Annual Report & Accounts 2015

MARTINCO PLC

A growing national footprint

Welcome to MartinCo PLC

MartinCo PLC is the holding company for three master franchises operating five established lettings and estate agency brands, with 240 franchisees and 287 offices in the UK.

The vision

To achieve an increasing UK market share of lettings and estate agency transactions, using a proven franchise model and multiple, and sometimes competing, established property brands.

Discover more

martinco.com/investor-relations

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Operational highlights

Successful integration of the four "Xperience" brands into the existing franchisor infrastructure

Number of tenanted managed properties across the Group increased from 42,000 to 45,000 at year end

Total of 12 new franchisees recruited, 13 new offices opened 32 offices with annual revenues in excess of £500k compared to 23 offices in 2014

Group remains weighted toward the lettings market, with 76% of Management Service Fees revenue derived from this activity

Strong cash position of £4.3m at year end with £5m (£3.0m undrawn) debt facility in place

Board recommends a final dividend for 2015 of 4.1p per share (2014: 2.7p per share)

Financial highlights

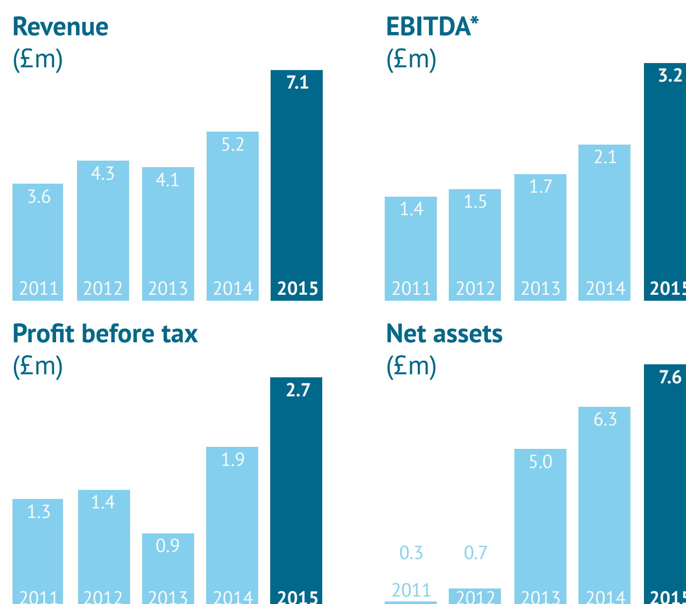
Revenue
£7.1m +38% — 2014: £5.2m

Management Service Fees
£6.2m +53% — 2014: £4.1m

EBITDA*
£3.2m +50% — 2014: £2.1m

Profit before tax
£2.7m +42% — 2014: £1.9m

* before exceptional costs



Who we are and what we do

Recognised property brands harnessed to the motive power of local owner/managers.

The "Xperience" brands acquired in October 2014 are proving to have strong local reputations and be well recognised by customers. All our brands are capable of further expansion.

Our core business at a glance

01 Focusing on lettings and property management

The private rented sector has overtaken social housing to become the second largest tenure in the UK. We service private landlords by finding tenants and managing their properties.

02 Providing a range of estate agency services

All our brands offer traditional "no sale, no fee" estate agency, and the Martin & Co brand offers clients an alternative, an on-line advertising service only for a reduced but pre-paid fee.

03 Leveraging established property brands

Martin & Co is a nationally recognised lettings brand. Our four other property brands each enjoy strong customer recognition within their regions and enjoy even longer heritage.

04 Locating offices on the high street

Customers want to search for property on-line but the credibility of a local agency, staff with knowledge of the area, and proximity for accompanied viewings and management visits to tenanted properties remains compelling.

Martin & Co
Offices opened in 2015: 6
Offices: 171
Location: National
Established: 1986

Cj Hole
Offices opened in 2015: 4
Offices: 22
Location: South West England
Established: 1867

Martin & Co
Offices opened in 2015: 1
Offices: 24
Location: London
Established: 1986

Ellis & Co
Offices opened in 2015: 1
Offices: 22
Location: London
Established: 1850

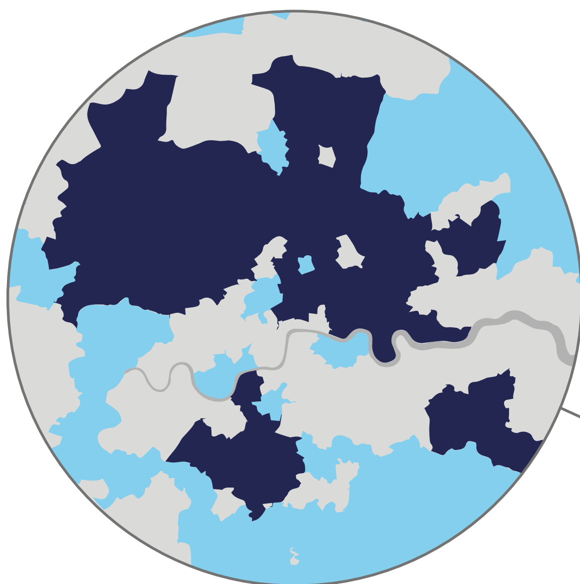
Whitegates
Offices opened in 2015: 1
Offices: 34
Location: North England, The Midlands
Established: 1978

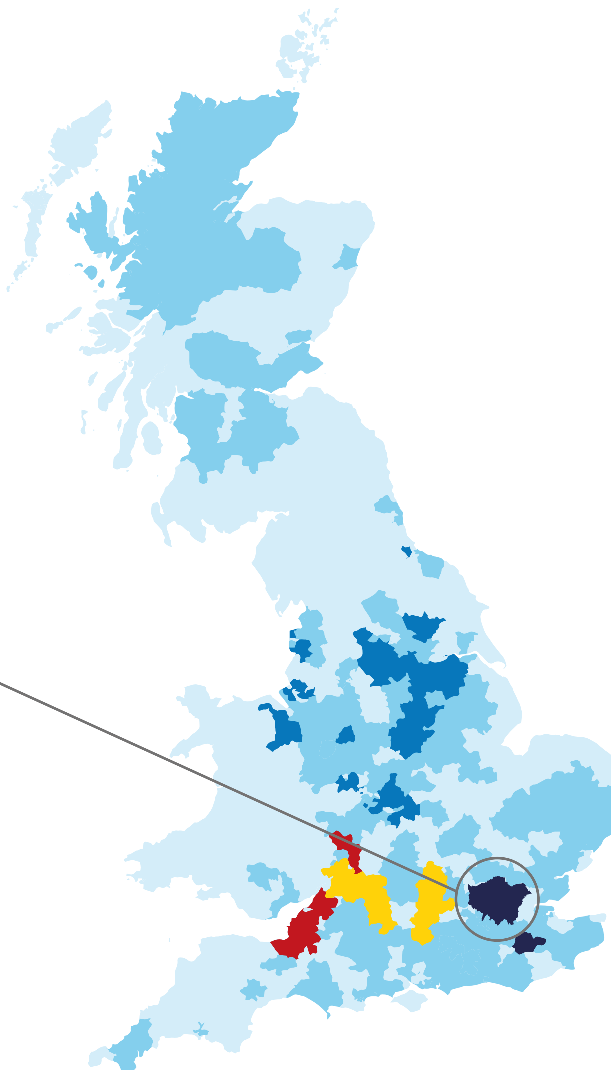
Parkers
Offices opened in 2015: 0
Offices: 14
Location: M4 corridor
Established: 1948

Brand coverage across the UK

55% **of the private rented housing stock within our occupied franchise territories**

13 **offices opened in 2015, of which 7 in virgin territory for our brands**





Strong strategy and consistent application of franchising principles.

As we approach the 30th anniversary of the founding of Martin & Co it gives me great satisfaction to look back over events that have structured our thinking and that have enabled us to develop our network and thus deliver yet another year of consistent and reliable growth.

When the economy emerged from the recession of the early 1990s it became evident to me that the traditional agency business model was outmoded and there was therefore a need for us to develop stability and consistency in our business. It had to have a solid lettings portfolio as its bedrock so it could deliver reliable and repeat income streams. In addition it needed to lose its cumbersome cost base which had become its Achilles heel during the routine cyclical slumps in the residential sales market. Hence the birth of our franchise model which delivers reliable “triple ring fenced” repeat income streams without the capital exposure of the traditional model for our sector.

Many factors which influenced the growth of the “buy-to-let” market (as it became known) remain, but these have an even greater impact today. A rapidly increasing population, growing pressure on the housing stock with the volume of new builds failing to meet Government annual targets, social mobility and employment instability, increased single occupancy households and inability to raise mortgage finance to name but a few.

Today the private residential lettings sector is maturing and we have built a managed portfolio of over 45,000 units which provides our bedrock and secures our position as a leading national player. We envisage further growth in lettings as the appetite for institutional investment develops. This will allow residential property to become a more reliable asset class as more sophisticated clients seek expertise and uniform service delivery on a national scale.

With the task of building our lettings business well advanced, we are delighted now to be able to provide more focus on residential sales. The wealth of sales expertise that came with our acquisition of the Xperience brands and the many exceptional agency businesses that came with that acquisition, have started to yield returns as we integrate them into the Group. Furthermore, we are seeing positive results from introducing our lettings expertise into the Xperience brands. This will help to provide equilibrium in the split between sales and lettings across our Group and to counter the cyclical nature of the sales sector.

In addition to our national Martin & Co brand, the Group now includes the recently-acquired, long-established regional brands of CJ Hole, Whitegates, Ellis & Co and Parkers, each with a long and proud history of serving the community within their respective territories. We aim to use our franchising know-how to reinvigorate these brands, to regain their former position and to capitalise on the latent value embedded within their long-standing multi-generational presence.

Despite an apparent threat from new technology, we firmly believe the success-only charging structure from a locally based agent will survive the threat from online agencies. This is because delivery of both a sales and lettings service have powerful local elements which cannot adequately be replicated online across the whole market.

Regardless of minor regulatory or fiscal adjustments, the demand for property within the UK regardless of tenure has never been greater. I have great confidence in the future for the MartinCo Plc Group.

My thanks go to the executive, their teams and my fellow Board members for their outstanding efforts over the last year.

I am delighted to announce that the Board has recommended a final dividend of 4.1p per ordinary share for 2015.

The Strategic Report is contained on pages 6 to 17. It was approved by the Board on 4 April 2016.

Richard Martin
Chairman
MartinCo PLC

Tenanted managed properties	All properties let	Properties sold	Properties listed for sale
45,000	31,573	7,689	14,059
+6%	+17%	+249%	+147%

In detail

Adding value through data mining

Control of numbers is important to any business owner and we collect raw data from our entire network every month so that we can assess trends and measure progress against our own KPIs. Over time, we have developed a range of performance norms which means we can respond quickly to adverse variances and help franchisees to identify where intervention is necessary. Intervention could be a visit from one of our highly qualified support staff, or attendance at a training course. We are able to issue a regular 'Health Check' to our network identifying adverse indicators, and how much additional income could be gained by corrective action.

For example, with a portfolio of over 45,000 properties under management, we understand how portfolios behave, how many tenancies are renewed, vacated and relet to new tenants, or lost due to landlords selling or moving back in. We call this portfolio attrition, and understanding adverse variances is key to maximising income from this valuable opportunity.

Macro-economic drivers of private rented sector remain in place.

The powerful success story of the resurgent private rented sector, rising from 9% of total UK housing stock in the early 1990s to an estimated 20% today, driven by private landlords.

The key driving macro-economic factors

Stored equity

There is an estimated £2,000bn of equity stored in the UK housing stock unencumbered by mortgages, with another £2,000bn of equity in mortgaged stock, of which £1,000bn is owner-occupied and £1,000bn is privately rented*.
There is potential for older owners of unmortgaged property to downsize and release equity to acquire a buy-to-let investment for income.

*Savills Residential Property Focus 2016 Issue 1

Pension reform

Pension reform has enabled the over-55s to access retirement funds, which can be used as a deposit on a buy-to-let property. This group will be responsible for 3 million future property deals, with nearly 40% of homeowners planning at least one more property purchase*.

*Prudential

Buy-to-let mortgage availability

Over 1,000 buy-to-let mortgage products are currently available, with record low interest rates available on fixed term loans for up to 5 years. Many mortgages are available with terms of up to 35 years and with upper age limits of 70 years old.

A high performing asset class

Independent research we commissioned showed the total returns from buy-to-let as an asset class ranged from 6.4% to 13.2% per annum, depending on region, over the 10 years to 2014, exceeding returns from stocks and shares, which averaged 0.5% per annum.

Net migration at a record high

Net migration to the UK in 2014/15 was 338,000 – a new high. The foreign-born UK population has lower home ownership rates (43%) and is almost 3 times as likely to be in the private rented sector (39%)*.

*Office for National Statistics

First-time buyers at the limit

House prices for first-time buyers hit a record high in August, with the typical first-time buyer paying 3.8% more than in 2014. The average first-time buyer now earns £50,000 per annum (UK average earnings £25,000) and pays a deposit of £33,000 on a property worth £190,000).

The key driving opportunities

Enlarged private rented sector

The private rented sector has grown from a low of 9% to almost 20% of UK stock, overtaking the social housing sector, with 5.4 million privately rented homes in 2014 expected to reach 7.2 million by 2025*.

*PwC UK Economic Outlook July 2015

Increased regulation

Government is increasing regulation on landlords. Deposits must be registered, new health and safety rules for rented homes, and checks on a tenant's "right to rent" in the UK and licensing in Wales. These changes favour agents.

On-line advertising

Tenants search for properties on-line, and the three largest property portals Rightmove plc, Zoopla and On the Market do not allow private advertisers. As one of the largest property groups we enjoy preferential terms.

Fragmented market

There are estimated to be 16,000 estate agents and 20,000 letting agents in the UK. Of these only 7 organisations have more than 100 offices. There are an estimated 20 property franchise systems. Consolidation opportunities exist.

Multiple brands

Each of our five brands has an established track record – the youngest, Martin & Co, itself has been trading for 30 years. We believe that each brand is capable of further expansion and that our growing cities could support 2 and in places 3 brands.

Rise of franchising

There are now three AIM-listed property franchisors with almost 700 offices between them. The combination of corporate infrastructure to support highly incentivised individual owner/managers trading under a recognised brand name has proven to be a powerful one.

The franchise model – continuous recruitment and tactical acquisitions.

Key strengths

- Five-year renewable franchise licence
- No exit without a sale to a new franchisee
- Renewal subject to performance criteria
- Central control over brand and standards
- Stable network with high levels of franchisee retention

The proposition

All new franchisees receive intensive initial training and mentoring, followed by an assisted launch.

We arrange funding, find premises and experienced staff, and manage "roll-out" of every new office using a detailed and time-proven plan.

There is ongoing support through a regional training programme, and office visits from our "business development" team.

All offices have unlimited access to our business systems helpdesk and to specialist "market intelligence" tools.

Marketing collateral is developed centrally and made available through a digital hub for franchisees to purchase at bulk-discount rates.

We build and optimise our five brand websites in-house. We support franchisees with regular social media content and monthly newsletters to our landlord database (c. 43,000 contacts).

We source specialist operational software at a group discount, and work with our providers to ensure all franchisees and staff are competent users.

We have an internal audit team and conduct regular checks on the finances of our franchisees.

In return, our franchisees pay a Management Services Fee ("MSF") including a licence element for use of the brand. MSF is 9% plus VAT of all income for Martin & Co offices, and currently 7.5% plus VAT for the other brands, but this will converge to 9% when franchises renew.

In addition, franchisees contribute to a marketing promotions fund and the total contributed in 2015 was £694k. The franchisees themselves decide on the use of this fund, and this has included sponsorship of international rugby and cricket.

Strategy in action

Martin & Co and CJ Hole in Worcester.

Two brands, one market

Peter Grieve was a successful senior executive in the hospitality trade. However, he and his wife Rani wanted a better life that meant less commuting.

In 2008 they decided to open a new office of Martin & Co in Worcester with Rani working in the business immediately and winning many new landlords. By 2010 Peter was also working full-time in the business and the couple decided to open their second office. They acquired an existing Martin & Co business in Gloucester and revitalised it, moving to more prestigious premises.

In 2013 we found them a managed portfolio for sale and assisted Peter and Rani operationally with the purchase. Emboldened by the experience Peter and Rani then bought another "bolt on" portfolio.

After we acquired the CJ Hole master franchise, Peter and Rani approached us and asked to buy a franchise for Worcester. Our Chief Executive was at first a little puzzled, but they explained that they had an opportunity to take a lease on premises in a prime spot opposite the Worcester Foregate Street Station. In Peter's opinion the CJ Hole brand already had market cachet as a mid-to-upper market estate agency and this would complement the couple's existing Martin & Co business with its lettings focus. In October 2015 Peter and Rani opened the new CJ Hole office in Worcester just 50 yards from their Martin & Co shopfront.

In detail

The life of a franchisee

2008 Opened Martin & Co Worcester (cold start)

2010 Acquired Martin & Co Gloucester (resale)

2013 Acquired portfolio of 212 managed properties

2014 Acquired portfolio of 40 managed properties

Turnover £822k
Gross profit £690k

2015 Opened C J Hole in Worcester

September: A record month with turnover of £101k (+10.5% YTD)

A clear strategic plan focused on growing all five of our property brands.

MartinCo PLC intends to further develop its network, opening new Martin & Co offices nationally, and adding offices to its other four brands within their regional footprint.

Franchisee recruitment

The Group continues to actively recruit new franchisees both to open new offices and to take over existing businesses when the franchisee wants to exit.

Progress during 2015

- Creation of a dedicated franchise sales team in a new "showroom" showcasing the brands, the marketing collaterals, shop fit and furniture.
- Adoption of "The Property Franchise Group" as the trading style for our multi-brand franchise.
- Cold start offices launched with new franchisees in Kingston, Plymouth, Hull, Wokingham, Gloucester and Greenford. Cold start offices opened by existing franchisees in Downend, Cirencester, Worcester, Chester, Longbridge, Ashford and Huyton.

Income diversification

We aim to increase our earnings from property sales and financial services by leveraging the estate agency credentials of the four brands we have acquired. However, the Group's core focus will continue to be its lettings business.

- Number of house sale transactions completed across the Group increased from 2,201 to 7,689.
- Offices offering an estate agency service increased from 243 to 256.
- Financial services strategy agreed with business partner Legal & General and will roll-out during 2016.

Marketing & PR

The acquired brands are strong within regional catchments, and it is our intention to invigorate those brands and expand the territories over which they trade. Martin & Co is a pioneering brand, which has grown through cold-starting in green field locations on a fully national basis and this will continue.

- Review of all marketing collateral across the five brands to create a full suite of campaign and point-of-sale materials.
- New look for Ellis & Co brand in London with delighted franchisees volunteering to refresh their shop fascias, boards and stationery.
- "Ask Martin" national campaign based on independent research we commissioned on the returns achieved from buy-to-let investment.
- Appearance by our CEO on Radio 4's "Today" programme, and sponsorship of international cricket and rugby to promote the Martin & Co brand.

National Network Conference 2016

Principal risks

- Ability to find, recruit and retain skilled franchisees
- Withdrawal of funding support by retail banks

- Market conditions for house sales
- Financial services strategy is new and untested
- Competition for lettings business has intensified because of increased agency activity versus reduced numbers of lettings transactions (as a function of lengthening average tenancy terms)

- Reputational risks to our brands
- Failure to exploit online technology as quickly as our competitors

KPIs

Franchise enquiries

+174%

(Q4 2015 vs Q4 2014)

Offices opened

+116%
13

(2015 vs 2014)

Estate agency MSF

10% ▶ 23%

(% of total MSF 2014 vs 2015)

Financial services MSF

0.22% ▶ 0.91%

(% of total MSF 2014 vs 2015)

Visits to our websites

+135%

(Dec 2015 -Dec 2014)

Followers on social media

+25%

(Twitter: Dec 2015 - Dec 2014)

see page 14 for more information

30 years in the private rented sector.

As a group, most of our income is derived from letting and managing properties in the private rented sector.

The sector has been resurgent over the last 30 years, income from tenanted properties is predictable, seasonal fluctuations in letting transactions are modest and well understood by the management, and lettings, unlike house sales, has not suffered from economic cycles.

The private rented sector has been very effective in providing housing solutions for those unable to buy a home, and as such the sector has doubled in the last 20 years, organically and with no government support. Individuals have invested in the buy-to-let sector out of their own pocket, made more attractive by allowing the interest on a buy-to-let loan to be offset as an expense against income.

In fact independent research, which we commissioned and published in 2015 to coincide with the pension reforms launch on 1 April 2015, highlighted that a wholly cash funded investment in a buy-to-let property over the last decade would have outperformed the same cash sum invested in stocks and shares by at least 13 times (max. 26 times).

According to recent research** the equity in mortgaged buy-to-let properties now exceeds the equity in mortgaged owner occupied properties. Debt is falling in the buy-to-let sector and more properties are owned mortgage-free. We believed that pressure on the UK housing stock will mean that buy-to-let investment remains an attractive proposition for older people who have equity to draw against or pension pots to invest.

During 2015 we let more properties than ever before and we ended the year managing over 45,000 tenanted homes, which means collecting and accounting for £34m in rents every month.

We are delighted with the four property brands we acquired in October 2014. The brands of Parkers, CJ Hole, Whitegates and Ellis & Co all have great heritage and pedigree and already enjoy strong reputations with the public for both estate agency and lettings.

The first part of 2015 was substantially taken up with the integration of Xperience into our Group. Xperience operated out of two headquarter buildings, one in Leeds and one in Theale. We never occupied the Leeds building and closed and disposed of the lease at Theale. Head office headcount has risen slightly by the end of 2015 to 39 staff, but this is in the context of managing a network of 287 offices; at the time of the IPO in December 2013 our network was 190 offices and a headcount of 31.

I am delighted to report that all the costs of the re-organisation and assimilation of Xperience into our Group have been incurred and we enter 2016 with a lowered cost base.

The vast majority of our franchisees have been franchisees for 5 years or more. This means that their initial bank loans will have been paid down and these businesses should be very well placed to raise new funds to acquire competitors. We intend to put more energy into this activity during 2016.

We will be rolling out a financial services strategy to all our offices during 2016. The proposition will be a "whole of market" selection of mortgages and fee-free advice. Life Assurance and General Insurance products will be tied to Legal & General. The benefits of this strategy will be increased income from financial services (currently just 1% of MSF) and greater understanding of our customers.

Enquiries from potential franchisees have been on a steep rise during the final quarter of 2015. We achieved our highest number of new recruits in three years and opened 13 new offices. We remain very positive about prospects for the private rental sector and with a strong balance sheet, five great property brands and experienced management in place we achieved our best year yet in 2015 and aim to surpass this by a substantial margin in 2016.

Ian Wilson
Chief Executive Officer

** Savills Research Feb 2016

Financial review

Acquisitions strategy generates significant increase in profits.

Our multi-franchise strategy has delivered improvements in operating margin, EBITDA and PBT.

In what turned out to be a flat housing market in 2015 with 1.2m transactions* (2014: 1.2m transactions) our focus has been on the integration of the acquired brands, realising economies of scale and developing our offerings across five brands.

Revenue

Group revenue for the financial year to 31 December 2015 was £7.1m (2014: £5.2m), an increase of £1.9m (38%) over the prior year. The incorporation of a full year's revenue from the Xperience acquisition in October 2014 contributed £1.7m of this increase.

Management Service Fees represented 87% of Group revenue with the remainder being franchise sales and ancillary services to support MSF generation.

Management Service Fees from the Martin & Co offices increased by £0.4m (11%) in the year. However, franchise sales activities, whilst on a par with 2014, delivered lower revenues in 2015 of £0.1m and we sold our Saltaire portfolio in January 2015 which had delivered £0.1m of revenue in 2014.

	2015			2014		
	Continuing £m	**Discontinued £m**	**Total £m**	Continuing £m	Discontinued £m	Total £m
Revenue	**7.1**	**–**	**7.1**	5.2	0.2	5.4
Admin expenses	**3.9**	**–**	**3.9**	2.8	0.2	3.0
Operating profit*	**2.9**	**–**	**2.9**	2.0	–	2.0
Operating profit	**2.7**	**–**	**2.7**	1.9	–	1.9
Profit before tax*	**2.9**	**–**	**2.9**	2.1	–	2.1
Profit before tax	**2.7**	**–**	**2.7**	1.9	–	1.9
EBITDA*	**3.2**	**–**	**3.2**	2.1	–	2.1

* before exceptional costs

Operating profit

Operating profit before exceptional items increased from £2.0m to £2.9m (42%) and the margin increased from 39% to 41%.

Administration expenses, including the first full year of the Xperience acquisition, increased by £1.1m (£0.2m of the increase was attributable to amortisation). Cost savings of £0.4m were realised.

EBITDA

EBITDA before exceptional costs for 2015 was £3.2m (2014: £2.1m) an increase of £1.1m (50%) over the prior year.

Exceptional items

The exceptional costs for 2015 are £0.2m (2014: £0.2m) and all relate to redundancy payments following the Group's re-organisation (2014: Xperience acquisition costs).

Profit before tax

The profit before tax was £2.7m for 2015, an increase of £0.8m (42%) over the prior year.

Taxation

The effective rate of corporation tax for the year was 20.25% (2014: 21.5%). The total tax charge for 2015 is £539k (2014: £416k).

Earnings per share

Earnings per share for the year was 9.8p (2014: 6.9p), an increase of 42%. The profit attributable to owners increased to £2.2m (2014: £1.5m).

Dividends

The Board is proposing a final dividend of 4.1p per share for 2015 which, together with the interim dividend of 1.8p per share paid to shareholders on 30 September 2015, equates to a total dividend for the financial year of 5.9p (2014: 4.0p) an increase of 47.5%.

Cash flow

The Group is highly cash gerative.

The net cash inflow from operating activities in 2015 was £2.4m (2014: £1.5m) before exceptional costs of £0.2m (2014: £0.2m) as the newly expanded Group continues to generate strong operating cash inflows.

The net cash inflow from investing activities was £0.3m (2014: outflow £5.0m) due principally to the disposal of the Saltaire portfolio (2014: Xperience acquisition).

Loan repayments totaling £0.5m plus interest payments of £0.1m were made on the Santander UK plc loan during 2015. Dividend payments were £1m in 2015.

Liquidity

The Group had cash balances of £4.3m at 31 December 2015 (2014: £3.4m).

Financial position

The Group is strongly cash generative which, together with the undrawn facility from Santander UK plc of £3.0m, puts it in a strong position to fulfil its strategic plan.

David Raggett
Chief Financial Officer

*HMRC UK Property Transaction Statistics 23 February 2016

Principal risks

Effective management with regular reviews, evaluations and prioritising of risks.

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

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.

Market conditions

The residential property market is influenced by economic and political factors on a regular basis. This can cause short-term changes in the behaviour of our clients and long term changes in the way our sector develops.

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.

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.

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 20,000 lettings agents in the UK, with varying levels of service and standards.

Potential impact	Mitigation
• Reduced growth in Management Service Fees. • Reduced market share and representation.	• Five Business Development Managers to support and develop franchisee's growth. • Experienced and long-serving management team with a track record of growth. • Comprehensive training made available to franchisees.
• 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.
• 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.	• Focus of senior management team on finding and completing acquisitions. • There is estimated to be between 14,500 and 27,000 letting agents in the UK (the higher figure including professional landlords managing their own portfolio) all with potential portfolios to buy, so there should be sufficient supply. • Contracted with a specialist provider to assist in acquiring portfolios. • Supportive UK banks.
• 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. • Supportive UK banks.
• 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 Business Development Managers to monitor and enforce brand compliance. • All franchisees are required to be members of trade bodies and the Property Ombudsman Service.

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 39 employees at 31 December 2015 including 8 who are field based around the UK, and an executive team of 6 (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 table below 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 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 brands' 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-to-day 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.
- Franchise audits.

Helpdesk support

- Support the use of Jupix across the Martin & Co network.
- Support the use of Brief Your Market "BYM" throughout the brands.
- 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 other systems 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 the offices in the network and head office.
- 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.

Board of directors

01 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.

02 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.

03 David Raggett
Chief Financial Officer

Since qualifying with PwC as a Chartered Accountant David 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 joined the Group in February 2013.

04 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.

05 Phil Crooks
Non-Executive Director

Phil Crooks is a Chartered Accountant and currently a partner in the Forensic and Investigations Services at Grant Thornton UK LLP with more than 30 years' experience in accounting, auditing and investigations. He was previously UK Head of Audit for 6 years and a member of the International Assurance Advisory Board at Grant Thornton. Previously he spent 15 years at Price Waterhouse. Phil has extensive audit and advisory experience, addressing financial reporting and accounting issues and has worked with a wide range of listed and private international companies. Phil was appointed as a Non-Executive Director of MartinCo PLC's Board and Chair of its Audit and Risk Committee in May 2015.

Directors' report

The Directors present their Annual Report and audited financial statements for the financial year ended 31 December 2015. Information that would normally be presented in the Director's report has been presented in the Company's Strategic report in accordance with S414C(11) of the Companies Act 2006.

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 £2.9m in the financial year as compared to £2.1m for the prior year. The results are shown in the Consolidated Statement of Comprehensive Income on page 27. A full review of the Group's business is included in the Strategic Report on pages 6 to 17.

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 redundancy costs following acquisitions in 2014 and amounted to £0.2m (2014: £0.2m acquisition costs). The profit before tax for the year was £2.7m (2014: £1.9m).

Future developments

The future developments of the Group are included in the Strategic Report on pages 6 to 17.

Dividends

The Group paid a final dividend for the financial year ended 31 December 2014 of 2.7p per share on 8 May 2014 and an interim dividend for the financial year ended 31 December 2015 of 1.8p per share on 30 September 2015.

The Board recommends a final dividend for the financial year ended 31 December 2015 of 4.1p per share to be paid on 12 May 2016 to all shareholders on the register at the close of business on 22 April 2016 subject to shareholders approval on 10 May 2016 (2014: 2.7p).

Directors

The Directors shown below have held office throughout the year unless otherwise stated:

R W Martin
I Wilson
D A Raggett
P M Latham
P J Crooks – appointed 12 May 2015

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. The Group has 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 £3m remains unutilised and available to the Group at 31 December 2015 for development and expansion of operations.

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

Auditor

RSM UK Audit LLP (formerly 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 RSM 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU;
- 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
4 April 2016

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 Phil Crooks.

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 £325k (2014: £300k).

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 £182k (2014: £112k).

Pension
There were no contributions made to Directors’ pensions in the year (2014: £nil).

Share options
No options over shares of the Company were granted to Directors in 2015 (2014: 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
Phil Crooks	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.

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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 2015 £'000**	Total 2014 £'000
Executive Directors:				
Richard Martin	40	–	**40**	40
Ian Wilson	120	134	**254**	204
David Raggett	100	48	**148**	128
	260	182	**442**	372
Non-Executive Directors:				
Paul Latham	40	–	**40**	40
Phil Crooks	25	–	**25**	–
	65	–	**65**	40
Total remuneration	325	182	**507**	412

Appointment

Phil Crooks was appointed to the Board as Non-Executive Director in May 2015. His fees are paid to Grant Thornton LLP. No Director 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.

	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
4 April 2016

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 meets 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 & risk and remuneration committees. During the year a second Non-Executive Director was appointed as it strives towards congruence with the Corporate Governance Guidelines.

The Board

The Board comprises the Chairman, 2 independent Non-Executive Directors and 2 Executive Directors who are the Chief Executive Officer and the Chief Financial Officer of the Company.

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 Executive Directors.

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 advisers to keep up to date with 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 has two Non-Executive Directors, Paul Latham and Phil Crooks, who provide an important contribution to its strategic development.

Board Committees

The Board has delegated specific responsibilities to the Audit & Risk 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 Phil Crooks. 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 to 23.

Audit & Risk Committee

Phil Crooks took over the Chair of the Audit & Risk Committee upon his appointment as a Non-Executive Director in May 2015. Paul Latham continued as a member. It met 4 times in 2015 and will continue to meet at least twice a year.

The Audit & Risk Committee has the primary responsibility for ensuring that the financial performance of the Group is properly measured, reported on and monitored. In the financial year ended 31 December 2015 it 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;
- the appropriateness of the Group's accounting policies;
- the potential impact on the Group's financial statements of certain events and risks;
- 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;
- internal assurance reporting;
- non-audit services;
- the dividend policy;
- the processes for identifying the risks to the business and managing those risks; and
- its terms of reference.

The Audit & Risk Committee makes recommendations to the Board on the appointment, re-appointment and removal of the external auditor. In making the recommendation on the annual re-appointment of the external auditor, it monitors the relationship to assess independence, objectivity and cost effectiveness 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 at 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 & Risk Committee's Chairman meets the external auditors to discuss matters relating to the Committee's remit and any issues arising from the audit.

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 Board 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.

Independent auditor's report to the members of MartinCo PLC

We have audited the Group and Parent Company financial statements ("the financial statements") on pages 27 to 55. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (''IFRSs'') as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement 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 2015 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 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 matter 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;
- 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 RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB

4 April 2016

Consolidated statement of comprehensive income
for the year ended 31 December 2015

	Notes	2015 £	2014 £
Continuing operations			
Revenue	7	**7,130,967**	5,176,174
Cost of sales		**(356,844)**	(354,145)
Gross profit		**6,774,123**	4,822,029
Administrative expenses	8	**(3,880,629)**	(2,789,131)
Operating profit before exceptional items		**2,893,494**	2,032,898
Exceptional items	10	**(166,069)**	(158,741)
Operating profit	11	**2,727,425**	1,874,157
Finance income	12	**50,914**	51,140
Finance costs	12	**(85,572)**	(22,295)
Profit before income tax expense		**2,692,767**	1,903,002
Income tax expense	13	**(538,667)**	(411,541)
Profit and total comprehensive income for the year from continuing operations		**2,154,100**	1,491,461
Discontinued operations			
Profit and total comprehensive income for the year from discontinued operations	29	**–**	18,565
Profit and total comprehensive income for the year attributable to owners		**2,154,100**	1,510,026
Earnings per share – Continuing	14	**9.8p**	6.9p
Earnings per share – Discontinued	14	**0.0p**	0.0p
Total Earnings per share	14	**9.8p**	6.9p
Diluted Earnings per share – Continuing	14	**9.4p**	6.6p
Diluted Earnings per share – Discontinued	14	**0.0p**	0.0p
Total Diluted Earnings per share	14	**9.4p**	6.6p

Consolidated statement of financial position
31 December 2015

	Notes	2015 £	2014 £
Assets			
Non-current assets			
Intangible assets	17	**6,014,336**	6,270,173
Property, plant and equipment	18	**140,241**	92,158
		6,154,577	6,362,331
Current assets			
Trade and other receivables	20	**912,183**	965,319
Cash and cash equivalents		**4,346,054**	3,367,259
		5,258,237	4,332,578
Assets of a disposal group classified as held for sale	29	**–**	254,846
		5,258,237	4,587,424
Total assets		**11,412,814**	10,949,755
Equity			
Shareholders' equity			
Called up share capital	21	**220,000**	220,000
Share premium	22	**3,790,000**	3,790,000
Other reserves	23	**134,560**	(61,406)
Retained earnings		**3,492,253**	2,328,153
Total equity attributable to the owners liabilities		**7,636,813**	6,276,747
Non-current liabilities			
Borrowings	24	**1,500,000**	2,000,000
Deferred tax	27	**558,001**	791,136
Current liabilities		**2,058,001**	2,791,136
Borrowings	24	**500,000**	500,000
Trade and other payables	25	**916,924**	1,046,530
Tax payable		**301,076**	335,342
		1,718,000	1,881,872
Total liabilities		**3,776,001**	4,673,008
Total equity and liabilities		**11,412,814**	10,949,755

The financial statements were approved and authorised for issue by the Board of Directors on 4 April 2016 and were signed on its behalf by:

David Raggett
Chief Financial Officer

Company statement of financial position

31 December 2015

(Company No: 08721920)

	Notes	2015 £	2014 £
Assets			
Non-current assets			
Investments	19	**24,100,284**	24,100,284
Deferred tax asset	27	**314,360**	118,394
		24,414,644	24,218,678
Current assets			
Trade and other receivables	20	**201,040**	344,496
Cash and cash equivalents		**195,577**	13,469
		396,617	357,965
Total assets		**24,811,261**	24,576,643
Equity			
Shareholders' equity			
Called up share capital	21	**220,000**	220,000
Share premium	22	**3,790,000**	3,790,000
Other reserves	23	**18,124,460**	17,928,494
Retained earnings		**1,111**	35,466
Total equity		**22,135,571**	21,973,960
Liabilities			
Non-current liabilities			
Borrowings	24	**1,500,000**	2,000,000
Current liabilities			
Borrowings	24	**500,000**	500,000
Trade and other payables	25	**675,690**	102,683
		1,175,690	602,683
Total liabilities		**2,675,690**	2,602,683
Total equity and liabilities		**24,811,261**	24,576,643

The financial statements were approved and authorised for issue by the Board of Directors on 4 April 2016 and were signed on its behalf by:

David Raggett
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Called up share capital £	Retained earnings £	Share premium £	Other reserves £	Total equity £
Balance at 1 January 2014	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
Profit and total comprehensive income	–	2,154,100	–	–	2,154,100
Dividends	–	(990,000)	–	–	(990,000)
Deferred tax on share-based payments	–	–	–	195,966	195,966
Total transactions with owners	–	(990,000)	–	195,966	(794,034)
Balance at 31 December 2015	**220,000**	**3,492,253**	**3,790,000**	**134,560**	**7,636,813**

Company statement of changes in equity
for the year ended 31 December 2015

	Called up share capital £	Retained earnings £	Share premium £	Other reserves £	Total equity £
Balance as at 1 January 2014	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
Profit and total comprehensive income	–	955,645	–	–	955,645
Dividends	–	(990,000)	–	–	(990,000)
Deferred tax on share-based payments	–	–	–	195,966	195,966
Total transactions with owners	–	(990,000)	–	195,966	(794,034)
Balance as at 31 December 2015	**220,000**	**1,111**	**3,790,000**	**18,124,460**	**22,135,571**

Consolidated statement of cash flows

for the year ended 31 December 2015

	Notes	2015 £	2014 £
Cash flows from operating activities			
Cash generated from operations	1	**2,871,051**	1,937,611
Interest paid		**(94,064)**	(203)
Tax paid		**(616,402)**	(609,292)
Net cash from operating activities		**2,160,585**	1,328,116
Cash flows from investing activities			
Purchase of subsidiary undertakings net of cash acquired	2	**–**	(5,065,902)
Purchase of intangible assets		**–**	(326,317)
Purchase of tangible assets		**(67,199)**	(17,520)
Proceeds from sale of intangible assets		**324,495**	341,576
Proceeds from sale of tangible assets		**–**	24,646
Interest received		**50,914**	51,140
Net cash generated from/(used in) investing activities		**308,210**	(4,992,377)
Cash flows from financing activities			
Repayment of bank loan		**(500,000)**	–
Drawdown of bank loan		**–**	2,500,000
Equity dividends paid		**(990,000)**	(286,000)
Net cash (used in)/generated from financing activities		**(1,490,000)**	2,214,000
Increase/(Decrease) in cash and cash equivalents		**978,795**	(1,450,261)
Cash and cash equivalents at beginning of year		**3,367,259**	4,817,520
Cash and cash equivalents at end of year		**4,346,054**	3,367,259

Notes to the consolidated statement of cash flows

for the year ended 31 December 2015

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

	2015 £	2014 £
Cash flows from operating activities		
Profit before income tax	**2,692,767**	1,926,502
Depreciation and amortisation charges	**259,607**	74,087
Loss/(Profit) on disposal of intangible assets	**14,194**	(4,007)
Finance costs	**85,572**	22,295
Finance income	**(50,914)**	(51,140)
Operating cash flow before changes in working capital	**3,001,226**	1,967,737
Increase in trade and other receivables	**(15,363)**	(107,279)
(Decrease)/Increase in trade and other payables	**(114,812)**	77,153
Cash generated from operations	**2,871,051**	1,937,611

	2015 £	2014 £
Continuing operations		
Profit before tax	**2,692,767**	1,903,002
Adjustments for:		
Depreciation of property, plant and equipment	**19,116**	13,283
Loss on disposal of intangible assets	**14,194**	–
Amortisation	**240,491**	60,804
Finance costs	**85,572**	22,295
Finance income	**(50,914)**	(51,140)
Changes in working capital		
Increase in trade and other receivables	**(15,363)**	(117,941)
(Decrease)/Increase in trade and other payables	**(114,812)**	125,261
Cash inflow from continuing operations	**2,871,051**	1,955,564
Discontinued operations		
Profit before tax	**–**	23,500
Adjustments for:		
Profit on disposal of intangible assets	**–**	(4,007)
Changes in working capital:		
Decrease in trade and other receivables	**–**	10,662
Decrease in trade and other payables	**–**	(48,108)
Cash outflow from discontinued operations	**–**	(17,953)
Cash generated from operations	**2,871,051**	1,937,611

2. Purchase of Subsidiary undertakings net of cash acquired

In the prior 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 2015

	Notes	2015 £	2014 £
Cash flows from operating activities			
Cash generated from operations	1	**381,040**	(901,396)
Interest paid		**(94,064)**	(203)
Net cash from operating activities		**286,976**	(901,599)
Cash flows from investing activities			
Investment in subsidiary companies		**–**	(6,110,284)
Interest received		**5,132**	11,676
Equity dividends received		**1,380,000**	1,450,000
Net cash generated from/(used in) investing activities		**1,385,132**	(4,648,608)
Cash flows from financing activities			
Repayment of bank loan		**(500,000)**	–
Drawdown of bank loan		**–**	2,500,000
Equity dividend paid		**(990,000)**	(286,000)
Net cash (used in)/generated from financing activities		**(1,490,000)**	2,214,000
Increase/(Decrease) in cash and cash equivalents		**182,108**	(3,336,207)
Cash and cash equivalents at beginning of year		**13,469**	3,349,676
Cash and cash equivalents at end of year		**195,577**	13,469

Notes to the Company statement of cash flows
for the year ended 31 December 2015

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

	2015 £	2014 £
Cash flows from operating activities		
Profit/(Loss) before income tax	**849,556**	997,783
Finance costs	**85,572**	22,295
Finance income	**(5,132)**	(11,676)
Equity dividend received	**(1,380,000)**	(1,450,000)
Operating cash flow before changes in working capital	**(450,004)**	(441,598)
Decrease/(Increase) in trade and other receivables	**249,545**	(244,970)
Increase/(Decrease) in trade and other payables	**581,499**	(214,828)
Cash generated from/(used in) operations	**381,040**	(901,396)

Notes to the consolidated financial statements
for the year ended 31 December 2015

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 and listed on AIM. 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) Limited 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

The following relevant new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2015, as adopted by the European Union, and have not been early adopted:

Standard	Key requirements	Effective date as adopted by the EU
Amendments to IAS 16 and IAS 38	Clarifies acceptable methods of depreciation and amortisation.	1 January 2016
Amendments to IAS 1	Disclosure amendments	1 January 2016
Amendments to IFRS 5	Non-current assets held for sale and discontinued operations	1 January 2016
Amendments to IFRS 7	Disclosure amendments	1 January 2016

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards and interpretations come into effect. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The following standards have been issued by the IASB but have not yet been adopted by the EU:

Standard	Key requirements	Effective date as adopted by the EU
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2018

While the above standards have not been adopted by the EU the company is currently assessing their impact.

3. Basis of consolidation

The Group financial statements include those of the parent company and its subsidiaries, drawn up to 31 December 2015. 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.

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, resale fees, 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. Resale fees are recognised in the month that a contract for the resale of a franchise is signed. Management service fees are recognised on a monthly basis, with other fees recognised when the training and support is provided to the franchisee.

Operating profit

Profit from operations is stated before finance income, finance costs and tax expense.

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 re-measured 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 re-measurement 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.

4. Significant accounting policies continued

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 re-measured 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.

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
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 be 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 of the 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.

4. Significant accounting policies continued

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 intangibles

The Group is required to test, where indicators of impairment exist, whether intangibles assets have suffered any impairment.
The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Key assumptions for the value in use calculation are described in note 17.

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 prior 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. At 31 December 2015 the balance of assets held for sale was £nil (2014: £254,846).

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:

	2015 £	2014 £
Management Service Fee	**6,190,911**	4,048,575
Franchise sales	**316,847**	423,779
Other	**623,209**	703,820
	7,130,967	5,176,174

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.

Other revenue relates to training and ongoing support to franchisees.

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:

	2015 £	2014 £
Continuing operations:		
Employee costs (see note 9)	**2,353,365**	1,852,466
Property costs	**179,845**	67,773
General administrative costs	**1,106,928**	808,088
Amortisation	**240,491**	60,804
	3,880,629	2,789,131

9. Employees and Directors

Average numbers of employees (including Directors), employed during the year:

	2015	2014
Continuing operations:		
Administration	**30**	29
Management	**9**	7
	39	36

Notes to the consolidated financial statements
for the year ended 31 December 2015 continued

9. Employees and Directors continued

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

	2015 £	2014 £
Continuing operations:		
Wages and salaries	**2,107,274**	1,676,377
Social security costs	**246,091**	176,089
	2,353,365	1,852,466
Exceptional costs arising through redundancy	**166,069**	–

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

	2015 £	2014 £
Wages and salaries	**1,014,249**	694,911
Social security costs	**126,817**	69,937
	1,141,066	764,848

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 redundancy costs relating to the acquisition of Xperience Franchising Limited and Whitegates Estate Agency Limited. In the prior year, exceptional items represented the acquisition costs for Xperience Franchising Limited and Whitegates Estate Agency Limited.

11. Operating profit

	2015 £	2014 £
The operating profit from continuing operations is stated after charging:		
Depreciation	**19,166**	13,283
Amortisation	**240,491**	60,804
Loss on disposal of intangible assets	**14,194**	–
Auditor's remuneration (see below)	**49,250**	123,863
Staff costs (note 9)	**2,519,434**	1,852,466
Operating lease expenditure	**65,634**	47,311
Audit services		
– Audit of the Company and consolidated accounts	**21,000**	18,500
– Audit the Subsidiaries pursuant to legislation	**24,000**	45,000
– Audit related assurance services	**4,250**	–
Tax services		
– advisory compliance services	**–**	2,500
– advisory services	**–**	10,363
Other non-audit services – advisory services	**–**	47,500
	49,250	123,863
Comprising:		
Audit services	**49,250**	63,500
Non-audit services	**–**	60,363
	49,250	123,863

12. Finance income and costs

	2015 £	2014 £
Finance income:		
Bank interest	**33,742**	38,781
Other similar income	**17,172**	12,359
	50,914	51,140

	2015 £	2014 £
Finance costs:		
Bank interest	**85,572**	22,295
	85,572	22,295

13. Taxation

	2015 £	2014 £
Current tax	**575,836**	411,541
Deferred tax credit	**(37,169)**	–
Total tax charge in statement of comprehensive income	**538,667**	411,541

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

	2015 £	2014 £
Profit on ordinary activities before tax	**2,692,767**	1,903,002
Profit on ordinary activities multiplied by the effective standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	**545,285**	409,145
Effects of:		
Expenses not deductible for tax purposes	**18,201**	19,325
Depreciation in excess of capital allowances	**(26,693)**	(18,803)
Losses carried forward	**1,874**	1,874
Total tax charge in respect of continuing activities	**538,667**	411,541

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.

	2015 £	2014 £
Earnings per ordinary share		
Profit from continuing operations	**2,154,100**	1,491,461
Profit from discontinued operations	**–**	18,565
	2,154,100	1,510,026

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.

	2015 Number	2014 Number
Weighted average number of shares		
Number used in basic earnings per share	**22,000,000**	22,000,000
Dilutive effect of share options on ordinary shares	**848,442**	832,818
Number used in diluted earnings per share	**22,848,442**	22,832,818

15. Profit of Parent Company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The Parent Company's profit for the financial year was £955,645 (2014: £1,072,042).

16. Dividends

	2015 £	2014 £
Interim and Final dividend (ordinary shares of £0.01 each)	**990,000**	286,000
Dividend per share	**4.5p**	1.3p

The dividend per share is calculated using the number of shares in issue at the year end.

17. Intangible assets

	Master Franchise Agreement £	Brands £	Customer Lists £	Goodwill £	Total £
Cost					
Brought forward 1 January 2014	–	–	–	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**
Disposals	–	–	(19,267)	–	(19,267)
Carried forward 31 December 2015	**4,075,085**	**571,000**	**261,254**	**1,388,217**	**6,295,556**
Amortisation					
Brought forward 1 January 2014	–	–	–	–	–
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
Charge for year	163,003	–	77,488	–	240,491
Eliminated on disposals	–	–	(3,921)	–	(3,921)
Carried forward 31 December 2015	**190,170**	**–**	**91,050**	**–**	**281,220**
Net book value					
At 31 December 2015	**3,884,915**	**571,000**	**170,204**	**1,388,217**	**6,014,336**
At 31 December 2014	4,047,918	571,000	263,038	1,388,217	6,270,173

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 carrying value of the goodwill arising on the acquisitions of Xperience Franchising Limited ("XFL") and Whitegates Estate Agency Limited ("WEAL") is based on revenue and operating margin projections through to 31 December 2017. Thereafter projected revenue growth was assumed to decline linearly to a long-term growth rate of 2.25%.

The cash flows 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 16.8% for XFL and 17.8% 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 master franchise agreements are being amortised over 25 years. The period of amortisation remaining at 31 December 2015 was 23 years 10 months.

The brand names under which XFL trades of C J Hole, Parkers and Ellis & Co have been in existence for between 68 years and 161 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 forecast growth in current revenues using market data through to 31 December 2017. 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	
	2015 **£**	2014 £	**2015** **£**	2014 £
Xperience Franchising Limited	**912,716**	912,716	**571,000**	571,000
Whitegates Estate Agency Limited	**400,501**	400,501	**–**	–
Martin & Co (UK) Ltd	**75,000**	75,000	**–**	–
	1,388,217	1,388,217	**571,000**	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 2015 continued

18. Property, plant and equipment
Group

	Leased assets £	Office equipment £	Fixtures & fittings £	Total £
Cost				
Brought forward 1 January 2014	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
Additions	–	35,798	31,401	67,199
Carried forward 31 December 2015	**37,034**	**88,667**	**150,274**	**275,975**
Depreciation				
Brought forward 1 January 2014	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
Charge for year	3,704	8,897	6,515	19,116
Carried forward 31 December 2015	**14,466**	**24,845**	**96,423**	**135,734**
Net book value				
At 31 December 2015	**22,568**	**63,822**	**53,851**	**140,241**
At 31 December 2014	26,272	36,921	28,965	92,158

19. Investments
Company

	Shares in Group undertakings £
Cost	
At 1 January 2014	**17,990,000**
Additions	6,110,284
At 31 December 2014	24,100,284
At 31 December 2015	**24,100,284**
Net book value	
At 31 December 2015	**24,100,284**
At 31 December 2014	24,100,284

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, Xperience Franchising Limited and Whitegates Estate Agency Limited are 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, Xperience Franchising Limited and Whitegates Estate Agency 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 and it has been determined that the value of the discounted future cash inflows exceeds the carrying value. Thus, there is no impairment charge.

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

Subsidiaries

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

20. Trade and other receivables

	Group		Company	
	2015 £	2014 £	**2015 £**	2014 £
Trade receivables	**91,856**	55,536	**–**	–
Loans to franchisees	**174,848**	190,333	**–**	–
Other receivables	**52,945**	167,263	**5,001**	24,926
Amounts due from group undertakings	**–**	–	**–**	239,483
Prepayments and accrued income	**592,534**	552,187	**15,691**	5,829
Tax receivable	**–**	–	**180,348**	74,258
	912,183	965,319	**201,040**	344,496

Trade receivables are stated net of bad debt provisions of £37,678 (2014: £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:

	2015 £	2014 £
Group		
Not more than 3 months	**77,606**	54,620
More than 3 months but not more than 6 months	**13,666**	–
More than 6 months but not more than 1 year	**584**	916
	91,856	55,356

An 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. A loan to a franchisee for £147,000 is secured by way of a fixed and floating charge over their assets.

Notes to the consolidated financial statements
for the year ended 31 December 2015 continued

21. Called up share capital

	2015		2014	
	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

There has been no movement in shares during the year or preceding year.

22. Share premium

There have been no movements in share premium during the current and preceding year.

23. Other reserves

	Merger reserve £	Share-based payment reserve £	Total £
Group			
1 January 2014	(179,800)	40,874	(138,926)
Deferred tax on share options	–	77,520	77,520
1 January 2015	(179,800)	118,394	(61,406)
Deferred tax on share options	–	195,966	195,966
31 December 2015	**(179,800)**	**314,360**	**134,560**
Company			
1 January 2014	17,810,100	40,874	17,850,974
Deferred tax on share options	–	77,520	77,520
1 January 2015	17,810,100	118,394	17,928,494
Deferred tax on share options	–	195,966	195,966
31 December 2015	**17,810,100**	**314,360**	**18,124,460**

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 remaining is £(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		Company	
	2015 £	2014 £	**2015 £**	2014 £
Repayable within 1 year:				
Bank loan (term loan)	**500,000**	500,000	**500,000**	500,000
Repayable in more than 1 year:				
Bank loan (term loan)	**1,500,000**	2,000,000	**1,500,000**	2,000,000
Bank loans due after more than 1 year are repayable as follows:				
Between 1 and 2 years	**500,000**	500,000	**500,000**	500,000
Between 2 and 5 years	**1,000,000**	1,500,000	**1,000,000**	1,500,000

The term loan of £2m (2014: £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 2015 the unutilised amount of the facility was £3m (2014: £2.5m).

25. Trade and other payables

	Group		Company	
	2015 £	2014 £	**2015 £**	2014 £
Trade payables	**84,364**	178,673	**24,739**	29,809
Other taxes and social security	**391,889**	340,534	**9,343**	–
Other payables	**42,288**	23,571	**19,702**	–
Accruals and deferred income	**398,383**	503,752	**138,728**	72,874
Amounts owed to group undertakings	**–**	–	**483,178**	–
	916,924	1,046,530	**675,690**	102,683

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	
	2015 £	2014 £
Group		
Within 1 year	**54,400**	44,820
Between 1 and 5 years	**190,200**	17,000
	244,600	61,820

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

Company

No leases exist in the parent company.

27. Deferred tax asset/(liability)

	Group		Company	
	2015	2014	**2015**	2014
	£	£	**£**	£
Balance at beginning of year	**(791,136)**	34,654	**118,394**	40,874
Movement during the year				
Statement of changes in equity	**195,966**	77,520	**195,966**	77,520
Statement of comprehensive income	**37,169**	–	**–**	–
Acquisitions	**–**	(903,310)	**–**	–
Balance at end of year	**(558,001)**	(791,136)	**314,360**	118,394

Deferred taxation has been provided as follows:

	Group		Company	
	2015	2014	**2015**	2014
	£	£	**£**	£
Accelerated capital allowances	**(6,220)**	(6,220)	**–**	–
Share-based payments	**314,360**	118,394	**314,360**	118,394
Acquired business combinations	**(866,141)**	(903,310)	**–**	–
	(558,001)	(791,136)	**314,360**	118,394

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
- Borrowings

Financial assets

Financial assets measured at amortised cost:

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Loans and receivables:				
Trade receivables	**91,856**	55,536	**5,001**	–
Loans to franchisees	**174,848**	190,333	**–**	–
Other receivables	**52,945**	167,263		30,755
Cash and cash equivalents	**4,364,054**	3,367,259	**195,577**	–
Amounts owed by group undertakings	**–**	–	**–**	239,483
Accrued income	**543,526**	513,383	**–**	–
	5,227,229	4,293,774	**200,578**	270,238

Financial liabilities

Financial liabilities measured at amortised cost:

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Other financial liabilities:				
Bank loan	**2,000,000**	2,500,000	**2,000,000**	2,500,000
Trade payables	**84,364**	178,673	**24,739**	29,809
Other payables	**42,288**	23,571	**19,702**	–
Accruals	**355,983**	493,752	**111,228**	72,874
Amounts owed to group undertakings	**–**	–	**483,178**	–
	2,482,635	3,195,996	**2,638,847**	2,602,683

Maturity analysis of financial liabilities:

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
In less than one year:				
Bank loan	**570,938**	590,563	**570,938**	590,563
Trade payables	**84,364**	178,673	**24,739**	29,809
Other payables	**42,288**	23,571	**19,702**	–
Accruals	**355,983**	493,752	**111,228**	72,874
Amount owed to group undertakings	**–**	–	**483,178**	–
	1,053,573	1,286,559	**1,209,785**	693,246
In more than one year:				
Bank loan	**1,588,964**	2,159,902	**1,588,964**	2,159,902
	1,588,964	2,159,902	**1,588,964**	2,159,902

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

28. Financial instruments continued

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the 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 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.

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. 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 office in Worthing was sold on 30 December 2014. This is classified as discontinued activities.

In June 2014, the Group acquired its first portfolio of 374 managed lettings properties in Saltaire for £0.3m. On 21 November 2014 Martin & Co Saltaire, the franchisee managing the portfolio on the Group's behalf, notified the Group of its intention to exercise its right to purchase the portfolio. At the end of 2014 this asset was 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.

	2015 £	2014 £
Non-current assets held for sale and discontinued operations		
Operating cash flows	–	(17,953)
Investing cash flows	–	364,743
Financing cash flows	–	–
Increase in cash and cash equivalents	–	346,790
Assets of disposal group classified as held for sale		
Intangible assets	–	254,846
Property, plant and equipment	–	–
Other current assets	–	–
	–	254,846
Liabilities of disposal group classified as held for sale		
Trade and other payables	–	–
Analysis of the results of discontinued operations is as follows:		
Revenue	–	204,249
Expenses	–	(180,749)
Profit before tax of discontinued operations	–	23,500
Made up of:		
Trading operations	–	19,493
Sale of operations	–	4,007
	–	23,500
Tax	–	(4,935)
Profit for the year from discontinued operations	–	18,565

As a result of the sale of the owned offices, the Group generated net cash inflows from investing activities of £nil (2014: £365k). The total consideration was £nil (2014: £210k). However, the Group agreed to defer consideration on Worthing as it had for three of the office disposals in 2013 so that £188k of deferred consideration existed at 31 December 2015 (2014: £252k).

30. 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.

During the period ended 31 December 2013 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. The options were granted over a discretionary period and have varying vesting conditions.

The vesting conditions of 742,000 options include performance conditions including a profit before tax target in the year ending 31 December 2016. The remaining options vest in the year ending 31 December 2016.

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

The estimated fair value of the 1,566,000 share option granted in the EMI plan in prior years 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.

During the year ended 31 December 2015 the Company granted 220,000 options to an executive of the Group. The estimated fair value of the 220,000 share options granted in the EMI plan in the year is £63,616. 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. No charge has been included in the year as, in the opinion of the directors, these options are not expected to vest because vesting conditions are unlikely to be met.

The following principal assumptions were used in the valuation:

Expected term	4 years
Volatility	50%
Option life	January 2025
Risk free interest rate	2.08%
Exercise price	£0.985
Share price at date of grant	£0.985
Dividend yield	5%

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 was as follows:

	2015 £		2014 £	
		Weighted average exercise price		Weighted average exercise price
Number of share options				
Outstanding at the beginning of the year	**1,566,000**	**£0.1764**	1,566,000	£0.1764
Forfeited	**(64,800)**	**£0.1764**	–	–
Granted	**220,000**	**£0.985**	–	–
Outstanding at the end of the year	**1,721,200**	**£0.2798**	1,566,000	£0.1764
Exercisable at the end of the year	**–**	**–**	–	–

The weighted average remaining contractual life of options is 7.9 years (2014: 8.7 years).

31. Related party disclosures

Transactions with Directors

Dividends

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

	2015 £	2014 £
Interim and Final dividend (ordinary shares of £0.01 each)	**526,273**	152,034

Director emoluments

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

	2015 £	2014 £
Wages and salaries	**507,335**	412,433
Social security costs	**62,060**	34,617
	569,395	447,050

Transactions with Other Related Parties

Transactions with The Landlord Hub Limited

The Landlord Hub Limited was a related party by virtue of common shareholders as Mr R W Martin owned 35%, Mrs K M Martin owned 35%, Mr I Wilson owned 10%, Mrs H Shackell owned 10% and the daughters of Mr and Mrs R W Martin owned 5% each. During the year ended 31 December 2015 R W Martin and his family sold their shareholdings in The Landlord Hub Limited to an unconnected third party. Mr I Wilson retained his shareholding.

The Group has supplied recruitment services during the year of £2,100 (2014: £18,540) and other services of £nil (2014: £801). It has also earned commission on references supplied by The Landlord Hub Limited to its franchise network of £53,770 (2014: £23,767). At the 31 December 2015, The Landlord Hub Ltd owed the Group £2,510 (2014: £26,282).

Shareholder information

Financial calendar
Announcement of Preliminary results – 5 April 2015
Annual General Meeting – 10 May 2016
Half year results – 30 September 2016
Interim dividend – 30 September 2016

Registered office address
MartinCo PLC
2 St Stephen's Court
St Stephen's Road
Bournemouth
BH2 6LA
Company No. 08721920
01202 614 614
www.martinco.com

Auditors
RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Designed and produced by Emperor
www.emperordesign.co.uk +44 (0)121 262 3830

www.martinco.com

MartinCo PLC
2 St. Stephen’s Court
St. Stephen’s Road
Bournemouth
Dorset
BH2 6LA
Tel: 01202 614 614