MARTINCO PLC

One of the UK's largest property franchises

MARTIN&CO | CJ HOLE est. 1867 | whitegates | parkers | ellis and co

Annual Report and Accounts 2014

Welcome to

MARTINCO PLC

MartinCo PLC is the holding group for three master property franchises **operating a network of 282 offices** stretching from Falmouth to Inverness. The Directors believe that **MartinCo PLC is now the 4th largest** (by office numbers) residential estate agency and lettings business in the UK.

The vision is to use its successful franchise model to build a significant share of the UK lettings and estate agency market using multiple property brands, some of which are strong within a regional catchment, and to grow organically through recruiting new franchisees and supplement this growth by making tactical acquisitions.

Contents

HIGHLIGHTS
of the year

"**Step-change** in the size of the Group's network as the result of a **major acquisition in the year**."

Ian Wilson
Chief Executive Officer

Financial Highlights†

Revenue
£5.2m ↑25%
(2013: £4.1m)

Management Service Fees
£4.1m ↑16%
(2013: £3.5m)

Operating Profit*
£2.0m ↑26%
(2013: £1.6m)

Profit before Tax and Operating Profit
£1.9m ↑115%
(2013: £0.9m)

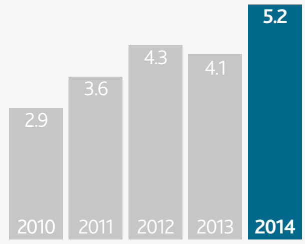
Net Assets
£6.3m ↑26%
(2013: £5.0m)

* Before acquisition costs
† Excluding discontinued operations

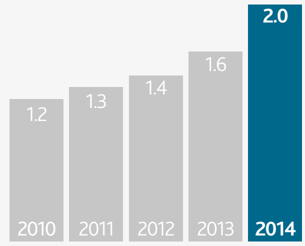
Operational Highlights

- Xperience acquisition increases footprint significantly - office numbers increased 49% from 189 to 282 in 49 new locations
- Number of tenanted managed properties increased from 30,623 to 32,210 at Martin & Co. Total across the Group was more than 42,000 at year end
- Total of 14 new Martin & Co franchisees recruited, six new offices opened (Inverness, Guisborough, Sunderland, Fitzrovia, Wilmslow & Sheffield)
- 23 offices with annual fee income over £500k of which 11 are Martin & Co and 12 are Xperience brands
- Group remains heavily weighted toward lettings market, accounting for 78% of Management Services Fees revenue
- Strong cash position of £3.4m at year end with £5m (£2.5m undrawn) debt facility agreed during the period

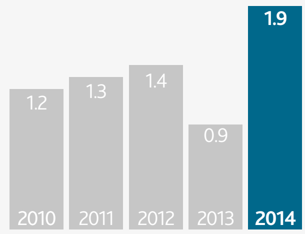
Revenue (£m)



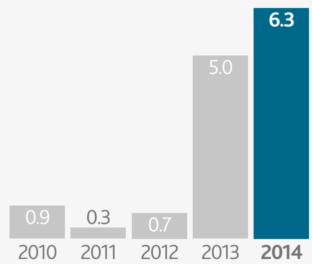
Operating profit* (£m)



Profit before tax (£m)



Net assets (£m)



At a Glance

WHO WE ARE

and what we do

The Group operates as a **pure franchise model** primarily focused on **residential lettings and property management services** to private clients.

The Group operates as a pure franchise model primarily focused on residential lettings and property management services to private clients. It also has a developing income stream from estate agency services.

Traditionally, Martin & Co recruits new franchisees from a wide pool (83% do not come from a property background) and provide intensive training and "hands-on" support. The focus on lettings emanated from growth in this sector and the attraction of a recurring commission income stream from a portfolio of tenanted managed properties. After the financial crisis of 2008, the business recorded its peak flow of new franchisees and retail banks continued to lend support to its start-ups because of the strength of its franchise model.

The business added an estate agency service in 2012 principally to service investment property trades by its existing clients. More recently the service has been promoted to the general house buying public including an innovative "online" advertising service as a defensive play against the virtual estate agents who operate without high street premises.

A listing on AIM in December 2013 raised £4m of fresh capital to invest in a lettings business acquisition programme to supplement organic growth. In October 2014 MartinCo PLC purchased the entire property franchise business of Legal & General, which operated as four franchise brands.

- Based on the 2011 census the Group now contains 55% of total UK private rental households within it's occupied franchised territories, and of these it manages 1.58%
- The Group competes for rental instructions against Countrywide, LSL, Connells and Foxtons
- The newly acquired CJ Hole brand is ranked the No.1 agent based on independent customer satisfaction surveys in Bristol (allagents.co.uk) and No. 16 in the whole of the UK
- 94% of Martin & Co landlord clients would recommend its service

42,000+
Properties under management

282
Offices

243
Offices now offer estate agency

232
Franchisees

49
New franchise territories occupied by the year end

14
New franchisees recruited

Brand stable

Martin & Co

Martin & Co was established as a brand in 1986 and began franchising in 1995. It is a national brand with 193 offices widely distributed across the UK.

The business mix of Martin & Co is 94% lettings and 6% estate agency by revenue, and estate agency revenue grew by 138% year-on-year in 2014.

The most significant change in the past year is that the Martin & Co brand is no longer the sole trading brand of MartinCo PLC.

"Xperience"

Legal & General established Legal & General Franchising Ltd in 1992 in order to facilitate the transition from a model of directly owned and managed estate agency operations to a franchise model. Thirteen years later the brand "Xperience" was adopted to describe the whole of the property franchise business of Legal & General and selected to communicate the many years of accumulated experience within its four established regional brands; Ellis and Co, Parkers, CJ Hole and Whitegates.

The Whitegates master franchise is owned by Whitegates Estate Agency Ltd, and the master franchises for Ellis and Co, Parkers and CJ Hole are owned by Xperience Franchising Ltd (formerly Legal and General Franchising Ltd).

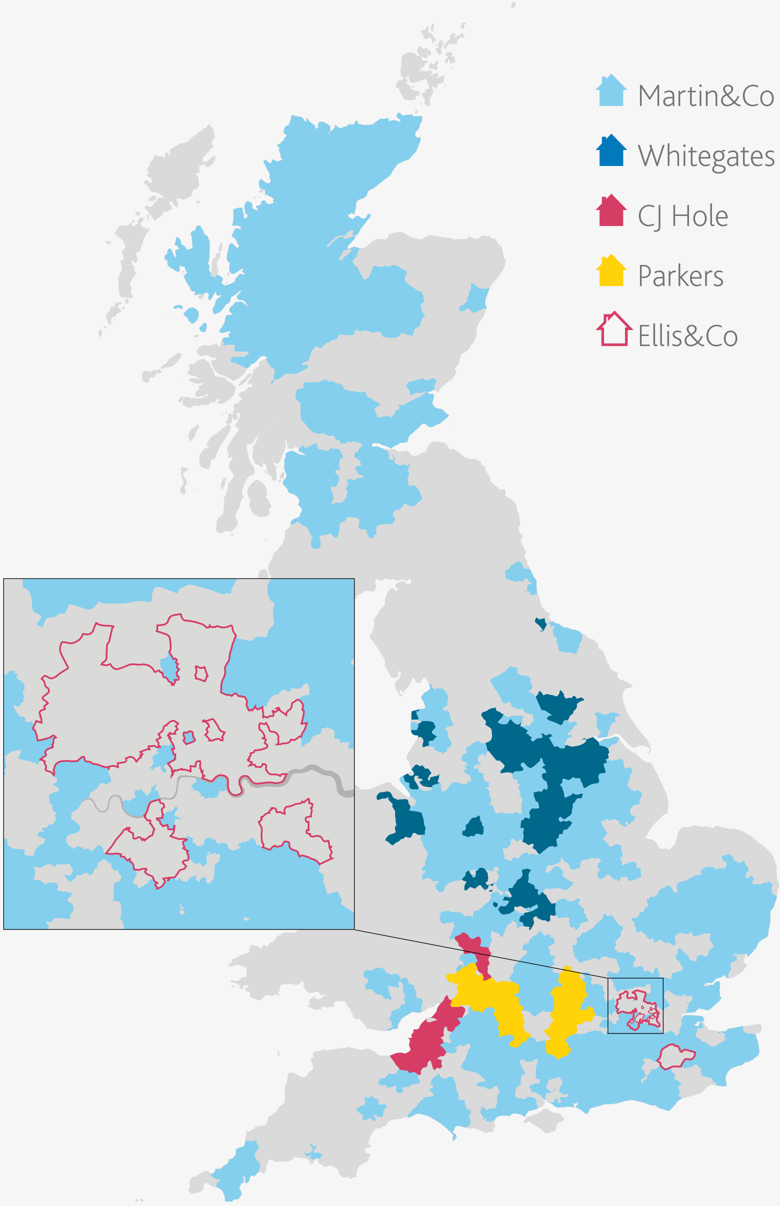
Ellis & Co:
Ellis and Co opened its first office in Swiss Cottage, north-west London in 1850. The business expanded substantially in the 1960s and 70s before a period of retrenchment. It now has 20 offices within the M25 and 1 office in Tonbridge, Kent.

CJ Hole:
CJ Hole was founded in Clifton, Bristol by Charles Joseph Hole in 1867 as a rent collection business.

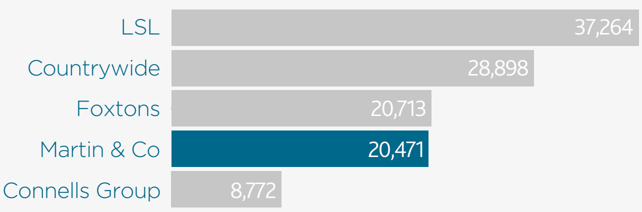
Over the years, the focus of the business changed towards selling property as the company began to expand. Today, CJ Hole is a major force within the estate agency market in the South West with 19 offices throughout Bristol, Somerset and Gloucestershire; 2 of which were added in 2015.

Parkers:
Established in Gloucester in 1948, today Parkers is a dominant force in the South of England with a network of 15 offices along the M4 corridor.

Whitegates:
Established in 1978, Whitegates is an estate agency with 36 offices across the North of England, including Yorkshire, Midlands, North East, North West and Wrexham in North Wales. Whitegates derives approximately half of its income from lettings activity.



New instructions*
(year to December 2014)



* Source: The Guild of Estate Agents

Awards

The Group provides lettings, estate agency and property management services to its clients through its network of franchised offices.

Martin & Co won "Gold" for "Best Large Letting Chain" at the ESTAS (Estate & Letting Agency Awards) in both 2009 and 2012 as well as "Silver" in 2013 and "Bronze" in the 2014. In 2013 Martin & Co won "Silver" in the Sunday Times "Lettings Agency of the Year" and again in 2014.

CJ Hole won "Gold" in the Sunday Times South West "Lettings Agency of the Year" in 2012 and 2014.

Ellis & Co won "Gold" in the Sunday Times "London Estate Agency of the Year" in 2013.

Richard Martin. CHAIRMAN'S Statement

"Our maiden year as a publicly traded company has seen **strong delivery** on the acquisition strategy which was a **cornerstone of our IPO proposition** to investors."

Key strengths

- Pure franchise business model
- Truly national office footprint
- Core market (residential lettings) enjoying steady growth
- Cash generative with a strong balance sheet
- Experienced management

I am delighted to report strong progress on a number of fronts. Following the fund raise of £4m at IPO our investors' expectations were that we would execute a "buy and build" strategy targeting competitor lettings businesses. Our stated goal was to build our portfolio and reach 40,000 tenanted managed properties within two years of the listing.

At our first Board meeting of 2014 we approved an approach to Legal & General plc to acquire its entire property franchise business ("Xperience"). The Board could see merit in acquiring not only a substantial portfolio of tenanted managed properties (circa 10,000) but additionally 89 franchised offices across four well-respected brands with real depth to their appeal within specific regional markets. We concluded the Xperience acquisition in late October and in the final two months of the financial year it contributed £150,000 to our pre-tax profits.

When I founded Martin & Co in Yeovil in 1986 it began life as an estate agency. Later I realised that the strong demand for rented properties could provide my business with a recurring and accretive monthly income. When the franchise launched in 1995 we focused primarily on lettings because the rental market was expanding rapidly and serviced by relatively few professional letting specialist companies and none with a national brand profile.

Martin & Co has since demonstrated that the residential lettings industry has remained stable through economic cycles. This, combined with the strength of our brand, makes the Group attractive to people who wish to become franchisees and build their own lettings businesses. The Group's strong support network has been essential to the continued development of our franchisees and helping them build a successful franchise business.

In 2012, the Group introduced an estate agency service to enhance the Martin & Co brand. With the property market cycle turning in our favour the management team felt the timing was right to accelerate the roll out of the service. I'm delighted to say that by the close of 2014 we had 155 Martin & Co offices offering an estate agency service, now joined by 88 offices from the Xperience brands. The Martin & Co estate agency business achieved a 138% year-on-year increase in Management Service Fee revenue and the Directors believe that there is significant potential for further development of this income stream.

In conclusion I believe that the decision of our Board to under take an IPO has been vindicated by the early results. We have recruited 14 new franchisees compared to 3 in 2013, we have already exceeded our target of 40,000 tenanted managed properties, and we enter 2015 with a business which is 49% greater in size judged by the number of trading offices, up from 189 to 282.

I would like to thank the whole team and our franchisees for their commitment to the Group's business. With the support of its new shareholders MartinCo PLC has completed its first year as a publicly traded company and as the UK's economic recovery begins to gather momentum, we look forward to the future with confidence.

I am delighted to announce that the Board has recommended a final dividend of 2.7p per ordinary share for 2014.

The Strategic Report is contained on pages 9 to 15. It was approved by the Board on 30 March 2015.

Richard Martin
Chairman

The acquisition of Xperience has added considerable value, increasing our UK footprint by 89 offices.

Market
OPPORTUNITIES

In 2012-13, the **private rented sector overtook the social rented sector** to become the **second largest tenure** in England.

In 2012-13, the private rented sector overtook the social rented sector to become the second largest tenure in England. Of the estimated 22.0 million households in England 18% (4.0 million) were private renters. This translates into a doubling in size of the private rented sector since 1999.

Underlying tenant demand remains strong and the number of households renting in England is expected to increase by 232,000 per year until 2033 according to DCLG Housing Projections.

The profile of renters remains skewed towards the relatively young, with 16% of all private renters aged 16-24, and a further 36% aged 25-34 in 2010-11. This is also the group that is finding it harder to raise the finance necessary to purchase a home.

In 2012-13, the average length of residence for owner occupiers was 17.3 years, for social renters it was 11.3 years, while for private renters the average length of residence was just 3.8 years. This means that the number of letting transactions is approximately 1.0m annually in England of which it is believed 66% are handled by letting agents.

The Private Landlord Survey 2010 revealed that the proportion of transactions handled by agents has been rising in recent years* and reflects the fact that the majority of landlords are private individuals (89%).

The burden of increasing Government regulation in the sector means private landlords turn to agents for professional advice. However, perhaps a more potent factor has been the rise of the internet property portals (Rightmove, Zoopla et al) which do not allow private advertisers.

The UK private rental market is in a strong growth phase and growth has been strongest in the territories which the Group has occupied.

The competitor landscape is characterised by:

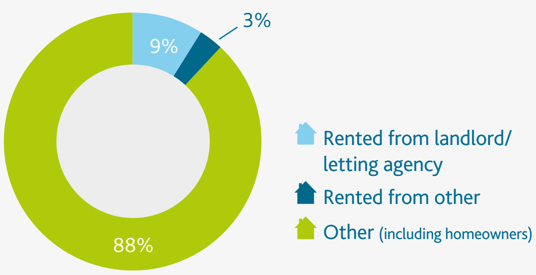
- Very limited number of large-scale businesses
- Only six high-volume national coverage letting businesses – Countrywide, LSL, Connells Group, MartinCo, Belvoir and Hunters
- Estimate of 27,000 letting agencies in the UK but most very small scale
- Around 16,000 agencies offering estate agency services

* 66% of rental transactions involved an agent up from 37% in 1993-4 – Department of Communities and Local Government (DCLG), Rugg J & Rhodes D 'The Private Rented Sector: its contribution and potential' Centre for Housing Policy, University of York (2008); Resolution Foundation, Louisa Darian 'Renting in the Dark: Creating a lettings market that works for tenants' (2011)

Growth in the rental market

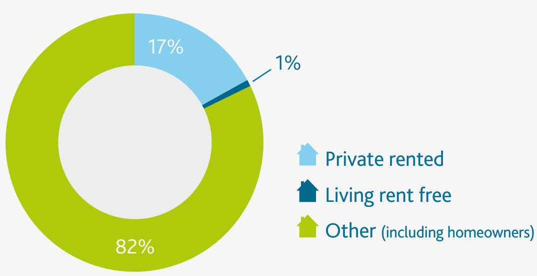
- The private rented sector was characterised by long-term decline in the 20th Century
- The trend reversed in the 1990s and from a low of 9% of UK households living in private rented in 1999 has risen to 18% in 2012-13, a doubling from 2.0m to 4.0m in England over 15 years
- Savills forecast 5.7m UK households in private rented by 2018
- Savills and Rightmove estimate that rents paid on private rented properties were £48bn in 2011 rising to £70bn in 2017. Implying 7.4% per annum growth in revenue opportunities

2001 Census



Source: Office for National Statistics

2011 Census

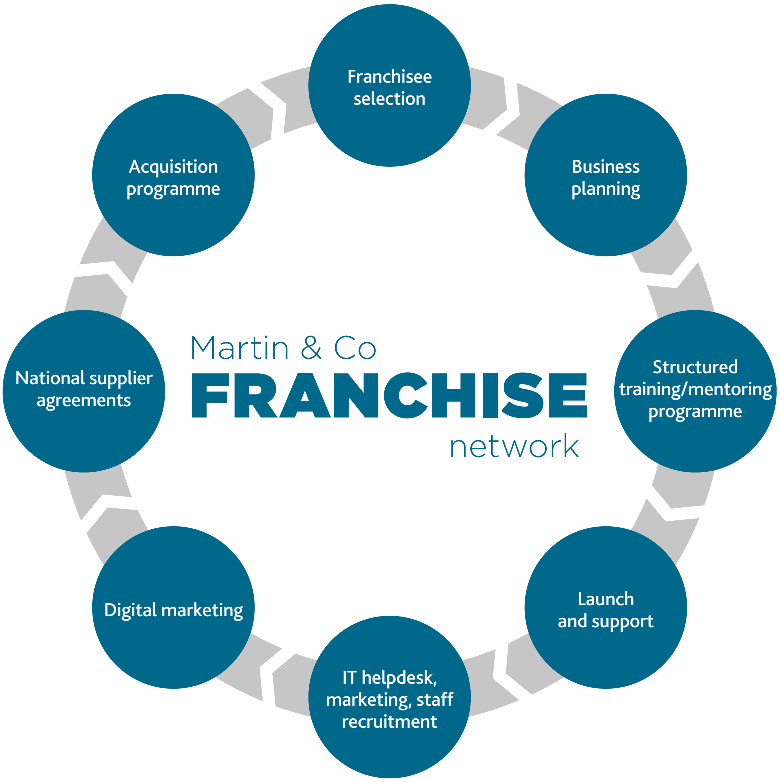


Our BUSINESS franchise model

Key strengths

- Five-year franchise, exclusive postcode territory
- New franchise territories cumulatively profitable by Year 3
- Franchise renewal subject to qualifying conditions
- Group control over branding, records and standards
- Very high levels of franchisee retention*

* 60% of the Groups franchisees have been franchising for 5+ years.



Our proposition

All franchisees receive initial training and mentoring, followed by ongoing access to regional training programmes, business development advice, legal and IT systems support, marketing campaigns and use of the brand website, assistance with recruiting specialist staff, obtaining start-up and expansion funding and business acquisitions. In return, the Group charges a management service fee of 9% levied on all fee income, for Martin & Co franchisees, and 7.5% (currently) for franchisees of Xperience.

In addition, Martin & Co franchisees contribute 1% of fee income into a national marketing fund and the franchisees themselves decide on the purpose of the fund. In Xperience Franchising Limited the franchisees contribution is £2,500 per annum per office and in Whitegates Estate Agency Ltd its £2,000 per annum per office.

New franchisees at Martin & Co come from a wide variety of backgrounds. Xperience franchisees are typically career estate agents and letting agents who converted to franchisees having formerly run a Legal & General owned estate agency office. Typically a new franchisee launches in branded high street office premises with a member of staff and a branded vehicle.

A franchisee can only exit via a controlled sale to another franchisee approved by the Group (a 'resale') and a resale typically improves fee income of the business by 30% within 12 months of the change of franchisee.

We have built a stable footprint of experienced franchisees with the financial capacity and managerial capability for further business development.

Ian Wilson.

CHIEF EXECUTIVE'S Statement

"The fund raising at IPO allowed us to **execute cleanly the acquisition** of Xperience, and this will have **major long-term benefits for the Group**."

The acquisition of Xperience has extended the Group's footprint and added 44 locations where we had not formerly traded. It strengthened the Group's management, with the appointment of the Xperience Managing Director, Michael Stoop, to the new position of Group Managing Director. Michael brings a lifetime of estate agency and franchise experience to his remit of driving lettings and estate agency revenue across all five brands.

The Group has assisted its franchisees operationally and in some cases financially with a number of smaller scale acquisitions throughout the year adding approximately 850 properties to the tenanted managed property portfolio. In addition, the Group purchased the right to manage a portfolio of 374 properties in Saltaire, Yorkshire and appointed its franchisee to carry out the trade.

In line with its declared IT strategy, the rollout of cloud-based operational software to all Martin & Co offices was completed.

The objective of discontinuing company owned offices was achieved with the last remaining company owned and operated office (Worthing) being sold to a franchisee in December.

The relatively young Martin & Co estate agency business made good progress with a 138% year-on-year increase in Management Services Fee revenue and the number of Martin & Co offices offering the estate agency service increased during the period from 97 to 155. The Xperience acquisition adds another 88 offices offering this estate agency service.

The £5m loan facility arranged with Santander (£2.5m utilised at year end) and announced in October means that together with the £3.4m cash at year end the Group enjoys a strong financial position and other acquisitions will be pursued where these represent good value for shareholders.

Whilst public uncertainty in the prelude to a General Election can dampen housing market activity, nevertheless there are strong drivers which point toward increased lettings activity. A raft of pension reforms come into force on 6 April 2015 and it is the Directors' belief that these reforms will release pension funds which will be invested into buy-to-let properties. With net migration running consistently, despite Government policy intervention, at 300,000 per annum, and restrictions on mortgage lending particularly affecting the young, it is the cash-rich older generation who can afford the 25% deposits on buy-to-let properties and there will be no shortage of tenants to occupy them. The Group remains largely lettings-led with a national footprint, diluting the effect of more difficult trading conditions in the London market.

I am particularly pleased by the rapid growth of the Group in its IPO maiden year. My only frustration would be that the scale of the Xperience acquisition of necessity distracted us from other opportunities and the deal took 10 months to conclude and therefore had a very limited impact on 2014 profit.

I am very positive about the outlook for our enlarged Group. We now have multiple franchise brands each capable of further development, and one of which (CJ Hole) is already a market leader within its geographical catchment of Somerset, Bristol & Gloucestershire. Our core lettings business, where 78% of our franchise royalty income is derived, remains in good health and we will see steady organic growth supplemented by tactical acquisitions. We are now the UK's 4th largest lettings and estate agency business (judged by office numbers) and by imparting our Martin & Co letting expertise into the newly acquired Xperience offices, and with our new Group Managing Director, Michael Stoop imparting his lifetime of estate agency expertise into Martin & Co, we occupy a position of strength from which we can leverage advantage for our investors during 2015.

Ian Wilson
Chief Executive Officer

The acquisition is expected to be immediately earnings accretive.

Our STRATEGY and progress

Our mission is to be the dominant **property franchise group** in the UK. Growing our range of **services**, our **network**, and our **client base**.

The Group expects to continue to grow its share of the UK private rental market. The Board believes that 55% of UK private rented sector households are now contained within territories occupied by the Group's franchisees. Mainly as a result of the Xperience acquisition the Group now trades in 49 new territories and it will continue to recruit new franchisees, convert competitors to join its franchise brands, and make selective acquisitions to move toward its goal of 500 occupied territories.

The Group will continue to develop a supportive environment in which motivated individuals can secure their financial future using a franchise model.

Franchise owners and Head Office staff at the 2014 Annual Conference

Strategic priority	Progress in 2014	KPI measure
Acquisitions Assist franchisees in acquiring competitors' lettings portfolios in new and existing territories. Extend office network.	• Franchisees acquired 845 properties in a number of small scale acquisitions. • Acquired 2 master franchise agreements increasing the managed portfolio by 10,000 properties and increasing the number of offices by 89. • Total portfolio 42,177 at the year-end.	• Number of new offices. • Number of acquisitions. • Managed property portfolio.
Organic growth – lettings Provide more intensive support to existing franchisee network.	• Completed roll-out of new operational software with greater functional capability. • New Training Academy offering subsidised regional training courses to franchisees. • Internal recruitment team placed 146 specialist staff.	• Managed property portfolio.
Estate agency Continue the development of its residential sales service to take advantage of a cyclical up-turn in UK house sales.	• New Group Managing Director with a lifetime of Estate Agency experience. • Offices offering estate agency services increased from 97 to 243. • Martin & Co sales completed increased to 1,355 (2013: 597). • Martin & Co income increased 138% year on year.	• Number of offices providing estate agency services. • Sales completed. • Management service fees from estate agency services.

Our timeline

1986
- Founded by Richard Martin

1995
- First franchise opened in Crieff, Perthshire

2003
- Reached 50 franchised offices

2007
- Reached 100 franchised offices
- First generated £10m of network fee income

2008
- First business award – The Negotiator Franchisor of the Year
- First office to let 100 properties in a month (Nottingham)

How we MEASURE ourselves

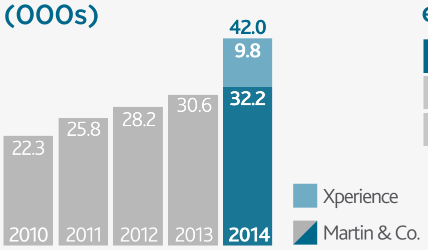
Our Key Performance Indicators (KPIs) highlight how we measure up against our primary profit drivers.

The portfolio of managed properties continues to increase as landlords appreciate the value of our full lettings service with the Martin & Co network showing a 5.2% increase in its managed property portfolio in 2014. Moreover the acquisition of Xperience meant the Group finished the year with a total managed portfolio of 42,177.

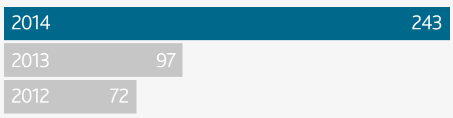
The roll-out of our Estate Agency service is almost complete with 155 Martin & Co offices offering the services at 31 December 2014. Xperience has added a further 88 offices offering the services.

In 2014 the Martin & Co network achieved 1,355 sales completed (2013: 597), an increase of 127% and Martin & Co (UK) Ltd generated management service fees of £243k (2013: £102k), an increase of 138%.

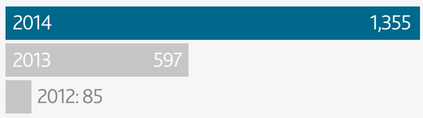
Managed properties (000s)



Offices providing an estate agency service



Sales completed



A FRANCHISE FULL OF OPPORTUNITY

2009
- Awarded Best Large Lettings Chain (ESTAS)
- Reached 150 franchised offices
- First generated £20m of network fee income

2010
- Surpassed 20,000 properties under management

2011
- First generated £30m of network fee income

2012
- Launch of Estate Agency
- Awarded Best Large Lettings Chain (ESTAS)

2013
- Surpassed 30,000 properties under management
- IPO on AIM creating MartinCo PLC

2014
- Surpassed 40,000 properties under management
- Acquisition to create Group with five brands and 282 offices

David Raggett.
FINANCIAL
Review

"The Group's successful acquisition of Xperience **increases its earnings potential** through an enlarged managed lettings portfolio and estate agency footprint."

	2014			2013		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Revenue	5.2	0.2	5.4	4.2	0.8	5.0
Admin expenses	2.8	0.2	3.0	2.3	0.7	3.0
Operating profit*	2.0	–	2.0	1.6	0.2	1.8
Profit before tax*	2.1	–	2.1	1.6	0.2	1.8

* before exceptional costs

Revenue
Group revenue for the financial year to 31 December 2014 was £5.2m (2013: £4.1m), an increase of £1.1m (25%) over the prior year. This was driven by strong growth in Management Service Fees (royalties) of £0.6m (16%) and franchise sales of £0.2m (140%) over the prior year.

Management Service Fees increased £0.3m through organic growth and the acquisition of Xperience (Xperience Franchising Limited and Whitegates Estate Agency Limited) added a further £0.3m. The sale of franchises contributed an increase in revenue of £0.2m through the induction of 14 new Martin & Co franchisees, 5 of which were new offices (2013: 4 new Martin & Co franchisees, 2 of which were new offices). Management Service Fees represent the Group's main source of income and accounted for 78% (2013:84%) of revenue from continuing operations with the remainder being franchise sales and ancillary services to support MSF generation.

In June 2014, the Group acquired its first portfolio of 374 managed lettings properties in Saltaire for £0.3m. This has been managed for the Group by Martin & Co Saltaire under a management services agreement and achieved its budgeted returns. However, portfolios that meet the Group's criteria have been difficult to find either because of the sales price or issues with the quality of the portfolio. On 21 November 2014 T G Fisheries Ltd, the franchisee operating Martin & Co Saltaire, notified the Group of its intention to purchase the portfolio of properties it was managing on behalf of the Group in accordance with the services agreement signed between the parties. At the year-end this asset is classified as held for resale. The sale was completed on 30 January 2015 resulting in the portfolio being disposed of for its net book value of £0.3m. This element of our acquisition strategy will play a minor role for the foreseeable future.

At the end of October 2014, the Group acquired Xperience, consisting of two companies - Xperience Franchising Limited and Whitegates Estate Agency Limited from Legal and General Estate Agencies Limited for consideration of £6.1m. Xperience had net assets of £1.1m on acquisition including £1.0m of cash. It was acquired debt free and with no intercompany loans. Xperience is a franchise lettings and estate agency business comprising four highly regarded high street brands CJ Hole, Parkers, Ellis & Co and Whitegates operating in specific regions of the UK from 89 offices. It has increased the number of territories in which the Group is represented by 44. Moreover, it has brought with it a management team of considerable experience in this sector and its Managing Director is now our Group Managing Director. For more information see note 29.

Xperience was the first corporate acquisition for the Group generating profit before tax of £0.15m on sales of £0.3m in the two months to 31st December 2014 as a result of economies of scale made possible by the acquisition.

In December 2014 the final company owned office, Worthing, was sold to an existing franchisee for £0.2m marking the end of the Group's strategy of running company owned offices (of which there were five in 2013). During the year this owned office generated £0.2m (2013: £0.8m) of revenue and profit before tax of £nil (2013: £0.2m).This has been classified as discontinued operations in the Consolidated financial statements. For more information see note 30.

Operating profit before exceptional items

Operating profit, before exceptional items was £2.0m for the year ended 31 December 2014, an increase of £0.4m (26%) over the prior year.

This was the first full year of administrative expenses for MartinCo PLC which amounted to £0.3m (2013: £nil). Thus, the underlying growth in the Group's operating profit from Martin & Co (UK) Ltd and Xperience was £0.7m (43%) over the prior year of which Xperience contributed £0.15m.

Total administrative expenses were £2.8m an increase of £0.5m (20%) over the prior year. The costs of being a plc contributed £0.3m to the increase and the costs attributable to Xperience, another £0.1m. There were administrative cost savings in Martin & Co but these were offset by a larger franchisee support team adding £0.1m.

Exceptional items

The exceptional costs reported in the Consolidated statement of comprehensive income are £0.2m (2013:£0.7m) and all relate to the Xperience acquisition on 31 October 2014 whereas in 2013 they all related to the placing and listing on AIM.

Profit before tax

The profit before tax was £1.9m for the year ended 31 December 2014, an increase of £1.0m (115%) over the prior year.

Taxation

The effective rate of corporation tax for the year was 21.6% (2013:39%) due to the exceptional costs not being allowable as a deduction from profits. The total tax charge for 2014 is £416k (2013: £411k) of which £411k relates to continuing activities and £5k to discontinued activities.

Earnings per share

Earnings per share for the year was 6.9p (2013: 3.5p). The profit attributable to owners was £1.5m (2013: £0.6m).

Dividends

The Board is proposing a final dividend of 2.7p per share for 2014 which, together with the interim dividend of 1.3p per share paid to shareholders on 30 September 2014, equates to a total dividend for the financial year of 4.0p.

Subject to shareholder approval at the AGM, the final dividend will be paid on 11 May 2015 to all shareholders on the register at the close of business on 24 April 2015.

Cash flow

The net cash inflow from operating activities in 2014 was £1.5m (2013: £1.3m) before exceptional costs of £0.2m (2013: £0.7m) as the Group continued to generate strong operating cash inflows.

The net cash used in investing activities was £5.0m (2013: £0.1m inflow):

- On 3 June 2014, the Group purchased a portfolio of 374 managed lettings properties in Saltaire for £0.3m.
- On 31 October 2014 the Group bought all the shares in Xperience Franchising Limited and Whitegates Estate Agency Limited for consideration of £6.1m. The companies had net assets of £1.1m on acquisition including cash of £1.0m (the net assets acquired are not shown separately in the Consolidated statement of cash flows instead being included under their respective constituent headings). Net cash outflow of £5.1m
- The Worthing office was sold on 30 December 2014 and together with the collection of deferred consideration from three offices sold in 2013, generated a cash inflow of £0.4m (2013: £0.3m).

The total consideration for Worthing was £0.2m (2013: £0.7m). The Group agreed to defer consideration on the sale of Worthing as it had for three of the office disposals in 2013 so that £0.3m (2013: £0.4m) of deferred consideration existed at 31st December 2014.

The cash inflow resulting from the new facilities agreed with Santander UK plc in October 2014 of £2.5m and the interim dividend payment on 30th September 2014 of £0.3m resulted in net cash inflows from financing activities of £2.2m.

Liquidity

The Group had cash balances of £3.4m at the 31 December 2014 compared to £4.8m for the prior year.

Financial position

The Group is strongly cash generative which, together with the funds yet to be received on the sale of owned offices and its new facilities with Santander UK plc, puts it in a strong position to assist its franchisees in acquiring managed lettings portfolios and to fulfil the acquisition element of its strategic plan.

David Raggett
Chief Financial Officer

How we MANAGE risk

"We regularly **review, evaluate** and **prioritise** risks to ensure that appropriate measures are in place to manage these **effectively**."

The Board considers that the risks detailed below represent the key risks to achieving the Group's strategy and objectives. There could be additional risks and uncertainties which are not known to the Board and there are risks and uncertainties which are currently deemed to be less material, which may adversely impact on the achievement of the Group's strategy and objectives.

Risk area	Potential impact	Mitigation
No guarantee of growth There is no certainty that the Group will be successful in executing its strategy for growth. Existing franchisees need to grow on average at 10% or more to achieve our growth plan for lettings and manage that growth so as to continue to have profitable businesses.	• Reduced operating profit from acquired portfolios. • Reduced growth in Management Service Fees.	• Focus of senior management team on finding and completing acquisitions. • Recruitment of five Regional Franchise Managers to support and develop franchisees' growth. • Experienced and long-serving management team with a track record of growth
Market conditions Rents need to stay at current levels or rise, the stock of rentable properties needs to stay at current levels or rise, the average length of tenancies needs to stay at current levels or fall. The number of people wishing to rent needs to continue to rise and landlords to be willing to pay the current levels of commission to lettings agents.	• Franchisees income reduces leading to less income from Management Service Fees. • Franchisees income grows at slower rates thereby reducing the growth rate of Management Service Fees.	• Monthly management data collected from franchisees assists us in predicting future trends and developing mitigating actions. • Market data obtained from third parties assists us in predicting future trends and developing mitigating actions.
Competition for property portfolios The group plans to expand by finding and buying portfolios in partnership with franchisees and in territories where no representation exists today or alternatively in larger existing territories. We are not the only franchisor in our sector pursuing this strategy and we also face competition from well-known estate agents.	• We may not be able to secure acquisitions at the values that meet our criteria. • We pay more for acquisitions than we would have ideally intended to. • Our payback period increases. • Reduced operating profit from acquired portfolios.	• Circa 27,000 letting agents, all with potential portfolios to buy, so there should be sufficient supply. • Contracted with a specialist provider to assist in acquiring portfolios.
Ability to find, recruit and retain skilled franchisees An inability of the Group to attract new franchisees with the necessary skills, expertise and resources to purchase resales of existing territories and "cold start" in new territories.	• Slower growth through inability to increase market representation. • Not achieving average 30% uplift in earnings seen in the first year of a resale. • Lower franchise resale fees.	• Experienced franchise recruitment department. • Strong demand for resales. • A strong offering and one of the lowest rates of Management Service Fees amongst our competitors.
Reputational risk to our brand A strong brand is key to being successful in the sector as it is for many other sectors and central to that is the reputation of the Group and its franchisees. There are circa 14,500 lettings agents in the UK, with varying levels of service and compliance with legal.	• Failure by the franchisees to meet the expectations of landlords, and tenants or to fall short of the standards set by the Group may have a material impact on reputation. • Loss of landlords and inability to recruit new franchisees.	• The Group strives to make sure that its franchisees achieve the service levels set down for them and remain compliant with the law by regular auditing and training. • The recruitment of five Regional Managers to monitor and enforce brand compliance.

Corporate social RESPONSIBILITY

"The Board is committed to the **development** of the business in a **socially responsible** way."

People
The Group is committed to equal opportunities. Recruitment and promotion are undertaken on the basis of merit, regardless of gender, race, age, marital status, sexual orientation, religion, nationality, colour or disability. If an employee becomes disabled during the course of their employment, adjustments are made where possible to enable the employee to carry on working despite their disability.

Headquartered in Bournemouth, Dorset, the Group comprises 42 employees at 31 December 2014 including 14 who are field based around the UK, and an executive team of 7 (including 2 Board Directors). All of whom are dedicated to supporting our franchisees.

Conduct of business
The Group strives to conform to all relevant legislation and codes of practice and this is monitored regularly at Board level.

The Board understands that the Group's conduct of its business can have social and environmental impacts and considers these impacts and what can be done to minimise any detriment in its decision making.

The Group is committed to social and environmental awareness throughout its operations, notwithstanding the relatively low environmental impact of the Group's activities. The Group takes its obligation to its customers, employees, suppliers and the local community very seriously.

Anti-bribery policy
The Group adopts a zero tolerance towards bribery.

Communications
The Board recognises and places significant importance on the Group's communications with its shareholders. The Group will publish an interim financial statement for its half-year results and a full report for its full-year results. All reports will be mailed to shareholders and are accessible via the Company's website at www.martinco.com/investor-relations.

The below table demonstrates the departments and duties conducted by staff at head office:

Franchising
- Recruit new franchisees to join one of its brands as a cold start or to purchase an existing business.
- Manage franchise recruitment cycle-new franchises, estate agency re-brands and business acquisitions.
- Organise contracts and coordinate funding.
- Manage the franchise renewal process.

Franchise Support
- Support, motivate, and inspire franchise owners to increase performance, income and market share. Rectify any areas of concern.
- Assist franchise owners to take on additional franchise territories and open second shops.
- Managing the launch of new franchises.
- Champion new techniques.

IT
- Build and maintain the Martin & Co website, oversee the other brands websites and build associated websites.
- Franchisee operating software development.
- Customer database management.
- Application and systems integration.
- Franchisee reporting of business information.
- Billing systems.

Brand Standards
- Audit and compliance.
- Protect the brand names.
- Ensure all offices are registered and maintain professional memberships.
- Maintain the standard letter templates.
- Provide general technical telephone support to franchise owners.
- Maintain and develop the standard terms and conditions to be used through the franchise networks.

Finance
- Manage the day today finances for the Group.
- Budgeting, forecasting, treasury and management accounting.
- Financial reporting and tax compliance..
- Evaluation of potential acquisitions.
- Evaluation of franchisees' financial performances.
- Commercial contract negotiations and finalisation.
- Facilities Management.
- HR.

Helpdesk Support
- Support the use of Jupix across the Martin & Co network.
- Support the use of Brief Your Market (BYM) throughout the business.
- Manage incoming queries relating to business systems including the website, admin site, emails, BYM and Jupix.
- Manage incoming queries regarding operating issues.
- Make outward bound calls to encourage improved use of Jupix and thereby improved management of their businesses.

Training
- Create, plan and deliver training to all franchise networks. Including:
  - Business systems, classroom training for new franchise owners, negotiator and business generation, management courses and legal.

Recruitment
- Recruitment and talent acquisition for Martin & Co franchise offices and the Group.
- Supporting and advising the franchise owners through the recruitment life cycle.
- Ensure the highest calibre individuals are recruited.

Marketing
- Digital marketing strategy and content.
- Developing campaigns to drive new enquiries.
- Social media.
- Copywriting and content creation.
- Participating and assisting the National Marketing Committees' of the franchise networks with campaigns.
- Market data and analysis.

The Strategic report contained on pages 9 to 15 was approved by the Board and signed on its behalf by:

David Raggett
Chief Financial Officer
30 March 2015

Board of DIRECTORS

Richard Martin
Chairman

After leaving Bristol Technical School, Richard became an apprenticed sterotyper for the Bristol Evening Post in 1967. In 1975 he moved to The Western Gazette, another newspaper in the same group based in Yeovil. Ahead of the introduction of computerisation into the industry, Richard moved into the commercial side and in 1981, became trained in advertising design and sales. After a few years he gained promotion to Advertising Manager for the Group's free press titles distributed throughout Somerset, Dorset, Devon and Wiltshire.

Following the profitable sale of a retail business in early 1986, which Richard set up and was managed by his wife Kathy, he left the newspaper business to pursue his interest in property and forge a career in estate agency. Richard founded Martin & Co in 1986 in Yeovil. In 1995, Martin & Co became a franchise operation and the brand has grown from strength to strength since.

Ian Wilson
Chief Executive Officer

Ian has worked in the property industry for 30 years. After graduating from Bristol Polytechnic with a Degree in Housing, Ian's first job was to manage one of the UK's most deprived housing estates in the north east of England. When the Conservative Government introduced the Housing Act 1988 which set the legal framework for a resurgence of the private rented sector, Ian was working as a Fair Rent Officer and shortly after applied to Halifax Property Services in Newcastle-upon-Tyne to become its first Area Lettings Manager. Ian moved to General Accident Property Services as a Regional Lettings Manager and subsequently was promoted to National Lettings Manager. Ian moved to Connells as its first Lettings Director and in the course of business met Richard Martin, who invited Ian to join Martin & Co as Managing Director.

David Raggett
Chief Financial Officer

David holds a Degree in Economics and Accounting from Reading University where he was under the tutorship of Professor Christopher Nobes. Since qualifying with PWC as a Chartered Accountant he has spent his whole working life in franchising as franchisor and franchisee. Initially David held financial responsibility for several Ford franchises before, in the mid 90s, moving to Porsche's UK headquarters. Here he held financial responsibility for its distribution, retail and financial services businesses at various times, as well as being their Company Secretary and, for several years, Head of Legal. In 2007 David took up the role of Finance Director for the Motability Scooter and Powered Wheelchair Scheme to restore its financial stability, to improve its offering and to expand its customer base. After successfully turning the Scheme around and leading it into new ownership, David took some time out before deciding to venture back into franchising. David joined the Group in February 2013.

Paul Latham
Non-Executive Director

Paul Latham is a Chartered Surveyor. Until 2014, he sat on the Residential Board for the Royal Institution of Chartered Surveyors of which he was Chair until 2011. Paul served as Deputy Group CEO of LSL Property Services plc until 2010 having been part of the management buyout in 2004, which ultimately saw the business successfully list on the London Stock Exchange in 2006. During this period Paul was managing director of a number of the LSL group's subsidiary businesses including e.surv Chartered Surveyors and also sat on a number of external company boards and trade bodies. Subsequently Paul served as a Non-Executive Director of LSL until 2012.

Corporate governance statement

Compliance

The Directors recognise the importance of sound corporate governance and intend to comply with the Corporate Governance Guidelines, to the extent appropriate for a Company of its nature and size.

The Corporate Governance Guidelines were devised by the Quoted Companies Alliance ("QCA"), in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. An alternative code was proposed because the QCA considers the UK Corporate Governance Code to be inappropriate for many AIM companies.

The Corporate Governance Guidelines state that, "The purpose of good corporate governance is to ensure that the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term."

The Board of Directors will meet at least 9 times a year to review the Group's strategy and oversee the Group's progress towards its goals. The Board has established audit and remuneration committees. However, it only has one independent Non-Executive Director, a matter which the Board is working to correct as it strives towards congruence with the Corporate Governance Guidelines.

The Board

The Board comprises the Chairman, 1 independent Non-Executive Director and 2 Executive Directors who are the Chief Executive Officer and the Chief Financial Officer of the Company. The CFO is also the Company Secretary.

The Board is responsible for the overall performance of the Group, which includes the broad strategic direction, development and control of the Group. The policies and strategies of the Group are formulated by the Board and the detailed considerations about the day-to-day operations are delegated to an executive team under the leadership of the Chief Executive Officer.

The Board regularly monitors the implementation of strategy and policy decisions to ensure that the operation of the Group is at all times in line with the Group's objectives.

The Board has regular contact with its advisors to keep up to date on corporate governance matters. The Company Secretary ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Group purchases appropriate insurance cover in respect of legal action against its Directors.

The Chairman's main function is to manage the Board so that the Group is run in the best interests of its stakeholders. It is also the Chairman's responsibility to ensure the Board's integrity and effectiveness.

Non-Executive Directors/Board independence

The Company is fortunate in having the services of a Non-Executive Director, Paul Latham, and is actively searching for a second Non-Executive Director. The Group appreciates the important contribution to its strategic development that Non-Executives can make.

Board Committees

The Board has delegated specific responsibilities to the Audit and Remuneration Committees. The Board considers that all the members of each committee have the appropriate experience. All Board Committees have their own terms of reference.

Remuneration Committee

The Remuneration Committee is chaired by Paul Latham and its other member is Ian Wilson. It will meet at least twice a year and is responsible for advising on the remuneration policy for Directors only.

The Remuneration Committee has responsibility for determining, within agreed terms of reference, the Group's policy on the remuneration of senior executives and specific remuneration packages for Executive Directors including pension payments and compensation rights. It is also responsible for making recommendations for grants of options under the Share Option Plan.

The remuneration of Non-Executive Directors is a matter for the Board. No Director may be involved in any discussions as to their own remuneration.

Details of the level and composition of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 22 and 23.

Audit Committee

The Audit Committee is chaired by Paul Latham and assisted by David Raggett. It has met twice in 2014 and will continue to meet at least twice a year. It is responsible for ensuring that the financial performance of the Company is properly measured, reported on and monitored.

In the financial year ended 31 December 2014 the audit committee discharged its responsibilities by:

- reviewing the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's detailed reports thereon;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing the internal and external due diligence performed for acquisitions;
- reviewing the potential impact on the Group's financial statements of certain matters;
- reviewing the external auditor's plan for the audit of the Group's accounts, which included key areas of audit focus, key risks, the proposed audit fee and approving the terms of engagement for the audit; and
- reviewing the processes for identifying the risks to the business and managing those risks.

The Audit Committee has the primary responsibility for making a recommendation to the Board on the appointment, re-appointment and removal of the external auditor. In making the recommendation on the re-appointment of the external auditor, they will assess cost effectiveness, independence and objectivity of the external auditor. It is responsible for ensuring that an appropriate relationship between the Group and the external auditors is maintained, including reviewing non-audit services and fees. The Board will include a resolution in the next AGM proposing the re-appointment of the external auditor and authorising the Board to determine the audit fee.

The Board meets regularly with the external auditor for the purpose of discussing matters relating to the financial reporting and internal controls of the Group. Furthermore, the audit committee' Chairman meets the external auditors to discuss matters relating to the committee's remit and any issues arising from the audit. The external auditor also assists the Board in ensuring that appropriate accounting policies, internal controls and compliance procedures are in place.

Internal Control

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established clear operating procedures and responsibility structures. These procedures include:

- Monthly financial reporting against budget and the prior year;
- Day-to-day financial control of operations;
- Annual budgeting and quarterly forecasting;
- The monitoring and assessment of risk;
- Performance monitoring and the taking of remedial action; and
- Planning, reviewing, approving and monitoring major projects.

Relations with shareholders

The Group is committed to maintaining good communications with shareholders and the Martinco.com website provides up-to-date information on the Group.

The AGM is an important opportunity to meet and communicate with its investors and for them to raise with the Board any issues or concerns they may have and the Group dispatches the Notice of AGM at least 21 days before the meeting. Registered shareholders have direct access to the Group and receive a copy of the Annual Report, which contains the full financial statements of the Group.

Directors' report

The Directors present their Annual Report and audited financial statements for the financial year ended 31 December 2014.

Principal activities

The principal activity of the Group during the year was the sale of franchises and the support of franchisees in supplying residential letting, sales and property management services within the UK.

Results for the financial year and business review

The Group achieved a profit before tax, and exceptional costs from continuing operations of £2.1m in the financial year as compared to £1.6m for the prior year. The results are shown in the Group statement of comprehensive income on page 25. A full review of the Group's business is included in the Strategic Report.

The Group's objectives and policies with regards to financial risk management are set out in note 28 to the Consolidated financial statements.

The exceptional costs for the year relate entirely to the purchase of Xperience and amounted to £0.2m (2013:£0.7m).

The profit before tax for the year was £1.9m (2013: £0.9m).

Future developments

The future developments of the Group are included in the Strategic Report.

Dividends

The Group paid its maiden interim dividend for the financial year ended 31 December 2014 of 1.3p per share on 30 September 2014.

The Board recommends a final dividend for the financial year ended 31 December 2014 of 2.7p per share to be paid on 11 May 2015 to all shareholders on the register at the close of business on 24 April 2015 subject to shareholders approval on 7 May 2015 (2013: £nil).

Directors

The Directors shown below have held office during the year:

R W Martin
I Wilson
D A Raggett
P M Latham

The Directors' remuneration and the Directors' interests in the Group are disclosed in the Directors' Remuneration Report.

The Group maintains Directors and Officers liability insurance, which gives appropriate cover against any legal action that may be brought.

Going concern

The Group and Company's financial statements have been prepared on a going concern basis. In order to approve the Xperience deal the Group produced detailed budgets, projections and cash flow forecasts. The Directors have concluded after reviewing these budgets, projections and forecasts and making appropriate enquiries of the business that the Group has adequate resources to continue in operational existence, and execute its plan for acquisition growth, for the foreseeable future.

In October 2014, the Group agreed a £5m loan facility with Santander UK plc of which £2.5m remains unutilised and available to the Group for development and expansion of operations.

For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements.

Auditor

Baker Tilly UK Audit LLP has expressed their willingness to continue in office. In accordance with section 489 of the Companies Act 2006, a resolution to reappoint Baker Tilly UK Audit LLP will be proposed at the Annual General Meeting.

The Directors confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware, and;
- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 group and the company and of the profit or loss of the group for that period.

In preparing the Group and Company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRSs adopted by the EU; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

By Order of the Board

David Raggett
Chief Financial Officer
30 March 2015

Directors' remuneration report

Remuneration Committee
The remuneration of each Director is determined by the Remuneration Committee. It is chaired by Paul Latham and its other member is Ian Wilson.

Policy on remuneration of Directors
The Remuneration Committee has responsibility for determining, within agreed terms of reference, the Group's policy on the remuneration of senior executives and specific remuneration packages for Executive Directors including pension payments and compensation rights. It is also responsible for making recommendations for grants of options under the Share Option Plan.

The remuneration of Non-Executive Directors is a matter for the Board. It consists of fees for their services in connection with Board and Committee meetings. No Director may be involved in any discussions as to their own remuneration.

The Remuneration Committee aims to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate Directors of the right calibre.

The main remuneration components are:

Basic salary or fees
Basic salary or fees for each Director are determined by the Remuneration Committee, taking into account the performance of the individual and information from independent sources on the rates of salary for similar posts. The salaries and fees paid to Directors by the Group were £300k (2013: £191k).

Annual bonus
The Company has a formal bonus scheme which was effective for the Executive Directors from 18 December 2013. Bonuses were paid to the Directors by the Group of £112k (2013: £112k).

Pension
There were no contributions made to Directors' pensions in the year (2013: £nil).

Share options
No options over shares of the Company were granted in 2014 (2013: 1,566,000 shares). See note 31 of the Financial Statements for further details.

Company policy on contracts of service
The Executive Directors of the Company do not have a notice period in excess of 12 months under the terms of their service contracts. Their service contracts contain no provisions for pre-determined compensation on termination, which exceeds 12 months' salary and benefits in kind. Non-Executive Directors do not have service contracts with the Company, but have letters of appointment which can be terminated on 3 months' notice.

Termination date

Richard Martin	3 months' notice
Ian Wilson	12 months' notice
David Raggett	12 months' notice
Paul Latham	3 months' notice

Company policy on external appointments
The Company recognises that its Directors are likely to be invited to become non-executive directors of other companies and that exposure to such non-executive duties can broaden their experience and knowledge, which will benefit the Group. Executive and Non-Executive Directors are therefore, subject to approval of the Company's Board, allowed to accept non-executive appointments, as long as these are not with competing companies and are not likely to lead to conflicts of interest. Executive and Non-Executive Directors are allowed to retain the fees paid.

Taxable benefits
The Directors are not entitled to taxable benefits such as a company car, car allowance or private medical insurance.

Directors' emoluments

The figures below represent emoluments earned by Directors from the Group during the financial year and relate to the period of each Director's membership of the Company's and Subsidiary's Boards.

	Salary & fees £'000	Bonus £'000	**Total 2014 £'000**	Total 2013 £'000
Executive Directors:				
Richard Martin	40	—	**40**	9
Ian Wilson	120	84	**204**	201
David Raggett	100	28	**128**	91
	260	112	**372**	301
Non-Executive Directors:				
Paul Latham	40	—	**40**	2
	40	—	**40**	2
Total Remuneration	300	112	**412**	303

Appointment

No Directors were appointed to or resigned from the Board during the year.

Directors' interests

The interests of the Directors in the shares of the Company were as follows:

MartinCo PLC ordinary 1p shares.

31 December 2014	Shares	Options
Directors:		
Richard Martin	8,460,000	—
Ian Wilson	650,000	979,200
David Raggett	20,000	392,400
Paul Latham	25,000	—

By order of the Board

Paul Latham
Non-Executive Director
30 March 2015

Report of the independent auditor
to the members of MartinCo PLC

We have audited the Group and Parent Company financial statements ("the financial statements") on pages 25 to 50. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the 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 more fully explained in the Statement of Directors' responsibilities set out on page 21, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at:
http//www.frc.org.uk/auditscopeukprivate.

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's affairs as at 31 December 2014 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 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

David Clark
Senior Statutory Auditor

For and on behalf of Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB
30 March 2015

Consolidated statement of comprehensive income
for the year ended 31 December 2014

	Notes	2014 £	2013 £
Continuing operations			
Revenue	7	**5,176,174**	4,144,318
Cost of sales		**(354,145)**	(201,031)
Gross profit		**4,822,029**	3,943,287
Administrative expenses	8,9	**(2,789,131)**	(2,328,066)
Operating profit before exceptional items		**2,032,898**	1,615,221
Exceptional items	10	**(158,741)**	(742,517)
Operating profit		**1,874,157**	872,704
Finance income	12	**51,140**	11,476
Finance costs	12	**(22,295)**	–
Profit before income tax		**1,903,002**	884,180
Income tax	13	**(411,541)**	(372,183)
Profit and total comprehensive income for the year from continuing operations		**1,491,461**	511,997
Discontinued operations			
Profit and total comprehensive income for the year from discontinued operations	30	**18,565**	126,820
Profit and total comprehensive income for the year attributable to owners		**1,510,026**	638,817
Earnings per share – Continuing	14	**6.9p**	2.8p
Earnings per share – Discontinued	14	**0.0p**	0.7p
Total Earnings per share	14	**6.9p**	3.5p
Diluted Earnings per share – Continuing	14	**6.6p**	2.7p
Diluted Earnings per share – Discontinued	14	**0.0p**	0.6p
Total Diluted Earnings per share	14	**6.6p**	3.3p

Consolidated statement of financial position
31 December 2014

	Notes	2014 £	2013 £
Assets			
Non-current assets			
Intangible assets	17	**6,270,173**	75,000
Property, plant and equipment	18	**92,158**	84,486
Deferred tax asset	27	**—**	34,654
		6,362,331	194,140
Current assets			
Trade and other receivables	20	**965,319**	865,569
Cash and cash equivalents		**3,367,259**	4,817,520
		4,332,578	5,683,089
Assets of a disposal group classified as held for sale	30	**254,846**	215,129
		4,587,424	5,898,218
Total assets		**10,949,755**	6,092,358
Equity			
Shareholders' equity			
Called up share capital	21	**220,000**	220,000
Share premium	22	**3,790,000**	3,790,000
Other reserves	23	**(61,406)**	(138,926)
Retained earnings		**2,328,153**	1,104,127
Total equity attributable to the owners		**6,276,747**	4,975,201
Liabilities			
Non-current liabilities			
Borrowings	24	**2,000,000**	–
Deferred tax	27	**791,136**	–
		2,791,136	–
Current liabilities			
Borrowings	24	**500,000**	–
Trade and other payables	25	**1,046,530**	653,270
Tax payable		**335,342**	415,779
		1,881,872	1,069,049
Liabilities of disposal group classified as held for sale	30	**—**	48,108
Total liabilities		**4,673,008**	1,117,157
Total equity and liabilities		**10,949,755**	6,092,358

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2015 and were signed on its behalf by:

David Raggett
Chief Financial Officer

Company statement of financial position
31 December 2014
(Company No: 08721920)

	Notes	2014 £	2013 £
Assets			
Non-current assets			
Investments	19	**24,100,284**	17,990,000
Deferred tax asset	27	**118,394**	40,874
		24,218,678	18,030,874
Current assets			
Trade and other receivables	20	**344,496**	25,267
Cash and cash equivalents		**13,469**	3,349,676
		357,965	3,374,943
Total assets		**24,576,643**	21,405,817
Equity			
Shareholders' equity			
Called up share capital	21	**220,000**	220,000
Share premium	22	**3,790,000**	3,790,000
Other reserves	23	**17,928,494**	17,850,974
Retained earnings		**35,466**	(750,576)
Total equity		**21,973,960**	21,110,398
Liabilities			
Non-current liabilities			
Borrowings	24	**2,000,000**	–
Current liabilities			
Borrowings	24	**500,000**	–
Trade and other payables	25	**102,683**	295,419
		602,683	295,419
Total liabilities		**2,602,683**	295,419
Total equity and liabilities		**24,576,643**	21,405,817

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2015 and were signed on its behalf by:

David Raggett
Chief Financial Officer

Consolidated statement of changes in equity
for the year ended 31 December 2014

	Called up share capital £	Retained earnings £	Share premium £	Other reserves £	Total equity £
Balance at 31 December 2013	179,900	717,810	–	(179,800)	717,910
Profit and total comprehensive income	–	638,817	–	–	638,817
Issue of share capital					
7 October 2013	100	–	–	–	100
17 December 2013	40,000	–	3,960,000	–	4,000,000
Share issue costs	–	–	(170,000)	–	(170,000)
Dividends	–	(252,500)	–	–	(252,500)
Deferred tax on share based payments	–	–	–	40,874	40,874
Total transactions with owners	40,100	(252,500)	3,790,000	40,874	3,618,474
Balance at 31 December 2013	220,000	1,104,127	3,790,000	(138,926)	4,975,201
Profit and total comprehensive income	–	1,510,026	–	–	1,510,026
Dividends	–	(286,000)	–	–	(286,000)
Deferred tax on share based payments	–	–	–	77,520	77,520
Balance at 31 December 2014	**220,000**	**2,328,153**	**3,790,000**	**(61,406)**	**6,276,747**

Company statement of changes in equity
for the year ended 31 December 2014

	Called up share capital £	Retained earnings £	Share premium £	Other reserves £	Total equity £
Balance at 7 October 2013					
Loss and total comprehensive income	–	(750,576)	–	–	(750,576)
Issue of share capital					
7 October 2013	100	–	–	–	100
10 December 2013	179,900	–	–	17,810,100	17,990,000
17 December 2013	40,000	–	3,960,000	–	4,000,000
Cost of share issue	–	–	(170,000)	–	(170,000)
Deferred tax on share based payments	–	–	–	40,874	40,874
Total transactions with owners	220,000	–	3,790,000	17,850,974	21,860,974
Balance as at 31 December 2013	220,000	(750,576)	3,790,000	17,850,974	21,110,398
Profit and total comprehensive income	–	1,072,042	–	–	1,072,042
Dividends	–	(286,000)	–	–	(286,000)
Deferred tax on share based payments	–	–	–	77,520	77,520
Total transactions with owners	–	(286,000)	–	77,520	208,480
Balance as at 31 December 2014	**220,000**	**35,466**	**3,790,000**	**17,928,494**	**21,973,960**

Consolidated statement of cash flows
for the year ended 31 December 2014

	Notes	2014 £	2013 £
Cash flows from operating activities			
Cash generated from operations	1	**1,937,611**	885,657
Interest paid		**(203)**	–
Tax paid		**(609,292)**	(341,486)
Net cash from operating activities		**1,328,116**	544,171
Cash flows from investing activities			
Purchase of Subsidiary undertakings net of cash acquired	2	**(5,065,902)**	–
Purchase of intangible assets		**(326,317)**	(222,475)
Purchase of tangible assets		**(17,520)**	(39,669)
Proceeds from sale of intangible assets		**341,576**	258,956
Proceeds from sale of tangible assets		**24,646**	50,160
Interest received		**51,140**	11,497
Net cash (used in)/ generated from investing activities		**(4,992,377)**	58,469
Cash flows from financing activities			
Share issue		**–**	3,830,100
Bank loan		**2,500,000**	–
Net cash outflow on Directors' Loans		**–**	(1,509)
Equity dividends paid		**(286,000)**	(252,500)
Net cash generated from financing activities		**2,214,000**	3,576,091
(Decrease)/Increase in cash and cash equivalents		**(1,450,261)**	4,178,731
Cash and cash equivalents at beginning of year		**4,817,520**	638,789
Cash and cash equivalents at end of year		**3,367,259**	4,817,520

Notes to the consolidated statement of cash flows
for the year ended 31 December 2014

1. Reconciliation of profit before income tax to cash generated from operations

	2014 £	2013 £
Cash flows from operating activities		
Profit before income tax	**1,926,502**	1,049,417
Depreciation and amortisation charges	**74,087**	(98,565)
Profit on disposal of intangible assets	**(4,007)**	–
Finance costs	**22,295**	–
Finance income	**(51,140)**	(11,497)
Operating cash flow before changes in working capital	**1,967,737**	939,355
(Increase)/Decrease in trade and other receivables	**(107,279)**	6,117
Increase/(Decrease) in trade and other payables	**77,153**	(59,815)
Cash generated from operations	**1,937,611**	885,657

	2014 £	2013 £
Continuing operations		
Profit before tax	**1,903,002**	884,180
Adjustments for:		
Depreciation of property, plant and equipment	**13,283**	15,890
Profit on disposal of property, plant and equipment	**–**	(10,210)
Amortisation	**60,804**	32,577
Finance costs	**22,295**	–
Finance income	**(51,140)**	(11,497)
Changes in working capital		
Increase in trade and other receivables	**(117,941)**	(58,004)
Increase in trade and other payables	**125,261**	55,334
Cash inflow from continuing operations	**1,955,564**	908,270
Discontinued operations		
Profit before tax	**23,500**	165,237
Adjustments for:		
Profit on disposal of intangible assets	**(4,007)**	(136,822)
Changes in working capital:		
Decrease in trade and other receivables	**10,662**	64,121
Decrease in trade and other payables	**(48,108)**	(115,149)
Cash (outflow) from discontinued operations	**(17,953)**	(22,613)
Cash generated from operations	**1,937,611**	885,657

2. Purchase of Subsidiary undertakings net of cash acquired

During the year the Group obtained control of Xperience Franchising Limited and Whitegates Estate Agency Limited.

	XFL £	WEAL £	Total £
Consideration	5,118,973	991,311	6,110,284
Less: Cash acquired	(995,088)	(49,294)	(1,044,382)
Purchase of Subsidiary undertakings net of cash acquired	**4,123,885**	**942,017**	**5,065,902**

Company statement of cash flows
for the year ended 31 December 2014

	Notes	2014 £	2013 £
Cash flows from operating activities			
Cash generated from operations	1	**(901,396)**	(480,424)
Interest paid		**(203)**	–
Net cash from operating activities		**(901,599)**	(480,424)
Cash flows from investing activities			
Investment in subsidiary companies		**(6,110,284)**	–
Interest received		**11,676**	–
Equity dividends received		**1,450,000**	–
Net cash used in investing activities		**(4,648,608)**	–
Cash flows from financing activities			
Share issue		**–**	3,830,100
Proceeds from borrowings		**2,500,000**	–
Equity dividend paid		**(286,000)**	–
Net cash generated from financing activities		**2,214,000**	3,830,100
(Decrease)/Increase in cash and cash equivalents		**(3,336,207)**	3,349,676
Cash and cash equivalents at beginning of year		**3,349,676**	–
Cash and cash equivalents at end of year		**13,649**	3,349,676

Notes to the Company statement of cash flows
for the year ended 31 December 2014

1. Reconciliation of loss before income tax to cash generated from operations

	2014 £	2013 £
Cash flows from operating activities		
Profit/(Loss) before income tax	**997,783**	(750,576)
Finance costs	**22,295**	–
Finance income	**(11,676)**	–
Equity dividend received	**(1,450,000)**	–
Operating cash flow before changes in working capital	**(441,598)**	(750,576)
Increase in trade and other receivables	**(244,970)**	(25,267)
(Decrease)/Increase in trade and other payables	**(214,828)**	295,419
Cash generated from operations	**(901,396)**	(480,424)

2. Non cash flow transactions

During 2013 MartinCo PLC acquired 100% of Martin & Co (UK) Limited in a non-cash transaction by issuing ordinary shares.

Notes to the consolidated financial statements
for the year ended 31 December 2014

1. General information
The principal activity of MartinCo PLC and its Subsidiaries is that of a UK residential property franchise business. The Group operates in the UK. The Company is a public limited company incorporated and domiciled in the UK. The address of its head office and registered office is 2 St Stephen's Court, St Stephen's Road, Bournemouth, Dorset, UK.

2. Basis of preparation
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention. As set out in note 23, the acquisition of Martin & Co (UK) Ltd in 2013 was accounted for as if it had been owned for the whole period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The presentational currency of the financial statements is in British pounds and amounts are rounded to the nearest pound.

Going Concern
The Group has produced detailed budgets, projections and cash flow forecasts. The Directors have concluded after reviewing these budgets, projections and forecasts, making appropriate enquiries of the business and having considered uncertainties under the current economic environment, that there is a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the Financial Statements.

New standards, amendments and interpretations issued
Principal standards, amendments and interpretations that became effective in 2014 but have no effect on the Group's operations:
- IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 1 January 2014)
- IFRS 11 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2014)
- IFRS 12 'Disclosure of interests in other entities' (effective for annual periods beginning on or after 1 January 2014)
- IAS 27 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2014)

The following standards and interpretations, that may be relevant to the Group operations that have not been applied in the Financial Statements, were in issue:
- IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2015, not yet endorsed).
- IAS 19 (revised) Employee Benefits – (effective for annual periods beginning on or after 1 July 2014).
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2017, not yet endorsed).

The Directors anticipate that the adoption of these standards and interpretations would not have a material impact on the Financial Statements of the Group.

3. Basis of consolidation
The Group financial statements include those of the parent company and its subsidiaries, drawn up to 31 December 2014. Subsidiaries are all (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

On 31 October 2014 the Company acquired the entire issued share capital of Xperience Franchising Limited and Whitegates Estate Agency Limited for a consideration of £6,110,284.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

4. Significant accounting policies

Revenue recognition

Revenue represents income, net of VAT, from the sale of franchise agreements, management service fees, levied to franchisees monthly based on their turnover, and the provision of training and ongoing support to franchisees.

Fees from the sale of franchise agreements are not refundable and are recognised upon the earlier of the receipt of funds or the signing of the franchise agreement. These fees are for the use of the brand along with initial training and support and promotion during the opening phase of the new office. Management service fees are recognised on a monthly basis, with other fees recognised when the training and support is provided to the franchisee.

Revenue also includes fees generated by offices operated by the Group. These offices invoice landlords on a monthly basis and so recognise the income during the period in which the work is carried out.

Operating profit

Profit from operations is stated before investment income, finance costs and other gains and losses.

Intangible assets – goodwill

Goodwill (being the difference between the fair value of consideration paid and the fair value of the identifiable assets at the date of acquisition) 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 profit or loss as it arises.

An impairment loss is recognised for the amount by which the carrying value of goodwill exceeds its recoverable amount, which the Directors assess on a 'value in use' basis. To determine the value in use, management estimates expected future cash flows from trading operations, each business being one cash generating unit, and determines a suitable growth rate in order to calculate the present value of those cash flows. The discount factor reflects management's assessment of the risk profile of the business.

Discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its immediate condition. Management must be committed to the sale, which should be expected within one year from the date of classification as held for sale.

Immediately before classification as held for sale, the assets are remeasured and recognised at the lower of their carrying amount and their fair value less costs to sell if their carrying amount essentially derives from their sale rather than their continued use. Assets classified as held for sale are not depreciated. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are included in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

Profit after tax from operations qualifying as discontinued operations are presented separately as a single amount on the income statement. The assets held for resale and the liabilities held for resale are shown separately on the balance sheet. Results from operations qualifying as discontinued operations as of the balance sheet date for the latest period presented, that have previously been presented as results from continuing operations, are represented as results from discontinued operations for all periods presented.

In conditions where the classification of non-current assets as held for sale are no longer met, classification as held for sale ceases. Accordingly, results of operations, previously presented in discontinued operations, are reclassified and included in continuing operations for all periods presented. Non-current assets that cease to be classified as held for sale are remeasured at the lower of their carrying amount before classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and its recoverable amount at the date of the subsequent decision to sell.

Business combinations

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be measured reliably in which case the value is subsumed into goodwill. Where the fair values of acquired contingent liabilities cannot be measured reliably, the assumed contingent liability is not recognised but is disclosed in the same manner as other contingent liabilities.

Goodwill is the difference between the fair value of the consideration and the fair value of identifiable assets acquired. Goodwill arising on acquisitions is capitalised and subject to an impairment review, both annually and when there is an indication that the carrying value may not be recoverable.

Intangible assets

Intangible assets with a finite life are carried at cost less amortisation and any impairment losses. Intangible assets represent items which meet the recognition criteria of IAS 38, in that it is probable that future economic benefits attributable to the assets will flow to the entity and the cost can be measured reliably.

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group.

Notes to the consolidated financial statements
for the year ended 31 December 2014 continued

4. Significant accounting policies continued

Amortisation charges are included in administrative expenses in the Statement of Comprehensive Income. Amortisation begins when the intangible asset is first available for use and is provided at rates calculated to write off the cost of each intangible asset over its expected useful life, as follows:

Brands	Indefinite life
Customer lists	5 - 25 years
Master franchise agreements	25 years

Acquired customer relationships are identified as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows. This valuation also assesses the life of the particular relationship. The life of the relationship is assessed annually. Customer relationship assets are being written off over a remaining life of 5 to 25 years.

Acquired franchise master agreements are identified as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows. The life of the relationship is assessed annually. Master franchise agreements are being written off over a remaining life of 25 years as historical analyses shows that, on average, 4% of franchises will change ownership per annum.

Acquired trade names are identified as separate intangible assets where they can be reliably measured by valuation of future cash flows. The trade names which have been identified separately are assessed as having indefinite lives due to their long trading histories.

Subsequent to initial recognition, intangible assets are stated at deemed cost less accumulated amortisation and impairment charges.

Investment in subsidiaries

Investments in subsidiaries are stated in the parent company's balance sheet at cost less any provisions for impairments.

Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives on the following bases:

Fixtures, fittings and office equipment	15% reducing balance
Motor vehicles	25% reducing balance
Short leasehold improvements	over the lease term

Income taxes

Current tax is the tax currently payable based on the taxable profit for the year.

Deferred tax

Deferred income taxes are calculated using the liability method on temporary differences, at the tax rate that is substantively enacted at the balance sheet date. Deferred tax is generally provided on the difference between the carrying amount of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the profit/loss.

Operating lease commitments

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit/loss on a straight-line basis over the period of the lease.

Cash and cash equivalents

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

Financial assets

The Group only has financial assets classified as loans and receivables. The loans and receivables comprise trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position. Cash and cash equivalents (which exclude any client account monies) include cash in hand and deposits held at call with banks.

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.

Financial liabilities

Financial liabilities are comprised of trade payables, borrowings and other short-term monetary liabilities, which are recognised at amortised cost.

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

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Share options

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Company's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes option pricing model taking into account the following inputs:

- the exercise price of the option;
- the life of the option;
- the market price on the date of the grant of the option;
- the expected volatility of the share price;
- the dividends expected on the shares; and
- the risk free interest rate for the life of the option.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

5. Critical accounting estimates and judgements and key sources of estimation uncertainty

The Company 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.

Impairment of goodwill

The Group is required to test, where indicators of impairment exist, whether goodwill has 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. Key assumptions for the value in use calculation are described in note 17.

Revenue recognition

Initial franchise fees are recognised upon the earlier of receipt of funds or the signing of the contract. The initial fees are non-refundable and are for the use of the brand along with initial training and support and promotion of the new office. The Directors therefore believe that the benefits are transferred upon signing the contract and so revenue is recognised at this point. Future benefits from the contract are dealt with in the monthly MSF fee which is spread across the term of the franchise agreement.

Valuation of separable intangibles on acquisition

When valuing the intangibles acquired in a business combination, management estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows. Separable intangibles valued on acquisitions made in the year were £4.6m as detailed further in note 17.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Notes to the consolidated financial statements
for the year ended 31 December 2014 continued

6. Segmental reporting
The board of Directors, as the chief operating decision-making body, review financial information for and make decisions about the Group's overall franchising business and have identified a single operating segment, that of property franchising.

7. Revenue
The Directors believe there to be three material income streams relevant to property franchising which are split as follows:

	2014 £	2013 £
Management Service Fee	**4,048,575**	3,477,855
Franchise sales	**423,779**	176,683
Other	**703,820**	489,780
	5,176,174	4,144,318

All revenue is earned in the UK and no customer represents greater than 10 per cent of total revenue in either of the years reported.

8. Administrative expenses
Administrative expenses relate to those expenses that are not directly attributable to any specific sales activity.

Administrative expenses for the year were as follows:

	2014 £	2013 £
Continuing operations:		
Employee costs (see note 9)	**1,852,466**	1,480,025
Property costs	**67,773**	63,741
General administrative costs	**868,892**	784,300
	2,789,131	2,328,066

9. Employees and Directors
Average numbers of employees (including Directors), employed during the year:

	2014	2013
Continuing operations:		
Administration	**29**	25
Management	**7**	5
	36	30

Employee costs (including Directors) during the year amounted to:

	2014 £	2013 £
Continuing operations:		
Wages and salaries	**1,676,377**	1,356,824
Social security costs	**176,089**	123,201
	1,852,466	1,480,025

Key management personnel are defined as Directors and executives of the Group. Details of the remuneration of the key management personnel are shown below:

	2014 £	2013 £
Wages and salaries	**694,911**	560,409
Social security costs	**69,937**	64,914
	764,848	625,323

Details of the Directors' emoluments are disclosed in the Directors Remuneration Report on pages 22 to 23. The share based payments charge for the current year and the prior year was nil.

10. Exceptional items
The exceptional items represent costs relating to the acquisition of Xperience Franchising Limited and Whitegates Estate Agency Limited in the year whereas in 2013 they represented the flotation costs incurred in the listing of the Group on the Alternative Investment Market.

11. Operating profit

	2014 £	2013 £
The operating profit from continuing operations is stated after charging/(crediting):		
Depreciation	**13,283**	12,274
Amortisation	**60,804**	32,577
Profit on disposal of fixed assets	**–**	(10,210)
Auditor's remuneration (see below)	**123,863**	159,500
Staff costs (note 9)	**1,852,466**	1,480,025
Operating lease expenditure	**47,311**	27,844
Audit services		
– Audit of the Company and consolidated accounts	**18,500**	15,000
– Audit of the Subsidiaries pursuant to legislation	**45,000**	20,000
Tax services		
– compliance services	**2,500**	–
– advisory services	**10,363**	7,500
Other non-audit services – advisory services	**47,500**	117,000
	123,863	159,500
Comprising:		
Audit services	**63,500**	35,000
Non-audit services:	**60,363**	124,500
	123,863	159,500

12. Finance income and costs

	2014 £	2013 £
Finance income:		
Bank interest	**38,781**	141
Other similar income	**12,359**	11,335
	51,140	11,476

	2014 £	2013 £
Finance costs:		
Bank interest	**22,295**	–
	22,295	–

13. Taxation

	2014 £	2013 £
Current tax	**411,541**	376,723
Deferred tax credit	**–**	(4,540)
Total tax charge in statement of comprehensive income	**411,541**	372,183

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

	2014 £	2013 £
Profit on ordinary activities before tax	**1,903,002**	884,180
Profit on ordinary activities multiplied by the effective standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	**409,145**	205,572
Effects of:		
Expenses not deductible for tax purposes	**19,325**	173,695
Tax chargeable at different rates	**—**	145
Depreciation in excess of capital allowances	**(18,803)**	(9,103)
Losses carried forward	**1,874**	1,874
Total tax charge in respect of continuing activities	**411,541**	372,183

Notes to the consolidated financial statements
for the year ended 31 December 2014 continued

14. Earnings per share
Earnings per share is calculated by dividing the profit for the financial year by the weighted average number of shares during the year.

	2014 £	2013 £
Earnings per ordinary share		
Profit from continuing operations	**1,491,461**	511,997
Profit from discontinued operations	**18,565**	126,820
	1,510,026	638,817

Diluted earnings per ordinary share
The charge relating to share-based payments is immaterial and therefore the earnings used in the diluted earnings per ordinary share calculation are the same as that shown above.

	2014 Number	2013 Number
Weighted average number of shares		
Number used in basic earnings per share	**22,000,000**	18,325,833
Dilutive effect of share options on ordinary shares	**832,818**	845,817
Number used in diluted earnings per share	**22,832,818**	19,171,650

15. Profit/(Loss) 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 £1,072,042 (2013: loss £750,576)

16. Dividends

	2014 £	2013 £
Interim and Final dividend (ordinary shares of £0.01 each)	**286,000**	252,500
Dividend per share	**1.3p**	1.4p

The dividend per share is calculated using the same weighted average number of shares as used in the calculation of earnings per share.

17. Intangible assets

	Master Franchise Agreement £	Brands £	Customer Lists £	Goodwill £	Total £
Cost	–				
Brought forward 1 January 2013	–	–	654,532	75,000	729,532
Additions	–	–	222,475	–	222,475
Transferred to assets held for sale	–	–	(877,007)	–	(877,007)
Carried forward 31 December 2013	–	–	–	75,000	75,000
Additions – acquired separately	–	–	326,317	–	326,317
Additions – acquired business combinations	4,075,085	571,000	225,204	1,313,217	6,184,506
Transferred to assets held for sale	–	–	(271,000)	–	(271,000)
Carried forward 31 December 2014	**4,075,085**	**571,000**	**280,521**	**1,388,217**	**6,314,823**
Amortisation					
Brought forward 1 January 2013	–	–	132,551	–	132,551
Charge for year	–	–	32,577	–	32,577
Transferred to assets held for sale	–	–	(165,128)	–	(165,128)
Carried forward 31 December 2013	–	–	–	–	–
Charge for year	27,167	–	33,637	–	60,804
Transferred to assets held for sale	–	–	(16,154)	–	(16,154)
Carried forward 31 December 2014	**27,167**	**–**	**17,483**	**–**	**44,650**
Net book value					
At 31 December 2014	**4,047,918**	**571,000**	**263,038**	**1,388,217**	**6,270,173**
At 31 December 2013	–	–	–	75,000	75,000

The carrying amount of goodwill relates to three cash generating units, and reflects the difference between the fair value of consideration transferred and the fair value of assets and liabilities purchased.

Goodwill is assessed for impairment by comparing the carrying value to the value in use calculations. The value for the goodwill purchased from Martin & Co Management of £75,000 has been estimated using cash flow projections based on detailed budgets and forecasts over the period to 31 December 2016. Thereafter revenue growth has been assumed to decline to a long-term growth rate of 2.25%. A discount rate of 10% has been applied; being the Directors' estimate of the Martin & Co (UK) Limited's cost of capital. The budgets and forecasts are based on historical data and the past experience of the Directors in this sector as well as the future plans of the business.

The carrying value of the goodwill arising on the acquisitions of Xperience Franchising Limited ("XFL") and Whitegates Estate Agency Limited ("WEAL") is based on actual cash flows to 31 December 2014 and further projections through to 31 December 2016. Thereafter projected revenue growth was assumed to decline linearly to a long-term growth rate of 2.25%.

The cashflows arising were discounted by the weighted average cost of capital plus an additional risk premium for the increased risk profile of franchise rights when compared to the risk of each company. These discount rates were 16.0% for XFL and 17% for WEAL, the latter higher rate reflecting WEAL's smaller size and more volatile earnings. This resulted in a total value for each company of the identifiable intangibles assets.

The total consideration paid for the two companies of £6,110,284 was allocated to each company by management based on their respective EBITDAs.

The Directors do not consider goodwill to be impaired. The Directors believe that no reasonably possible change in assumptions will cause the value in use to fall below the carrying value and hence impair the goodwill.

The brand names under which XFL trades of C J Hole, Parkers and Ellis & Co have been in existence for between 67 years and 150 years. Management see them as strong brands with significant future value and has deemed them to have indefinite useful lives as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group.

The Relief-from-Royalty-Method was used to value the brand names. Looking at independent research of royalty rates, management selected pre-tax royalty rates of between 3% and 5% for the above brand names.

The after tax royalty rates were then applied to the projected cash flows of each brand up until December 2029. The projected cash flows being the actual cash flows to 31 December 2014 and further projections through to 31 December 2016. Thereafter projected revenue growth was assumed to decline linearly to a long-term growth rate of 2.25%.

The after tax cash flows determined through this process was then discounted at 13.5% to determine a value for each brand name. This discount rate approximated the company's WACC as the risk profile of the brand names was seen as commensurate with that of the overall company.

The Directors believe that no reasonably possible change in assumptions will cause the value in use of the brands names CJ Hole, Parkers and Ellis & Co to fall below their carrying values and hence impair their intangible values.

The Whitegates brand was valued in a similar manner and deemed to have an immaterial value when the acquisition was made principally due to its lack of profitability over preceding years. It is therefore not recognised separately.

Goodwill and indefinite life intangible assets have been allocated for impairment testing purposes to the following cash-generating units.

The carrying values are as follows:

	Goodwill		Brands	
	2014	2013	**2014**	2013
	£	£	**£**	£
Xperience Franchising Limited	**912,716**	–	**571,000**	–
Whitegates Estate Agency Limited	**400,501**	–	**–**	–
Martin & Co (UK) Ltd	**75,000**	75,000	**–**	–
	1,388,217	75,000	**571,000**	–

Company

No goodwill or customer lists exist in the parent company.

Notes to the consolidated financial statements
for the year ended 31 December 2014 continued

18. Property, plant and equipment

Group

	Leased Assets £	Motor Vehicles £	Office Equipment £	Fixtures & Fittings £	Total £
Cost					
Brought forward 1 January 2013	65,241	20,367	21,802	119,652	227,062
Additions	4,152	–	27,881	7,636	39,669
Disposals	(12,630)	–	–	–	(12,630)
Transferred to assets held for sale	(19,729)	(20,367)	(17,499)	(8,685)	(66,280)
Carried forward 31 December 2013	37,034	–	32,184	118,603	187,821
Acquisitions	–	–	4,961	–	4,961
Additions	–	–	15,724	270	15,994
Carried forward 31 December 2014	**37,034**	**–**	**52,869**	**118,873**	**208,776**
Depreciation					
Brought forward 1 January 2013	7,813	6,335	8,738	80,401	103,287
Charge for year	4,347	1,283	4,162	6,098	15,890
Eliminated on disposals	(2,526)	–	–	–	(2,526)
Transferred to assets held for sale	(2,575)	(7,618)	(1,431)	(1,692)	(13,316)
Carried forward 31 December 2013	7,059	–	11,469	84,807	103,335
Charge for year	3,703	–	4,479	5,101	13,283
Carried forward 31 December 2014	**10,762**	**–**	**15,948**	**89,908**	**116,618**
Net book value					
At 31 December 2014	**26,272**	**–**	**36,921**	**28,965**	**92,158**
At 31 December 2013	29,975	–	20,715	33,796	84,486

Company
The parent company has no property, plant and equipment.

19. Investments
Company

	Shares in group undertakings £
Cost	
At 7 October 2013	–
Additions	17,990,000
At 31 December 2013	17,990,000
Additions	6,110,284
At 31 December 2014	**24,100,284**
Net book value	
At 31 December 2014	**24,100,284**
At 31 December 2013	17,990,000

MartinCo PLC was incorporated on 7 October 2013. On the 10 December 2013 a share for share exchange acquisition took place with Martin & Co (UK) Limited; 17,990,000 ordinary shares in MartinCo PLC were exchanged for 100% of the issued share capital in Martin & Co (UK) Limited.

On 31 October 2014 the Company acquired the entire issued share capital of Xperience Franchising Limited and Whitegates Estate Agency Limited for a consideration of £6,110,284.

Martin & Co (UK) Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A of the Companies Act 2006.

At the year-end MartinCo PLC has guaranteed all liabilities of Martin & Co (UK) Limited. The value of the contingent liability resulting from this guarantee is unknown at the year-end.

The carrying value of the investment has been considered for impairment per the accounting policy in note 4.

The Company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries

	Share class	% ownership	Country of incorporation
Martin & Co (UK) Limited	Ordinary	100	England
Xperience Franchising Limited	Ordinary	100	England
Whitegates Estate Agency Limited	Ordinary	100	England

Nature of business of each of the above subsidiaries: Franchisor of residential letting, sales, and property management services.

20. Trade and other receivables

	Group		Company	
	2014 **£**	2013 £	**2014** **£**	2013 £
Trade receivables	**55,536**	65,165	**–**	–
Loans to franchisees	**190,333**	45,000	**–**	–
Other receivables	**167,263**	433,667	**24,926**	25,267
Amounts due from group undertakings	**—**	–	**239,483**	–
Prepayments and accrued income	**552,187**	321,737	**5,829**	–
Tax receivable	**—**	–	**74,258**	–
	965,319	865,569	**344,496**	25,267

Trade receivables are stated net of bad debt provisions of £nil (2013: £nil).

Ageing of trade receivables

The following is an analysis of trade receivables that are past due but not impaired. These relate to a number of customers for whom there is no recent history of defaults. The ageing analysis of these trade receivables is as follows:

	2014 **£**	2013 £
Group		
Not more than 3 months	**54,620**	48,598
More than 3 months but not more than 6 months	**–**	15,193
More than 6 months but not more than 1 year	**916**	1,233
More than 1 year	**–**	141
	55,536	65,165

No allowance has been made against the overdue receivables based on historic default experience. The Directors consider that the carrying value of trade and other receivables represents their fair value.

The Group does not hold any collateral as security for its trade and other receivables.

Notes to the consolidated financial statements
for the year ended 31 December 2014 continued

21. Called up share capital

	2014		2013	
	Number	£	Number	£
Group				
Authorised, allotted issued and fully paid ordinary shares of 1p each	**22,000,000**	**220,000**	22,000,000	220,000
Company				
Authorised, allotted issued and fully paid ordinary shares of 1p each	**22,000,000**	**220,000**	22,000,000	220,000

	Group number	Company number
As at 1 January 2013	17,990,000	–
Initial allotment	10,000	10,000
Issued in share for share exchange	–	17,990,000
Issued on admission to Alternative Investment Market	4,000,000	4,000,000
As at 31 December 2013	22,000,000	22,000,000
As at 31 December 2014	**22,000,000**	**22,000,000**

MartinCo PLC was incorporated on 7 October 2013 and 10,000 ordinary shares of 1p each were issued. On 10 December 2013 a share for share exchange took place whereby a further 17,990,000 shares of 1p each were exchanged for 100% of the issued share capital of Martin & Co (UK) Limited. On 17 December a further 4,000,000 shares were placed at £1 each.

22. Share premium

On 17 December 2013 the Company entered into a Placing Agreement whereby 4m new ordinary shares were placed with institutional investors at £1 per share. The share premium arising from the difference between the value of the shares placed and their nominal value was £3,960,000. The costs of this placing were £170,000 which includes the costs of obtaining HMRC approval that the placing was eligible for relief under the Enterprise Investment Scheme and for investment by Venture Capital Trusts.

23. Other reserves

	Merger Reserve £	Share-based Payment Reserve £	Total £
Group			
1 January 2013	(179,800)	–	(179,800)
31 December 2013	(179,800)	40,874	(138,926)
Deferred tax on share options	–	77,520	77,520
31 December 2014	**(179,800)**	**118,394**	**(61,406)**
Company			
31 December 2013	17,810,100	40,874	17,850,974
Deferred tax on share options	–	77,520	77,520
31 December 2014	**17,810,100**	**118,394**	**17,928,494**

Merger reserve

The acquisition of Martin & Co (UK) Limited by MartinCo PLC did not meet the definition of a business combination and therefore, falls outside of the scope of IFRS 3. This transaction was in 2013 and accounted for in accordance with the principles of merger accounting as set out in Financial Reporting Standard 6 – Acquisitions and Mergers.

The consideration paid to the shareholders of the Subsidiary was £17,990,000 (the value of the investment). As these shares had a nominal value of £179,900, the merger reserve in the Company is £17,810,100.

On consolidation the investment value of £17,990,000 is eliminated so that the nominal value of the shares remains of £(179,900) and, as there is a difference between the Company value of the investment and the nominal value of the shares purchased in the Subsidiary of £100, this is also eliminated, to generate a merger reserve in the Group of £(179,800).

Share-based payment reserve

The share-based payments reserve comprises charges made to the income statement in respect of share-based payments and related deferred tax impacts under the Group's equity compensation scheme.

24. Borrowings

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Repayable within 1 year:				
Bank loan (term loan)	**500,000**	–	**500,000**	–
Repayable in more than 1 year:				
Bank loan (term loan)	**2,000,000**	–	**2,000,000**	–
Bank loans due after more than 1 year are repayable as follows:				
Between 1 and 2 years	**500,000**	–	**500,000**	–
Between 2 and 5 years	**1,500,000**	–	**1,500,000**	–

The term loan of £2.5m is secured with a fixed and floating charge over the Group's assets and a cross guarantee across all companies in the Group. The loan commenced on 30 October 2014 and is repayable over 5 years in equal instalments. Interest is charged quarterly on the outstanding amount and the rate is fixed during the term at 4.08%. At 31 December 2014 the unutilised amount of the facility was £2.5m.

25. Trade and other payables

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Trade payables	**178,673**	170,717	**29,809**	31,612
Other taxes and social security	**340,534**	178,218	**–**	–
Other payables	**23,571**	–	**–**	–
Accruals and deferred income	**503,752**	304,335	**72,874**	20,781
Amounts owed to group undertakings	**–**	–	**–**	243,026
	1,046,530	653,270	**102,683**	295,419

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

26. Leasing agreements

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Non-cancellable operating leases 2014 £	Non-cancellable operating leases 2013 £
Group		
Within 1 year	**44,820**	25,001
Between 1 and 5 years	**17,000**	33,194
	61,820	58,195

The lease arrangements above consist of those relating to land and buildings and office equipment.

Company

No leases exist in the parent company.

Notes to the consolidated financial statements
for the year ended 31 December 2014 continued

27. Deferred tax asset/(liability)

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Balance at beginning of year	**34,654**	(10,760)	**40,874**	–
Movement during the year				
Statement of changes in equity	**77,520**	40,874	**77,520**	40,874
Acquisitions	**(903,310)**	–	**–**	–
Statement of comprehensive income	**–**	4,540	**–**	–
Balance at end of year	**(791,136)**	34,654	**118,394**	40,874

Deferred taxation has been provided as follows:

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Accelerated capital allowances	**(6,220)**	(6,220)	**–**	–
Share-based payments	**118,394**	40,874	**118,394**	40,874
Acquired business combinations	**(903,310)**	–	**–**	–
	(791,136)	34,654	**118,394**	40,874

28. Financial instruments

Financial instruments – Risk Management

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

- Credit risk
- Liquidity risk
- Interest rate 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.

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

Principal financial instruments

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

- Receivables
- Loans to franchisees
- Cash at bank
- Trade and other payables

Financial assets

Financial assets measured at amortised cost:

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Loans and receivables:				
Trade receivables	**55,536**	65,165	**–**	–
Loans to franchisees	**190,333**	45,000	**–**	–
Other receivables	**167,263**	433,667	**30,755**	25,767
Cash and cash equivalents	**3,367,259**	4,817,520	**—**	–
Amounts owed by Group undertakings	**—**	–	**239,483**	–
	3,780,391	5,361,352	**270,238**	25,267

Financial liabilities

Financial liabilities measured at amortised cost:

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Other financial liabilities:				
Bank loan	**2,750,465**	–	**2,750,465**	–
Trade payables	**178,673**	170,717	**29,809**	31,612
Other payables	**23,571**	–	**–**	–
Accruals	**503,752**	304,335	**72,874**	20,781
Amounts owed to Group undertakings	**–**	–	**–**	243,026
	3,456,461	475,052	**2,853,148**	295,419

Maturity analysis of financial liabilities:

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
In less than one year:				
Bank loan	**590,563**	–	**590,563**	–
Trade payables	**178,673**	170,717	**29,809**	31,612
Other payables	**23,571**	–	**–**	–
Accruals	**503,752**	304,355	**72,874**	20,781
Amount owed to Group undertakings	**–**	–	**–**	243,026
	1,296,559	475,052	**693,246**	295,419
In more than one year:				
Bank loan	**2,159,902**	–	**2,159,902**	–
	2,159,902	–	**2,159,902**	–

All of the financial assets and liabilities above are recorded in the statement of financial position at amortised cost. The above amounts reflect the contractual undiscounted cash flows, including future interest charges, which may differ from carrying values of the liabilities at the reporting date.

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 finance function. The Board receives monthly reports from the finance function 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:

Capital management policy

Management considers capital to be the carrying amount of equity. The Group manages its capital to ensure its operations are adequately provided for, while maximising the return to shareholders through the effective management of its resources. The principal financial risks faced by the Group are liquidity risk and interest rate risk. The Directors review and agree policies for managing each of these risks. These policies remain unchanged from previous years.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and so provide returns for shareholders. The Group meets its objectives by aiming to achieve growth which will generate regular and increasing returns to the shareholders.

The Group manages the capital structure and makes changes in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders.

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. It is Group policy to assess the credit risk of new franchisees before entering contracts.

The highest risk exposure is in relation to loans to franchises and their ability to service their debt. 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. The Group does not consider that it has significant concentration of credit risk.

Notes to the consolidated financial statements
for the year ended 31 December 2014 continued

28. Financial instruments continued

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.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future development, the Group monitors forecast cash inflows and outflows on a monthly basis.

Interest rate risk

The Group's exposure to changes in interest rate risk relates primarily to interest earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the effect of an adverse movement in interest rates. Hence the fixed rate of interest on the bank term loan. The Directors monitor movements in interest rates and have not prepared sensitivity analysis in relation to interest rates as they do not believe that any reasonable variance would have a material impact on the Group.

Fair values of financial instruments

The fair value of financial assets and liabilities is considered the same as the carrying values.

29. Acquisitions

On 31 October 2014, the Group acquired 100% of the share capital of Xperience Franchising Ltd ("XFL") and Whitegates Estate Agency Ltd ("WEAL") both franchisors of lettings and estate agents for cash of £6.1m. The transaction met the definitions of a business combination and is accounted for using the acquisition method under IFRS 3.The assets and liabilities below are shown at their fair values at acquisition.

	XFL £	WEAL £	Total £
Intangible assets			
Brand names	571,000	–	571,000
Master franchise agreements	3,422,579	652,506	4,075,085
Customer lists	176,202	49,002	225,204
Tangible assets	4,335	626	4,961
Trade and other receivables	86,443	51,588	138,031
Cash	995,088	49,294	1,044,382
Trade and other payables	(261,006)	(97,280)	(358,286)
Deferred tax	788,384	114,926	903,310
Net assets acquired	**4,206,257**	**590,810**	**4,797,067**
Goodwill	912,716	400,501	1,313,217
Consideration	**5,118,973**	**991,311**	**6,110,284**
Satisfied by:			
Cash to vendors	**5,118,973**	**991,311**	**6,110,284**

The goodwill above represents the value attributable to the new businesses and the assembled and trained workforce. Deferred tax at 20% has been provided on the value of intangible assets defined as brand names and master franchise agreements. Acquisition costs of £158,741 were incurred and charged to exceptional items in the Consolidated Statement of Comprehensive Income.

Post acquisition results

	XFL £m	WEAL £m	Total £m
Revenue	0.20	0.10	0.30
Profit before tax since acquisition included in the Consolidated statement of comprehensive income	0.10	0.05	0.15

If the acquisitions had completed on the first day of the financial year, Group revenues would have been £7m and Group profit before tax would have been £2.4m (this excludes the restructuring costs incurred pre-acquisition by WEAL).

The Group acquired two franchisors of lettings and estate agents operating under 4 brands throughout England and Wales. The acquisitions were made to extend national coverage, increase the Group's market share and develop its sales expertise.

30. Discontinued operations and held for sale assets and liabilities

Subsequent to the Board's decision to discontinue the activity of owning and managing its own offices, the offices in Birmingham Kings Heath and Bournemouth were sold on 30 August 2013, in Coventry on 1 October 2013, in Portsmouth on 19 December 2013 and in Worthing on 30 December 2014. These are classified as discontinued activities.

In June 2014, the Group acquired its first portfolio of 374 managed lettings properties in Saltaire for £0.3m. This has been managed for the Group by Martin & Co Saltaire under a management services agreement and achieved its budgeted returns. However, portfolios that meet the Group's criteria have been difficult to find either because of the sales price or issues with the quality of the portfolio. On 21 November 2014 T G Fisheries Ltd, the franchisee operating Martin & Co Saltaire, notified the Group of its intention to purchase the portfolio of properties it was managing on behalf of the Group in accordance with the services agreement signed between the parties. At the year-end this asset is classified as held for resale but not as a discontinued operation because the Group intends to continue to pursue and acquire portfolios of managed properties which meet its criteria. The sale was completed on 30 January 2015.

	2014 £	2013 £
Non-current assets held for sale and discontinued operations		
Operating cash flows	**(17,953)**	(22,613)
Investing cash flows	**364,743**	66,326
Financing cash flows	**—**	–
Increase in cash and cash equivalents	**346,790**	43,713
Assets of disposal group classified as held for sale		
Intangible assets	**254,846**	181,347
Property, plant and equipment	**–**	23,120
Other current assets	**–**	10,662
	254,846	215,129
Liabilities of disposal group classified as held for sale		
Trade and other payables	**–**	48,108
Analysis of the results of discontinued operations is as follows:		
Revenue	**204,249**	816,718
Expenses	**(180,749)**	(651,481)
Profit before tax of discontinued operations	**23,500**	165,237
Made up of:		
Trading operations	**19,493**	28,416
Sale of operations	**4,007**	136,821
	23,500	165,237
Tax	**(4,935)**	(38,417)
Profit/(Loss) for the year from discontinued operations	**18,565**	126,820

As a result of the sale of the owned offices, the Group generated net cash inflows from investing activities of £365k (2013: £58k). The total consideration was £210k (2013: £697k). However, the Group agreed to defer consideration on Worthing as it had for three of the office disposals in 2013 so that £252k of deferred consideration existed at 31 December 2014 (2013: £408k)

31. Share-based payments

Enterprise Management Incentive (EMI) Share Option Scheme

During the period ended 31 December 2013 the Company implemented an Enterprise Management Incentive scheme as part of the remuneration for senior management. The options were granted over a discretionary period and have varying vesting conditions.

The Company granted 1,566,000 options over ordinary shares to directors and executives of the Group. Following an independent expert valuation of scheme, the share based payments charge was deemed by the company to be immaterial in the current and prior year to the financial statements and therefore no charge has been recognised in the year.

The vesting conditions include performance conditions including a profit before tax target in the year ended 31 December 2016.

The maximum term of the options granted is ten years from the grant date. Upon vesting, each option allows the holder to purchase one ordinary share at a exercise price of £0.1764. The number of options granted under the scheme total 1,566,000.

The estimated fair value of each share option granted in the EMI plan is 0.97 pence. This was calculated by applying the Black-Scholes option pricing model which takes into account factors specific to share incentive plans, such as the vesting period.

Notes to the consolidated financial statements
for the year ended 31 December 2014 continued

31. Share-based payments continued
The following principal assumptions were used in the valuation:

Expected term	6.5 years
Volatility	50%
Option life	August 2023
Risk free interest rate	2.08%
Exercise price	£0.1764
Share price at date of grant	£0.1764

Expected volatility is a measure of the amount by which a share price is expected to fluctuate during a period. Movement in the number of share options were as follows:

	2014 £	2013 £
Number of share options		
Outstanding at the beginning of the year	**1,566,000**	—
Granted	–	1,566,000
Outstanding at the end of the year	**1,566,000**	1,566,000
Exercisable at the end of the year	–	—

The weighted average remaining contractual life of options is 8.7 years (2013: 9.7 years).

32. Related party disclosures
Transactions with Directors

Dividends

During the period dividends were paid to the Directors and their spouses as follows:

	2014 £	2013 £
Interim and Final dividend (ordinary shares of £0.01 each)	**142,999**	252,500

Loans

During 2013 loans were made by the Group to a director, R. Martin. On 18 December 2013, as part of the flotation process, R. Martin fully repaid the total loan of £729,004. At 31 December 2013 and subsequently no loans have existed between the Group and its Directors.

Director emoluments

Included within the remuneration of key management and personnel detailed in note 9, the following amounts were paid to the Directors:

	2014 £	2013 £
Wages and salaries	**412,433**	301,312
Social security costs	**34,617**	29,511
	447,050	330,823

Transactions with Other Related Parties

Transactions with The Landlord Hub Limited

The Landlord Hub Limited is a related party by virtue of common shareholders as Mr R W Martin owns 35%, Mrs K M Martin owns 35%, Mr I Wilson owns 10%, Mrs H Shackell owns 10% and the daughters of Mr and Mrs R W Martin own 5% each.

The Group has supplied recruitment services during the year of £18,540 (2013: £5,520) and other services of £801 (2013: £19,637). It has also earned commission on references supplied by The Landlord Hub Ltd to its franchise network of £23,767 (2013: nil). At the 31 December 2014, The Landlord Hub Ltd owed the Group £26,282 (2013: £5,948).

33. Subsequent events
On 21 November 2014 T G Fisheries Ltd, the franchisee operating Martin & Co Saltaire, notified the Group of its intention to purchase the portfolio of properties it was managing on behalf of the Group in accordance with the Services Agreement signed between the parties. This transaction completed on 30 January 2015 resulting in the portfolio being disposed of for £255,998 and generating a resulting profit over its net book value of £1,152.

Shareholder Information

Financial calendar
Announcement of Preliminary results – 31 March 2015
Annual General Meeting – 7 May 2015
Half-year results – 30 September 2015
Interim dividend – 30 September 2015

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