Winkworth

M Winkworth Plc

Interim Results for the Six Months ended 30 June 2011

M Winkworth Plc ("Winkworth", the "Company" or the "Group") is pleased to announce its Interim Results for the six months ended 30 June 2011

Highlights

- Sales up 6.5% to £1.79 million (2010: £1.68 million)
- Profit before taxation £564,846 (2010: £563,345)
- Cash generated from operations of £35,585 (2010: £255,090)
- Acquisition of Mitchells franchise
- Five new offices opened in H1 2011
- Rental market income at record level
- 2010 final dividend paid 1.3p and interim dividend paid of 1p for 2011

"UK residential transactions fell in the first half of 2011 on mixed sentiment towards the housing market but are still set to match 2010 levels for the year as a whole, with the prime central London market outperforming national trends. The market share gains that Winkworth has made in prime areas have offset a reduction in overall transaction numbers and supported commission income.

Low volumes are expected to continue, particularly outside of London and we expect this to lead to further branch closures by over-extended competitors, offering managers or owners of existing, successful businesses the opportunity to join Winkworth, allowing them to make progress in a flat volume market and position themselves as market leaders in the next upturn".

Dominic Agace, Chief Executive Officer

For further information please contact:

M Winkworth Plc **Tel : 020 8576 5599**

Dominic Agace (Chief Executive Officer)

Chris Neoh (Chief Financial Officer)

Milbourne (Public Relations) **Tel : 020 7920 2367**

Tim Draper

FinnCap **Tel : 020 7220 0500**

Matthew Robinson/Rose Herbert (Corporate Finance)

Tom Jenkins (Corporate Broking)

Overview

I am delighted to report that the second quarter of 2011 showed an improving trend compared to the slower market witnessed at the start of the year, despite dips due to events such as the Royal Wedding and additional Bank Holidays interrupting the normal run of business.

Prices for family houses in London have appreciated as available stock has dwindled. Flats remain in good supply and although prices in some parts of London have continued to rise, this means that there should be good value in this sector in the third quarter. While houses and acceptable mortgages remain hard to find, flats continue to offer a solution to buyers seeking a compromise for the medium term.

The volumes in the market are similar to those of last year, a result of a lack of mortgage fund availability and the stringent terms applied by mortgage providers and their valuation agents. A vendor will often be taken aback by the conservative valuation placed on his or her property by a mortgage surveyor, concerned by the risk of litigation that became a reality following over-enthusiastic valuations in prior boom years. The over-reaction to this in central London has caused the loss of many sales, not necessarily because buyers are disputing valuations but because they are being influenced more by valuation agents than by underlying market conditions.

Winkworth has achieved further strong growth in its franchising business, which gathered pace throughout the first half of the year. We believe this is the result of investments made in the twelve months following our admission to AIM in November 2009, during which time we attracted a number of new offices and bolstered our country house department, leading to an increase in market penetration.

We start the second half of this year with the expectation of adding further franchises as small, well-run, niche companies are attracted by the strength of the brand which is so important in this type of market. We are confident that Winkworth will grow throughout the rest of the year and into 2012, benefitting from the difficult economic conditions which currently beset the market.

Simon Agace
Non-Executive Chairman
27th September 2011

Business Review

Winkworth's UK residential transactions are set to match 2010 levels for the year as a whole although numbers fell by 8.5 per cent in the first half of 2011 on mixed sentiment in the housing market. The prime central London market outperformed national trends and the market share gained by Winkworth in prime areas has offset a reduction in overall transactions and supported commission income. Our new offices have continued to lead the way with their commission income more than doubling on H1 2010.

The gross sales and rentals turnover of Winkworth's franchise offices in the first half of 2011 rose to £16.0 million (2010: £15.7 million).

2011 appears to be following the same pattern as last year, with suburban and prime country markets tracking the upturn in central London. We have noted an uptick in activity in these markets since June after rapid price appreciation of up to 14% in certain central London markets in the first half of the year. This has meant that in July we experienced our second ever best sales month since 2000.

Our rental division has continued to fare well, with a H1 year-on-year increase of 10% in revenues setting a new record, as a shortfall in finance availability continues to drive young professionals to the rental market. With an ongoing shortage of supply driven by buy-to-let finance constraints and a high level of demand, we envisage further upwards price pressure and growing yields as mortgages rates fall to historic lows for those with significant deposits.

Sales for the first half of the year rose by 6.5% to £1.79 million (2010: £1.68 million) and profit before taxation by 3% to £564,846 (2010: £563,345). The slower rate of growth in profits came as costs linked to the growth of the business impacted on margins. During the first half of the year we invested in a number of initiatives, which included improving our platform through setting up a country house department, further improving the link between our London offices and our country franchisees, reinforcing the structure for integrating franchisees to accommodate the acquisition of Mitchells and the increasing number of businesses joining the Winkworth brand and, finally, relocating the head office to Mayfair to facilitate servicing our growing prime central London clientele. These investments also had an impact on our cashflow in the first half. We are confident that these investments will generate incremental business and that their associated costs will largely be absorbed in the second half of the year.

We have opened six offices in the first half 2011 and so are on track to beat our base case target of eight additions and our enhanced target of ten. We have seen a trebling in the number of existing businesses approaching us to convert, with a total of 25 applicants in H1 2011 compared to eight in H1 2010, as these seek to use our systems and network to grow their market share and attain sustainable profitability in a low volume market place

We completed our first major acquisition with the purchase of the franchise of Mitchells estate agents for £455,000. This is the leading estate agency in the Bournemouth area and which includes the prestigious Sandbanks address. It has 650 boards and has been trading as Mitchells for 49 years. We also completed the conversion of Haines residential in Newbury whose sales, subsequently, are up 46% compared to the same period in 2010.

Finally, we are on track to open offices in Farnham, Petersfield and Chislehurst in September, as well as two further offices based in affluent towns that affiliate with the London market by the end of the year. We are in negotiations on openings in a further two towns that may fall into early 2012.

Outlook

As we enter a new period of uncertainty triggered by the European debt crisis, we would expect a flattening out of central London prices and a reduction in the number of transactions in the second six months of the year. We envisage that transactions for the UK market overall will hold steady at approximately 575,000 for the year as the fundamentals of low interest rates for existing owners and constrained finance for frustrated buyers remain in place, underpinning prices but limiting activity. After initial price increases this year, with most prime markets reporting prices up 8-10% and stabilising at a level above their 2007 peak, we do not envisage further price growth for the remainder of the year.

At 3.39 % for those with a 30% deposit, five-year fixed mortgages are now at their lowest historical level. With finance availability continuing to constrain the market for first time buyers, however, low volumes are expected to continue, particularly outside of London. We expect this to lead to further branch closures by over-extended competitors, offering managers or owners of existing, successful businesses the opportunity to join Winkworth, allowing them to make progress in a flat volume market and position themselves as market leaders in the next upturn.

Dominic Agace
Chief Executive Officer
27th September 2011

About Winkworth

Winkworth is a leading franchisor of residential real estate agencies and is quoted on AIM.

Established in Mayfair in 1835, Winkworth has a pre-eminent position in the mid to upper segments of the central London residential sales and lettings markets. In total, the company operates from over 80 offices in the UK, France and Portugal, having doubled in size in recent years.

The franchise model allows entrepreneurial real estate professionals to provide the highest standards of service under the banner of a well-respected brand name and to benefit from the support and promotion that Winkworth offers. Franchisees deliver in-depth local knowledge and a highly personalised service to their clients.

For further information please visit: www.winkworthplc.com

M WINKWORTH PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period 1 January 2011 to 30 June 2011

	Notes	(Unaudited) Period 1.1.11 to 30.6.11 £	(Unaudited) Period 1.1.10 to 30.6.10 £	(Audited) Year ended 31.12.10 £
CONTINUING OPERATIONS				
Revenue		1,790,763	1,679,077	3,707,543
Cost of sales		(401,226)	(387,420)	(840,240)
GROSS PROFIT		1,389,537	1,291,657	2,867,303
Other operating income		3,322	3,341	-
Administrative expenses		(828,757)	(732,709)	(1,758,691)
OPERATING PROFIT		564,102	562,289	1,108,612
Finance costs		(5)	-	-
Finance income		749	1,056	2,805
PROFIT BEFORE TAXATION		564,846	563,345	1,111,417
Taxation		(172,675)	(169,712)	(313,050)
PROFIT FOR THE PERIOD		392,171	393,633	798,367
OTHER COMPREHENSIVE INCOME				
Unrealised exchange gain/(loss)		8,952	(26,699)	(9,543)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		401,123	366,934	788,824
Profit attributable to:				
Owners of the parent		394,073	402,103	803,981
Non-controlling interests		(1,902)	(8,470)	(5,614)
		392,171	393,633	798,367

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period 1 January 2011 to 30 June 2011

	Notes	(Unaudited) Period 1.1.11 to 30.6.11 £	(Unaudited) Period 1.1.10 to 30.6.10 £	(Audited) Year ended 31.12.10 £
Earnings per share expressed in pence per share:	2			
Basic and diluted		3.28	3.52	7.03
Total comprehensive income attributable to:				
Owners of the parent		403,025	375,404	795,392
Non-controlling interests		(1,902)	(8,470)	(6,568)
		401,123	366,934	788,824

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2011

	Notes	(Unaudited) 30.06.2011 £	(Unaudited) 30.06.2010 £	(Audited) 31.12.2010 £
ASSETS				
NON-CURRENT ASSETS				
Goodwill		217,993	196,660	208,965
Intangible assets	3	690,942	178,209	203,463
Property, plant and equipment		322,792	261,990	265,107
Investments		7,200	7,050	7,200
Trade and other receivables		100,000	40,000	-
		1,338,927	683,909	684,735
CURRENT ASSETS				
Trade and other receivables		714,547	501,939	498,320
Cash and cash equivalents		1,674,795	1,154,031	1,600,649
		2,389,342	1,655,970	2,098,969
TOTAL ASSETS		3,728,269	2,339,879	2,783,704
EQUITY				
SHAREHOLDERS' EQUITY				
Share capital		63,381	57,144	57,144
Share premium		1,731,265	777,213	777,213
Retained earnings		1,212,834	893,732	1,085,145
		3,007,480	1,728,089	1,919,502
Non-controlling interests		-	-	1,902
TOTAL EQUITY		3,007,480	1,728,089	1,921,404
LIABILITIES				
NON-CURRENT LIABILITIES				
Deferred tax		42,500	22,200	29,700
CURRENT LIABILITIES				
Trade and other payables		308,557	305,502	451,361
Bank borrowings		159,242	50,395	92,089
Tax payable		210,490	233,693	177,150
Provisions		-	-	112,000
		678,289	589,590	832,600
TOTAL LIABILITIES		720,789	611,790	862,300
TOTAL EQUITY AND LIABILITIES		3,728,269	2,339,879	2,783,704

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period 1 January 2011 to 30 June 2011

	Share capital £	Retained earnings £	Share premium £	Shareholders' equity £
Balance at 1 January 2010	57,144	689,759	777,213	1,524,116
Total comprehensive income	-	375,404	-	375,404
Dividends paid	-	(171,431)	-	(171,431)
Balance at 30 June 2010	57,144	893,732	777,213	1,728,089
Total comprehensive income	-	419,988	-	419,988
Dividends paid	-	(228,575)	-	(228,575)
Balance at 31 December 2010	57,144	1,085,145	777,213	1,919,502
Issue of share capital	6,237	-	954,052	960,289
Total comprehensive income	-	403,025	-	403,025
Dividends paid	-	(275,336)	-	(275,336)
Balance at 30 June 2011	63,381	1,212,834	1,731,265	3,007,480

	Non-controlling interests £	Total equity £
Balance at 1 January 2010	8,470	1,532,586
Total comprehensive income	(8,470)	366,934
Dividends paid	-	(171,431)
Balance at 30 June 2010	-	1,728,089
Total comprehensive income	1,902	421,890
Dividends paid	-	(228,575)
Balance at 31 December 2010	1,902	1,921,404
Issue of share capital	-	960,289
Total comprehensive income	(1,902)	401,123
Dividends paid	-	(275,336)
Balance at 30 June 2011	-	3,007,480

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CONSOLIDATED STATEMENT OF CASH FLOWS
for the period 1 January 2011 to 30 June 2011

	Notes	(Unaudited) Period 1.1.11 to 30.6.11 £	(Unaudited) Period 1.1.10 to 30.6.10 £	(Audited) Year ended 31.12.10 £
Cash flows from operating activities				
Cash generated from operations	i	35,585	255,090	1,154,313
Interest paid		(5)	-	-
Tax paid		(126,535)	(201,671)	(394,051)
Net cash (used in)/from operating activities		(90,955)	53,419	760,262
Cash flows from investing activities				
Purchase of intangible fixed assets		(505,000)	(55,000)	(100,035)
Purchase of tangible fixed assets		(82,754)	(25,681)	(55,589)
Purchase of fixed asset investments		-	-	(150)
Interest received		749	1,056	2,805
Net cash used in investing activities		(587,005)	(79,625)	(152,969)
Cash flows from financing activities				
Share issue		960,289	-	-
Equity dividends paid		(275,336)	(171,431)	(400,006)
Net cash from/(used in) financing activities		684,953	(171,431)	(400,006)
Increase/(decrease) in cash and cash equivalents		6,993	(197,637)	207,287
Cash and cash equivalents at beginning of period	ii	1,508,560	1,301,273	1,301,273
Cash and cash equivalents at end of period	ii	1,515,553	1,103,636	1,508,560

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NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
for the period 1 January 2011 to 30 June 2011

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

	(Unaudited) Period 1.1.11 to 30.6.11 £	(Unaudited) Period 1.1.10 to 30.6.10 £	(Audited) Year ended 31.12.10 £
Profit before taxation	573,798	536,646	1,101,875
Depreciation and amortisation	42,514	34,453	80,858
Loss on disposal of property, plant and equipment	-	-	259
Exchange rate variance	(8,952)	21,940	9,542
Finance costs	5	-	-
Finance income	(749)	(1,056)	(2,806)
	606,616	591,983	1,189,728
Increase in trade and other receivables	(316,227)	(184,108)	(140,489)
Decrease in trade and other payables	(142,804)	(152,785)	(6,926)
(Decrease)/increase in provisions	(112,000)	-	112,000
Cash generated from operations	35,585	255,090	1,154,313

ii. **CASH AND CASH EQUIVALENTS**

The amounts disclosed in the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

	30.6.11 £	30.6.10 £	31.12.10 £
Cash and cash equivalents	1,674,795	1,154,031	1,600,649
Bank overdrafts	(159,242)	(50,395)	(92,089)
	1,515,553	1,103,636	1,508,560

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NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2011 to 30 June 2011

1. ACCOUNTING POLICIES

Basis of preparation
The interim report for the six months ended 30 June 2011 and the comparative information for the periods ended 30 June 2010 and 31 December 2010 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the most recent statutory accounts for the year ended 31 December 2010 has been delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

The financial information for the six months ended 30 June 2011 and 30 June 2010 are unaudited. The financial information for the year ended 31 December 2010 is derived from the group's audited annual report and accounts.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting'.

The same accounting policies and methods of computation are followed in the condensed set of financial statements as were applied in the group's latest annual audited financial statements.

2. EARNINGS PER SHARE

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

There are no dilutive potential shares in issue.

	Earnings £	Weighted average number of shares	Per-share amount pence
Period ended 30.06.11	394,073	12,028,371	3.28
Period ended 30.06.10	402,103	11,428,750	3.52
Year ended 31.12.10	803,981	11,428,750	7.03

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NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2011 to 30 June 2011

3. **INTANGIBLE ASSETS**

	£
Net book value at 1 January 2010	136,228
Additions	55,000
Amortisation	(13,019)
Net book value at 30 June 2010	178,209
Additions	44,776
Amortisation	(19,522)
Net book value at 31 December 2010	203,463
Additions	505,000
Amortisation	(17,521)
Net book value at 30 June 2011	690,942