

Interim Results for the Six Months ended 30 June 2017

M Winkworth Plc ("Winkworth" or the "Company") is pleased to announce its Interim Results for the six months ended 30 June 2017

Highlights for the period

- Revenues down 7.6% to £2.54m (2016: £2.75m)
- Profit before taxation down 25.2% to £0.54m (2016: £0.72m)
- Cash generated from operations £0.77m (2016: £0.44m)
- Cash balance as at 30 June 2017 £3.00m (2016: £2.84m)
- Rental income increased to 45% of total revenues
- Seven new franchisees signed
- Dividends of 3.6p declared and paid during the period (2016: 3.5p)

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

"With these results we are pleased to have demonstrated our ability to adapt to challenging market conditions and maintain our dividend payment. Although the market is likely to remain unsettled for the remainder of the year, we expect to see franchises that have converted to the Winkworth brand growing their market share by plugging into our evolving platform and new franchises approaching us to benefit from the greater rewards of equity ownership."

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Chairman's Statement

We are pleased to report some success in maintaining profitability and growing our franchises during the period under review. Notable achievements were an increase in rental turnover and the signing of seven new offices, which gives us a total number of offices at the end of the reporting period of 96.

Our robust estate agency platform is attracting an increasing number of new franchisees as well as owner upgrades in some of our older, established franchises such as Fulham. Our patience in waiting for a downturn before significantly expanding our number of offices is being rewarded, and this expansion has been achieved without diluting cash resources in the first half of the year - my congratulations to the management team.

We continue to focus on delivering the best services for our franchisees to enable them to maintain top service levels to vendors, buyers, landlords and tenants, and in order to maintain the growth and goodwill attached to the Winkworth brand. The successful roll-out of our centralised services, which now include an evolving internet platform and back-up office services for our franchises, is proving to be a powerful competitive advantage.

Work has continued on building our self-developed online client portal and customer service system which, on completion, will fully integrate sales, rentals and management allowing our clients and offices to conduct more of their business through our website. Our franchisees have diverse requirements, but we have been able to include them into the development of the system. Furthermore, by developing this system ourselves we have provided them with additional security and savings. I would like to thank our internal development team and franchisees for creating what we believe will be the leading platform for independent agencies.

Even though an uncertain outlook for sales volumes continues to weigh on the market, we are confident that our business model will lead to a return to growth in this sector. Meanwhile, we are delighted with the organic growth of our rentals business.

Although markets remain slow, based on the performance in the first half of the current financial year, and recent trading, we expect full year results to be in line with management's expectations. Looking forward our net cash position and established brand puts us in a strong position to take on whatever opportunities arise.

Simon Agace

Non-Executive Chairman

13 September 2017

CEO's Statement

Comparisons between this half year's performance and H1 2016 are complicated by the introduction of higher stamp duty for buy-to-let and second property owners in April 2016, which led to a spike in transactions, distorting sales performance from the underlying market environment. As a result, 2016 was the first year in which our second half was weaker than the first. We expect our seasonal performance to revert to normal in 2017 after a 18% year-on-year fall in the number of transactions in H1.

Excluding this comparison, the sales market has remained unsettled, with political and economic uncertainty and affordability issues post stamp duty changes weighing on transactions. The exception in the first half was central London, where price depreciation of some 15% over the last two years and international buyers attracted by a cheaper pound led to renewed interest, underpinning prices and increasing activity. Winkworth's gross sales income in this sector rose by 7% year-on-year.

Prices have remained steady in the more domestically-focused outer London markets, underpinned by low interest rates and high employment, but affordability issues continue.

Despite price reductions in central London, which accounts for approximately 25% of our total London sales, our average fees charged for a property sale were flat as a result of our average property price continuing to grow on the strength of the Winkworth brand. The average price of a Winkworth property sold increased by 2%, rising to £750,000 in London and £594,000 across the UK.

With the sales market subdued, our investment in the lettings and management side of the business has continued to pay dividends. Despite an increase in supply post the buy-to-let mini boom weighing on rental prices, lettings and management revenue grew by 4% and increased from 40% in H1 2016 to 45% of total gross revenue for the franchised office network. Of particular note was the strengthening of our property management business. This now accounts for 37% of our letting revenue compared to 34% this time last year, as increased training and our investment in improved procedures are bolstered by a heightened focus by franchisees on the value of this revenue stream. We see sustained growth in our lettings and management business as rental prices level out following the increase in supply.

In H1 2017, gross revenues of the franchised office network fell by 9% to £21.4m (£23.6m), with sales falling 18% to £11.7m (£14.3m), lettings down 2% to £6.0m (£6.1m) and property management up 15% to £3.7m (£3.2m).

Whilst Winkworth's revenues fell by 8% to £2.54m (£2.75m), and profit before taxation was 25% lower at £540k (£722k). Cash generated from operations increased by 74% to £766k (£439k), and the cash balance as at 30 June 2017 was £3.00m (2016: £2.84m). The Company remains debt-free.

Dividends of 3.6p were declared for the period (3.6p) and continue to be paid quarterly.

Against a background of a low transactional market we continue to attract high quality new franchise applicants and convert existing quality businesses to the Winkworth brand in markets that are complementary to our existing network. Start-up franchisees are typically successful managers whose earnings are depressed by current market conditions and who are looking to own equity in their own business, with the opportunity to secure their income longer term and no longer be hamstrung by the corporate requirements of larger well-known brands dragging down their earnings potential.

Existing businesses may be lettings agencies looking to develop into sales to offset the proposed loss of tenancy administration fees, or estate agencies in prime locations looking to compete for higher value properties and thus raise their profitability. In each case, new franchisees are able to add value through an enhanced level of service and, ultimately, the prices that their personal skill set and the Winkworth platform can help their clients achieve.

We have signed seven offices this year in Kingsbury, Milford On Sea, Cheltenham, Surbiton, Sunningdale, Dartmouth and Brixham, three of which were operational under the Winkworth brand in the first half. This compares to two new offices this time last year. With ongoing interest from exciting applicants, we expect this trend to continue and already have a number of new franchised offices lined up for launch in January 2018.

In order to attract candidates we have continued to invest in the platform. We launched a recruitment department in June 2017 to help franchisees find quality employees to enhance both their businesses and the overall Winkworth profile.

Our digital plan is now well underway, with a new website having been successfully launched in February and work in progress to develop improved functionality for sales and lettings clients. This will improve both the transparency of the Winkworth service and the capability to link into it, as well as providing added support to our franchisees as they use their skills and personal interaction to add value to their clients' property transactions and management requirements.

Outlook

We expect prices to be supported whilst interest rates remain low and employment high, but for the number of transactions to remain subdued on the back of an unpredictable economic outlook. The exception to this is central London, where we anticipate that transactions will continue to improve on the back of better sentiment and that prices have bottomed out.

In the rental market we expect prices to stabilise, after having fallen in H2 2016 and H1 2017, and activity to continue to grow as the post stamp duty glut is absorbed.

Based on the performance in the first half of the current financial year, and recent trading, we expect that full year results should be in line with management's expectations.

With current market conditions set to continue for the remainder of the year we expect to see franchises that have converted to the Winkworth brand growing their market share by plugging into our evolving platform, and new franchises approaching us to benefit from the greater rewards of equity ownership. This combined with the Company's strong financial position provides us with an ongoing positive outlook for growth of the network.

Dominic Agace

Chief Executive Officer

13 September 2017

M WINKWORTH PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period 1 January 2017 to 30 June 2017

	(Unaudited) Period 1.1.17 To 30.6.17 £000's	(Unaudited) Period 1.1.16 To 30.6.16 £000's	(Audited) Year ended 31.12.16 £000's
CONTINUING OPERATIONS			
Revenue	2,544	2,746	5,566
Cost of sales	(661)	(667)	(1,477)
GROSS PROFIT	1,883	2,079	4,089
Administrative expenses	(1,376)	(1,391)	(2,743)
OPERATING PROFIT	507	688	1,346
Finance costs	-	-	-
Finance income	33	34	71
PROFIT BEFORE TAXATION	540	722	1,417
Taxation	(99)	(148)	(291)
PROFIT FOR THE PERIOD	441	574	1,126
OTHER COMPREHENSIVE INCOME	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	441	574	1,126
Earnings per share expressed in pence per share:			
3			
Basic	3.46	4.52	8.84
Diluted	3.29	4.51	8.84

M WINKWORTH PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2017

	Notes	(Unaudited) 30.06.2017 £000's	(Unaudited) 30.06.2016 £000's	(Audited) 31.12.2016 £000's
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	4	734	897	777
Property, plant and equipment		99	140	115
Investments		7	7	7
Trade and other receivables		619	735	716
Deferred tax		-	-	-
		<u>1,459</u>	<u>1,779</u>	<u>1,615</u>
CURRENT ASSETS				
Trade and other receivables		1,820	2,002	1,348
Tax receivable		212	-	69
Cash and cash equivalents		<u>3,005</u>	<u>2,838</u>	<u>2,972</u>
		<u>5,037</u>	<u>4,840</u>	<u>4,389</u>
TOTAL ASSETS		<u>6,496</u>	<u>6,619</u>	<u>6,004</u>
EQUITY				
SHAREHOLDERS' EQUITY				
Share capital		64	64	64
Share premium		1,793	1,793	1,793
Share option reserve		51	51	51
Retained earnings		<u>3,539</u>	<u>3,462</u>	<u>3,556</u>
TOTAL EQUITY		<u>5,447</u>	<u>5,370</u>	<u>5,464</u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Deferred tax		<u>7</u>	<u>21</u>	<u>16</u>
CURRENT LIABILITIES				
Trade and other payables		1,042	1,193	524
Tax payable		<u>-</u>	<u>35</u>	<u>-</u>
		<u>1,042</u>	<u>1,228</u>	<u>524</u>
TOTAL LIABILITIES		<u>1,049</u>	<u>1,249</u>	<u>540</u>
TOTAL EQUITY AND LIABILITIES		<u>6,496</u>	<u>6,619</u>	<u>6,004</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period 1 January 2016 to 30 June 2017

	Share capital £000's	Retained earnings £000's	Share option reserve £000's	Share premium £000's	Shareholders' equity £000's
Balance at 1 January 2016	64	3,334	51	1,793	5,242
Total comprehensive income	-	574	-	-	574
Share-based payment	-	-	-	-	-
Dividends paid	-	(446)	-	-	(446)
Balance at 30 June 2016	64	3,462	51	1,793	5,370
Total comprehensive income	-	552	-	-	552
Issue of share capital	-	-	-	-	-
Share-based payment	-	-	-	-	-
Dividends paid	-	(458)	-	-	(458)
Balance at 31 December 2016	64	3,556	51	1,793	5,464
Total comprehensive income	-	441	-	-	441
Dividends paid	-	(458)	-	-	(458)
Balance at 30 June 2017	64	3,539	51	1,793	5,447

M WINKWORTH PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period 1 January 2017 to 30 June 2017

		(Unaudited) Period 1.1.17 To 30.6.17 £000's	(Unaudited) Period 1.1.16 To 30.6.16 £000's	(Audited) Year ended 31.12.16 £000's
	Notes			
Cash flows from operating activities				
Cash generated from operations	i	765	439	1,569
Interest paid		-	-	-
Tax paid		(250)	(201)	(453)
		<hr/>	<hr/>	<hr/>
Net cash from operating activities		515	238	1,116
		<hr/>	<hr/>	<hr/>
Cash flows from investing activities				
Purchase of intangible fixed assets		(54)	(32)	(122)
Purchase of tangible fixed assets		(3)	(124)	(128)
Sale of property, plant & equipment		-	-	-
Interest received		33	34	71
		<hr/>	<hr/>	<hr/>
Net cash used in investing activities		(24)	(122)	(179)
		<hr/>	<hr/>	<hr/>
Cash flows from financing activities				
Share issue		-	-	-
Equity dividends paid		(458)	(446)	(1,133)
		<hr/>	<hr/>	<hr/>
Net cash used in financing activities		(458)	(446)	(1,133)
		<hr/>	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents		33	(330)	(196)
Cash and cash equivalents at beginning of period		2,972	3,168	3,168
		<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of period	ii	3,005	2,838	2,972
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
for the period 1 January 2017 to 30 June 2017

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

	(Unaudited) Period 1.1.17 To 30.6.17 £000's	(Unaudited) Period 1.1.16 To 30.6.16 £000's	(Audited) Year ended 31.12.16 £000's
Profit before taxation	540	722	1,417
Depreciation and amortisation	117	130	368
Share-based payments	-	-	-
Finance costs	-	-	-
Finance income	(33)	(34)	(71)
	624	818	1,714
(Increase) in trade and other receivables	(377)	(770)	(97)
Increase/(decrease) in trade and other payables	518	391	(48)
Cash generated from operations	765	439	1,569

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:

	30.6.17 £000's	30.6.16 £000's	31.12.16 £000's
Cash and cash equivalents	3,005	2,838	2,972

NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2017 to 30 June 2017

1. ACCOUNTING POLICIES

Basis of preparation

The interim report for the six months ended 30 June 2017 and the comparative information for the periods ended 30 June 2016 and 31 December 2016 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 2016 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 2017 and 30 June 2016 is unaudited. The financial information for the year ended 31 December 2016 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 2017, 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 2017 to 30 June 2017

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 £000's	Weighted average number of shares	Per-share amount pence
Period ended 30.06.17			
Basic EPS			
Earnings/number of shares	441	12,733	3.46
Effect of dilutive securities	-	659	-
Diluted EPS			
Adjusted earnings/number of shares	441	13,392	3.29
Period ended 30.06.16			
Basic EPS			
Earnings/number of shares	574	12,682	4.52
Effect of dilutive securities	-	41	-
Diluted EPS			
Adjusted earnings/number of shares	574	12,723	4.51
Year ended 31.12.16			
Basic EPS			
Earnings/number of shares	1,126	12,733	8.84
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings/number of shares	1,126	12,733	8.84

M WINKWORTH PLC

NOTES TO THE CONSOLIDATED INTERIM RESULTS for the period 1 January 2017 to 30 June 2017

4. INTANGIBLE ASSETS

	£000's
Net book value at 1 January 2016	976
Additions	32
Amortisation	<u>(111)</u>
Net book value at 30 June 2016	<u>897</u>
Additions	90
Disposals	(164)
Amortisation	<u>(46)</u>
Net book value at 31 December 2016	<u>777</u>
Additions	54
Amortisation	<u>(97)</u>
Net book value at 30 June 2017	<u><u>734</u></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