

**Interim Results for the Six Months ended 30 June 2015**

M Winkworth Plc (“Winkworth” or the “Company”) is pleased to announce its  
Interim Results for the six months ended 30 June 2015

**Highlights for the period**

- Revenue up 3.2% to £2.57 million (2014: £2.49 million)
- Profit before taxation £663,149 (2014: £803,785)
- Cash generated from operations £290,240 (2014: £436,582)
- Investment into centralised services establishing platform for future revenue streams
- Two new offices opened
- Dividends of 3.3p declared and paid (2014: 2.9p)

Dominic Agace, Chief Executive Officer of the Company, commented:

“After a first half negatively impacted by uncertainty around the election, activity has since picked up. We have continued to grow our rentals business and the newly-developed centralised services hold much promise. With early signs of wage inflation starting to come through, we feel that the UK property market is now on a sound footing for further progress going into 2016. The Company’s trading for the current year continues to be in line with the Board’s expectations.”

**Dominic Agace, Chief Executive Officer**

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Tom Fyson

Christopher Britton

## **Overview**

In my last statement I referred to 2015 as being a year of two halves and this is proving to be the case. The spring is when the residential market is normally at its strongest and the election campaign in May, along with the tax threats associated to it, seriously distorted sales but boosted rentals.

It is interesting to hear the various opinions expressed on the gyrations of our industry: some say that London will now experience lower growth than the country, and in certain sectors they may be right. For instance, following the slowdown caused mainly by the election, some of the highly modernised property at the top end of the market now appears to be priced on growth expectations that have since faltered. When the market was soaring, buyers with over £3 million to spend were prepared to accept the increased rates of stamp duty. But as price growth has slowed, these are increasingly baulking at paying the tax and looking for similar offerings outside of central London and below their original budget. This is boosting business at our outer London offices such as Weybridge and Guildford.

As part of our ongoing commitment to review and improve our business we have expanded our centralised services, which are delivering an increasing number of new instructions for both sales and rentals to our existing franchisees. Winkworth's China Desk, for example, is proving very successful in acquiring stock from developers, especially for Chinese families seeking to educate their children in the UK. Along with other foreign buyers, the competition for places in top London schools is forcing Chinese families to look for properties outside of London.

As our CEO stresses, Winkworth's rental business is growing significantly and we aim, in the medium term, to achieve an equal split between sales and rentals. The management team continues to build business development services to promote our rental services, the most significant of which has been the addition of corporate services. The centralisation of connections with relocation agents, embassies, and human resources departments looking to relocate employees across our network has been of major benefit to our landlords.

We believe that 2016 will see a resumption of growth and are very pleased with the potential new franchisees seeking to work under our brand. Through its established, boutique-style offices Winkworth has a wonderful network of hardworking and friendly agents who, being both local and highly experienced, have a market-led, flexible approach that is neither too big nor too small to care.

**Simon Agace**

Non-Executive Chairman

8 September 2015

## **Business Review**

As anticipated, the election played a major part in the sales market in the first half of the year with buyers and sellers becoming more cautious about the outcome and its impact on their personal circumstances. Prices drifted lower as those that wanted or needed to sell accepted offers from buyers who themselves were lacking in confidence. Since the election, and with a result which was more conclusive than expected, the market has improved significantly. Record low mortgage rates, with the average for a 75% LTV two-year fixed mortgage costing 2.75% versus 3.6% one year ago, have underpinned demand.

Despite seeing prices weakening in the run up to the election, the average property price sold by our central London offices grew by 9% compared to the first half of 2014 and by 14% in our country offices, demonstrating our strengthening profiles in these areas. New initiatives have come to fruition in central London, recently opened country offices are building awareness in their local markets, and country agencies which have converted to the Winkworth brand are able to offer more to potential clients and so attract higher value sellers looking to attract London buyers.

Transactions have been focused on the market below £1 million, where the changes made to stamp duty in Autumn 2014 reduced costs for purchasers. Above this level, stamp duty changes have created additional costs and affected affordability, so although we experienced a post-election pick-up in activity across the board, prices at the upper end of the market have not appreciated. This has been particularly evident in central London, where a strengthening pound has also negatively impacted the purchasing power of international buyers. The stronger exchange rate, however, has raised interest from buyers looking to acquire property in France, Italy, Portugal and Spain, and we have started to see a resurgence in our London-based international desk working with franchised and associate offices abroad.

Offsetting the weaker sales market, interest in rentals has continued to rise, with our rentals business growing by 7% in the first half to stand at 38% of turnover compared to 33% in the first half of 2014 and more than doubling since 2006. With new initiatives underway, rentals are well set to reach our medium term goal to represent 50% of total revenues. Prices increased most notably in Greater London and the country.

Our corporate relocation activity is growing substantially as we work with major companies which are increasingly looking further afield than central London. Areas such as Hackney and Greenwich are proving particularly popular as a rising number of relocating employees are working for technology companies, such as Google and Facebook, rather than the traditional city firms that were the mainstay of relocation work until recent years. We expect this trend to continue and, with a combination of more offices in London than any other agency covering both traditional and up-and-coming neighbourhoods, and a central department to service these requests, we believe that we are extremely well placed to take advantage of this development.

During an uneven first half, Winkworth's revenues rose by 3.2% to £2.57 million (2014: £2.49m), Profit before taxation was down 17% to £663,149 (2014: £803,785), cash generated was down 34% to £290,240 (2014: £436,582) and dividends of 3.3p were declared and paid (2014: 2.9p). A further two new offices opened in Sway and West Bridgford.

Despite the uncertainty in the first half of the year we have continued to build two key central services: the client services department, referring leads between our offices to ensure the best value for clients selling their properties; and the corporate services department, taking advantage of the returning budget of blue chip companies relocating employees in and around London. We have also worked hard to improve the mix of our offices, reselling six under-performing offices in London during the first half to successful and ambitious operators. Pending relocation, we have retreated from poor locations that we have felt do not fit our brand profile to ensure we can maximise the value from our London network. This has incurred increased one-off investment, particularly in the first half of 2015 which has impacted profitability, but we believe that our offering will be much improved as a result and that this action will pay dividends in the years to come.

## **Outlook**

With early signs of wage inflation starting to come through, we feel that the UK property market is now on a sound footing for further progress going into 2016. We envisage that a shortage of properties for sale will underpin prices and, in turn, that a lack of affordability as well as ongoing mortgage restrictions will continue to drive demand for rental properties, where activity and prices will continue to be strong. We remain of the view that the country markets and areas with good transport links into London are those with the greatest room for short term improvement as activity and prices continue to recover from a low base. This revival, however, will be focused on the middle market as the super prime areas that appeal to international buyers are affected by both the changes in stamp duty and a stronger pound.

Over the last seven years we have established the necessary footprint in key towns in the southeast and southwest to enable us to grow further offices by leveraging off these pivotal centres. We look forward to further organic growth through the conversion of small, independent networks and to combine this with the additional income we expect to generate as our new central services start to mature.

**Dominic Agace**

Chief Executive Officer

8 September 2015

**M WINKWORTH PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the period 1 January 2015 to 30 June 2015

	(Unaudited) Period 1.1.15 To 30.6.15 £	(Unaudited) Period 1.1.14 To 30.6.14 £	(Audited) Year ended 31.12.14 £
<b>CONTINUING OPERATIONS</b>			
Revenue	2,573,894	2,494,037	5,495,517
Cost of sales	<u>(490,041)</u>	<u>(480,074)</u>	<u>(950,511)</u>
<b>GROSS PROFIT</b>	2,083,853	2,013,963	4,545,006
Administrative expenses	<u>(1,468,157)</u>	<u>(1,228,367)</u>	<u>(2,704,886)</u>
<b>OPERATING PROFIT</b>	615,696	785,596	1,840,120
Finance costs	(22)	(316)	(270)
Finance income	<u>47,475</u>	<u>18,505</u>	<u>86,313</u>
<b>PROFIT BEFORE TAXATION</b>	663,149	803,785	1,926,163
Taxation	<u>(143,924)</u>	<u>(187,000)</u>	<u>(426,147)</u>
<b>PROFIT FOR THE PERIOD</b>	519,225	616,785	1,500,016
<b>OTHER COMPREHENSIVE INCOME</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>519,225</u></u>	<u><u>616,785</u></u>	<u><u>1,500,016</u></u>
Earnings per share expressed in pence per share:			
Basic	4.10	4.87	11.83
Diluted	<u>4.06</u>	<u>4.83</u>	<u>11.80</u>

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**M WINKWORTH PLC**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**30 June 2015**

	Notes	(Unaudited) 30.06.2015 £	(Unaudited) 30.06.2014 £	(Audited) 31.12.2014 £
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets	4	1,053,478	1,131,838	1,092,790
Property, plant and equipment		59,650	86,965	85,211
Investments		7,200	7,200	7,200
Trade and other receivables		957,586	572,549	810,704
		<u>2,077,914</u>	<u>1,798,552</u>	<u>1,995,905</u>
<b>CURRENT ASSETS</b>				
Trade and other receivables		1,673,004	1,207,814	879,558
Cash and cash equivalents		2,123,132	2,295,063	2,505,487
		<u>3,796,136</u>	<u>3,502,877</u>	<u>3,385,045</u>
Assets held for sale		-	51,118	-
<b>TOTAL CURRENT ASSETS</b>		<u>3,796,136</u>	<u>3,553,995</u>	<u>3,385,045</u>
<b>TOTAL ASSETS</b>		<u><u>5,874,050</u></u>	<u><u>5,352,547</u></u>	<u><u>5,380,950</u></u>
<b>EQUITY</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		63,381	63,381	63,381
Share premium		1,718,469	1,718,469	1,718,469
Share option reserve		63,317	31,658	47,488
Retained earnings		2,972,880	2,369,027	2,871,971
<b>TOTAL EQUITY</b>		<u>4,818,047</u>	<u>4,182,535</u>	<u>4,701,309</u>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax		5,773	3,063	6,849
<b>CURRENT LIABILITIES</b>				
Trade and other payables		953,737	977,479	490,054
Tax payable		96,493	189,470	182,738
		<u>1,050,230</u>	<u>1,166,949</u>	<u>672,792</u>
<b>TOTAL LIABILITIES</b>		<u>1,056,003</u>	<u>1,170,012</u>	<u>679,641</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>5,874,050</u></u>	<u><u>5,352,547</u></u>	<u><u>5,380,950</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the period 1 January 2015 to 30 June 2015**

	Share capital	Retained earnings	Share option reserve	Share premium	Shareholders' equity
	£	£	£	£	£
<b>Balance at 1 January 2014</b>	63,381	2,119,853	15,829	1,718,469	3,917,532
Total comprehensive income	-	616,785	-	-	616,785
Share-based payment	-	-	15,829	-	15,829
Dividends paid	-	(367,611)	-	-	(367,611)
<b>Balance at 30 June 2014</b>	<u>63,381</u>	<u>2,369,027</u>	<u>31,658</u>	<u>1,718,469</u>	<u>4,182,535</u>
Total comprehensive income	-	883,231	-	-	883,231
Share-based payment	-	-	15,830	-	15,830
Dividends paid	-	(380,287)	-	-	(380,287)
<b>Balance at 31 December 2014</b>	<u>63,381</u>	<u>2,871,971</u>	<u>47,488</u>	<u>1,718,469</u>	<u>4,701,309</u>
Total comprehensive income	-	519,225	-	-	519,225
Share-based payment	-	-	15,829	-	15,829
Dividends paid	-	(418,316)	-	-	(418,316)
<b>Balance at 30 June 2015</b>	<u><u>63,381</u></u>	<u><u>2,972,880</u></u>	<u><u>63,317</u></u>	<u><u>1,718,469</u></u>	<u><u>4,818,047</u></u>

**M WINKWORTH PLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the period 1 January 2015 to 30 June 2015**

		(Unaudited) Period 1.1.15 To 30.6.15 £	(Unaudited) Period 1.1.14 To 30.6.14 £	(Audited) Year ended 31.12.14 £
	Notes			
<b>Cash flows from operating activities</b>				
Cash generated from operations	i	290,240	436,582	1,236,895
Interest paid		(22)	(316)	(270)
Tax paid		(231,245)	(240,003)	(482,093)
Net cash from operating activities		58,973	196,263	754,532
<b>Cash flows from investing activities</b>				
Purchase of intangible fixed assets		(70,487)	(181,508)	(244,732)
Purchase of tangible fixed assets		-	(19,658)	(42,977)
Sale of property, plant & equipment		-	-	51,177
Interest received		47,475	18,505	86,313
Net cash used in investing activities		(23,012)	(182,661)	(150,219)
<b>Cash flows from financing activities</b>				
Equity dividends paid		(418,316)	(367,611)	(747,898)
Net cash used in financing activities		(418,316)	(367,611)	(747,898)
<b>(Decrease)/increase in cash and cash equivalents</b>		(382,355)	(354,009)	(143,585)
<b>Cash and cash equivalents at beginning of period</b>		2,505,487	2,649,072	2,649,072
<b>Cash and cash equivalents at end of period</b>	ii	2,123,132	2,295,063	2,505,487



**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the period 1 January 2015 to 30 June 2015**

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

	(Unaudited) Period 1.1.15 To 30.6.15 £	(Unaudited) Period 1.1.14 To 30.6.14 £	(Audited) Year ended 31.12.14 £
Profit before taxation	663,149	803,785	1,926,163
Depreciation and amortisation	135,359	115,907	244,286
Profit on disposal of fixed assets	-	-	(1,094)
Share-based payments	15,829	15,829	31,659
Finance costs	22	316	270
Finance income	(47,475)	(18,505)	(86,313)
	<u>766,884</u>	<u>917,332</u>	<u>2,114,971</u>
(Increase)/decrease in trade and other receivables	(940,328)	(800,728)	(658,818)
Increase in trade and other payables	<u>463,684</u>	<u>319,978</u>	<u>(219,258)</u>
<b>Cash generated from operations</b>	<u><u>290,240</u></u>	<u><u>436,582</u></u>	<u><u>1,236,895</u></u>

**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:

	30.6.15 £	30.6.14 £	31.12.14 £
Cash and cash equivalents	<u><u>2,123,132</u></u>	<u><u>2,295,063</u></u>	<u><u>2,505,487</u></u>

**NOTES TO THE CONSOLIDATED INTERIM RESULTS**  
**for the period 1 January 2015 to 30 June 2015**

**1. ACCOUNTING POLICIES**

**Basis of preparation**

The interim report for the six months ended 30 June 2015 and the comparative information for the periods ended 30 June 2014 and 31 December 2014 do 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 2014 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 2015 and 30 June 2014 is unaudited. The financial information for the year ended 31 December 2014 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 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.

**Taxation**

Income tax expense has been recognised based on the best estimate of the weighted average annual effective income tax rate expected for the full financial year.

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

**2. SEGMENTAL REPORTING**

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

**NOTES TO THE CONSOLIDATED INTERIM RESULTS**  
**for the period 1 January 2015 to 30 June 2015**

**3. EARNINGS PER SHARE**

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

	Earnings £	Weighted average number of shares	Per-share amount pence
Period ended 30.06.15			
<b>Basic EPS</b>			
Earnings/number of shares	519,225	12,676,238	4.10
Effect of dilutive securities	-	112,575	-
<b>Diluted EPS</b>			
Adjusted earnings/number of shares	519,225	12,788,813	4.06
Period ended 30.06.14			
<b>Basic EPS</b>			
Earnings/number of shares	616,785	12,676,238	4.87
Effect of dilutive securities	-	101,870	-
<b>Diluted EPS</b>			
Adjusted earnings/number of shares	616,785	12,778,108	4.83
Year ended 31.12.14			
<b>Basic EPS</b>			
Earnings/number of shares	1,500,016	12,676,238	11.83
Effect of dilutive securities	-	39,157	-
<b>Diluted EPS</b>			
Adjusted earnings/number of shares	1,500,016	12,715,395	11.80

## M WINKWORTH PLC

### NOTES TO THE CONSOLIDATED INTERIM RESULTS for the period 1 January 2015 to 30 June 2015

#### 4. INTANGIBLE ASSETS

	£
Net book value at 1 January 2014	1,046,350
Additions	181,508
Amortisation	<u>(96,020)</u>
Net book value at 30 June 2014	<u>1,131,838</u>
Additions	63,224
Amortisation	<u>(102,272)</u>
Net book value at 31 December 2014	<u>1,092,790</u>
Additions	70,487
Amortisation	<u>(109,799)</u>
Net book value at 30 June 2015	<u>1,053,478</u>

#### 5. INTERIM RESULTS

Copies of this notice are available to the public from the registered office at 11 Berkeley Street, Mayfair, London W1J 8DS, and on the Company's website at [www.winkworthplc.com](http://www.winkworthplc.com)