

Interim Results for the six months ended 30 June 2016

M Winkworth Plc (“Winkworth” or the “Company”), the leading franchisor of real estate agencies, is pleased to announce its Interim Results for the six months ended 30 June 2016

Highlights for the period

- Revenue up 6.7% to £2.75 million (2015: £2.57 million)
- Profit before taxation £721,711 (2015: £663,149)
- Cash generated from operations £439,399 (2015: £290,240)
- Lettings income increased to 40% of total revenues
- Five new franchises with two new offices opened and three resold to new management
- Dividends of 3.5p declared and paid during the period (2015: 3.3p)

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

“Our investment in the rentals side of the business has continued to pay off, with revenues in H1 rising by 11% year-on-year. Although uncertainty remains, we expect sales to pick up from the lows of June and July and to see growth in transactions in the country and suburban London markets. We believe that there is a significant opportunity for us to grow the franchise base by adding quality businesses and people at reasonable valuations.”

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Robert Finlay / Ed Thomas

Chairman's Statement

I am pleased to see the resilience of Winkworth as confirmed by our half year results, which re-iterate the strength of the franchise model and the capability of our experienced and self-motivated franchisees to react quickly to changing market conditions.

Winkworth has been franchising since 1981 and its policy has been to continuously grow back-up services for its franchisees, whilst at the same time encouraging these to perform to the highest standards. We also have a policy of encouraging the few poorly performing franchisees to sell or revamp their businesses.

The business has grown across London by offering a localised service and a marketing network between offices, enabling customers to receive both good advice and an integrated service. Some of Winkworth's London offices have been built into very substantial businesses, covering dense populations. This expansion has extended into the country, linking our London business to a strong provincial presence.

This strategy has enabled us to succeed not only in high volume markets but also in lower ones such as we are experiencing at present. Sales volumes have been on the rise since 2008, but so also have the number of estate agents and alternative methods of sale, driven by a recovery boom which recorded new value highs and substantial volumes. Increases in stamp duty, changes in taxation and the uncertainty resulting from Brexit have had a negative impact on sales volumes, while values have in some cases become more fragile.

An offering that combines both sales and rentals has added to Winkworth's resilience. It is worth noting that while our sales business remains the larger of the two activities, the number of new applicants for rentals is currently exceeding the number of applicants for sales. Significant growth in our lettings business following recent initiatives adds considerable balance to our business.

With over 95 offices, the first of which started trading in 1974, Winkworth is proud of its many experienced and professional owners. Some of these have brought in new partners or sold out to their own teams, adding to the ongoing regeneration of our business that we have witnessed over the last 40 years.

Our focus on centralised services, corporate rentals and customer care, as reported in previous statements, has strengthened our proposition and we believe this will be reflected in an increasing number of franchisee applications. Meanwhile, the regeneration of existing offices as proprietors retire and new proprietors take over continues to add momentum to the business.

The franchisor team continues to do an excellent job and we look forward to welcoming new franchisees in the months and years to come. In addition, with a strong balance sheet the downturn in the market may well provide opportunities for us to grow by acquiring businesses keen to join the Winkworth brand, thus compensating for weaker sales transactions.

During the first half of this year we incurred slightly higher expenditure than normal due to the relocation of our Head Office to new offices in Oxford Street, but now that this has been concluded successfully further expenditure can be avoided. We are therefore confident that Winkworth is well placed to perform satisfactorily during the current financial year.

Simon Agace
Non-Executive Chairman
13 September 2016

CEO's Statement

In the first half of this year the property market was dominated by the changes to stamp duty on buy-to-let properties which took effect in April, as well as uncertainty in the lead-up to the referendum. Consequently, there was a surge in activity in Q1 followed by a slowing sales market in Q2.

Demand for properties has remained firm, with the key drivers of interest rates and unemployment continuing to fall. As a result, the number of forced sellers has been limited, while those concerned with economic uncertainty have delayed their decision to sell rather than accept a reduced price. This has had an impact on market transactions which still stand some 25% lower than the peak seen in 2006. This has been most accentuated above the £1m level, where stamp duty increases are still being absorbed. Below this level, record low mortgage rates have helped affordability and activity has been more brisk.

Against the background of this constrained market, Winkworth's average fee per property sold grew by 7% in London and 2% in the country, resulting in sales revenue being flat in London and growing by 26% in the country. Overall, sales transactions grew by 3% in H1 2016 year-on-year while revenues increased by 5%.

Our investment in the rentals side of the business has continued to pay off, with revenues in H1 rising by 11% year-on-year. With the support of our recently-launched Client Services and Corporate Relocation departments we see this trend continuing. These departments improve the opportunities that we can uncover for our landlords and so enhance our rentals proposition. Within the 11% increase in rental income, London grew by 9% while our country offices grew by an outstanding 23%. We are also particularly pleased to see property management fees increasing by 19%, a sign of our strengthening relationships with landlords. Rental income now accounts for 40% of group revenues compared to 38% this time last year and 33% in 2014. With rentals applicants up 40% year-on-year in July, we have experienced a firm start to the second half of the year. Over time we expect to see the lettings side of our business continuing to grow towards 50% of our overall turnover.

In H1 2016, gross revenues of the franchised office network increased by 7% to £23.7m (£22.0m) with sales rising 5% to £14.3m (£13.6m) lettings up 7% to £6.1m (£5.8m) and property management up 19% to £3.2m (£2.7m).

Winkworth's revenues rose by 6.7% to £2.75 million (£2.57m), profit before taxation was up 8.8% to £721,711 (£663,149), cash generated rose 51% to £439,399 (£290,240) and dividends of 3.5p were declared and paid during the period (3.3p).

A further two new offices were opened in Colindale and Marlborough, while three existing offices were resold to new management. One office in the UK and two in Portugal were closed. Over the coming six months we anticipate a further 6-8 new openings and a further 1-2 resales, while longer term we expect to see an increase in opportunities both to convert existing businesses to the Winkworth brand and to grow new franchises. A weaker sales market tends to encourage employees whose income is declining to boost their earnings by owning equity in an estate agency, while existing agents look to grow their market share, reduce costs and explore new options, of which we are one.

The two significant new services that we launched in 2014 continue to grow and are now supporting the overall performance of the business, with gross fees generated more than doubling to the end of July 2016 year-on-year. The client services department generated £335,000 in gross office fees versus £152,000 this time last year and we expect this trend to continue as we further improve our capacity to refer applicants from across the network via our extensive database. This service generates additional value for our clients when selling or letting their properties by providing them with access to the entire Winkworth network.

We have also seen growth in our corporate relocation business, albeit that as 'right to rent' visa changes and the referendum have delayed activity we expect the majority of this to come through in H2. In the meantime, this service is providing a new benefit to our local offices and adding to the momentum of our successful lettings business.

Following on from the addition of these two offerings, we have recently launched a centralised recruitment service for franchisees to provide a recruitment function for offices and help them to attract the best possible staff, whilst also offering them lower fees than those of recruitment agents. This is initially being grown out of existing resources with a view to adding a graduate recruitment scheme linked to our training academy and, eventually, providing these graduates with a path to becoming franchisees of the future.

By centralising selected key parts of our business we are able to offer not only economies of scale and value to our franchisees, but also an even better offering to our clients. In order to match new demands, we are taking continuous steps to ensure that our business evolves in line with the way our clients look to manage their property investments and transactions. A major step in this regard will come in Q4 with the launch of our new website providing centralised services for landlords wishing to manage their properties online.

Outlook

With interest rates remaining low and mortgages becoming even cheaper - a 10-year fixed loan is now available at 2.69% for a 65% LTV - and employment remaining high, we envisage that downward price pressure will be limited to the prime markets, as has been the case since the stamp duty changes of November 2014. In the wider market we envisage ongoing low stock levels as vendors wait for economic uncertainty to pass before marketing their property, but we do not expect to see significant price falls.

Although uncertainty remains, we expect trading to pick up from the lows of June and July and to see growth in transactions in the country and suburban London markets.

We believe that there is a significant opportunity for us to grow the franchise base by adding quality businesses and people at reasonable valuations. With net cash available in excess of £2.8m, we will invest in new franchising capacity in order to ensure that we capture the best available opportunities without endangering our dividend policy.

Dominic Agace
Chief Executive Officer
13 September 2016

M WINKWORTH PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period 1 January 2016 to 30 June 2016

	(Unaudited) Period 1.1.16 To 30.6.16 £	(Unaudited) Period 1.1.15 To 30.6.15 £	(Audited) Year ended 31.12.15 £
CONTINUING OPERATIONS			
Revenue	2,746,532	2,573,894	5,865,182
Cost of sales	<u>(667,051)</u>	<u>(703,083)</u>	<u>(1,551,281)</u>
GROSS PROFIT	2,079,481	1,870,811	4,313,901
Administrative expenses	<u>(1,391,354)</u>	<u>(1,255,115)</u>	<u>(2,496,711)</u>
OPERATING PROFIT	688,127	615,696	1,817,190
Finance costs	-	(22)	-
Finance income	<u>33,584</u>	<u>47,475</u>	<u>89,839</u>
PROFIT BEFORE TAXATION	721,711	663,149	1,907,029
Taxation	<u>(148,300)</u>	<u>(143,924)</u>	<u>(391,578)</u>
PROFIT FOR THE PERIOD	573,411	519,225	1,515,451
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>573,411</u></u>	<u><u>519,225</u></u>	<u><u>1,515,451</u></u>
Earnings per share expressed in pence per share:			
Basic	4.52	4.10	11.95
Diluted	<u>4.51</u>	<u>4.06</u>	<u>11.91</u>

M WINKWORTH PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	(Unaudited) 30.06.2016 £	(Unaudited) 30.06.2015 £	(Audited) 31.12.2015 £
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	4	896,832	1,053,478	976,001
Property, plant and equipment		139,794	59,650	34,650
Investments		7,200	7,200	7,200
Trade and other receivables		735,149	957,586	800,189
Deferred tax		-	-	2,222
		<u>1,778,975</u>	<u>2,077,914</u>	<u>1,820,262</u>
CURRENT ASSETS				
Trade and other receivables		2,001,336	1,673,004	1,166,173
Cash and cash equivalents		<u>2,838,443</u>	<u>2,123,132</u>	<u>3,167,704</u>
		<u>4,839,779</u>	<u>3,796,136</u>	<u>4,333,877</u>
TOTAL ASSETS		<u>6,618,754</u>	<u>5,874,050</u>	<u>6,154,139</u>
EQUITY				
SHAREHOLDERS' EQUITY				
Share capital		63,666	63,381	63,666
Share premium		1,792,906	1,718,469	1,792,906
Share option reserve		51,295	63,317	51,295
Retained earnings		<u>3,462,015</u>	<u>2,972,880</u>	<u>3,334,268</u>
TOTAL EQUITY		<u>5,369,882</u>	<u>4,818,047</u>	<u>5,242,135</u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Deferred tax		<u>21,078</u>	<u>5,773</u>	<u>-</u>
CURRENT LIABILITIES				
Trade and other payables		1,192,405	953,737	800,536
Tax payable		<u>35,389</u>	<u>96,493</u>	<u>111,468</u>
		<u>1,227,794</u>	<u>1,050,230</u>	<u>912,004</u>
TOTAL LIABILITIES		<u>1,248,872</u>	<u>1,056,003</u>	<u>912,004</u>
TOTAL EQUITY AND LIABILITIES		<u>6,618,754</u>	<u>5,874,050</u>	<u>6,154,139</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period 1 January 2016 to 30 June 2016

	Share capital	Retained earnings	Share option reserve	Share premium	Shareholders' equity
	£	£	£	£	£
Balance at 1 January 2015	63,381	2,871,971	47,488	1,718,469	4,701,309
Total comprehensive income	-	519,225	-	-	519,225
Share-based payment	-	-	15,829	-	15,829
Dividends paid	-	(418,316)	-	-	(418,316)
Balance at 30 June 2015	<u>63,381</u>	<u>2,972,880</u>	<u>63,317</u>	<u>1,718,469</u>	<u>4,818,047</u>
Total comprehensive income	-	996,226	-	-	996,226
Issue of share capital	285	-	-	74,437	74,722
Share-based payment	-	-	(12,022)	-	(12,022)
Dividends paid	-	(634,838)	-	-	(634,838)
Balance at 31 December 2015	<u>63,666</u>	<u>3,334,268</u>	<u>51,295</u>	<u>1,792,906</u>	<u>5,242,135</u>
Total comprehensive income	-	573,411	-	-	573,411
Dividends paid	-	(445,664)	-	-	(445,664)
Balance at 30 June 2016	<u><u>63,666</u></u>	<u><u>3,462,015</u></u>	<u><u>51,295</u></u>	<u><u>1,792,906</u></u>	<u><u>5,369,882</u></u>

M WINKWORTH PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period 1 January 2016 to 30 June 2016

		(Unaudited) Period 1.1.16 To 30.6.16 £	(Unaudited) Period 1.1.15 To 30.6.15 £	(Audited) Year ended 31.12.15 £
	Notes			
Cash flows from operating activities				
Cash generated from operations	i	439,399	290,240	1,913,669
Interest paid		-	(22)	-
Tax paid		(201,079)	(231,245)	(471,919)
Net cash from operating activities		238,320	58,973	1,441,750
Cash flows from investing activities				
Purchase of intangible fixed assets		(31,630)	(70,487)	(107,477)
Purchase of tangible fixed assets		(123,871)	-	(639)
Sale of property, plant & equipment		-	-	-
Interest received		33,584	47,475	89,839
Net cash used in investing activities		(121,917)	(23,012)	(18,277)
Cash flows from financing activities				
Share issue		-	-	62,700
Equity dividends paid		(445,664)	(418,316)	(823,956)
Net cash used in financing activities		(445,664)	(418,316)	(761,256)
(Decrease)/increase in cash and cash equivalents		(329,261)	(382,355)	662,217
Cash and cash equivalents at beginning of period		3,167,704	2,505,487	2,505,487
Cash and cash equivalents at end of period	ii	2,838,443	2,123,132	3,167,704

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
for the period 1 January 2016 to 30 June 2016

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

	(Unaudited) Period 1.1.16 To 30.6.16 £	(Unaudited) Period 1.1.15 To 30.6.15 £	(Audited) Year ended 31.12.15 £
Profit before taxation	721,711	663,149	1,907,029
Depreciation and amortisation	129,526	135,359	275,466
Share-based payments	-	15,829	15,829
Finance costs	-	22	-
Finance income	(33,584)	(47,475)	(89,839)
	<u>817,653</u>	<u>766,884</u>	<u>2,108,485</u>
(Increase)/decrease in trade and other receivables	(770,123)	(940,328)	(276,100)
Increase in trade and other payables	<u>391,869</u>	<u>463,684</u>	<u>81,284</u>
Cash generated from operations	<u><u>439,399</u></u>	<u><u>290,240</u></u>	<u><u>1,913,669</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:

	30.6.16 £	30.6.15 £	31.12.15 £
Cash and cash equivalents	<u><u>2,838,443</u></u>	<u><u>2,123,132</u></u>	<u><u>3,167,704</u></u>

NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2016 to 30 June 2016

1. ACCOUNTING POLICIES

Basis of preparation

The interim report for the six months ended 30 June 2016 and the comparative information for the periods ended 30 June 2015 and 31 December 2015 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 2015 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 2016 and 30 June 2015 is unaudited. The financial information for the year ended 31 December 2015 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 accounting policies and methods of computation used in this financial information is consistent with those applied in the group's latest annual audited financial statements, except as noted below. The directors do not anticipate that any new standards, applicable to the year ending 31 December 2016, will have an impact on the results of the group.

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 2016 to 30 June 2016

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 30.06.16			
Basic EPS			
Earnings/number of shares	573,411	12,681,548	4.52
Effect of dilutive securities	-	41,298	-
Diluted EPS			
Adjusted earnings/number of shares	573,411	12,722,846	4.51
Period ended 30.06.15			
Basic EPS			
Earnings/number of shares	519,225	12,676,238	4.10
Effect of dilutive securities	-	112,575	-
Diluted EPS			
Adjusted earnings/number of shares	519,225	12,788,813	4.06
Year ended 31.12.15			
Basic EPS			
Earnings/number of shares	1,515,451	12,681,548	11.95
Effect of dilutive securities	-	41,298	-
Diluted EPS			
Adjusted earnings/number of shares	1,515,451	12,722,846	11.91

NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2016 to 30 June 2016

4. INTANGIBLE ASSETS

	£
Net book value at 1 January 2015	1,092,790
Additions	70,487
Amortisation	<u>(109,799)</u>
Net book value at 30 June 2015	<u>1,053,478</u>
Additions	36,990
Amortisation	<u>(114,467)</u>
Net book value at 31 December 2015	<u>976,001</u>
Additions	31,630
Amortisation	<u>(110,799)</u>
Net book value at 30 June 2016	<u>896,832</u>

5. INTERIM RESULTS

Copies of this notice are available to the public from the registered office at 1 Lumley Street, London, W1K 6TT, and on the Company's website at www.winkworthplc.com