

Winkworth



M Winkworth PLC

Annual Report & Accounts 2011

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Company Information

DIRECTORS

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

SECRETARY

Miss M O Doregos

REGISTERED OFFICE

11 Berkeley Street
Mayfair
London
W1J 8DS

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

Chairman's Statement

Winkworth continued to grow in 2011. While benefitting from the strength of the London market we began to focus more fully on the expansion of our presence in the country in order to profit from anticipated future growth there.

We further expanded our marketing department to take advantage of the roll-out of our strengthened brand and to develop new support levels for our franchisees. From our historical knowledge of estate agency boom and slump cycles, we judged that our market place was likely to experience many pressures over the coming years, and so throughout the course of 2011 concentrated on improving the fundamentals of our franchise network to secure a solid platform for growth in 2012-2015.

Encouraged by the success of our expansion into selected, high quality country areas and the growth of our new offices, we intend to accelerate our investment in 2012 into this fast evolving part of our network. To expand into a market downturn is never easy, but our decision to do so has been based both on a track record of success and on our efforts to improve our structure and system regardless of outside influences. We have concluded that this is the best way to optimise our medium term growth prospects.

We remain in the fortunate position of having cash available to us and strong profitability. This has enabled us to seize opportunities at a time when others have felt the strain from rising overheads. Our franchise model allows us to plan our expansion progressively and without the risk of having to make dramatic cuts should the market falter. The breadth of our exposure to both London and, increasingly, the country market has diversified our risk profile and should protect us against a potential downturn in prime central London as a result of the recent increases in stamp duty, which we expect will affect a large number of non-domiciled home owners and near-term demand in central London.

We remain, therefore, very positive for the future of the business. The decisions taken in 2011 have proven to be very good for Winkworth's short-term growth and our focus now is to continue to broaden the base of the business and build for the medium term.

Simon Agace
Chairman

Chief Executive's Statement

Overall, 2011 followed a similar pattern to 2010 as mortgage availability and economic concerns weighed on the residential property market, with the national market witnessing a 2% drop in transactions from 762,000 to 749,000. Against this background, the gross property sales and lettings revenues of our franchises grew by 7.4% to £35.9 million and sales transactions increased by 14% in the country, 1% in London, and 4% in total.

M Winkworth Plc's turnover grew to £3.98 million, an increase of 7.3% on the 2010 level of £3.7 million, while at £1.2 million our profits before tax were 8.1% higher than 2010's result of £1.1 million, allowing us to pay a dividend of 4.6p per share compared to 4.3p per share in 2010.

The London sales market, which accounted for 83% of group property sales, saw further price rises driven by an acute lack of supply, while in the country all but the most prime properties saw prices flat or drifting down at the lower end. Family houses purchases, which are characterised by higher deposits, have continued to be the focal point for our activity and saw the greatest price appreciation.

In the rental market prices were pushed up in the middle segment as some would-be buyers unable to access sufficient mortgage financing chose to rent. At the top end of the market there was a drop off in rental prices due to cuts in corporate budgets. Our lettings and management business, accounting for 36% of the gross turnover of Winkworth's offices, grew by 40% in the country, 7% in London and 9% overall and achieved a record level of annual turnover.

2011 saw us meet our financial targets and exceed our growth targets. In a still weak environment we achieved an increase in market share as the strength of our brand and client proposition further improved, with fees rising at over 7% compared to a 4% increase in transactions. This was most notable in the country where, with prices generally still in decline, we saw our average price of property sold move up by 10% as businesses converted to the Winkworth brand improved their client proposition.

As part of our programme of expanding and upgrading our network of offices, we are very pleased to have opened a record number of 11 new franchises in 2011, 10 of which were conversions from existing businesses, compared to seven openings in 2010. After the consolidation of some existing franchises, the total net number of offices under the Winkworth banner increased by five to a total of 89 by the end of the year. The new offices include key target areas which affiliate with London such as Oxford, Chalfont St Peter, Petersfield, Farnham, Harrow and Chislehurst, as well as a chain of four offices in the Bournemouth area.

During the course of the year we relocated our premises to Mayfair where we anchored the new country house department, facilitating the marketing of country agents' properties in a prime London location and providing a focal point for marketing country properties through our London offices. We expect this prestige address to help us to gain further share in the prime family house market.

Dominic Agace
Chief Executive Officer

Report of the Directors

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2011.

PRINCIPAL ACTIVITY

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

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2011 to the date of this report.

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

The directors' remuneration for the year is set out in note 3 to the financial statements.

REVIEW OF BUSINESS

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

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

Turnover grew to £3.98 million, an increase of 7.3% on the 2010 level of £3.71 million.

Profits before tax were £1.2 million, 8.1% higher than 2010's result of £1.11 million.

The group continued to grow with a record 11 new franchise offices opened in the UK (2010 – 7).

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.

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 amounted to 35 days on average during the year (2010: 36 days).

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 been prepared on a going concern basis.

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state that the financial statements comply with International Financial Reporting Standards as adopted by the European Union subject to any material departures disclosed and explained in the financial statements.

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 the legislation in other jurisdictions.

DIVIDENDS

After the year end, the company paid a final interim dividend for the year ended 31 December 2011 of 1.6p per share. This amounts to a total net dividend of £190,144.

SHARE CAPITAL

During the year 1,247,488 Ordinary shares of 0.5p each were allotted fully paid for cash at a premium of 81.5p 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 auditors are aware of that information.

Report of the Directors continued

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

The commercial website is
www.winkworth.co.uk

ON BEHALF OF THE BOARD:

D C M Agace
Director

8 May 2012

Report of the Independent Auditor to the Members of M Winkworth PLC

We have audited the financial statements of M Winkworth Plc for the year ended 31 December 2011 which are set out on pages nine to thirty one. 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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and 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 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 Annual Report to identify material inconsistencies with the audited financial statements. 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 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with 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 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.

Report of the Independent Auditor to the Members of M Winkworth PLC continued

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

9 May 2012

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Notes	2011 £	2010 £
CONTINUING OPERATIONS			
Revenue	2	3,978,662	3,707,543
Cost of sales		(843,095)	(840,240)
GROSS PROFIT			
Administrative expenses		(1,944,760)	(1,758,691)
OPERATING PROFIT			
Finance income	4	10,667	2,805
PROFIT BEFORE TAXATION			
Taxation	5 6	(325,042)	(313,050)
PROFIT FOR THE YEAR			
OTHER COMPREHENSIVE INCOME			
Unrealised exchange loss		(6,258)	(9,543)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
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Profit attributable to:			
Owners of the parent		878,334	803,981
Non-controlling interests		(1,902)	(5,614)
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Total comprehensive income attributable to:			
Owners of the parent		872,076	795,392
Non-controlling interests		(1,902)	(6,568)
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Earnings per share expressed			
in pence per share:			
Basic and diluted	9	7.11	7.03
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The notes on pages 16 to 31 form part of these financial statements

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 £	2010 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	10	203,437	208,965
Intangible assets	11	894,701	203,463
Property, plant and equipment	12	309,885	265,107
Investments	13	7,200	7,200
Trade and other receivables	14	135,574	100,000
		1,550,797	784,735
CURRENT ASSETS			
Trade and other receivables	14	503,535	398,320
Cash and cash equivalents		1,878,306	1,600,649
		2,381,841	1,998,969
TOTAL ASSETS		3,932,638	2,783,704
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	16	63,381	57,144
Share premium		1,718,469	777,213
Translation reserve		34,167	40,425
Retained earnings		1,394,193	1,044,720
		3,210,210	1,919,502
Non-controlling interests	15	–	1,902
TOTAL EQUITY		3,210,210	1,921,404
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	22	34,347	29,700
CURRENT LIABILITIES			
Trade and other payables	17	457,614	451,361
Bank borrowings	18	77,447	92,089
Tax payable		153,020	177,150
Provisions	21	–	112,000
		688,081	832,600
TOTAL LIABILITIES		722,428	862,300
TOTAL EQUITY AND LIABILITIES		3,932,638	2,783,704

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 8 May 2012 and were signed on its behalf by:

D C M Agace

Director

The notes on pages 16 to 31 form part of these financial statements

Company Statement of Financial Position

31 December 2011

	Notes	2011 £	2010 £
ASSETS			
NON-CURRENT ASSETS			
Investments	13	1	1
CURRENT ASSETS			
Trade and other receivables	14	1,899,568	1,211,094
Cash and cash equivalents		927,184	665,862
		2,826,752	1,876,956
TOTAL ASSETS		2,826,753	1,876,957
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	16	63,381	57,144
Share premium		1,718,469	777,213
Retained earnings		1,044,374	1,042,290
TOTAL EQUITY		2,826,224	1,876,647
LIABILITIES			
CURRENT LIABILITIES			
Tax payable		529	310
TOTAL LIABILITIES		529	310
TOTAL EQUITY AND LIABILITIES		2,826,753	1,876,957

The financial statements were approved and authorised for issue by the Board of Directors on 8 May 2012. and were signed on its behalf by:

D C M Agace
Director

Company registered number: 01189557

The notes on pages 16 to 31 form part of these financial statements

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	Share capital £	Share premium £	Translation reserve £	Retained earnings £	Shareholders' equity £
Balance at 1 January 2010	57,144	777,213	49,014	640,745	1,524,116
Dividends paid	–	–	–	(400,006)	(400,006)
Total comprehensive income	–	–	(8,589)	803,981	795,392
Balance at 31 December 2010	57,144	777,213	40,425	1,044,720	1,919,502
Issue of share capital	6,237	941,256	–	–	947,493
Dividends paid	–	–	–	(528,861)	(528,861)
Total comprehensive income	–	–	(6,258)	878,334	872,076
Balance at 31 December 2011	63,381	1,718,469	34,167	1,394,193	3,210,210

	Non-controlling interests £	Total equity £
Balance at 1 January 2010	8,470	1,532,586
Dividends paid	–	(400,006)
Total comprehensive income	(6,568)	788,824
Balance at 31 December 2010	1,902	1,921,404
Issue of share capital	–	947,493
Dividends paid	–	(528,861)
Total comprehensive income	(1,902)	870,174
Balance at 31 December 2011	–	3,210,210

The notes on pages 16 to 31 form part of these financial statements

Company Statement of Changes in Equity

for the year ended 31 December 2011

	Called up share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 1 January 2010	57,144	777,213	269,701	1,104,058
Dividends paid	–	–	(400,006)	(400,006)
Total comprehensive income	–	–	1,172,595	1,172,595
Balance at 31 December 2010	57,144	777,213	1,042,290	1,876,647
Issue of share capital	6,237	941,256	–	947,493
Dividends paid	–	–	(528,861)	(528,861)
Total comprehensive income	–	–	530,945	530,945
Balance at 31 December 2011	63,381	1,718,469	1,044,374	2,826,224

The notes on pages 16 to 31 form part of these financial statements

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2011

	Notes	2011 £	2010 £
Cash flows from operating activities			
Cash generated from operations	1	1,118,136	1,154,313
Tax paid		(344,525)	(394,051)
Net cash from operating activities		773,611	760,262
Cash flows from investing activities			
Purchase of intangible assets		(772,744)	(100,035)
Purchase of property, plant & equipment		(137,867)	(55,589)
Purchase of fixed asset investments		–	(150)
Interest received		10,667	2,805
Net cash from investing activities		(899,944)	(152,969)
Cash flows from financing activities			
Share issue		947,493	–
Equity dividends paid		(528,861)	(400,006)
Net cash from/(used in) financing activities		418,632	(400,006)
Increase in cash and cash equivalents		292,299	207,287
Cash and cash equivalents at beginning of year	2	1,508,560	1,301,273
Cash and cash equivalents at end of year	2	1,800,859	1,508,560

The notes on pages 16 to 31 form part of these financial statements

Company Statement of Cash Flows

for the Year Ended 31 December 2011

	Notes	2011 £	2010 £
Cash flows from operating activities			
Cash used in operations	1	(688,506)	(107,040)
Tax paid		(310)	–
Net cash used in operating activities		(688,816)	(107,040)
Cash flows from investing activities			
Interest received		2,645	1,477
Dividends received		528,861	1,171,431
Net cash from investing activities		531,506	1,172,908
Cash flows from financing activities			
Share issue		947,493	–
Equity dividends paid		(528,861)	(400,006)
Net cash from/(used in) financing activities		418,632	(400,006)
Increase in cash and cash equivalents		261,322	665,862
Cash and cash equivalents at beginning of year	2	665,862	–
Cash and cash equivalents at end of year	2	927,184	665,862

The notes on pages 16 to 31 form part of these financial statements

Notes to the Statements of Cash Flows

for the Year Ended 31 December 2011

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

Group

	2011 £	2010 £
Profit before taxation	1,201,474	1,111,417
Depreciation and amortisation	141,215	80,858
Loss on disposal of fixed assets	35,600	–
Reclassification of intangible assets	–	259
Exchange rate variance	(2,950)	(1)
Finance income	(10,667)	(2,805)
	1,364,672	1,189,728
Increase in trade and other receivables	(140,789)	(140,489)
(Decrease)/increase in trade and other payables and provisions	(105,747)	105,074
Cash generated from operations	1,118,136	1,154,313

Company

	2011 £	2010 £
Profit before taxation	531,474	1,172,905
Finance income	(531,506)	(1,172,908)
	(32)	(3)
Increase in trade and other receivables	(688,474)	(107,037)
Cash used in operations	(688,506)	(107,040)

2. CASH AND CASH EQUIVALENTS

	Group		Company	
	31.12.11 £	1.1.11 £	31.12.11 £	1.1.11 £
Cash and cash equivalents	1,878,306	1,600,649	927,184	665,862
Bank overdrafts	(77,447)	(92,089)	–	–
	1,800,859	1,508,560	927,184	665,862

Notes to the Consolidated Financial Statements

for the year ended 31 December 2011

1. 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.

Adoption of new and revised standards

The accounting policies applied are the same as those applied in the financial statements for the year ended 31 December 2010. New standards introduced during the period had no material impact on the results or net assets of the company.

The directors anticipate that the adoption of those standards and interpretations which, at the date of authorisation of these financial statements, were in issue but not yet effective will have little or no impact on the financial statements when they come into effect.

Revenue

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 subject to an annual review for impairment (or more frequently if necessary). Any impairment is charged to the statement of comprehensive income as it arises.

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

Intangible assets

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

Intangible assets 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 statement of comprehensive income.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2011

1. 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% on reducing balance,

Freehold property – 2% 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 balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all material 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 recognised in the statement of comprehensive income.

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.

1. ACCOUNTING POLICIES – continued

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.

Financial assets

The group has only 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.

Other financial liabilities include the following items:

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

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2011

1. ACCOUNTING POLICIES – continued

(a) Impairment of intangibles and goodwill

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

(b) Recoverability of trade receivables

The 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.

(c) Contingent liabilities

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.

2. 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.

3. EMPLOYEES AND DIRECTORS

	2011 £	2010 £
Wages and salaries	801,616	732,142
Social security costs	110,984	99,584
	912,600	831,726

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

	2011 £	2010 £
Office and management	14	13

3. EMPLOYEES AND DIRECTORS – continued

Details of the remuneration of the Directors are shown below:

	Salary (including bonus) £	Benefits in kind £	Year to 31 December 2011 Total £	Year to 31 December 2010 Total £
D C M Agace	130,875	1,097	131,972	127,060
C Neoh	30,000	–	30,000	30,000
A J Snarey	36,000*	4,132	40,132*	54,132*
S P Agace	50,000*	–	50,000*	50,000*
L M Alkin	15,000*	–	15,000*	22,500*
Total	261,875	5,229	267,104	283,692

Key management personnel are defined as directors of the group.

*See also note 23 for transactions with directors.

4. FINANCE INCOME

	2011 £	2010 £
Interest receivable	10,667	2,805

5. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	2011 £	2010 £
Depreciation	59,709	48,317
Loss on disposal of fixed assets	35,600	–
Amortisation	81,506	32,541
Auditor's remuneration – other services	750	–
Auditor's remuneration – audit fees	21,500	20,500
Rents payable under operating leases	56,698	31,701

Included within auditor's remuneration above is £11,000 (2010: £10,500) relating to the company.

6. TAXATION

Analysis of the tax charge

	2011 £	2010 £
Current tax:		
Taxation	320,395	305,550
Deferred tax	4,647	7,500
Total tax charge in statement of comprehensive income	325,042	313,050

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2011

6. TAXATION – continued

Factors affecting the tax charge

The tax assessed for the year is higher (2010 – higher) than the standard rate of corporation tax in the UK.

The difference is explained below:

	2011 £	2010 £
Profit on ordinary activities before taxation	1,201,474	1,111,417
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.500% (2010 – 28%)	318,391	311,197
Effects of:		
Expenses not deductible for tax purposes	3,027	(29)
Adjustment in respect of prior periods	313	1,751
Different tax rates	5,553	150
Capital allowances in excess of depreciation	(6,889)	(7,519)
Total current tax	320,395	305,550
Deferred tax	4,647	7,500
Total tax charge in statement of comprehensive income	325,042	313,050

7. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £530,945 (2010 – £1,172,595).

8. DIVIDENDS

	2011 £	2010 £
Ordinary shares of 0.5p each		
Interim paid 2011 – 4.3p per share (2010 – 3.5p per share)	528,861	400,006

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 outstanding during the period.

There are no dilutive potential shares in issue.

	Earnings £	Weighted average number of shares	Per-share amount pence
2011	878,334	12,345,752	7.11
2010	803,981	11,428,750	7.03

10. GOODWILL**Group**

	2011 £	2010 £
COST		
At 1 January	208,965	218,430
Exchange differences	(5,528)	(9,465)
At 31 December	203,437	208,965
NET BOOK VALUE		
At 31 December	203,437	208,965

Goodwill is not amortised but subject to an annual review (or more frequently if necessary). Any impairment is charged to the statement of comprehensive income as it arises.

The carrying amount of goodwill relates entirely to one cash generating unit, which arose on the purchase of an estate agency in France and is determined based on value in use calculations. Values have been estimated in Euros using cash flow projections based on five year forecasts and then translated using the spot rate at the date of the value in use calculation. The expected cash flow forecast assumed a steady growth rate in line with that unit's business plan, which reflects the expected slow recovery of the housing market and for the Sterling: Euro exchange rate to remain consistent. The discount rate applied was 8% which the directors deem to be a market adjusted pre tax weighted average cost of capital. Sensitivity analysis was carried out with regard to fluctuating exchange rates and based on the testing, the directors do not consider goodwill to be impaired.

11. INTANGIBLE ASSETS**Group**

	2011 £	2010 £
COST		
At 1 January	656,415	556,639
Additions	772,744	100,035
Reclassification	-	(259)
At 31 December	1,429,159	656,415
AMORTISATION		
At 1 January	452,952	420,411
Amortisation for year	81,506	32,541
At 31 December	534,458	452,952
NET BOOK VALUE		
At 31 December	894,701	203,463

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2011

12. PROPERTY, PLANT AND EQUIPMENT

Group

Year ended 31 December 2011

	Freehold property £	Fixtures and fittings £	Totals £
COST			
At 1 January 2011	83,407	625,018	708,425
Additions	–	137,867	137,867
Disposals	–	(84,141)	(84,141)
Exchange differences	–	2,767	2,767
At 31 December 2011	83,407	681,511	764,918
DEPRECIATION			
At 1 January 2011	–	443,318	443,318
Charge for year	1,668	58,041	59,709
Eliminated on disposal	–	(48,541)	(48,541)
Exchange differences	–	547	547
At 31 December 2011	1,668	453,365	455,033
NET BOOK VALUE			
At 31 December 2011	81,739	228,146	309,885

Year ended 31 December 2010

	Freehold property £	Fixtures and fittings £	Totals £
COST			
At 1 January 2010	83,407	569,751	653,158
Additions	–	55,589	55,589
Exchange differences	–	(322)	(322)
At 31 December 2010	83,407	625,018	708,425
DEPRECIATION			
At 1 January 2010	–	395,245	395,245
Charge for year	–	48,317	48,317
Exchange differences	–	(244)	(244)
At 31 December 2010	–	443,318	443,318
NET BOOK VALUE			
At 31 December 2010	83,407	181,700	265,107

13. INVESTMENTS
Group
Unlisted investments

	2011 £	2010 £
COST		
At 1 January	7,200	7,050
Additions	–	150
At 31 December	7,200	7,200
NET BOOK VALUE		
At 31 December	7,200	7,200

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

Company
Shares in group undertakings

	2011 £	2010 £
COST		
At 1 January and 31 December	1	1
NET BOOK VALUE		
At 31 December	1	1

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2011

13. INVESTMENTS – continued

Subsidiary undertakings

M Winkworth Plc had the following subsidiary undertakings as at 31 December 2011:

	% 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
Winkworth France Limited (shares held indirectly)	
Country of incorporation: England and Wales	
Nature of business: International estate agents	
Class of shares: Ordinary shares	90
SARL Agence Fraxinoise (shares held indirectly)	
Country of incorporation: France	
Nature of business: Estate agents	
Class of shares: Ordinary shares	81
Winkworth Financial Services Limited (shares held indirectly)	
Country of incorporation: England and Wales	
Nature of business: Dormant	
Class of shares: Ordinary shares	100

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Current:				
Trade receivables	316,443	229,742	–	–
Amounts owed by group undertakings	–	–	1,899,561	1,211,094
Other receivables	28,240	3,076	7	–
Amounts due from related parties (note 23)	86,416	87,330	–	–
Prepayments and accrued income	72,436	78,172	–	–
	503,535	398,320	1,899,568	1,211,094

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Non-current:				
Other receivables	135,574	100,000	–	–
Aggregate amounts	639,109	498,320	1,899,568	1,211,094

Trade receivables are stated net of bad debt provisions of £55,518 (2010 – £53,429). The movement in the provision has been recognised in the statement of comprehensive income.

14. TRADE AND OTHER RECEIVABLES – continued**Ageing of trade receivables**

	2011 £	2010 £
Total trade receivables	316,443	229,742
Of which:		
Not overdue	185,452	125,844
Overdue	130,991	29,742

15. NON-CONTROLLING INTERESTS

Non-controlling interests relate to minority shareholdings in Winkworth France Limited and SARL Agence Fraxinoise.

16. SHARE CAPITAL

	2011 £	2010 £
Authorised:		
20,000,000 Ordinary shares of 0.5p	100,000	100,000
Issued and fully paid:		
12,676,238 (2010 – 11,428,750) Ordinary shares of 0.5p	63,381	57,144

In April 2011, 1,247,488 Ordinary shares of 0.5p each were allotted fully paid for cash at a premium of 81.5p per share.

17. TRADE AND OTHER PAYABLES**Group**

	2011 £	2010 £
Trade payables	170,710	194,709
Other taxes and social security	121,760	158,752
Other payables	56,458	45,077
Amounts due to related company	15	15
Accruals and deferred income	108,671	52,808
	457,614	451,361

18. BANK BORROWINGS**Group**

	2011 £	2010 £
Bank overdraft	77,447	92,089

The bank overdraft is secured by a fixed and floating charge on all assets of Winkworth Franchising Limited.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2011

19. LEASING AGREEMENTS

Group

	Non-cancellable operating leases	
	2011	2010
	£	£
Land and buildings:		
Within one year	–	31,701
Between one and five years	356,613	-
	356,613	31,701

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

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

20. FINANCIAL INSTRUMENTS – continued

Principal financial instruments

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

- trade receivables
- cash at bank
- bank overdrafts
- trade and other payables
- 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 commissions. 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.

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

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

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

Liquidity risk

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

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2011

20. FINANCIAL INSTRUMENTS – continued

Currency risk

Currency risk arises from the group's French subsidiary, SARL Agence Fraxinoise. 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 £1,698,570 (2010: £610,726) 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. PROVISIONS

Group

	2011 £	2010 £
Other provisions	–	112,000
Analysed as follows:		
Current	–	112,000

A provision was made during 2010 in relation to a potential litigation claim against the company. The provision covered the likely third party costs of handling the claim, based on legal advice. The matter was resolved in 2011 and the brought forward provision was fully utilised in the year. No provision is required as at 31 December 2011.

22. DEFERRED TAX

Group

	2011 £	2010 £
Balance at 1 January	29,700	22,200
Transfer to profit and loss	4,647	7,500
Balance at 31 December	34,347	29,700

Deferred tax relates wholly to accelerated capital allowances.

23. RELATED PARTY DISCLOSURES

The company 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	
		2011 £	2010 £	2011 £	2010 £	2011 £	2010 £
Christopher Garveigh Limitada	a	18,672	29,427	–	–	44,675	32,106
Snarey Price Shelley Limited	a	58,464	71,412	–	–	3,398	7,473
Tony Snarey Developments and Construction Limited	a	–	–	43,487	40,300	–	–
Waldeck Snarey & Brown Limited	a	58,102	66,915	–	–	1,860	2,703
YH Investments Limited	b	48,794	47,345	–	–	36,483	45,047
Filross Securities Limited Caxton Street	c	–	–	15,000	22,746	–	–
Properties Limited	d	–	–	–	–	(15)	(15)
Pibeta S.A.	d	–	–	56,096	55,569	–	–

The relationships with the above companies are 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 L M Alkin has an interest
- d Company in which Mr S P Agace has an interest

During the year the following dividends were paid to directors:

- A J Snarey £57,047 (2010: £45,921)
- S P Agace £225,014 (2010: £221,763)
- L M Alkin £11,019 (2010: £8,960)
- D Agace £29,500 (2010: £17,480)
- C Neoh £538 (2010: £440)

During the year the company received a dividend of £528,861 (2010: £1,171,431) from its subsidiary undertaking Winkworth Franchising Limited.

24. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of M Winkworth plc (the "**Company**") will be held on 12 June 2012 at 10:30 a.m. at the offices of M Winkworth PLC, 11 Berkeley Street, London W1J 8DS to transact the following business. Resolutions 1 to 9 (inclusive) will be proposed as ordinary resolutions. Resolution 10 will be proposed as a special resolution.

ORDINARY RESOLUTIONS

1. To receive the accounts, the report of the directors and the auditor's report on the accounts for the year ended 31 December 2011.
2. To re-elect Dominic Agace as a director of the Company.
3. To re-elect Simon Agace as a director of the Company.
4. To re-elect Christopher Neoh as a director of the Company.
5. To re-elect Lawrence Alkin as a director of the Company.
6. To re-elect Anthony Snarey as a director of the Company.
7. To re-appoint Chantrey Vellacott DFK as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
8. To authorise the directors to determine the auditor's remuneration.
9. That the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "**2006 Act**") in substitution for all existing and unexercised authorities:
 - 9.1 to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together "**Relevant Securities**") up to an aggregate nominal amount of twenty one thousand, one hundred and twenty seven pounds (£21,127); and
 - 9.2 to exercise all the powers of the Company to allot equity securities (within the meaning of section 560 of the 2006 Act) up to an additional aggregate nominal amount of twenty one thousand, one hundred and twenty seven pounds (£21,127) provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

provided that the authorities in **paragraphs** 9.1 and 9.2 shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of the annual general meeting, except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities as the

case may be to be allotted after such expiry and the directors may allot Relevant Securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired.

SPECIAL RESOLUTION

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

10.1 the allotment of equity securities in connection with a rights issue or other pro rata offer (but, in the case of the authority conferred by **paragraph 9.2** above, by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held (or deemed to be held) by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and

10.2 the allotment (otherwise than pursuant to **paragraph 10.1** above) of equity securities up to an aggregate nominal amount of twelve thousand, six hundred and seventy six pounds (£12,676);

and shall expire upon the expiry of the general authority conferred by resolution 9 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

Dated: 10 May 2012

REGISTERED OFFICE:

11 Berkeley Street
Mayfair, London W1J 8DS

BY ORDER OF THE BOARD

Margaret Ogunbunmi Doregos
Secretary

Notice of Annual General Meeting continued

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form. Appointing a proxy does not preclude you from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
3. An appointment of proxy is provided with this notice and instructions for use are shown on the form. In order to be valid, completed proxies must be received (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) by Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 10:30 a.m. on 10 June 2012.
4. To change your proxy instructions you may return a new proxy appointment using the methods set out in the form. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
 - (a) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
 - (b) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- (c) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. Only those shareholders registered in the Register of Members of the Company as at 6:00 p.m. on 10 June 2012 (or, if the meeting is adjourned, on the date which is two days before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting in respect of the number of shares registered in their respective names at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or adjourned meeting.
 7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
 8. The proxy card accompanying this notice includes an election form which asks shareholders to decide (i) if they wish to continue to receive documents or information in paper form (ii) to provide an email address to which notifications that documents or information are available on the website can be sent or (iii) to take no action and view any documents or information via the Company's website. Shareholders should note that if they do not respond to the election form, they will be taken to have agreed that the Company may send or supply documents or information by means of its website. However, where shareholders are provided with documents by means of the Company's website, they will be notified by the Company whenever a relevant document has been made available on that website.
 9. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
 10. As at 9 May 2012 (being the last business day before the publication of this Notice), the Company's issued share capital consisted of 12,676,238 ordinary shares carrying one vote each. The Company does not hold any shares in treasury. Therefore the total voting rights in the Company are 12,676,238.
 11. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:
 - (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or

Notice of Annual General Meeting continued

- (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
12. The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the annual general meeting for 15 minutes prior to and during the meeting:
- (a) copies of the executive directors' service contracts with the Company;
 - (b) copies of letters of appointment of non-executive directors; and
 - (c) a copy of the Articles of Association.

Winkworth

M Winkworth PLC

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