662 0.5p ordinary shares in M Winkworth plc (the "Company") to Dominic Agace, Chief Executive Officer of the Company, exercisable at a price of 200 pence per share with effect from 13 September 2019.

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was £0.0076 per option. The significant inputs into the model were volatility of 24%, an expected option life of seven years and an annual risk-free interest rate of 0.94%.

The charge for the period has not been recognised because it is not material and the options were never formally granted.

M WINKWORTH PLC

**CONSOLIDATED INCOME STATEMENT SUMMARIES
for the Year Ended 31 December 2016**

	2016 £	2015 £
REVENUE		
Sales receivable	25,911,461	30,080,786
Franchise commission income	3,856,009	4,060,405
Contributions to expenses	463,340	485,347
Recharge of expenses	840,678	954,837
Other income	406,362	364,593
Less: sales receivable	<u>(25,911,461)</u>	<u>(30,080,786)</u>
	<u>5,566,389</u>	<u>5,865,182</u>
 COST OF SALES		
Franchising costs	677,326	653,582
Recharge expenses	780,178	861,360
Other direct expenditure	<u>20,038</u>	<u>36,339</u>
	<u>1,477,542</u>	<u>1,551,281</u>

CONSOLIDATED INCOME STATEMENT SUMMARIES
for the Year Ended 31 December 2016

	2016	2015
	£	£
ADMINISTRATIVE EXPENSES		
Administrative expenses		
Directors' salaries	294,651	288,708
Directors' share based payment	-	8,015
Directors' social security	33,593	35,917
Directors' pension contributions	93	-
Wages	1,046,614	1,079,846
Social security	114,712	115,974
Pensions	2,123	-
Rent and rates	304,187	199,201
Telephone	35,798	36,553
Printing, post and stationery	25,299	20,755
Marketing and advertising	51,945	70,139
Travelling	18,794	22,654
Motor expenses	521	125
Staff training and development	8,738	8,315
Other staff costs	87,755	69,896
Insurance	29,600	29,787
Repairs and maintenance	11,870	6,325
Building repairs	10,765	7,253
IT costs	8,067	3,324
Storage	12,018	11,693
Sundry expenses	40,032	32,445
Entertainment	38,008	38,384
Bad debts	7,475	1,779
Exchange rate variance	(3,042)	209
Accountancy	4,913	13,534
Consultancy fees	41,462	5,000
Legal fees	113,329	77,537
Auditors' remuneration	30,185	31,000
Amortisation of intangible fixed assets		
Intangibles	320,939	224,266
Depreciation of tangible fixed assets	47,309	51,200
Finance costs		
Bank charges	5,538	6,877
	<u>2,743,291</u>	<u>2,496,711</u>
FINANCE INCOME		
Interest receivable	<u>71,383</u>	<u>89,839</u>
	<u>71,383</u>	<u>89,839</u>