

M Winkworth Plc**Audited final results for the year to 31 December 2018**

M Winkworth plc (“Winkworth” or the “Company”) is pleased to announce its results for the year ended 31 December 2018

Highlights for the year

- Revenues of £5.98 million (2017: £5.42 million)
- Profit before taxation £1.45 million (2017: £1.38 million)
- Year-end cash balance of £2.94 million (2016: £3.58 million) after returning £1.15m of capital to shareholders
- Rental income increased to 50% of total revenues (2017: 46%)
- 12 new franchisees with six offices opened and six resold to new management
- Capital repayment of 9p per share made in August 2018
- Dividends of 7.45p declared and paid (2017: 7.25p)

Dominic Agace, CEO of the Company, commented:

“We are pleased with our results for 2018, achieved in a sales market which remains testing. A weaker outcome in sales was compensated for by ongoing growth in our very successful rentals business, which now accounts for half of Group revenues. After opening six new offices last year and reselling another six to new management, we expect this year to see new opportunities as some competing agencies seek to plug into to the Winkworth platform to grow their market share and others look to sell their portfolios.”

For further information please contact:

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About Winkworth

Established in Mayfair in 1835, Winkworth is a leading franchisor of residential real estate agencies with a pre-eminent position in the mid to upper segments of the sales and lettings markets. 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.

Winkworth is admitted to trading on the AIM Market of the London Stock Exchange.

For further information please visit: www.winkworthplc.com

Chairman's Statement

In these changing times, Winkworth's stakeholders are entitled to a recap on their company's policy for the future.

For our shareholders, our priority is to increase the dividend steadily and maintain a strong balance sheet. This is achievable through a combination of organic growth and careful investment. For our franchisees, it is to maintain their competitive advantage, lower their costs where possible and deliver brand growth and back-up services.

The uncertainties brought about by various stamp duty changes, Brexit, pending withdrawal of tenant fees, and changes in taxation in the rental market, have all influenced the residential market. Reduced investment in the rental market due to over-regulation, coupled with lower sale prices in the Home Counties, can affect land prices dramatically and thus cause a subsequent reduction in new home building. These are matters for those in the industry to consider.

Our rentals business will this year see a minor negative impact from the well-publicised change in tenant fees, and this has been factored into our budget. Rental management and lettings remain important parts of our business and development of our portfolio management activity bodes well for future profitability. Pressure on smaller agencies from increased regulation and lower returns means that we expect to continue to grow the numbers of properties managed and let.

Our clean balance sheet, with its strong cash position of £2.94m at 31 December 2018, has meant that we are well positioned to continue to grow in what we believe will be an ongoing low volume market that benefits our franchised system. Even a modest upturn in sales volume, or increased market share following competitors' closures, will feed through to increased profits. Our cost base is closely contained, which means that top line improvements feed straight through to the bottom line.

We remain an attractive proposition for well-run companies within the agency and professional property businesses interested in discussing becoming part of the Winkworth franchise.

Simon Agace

Non-Executive Chairman

2 April 2019

CEO's Statement

Stretched affordability levels and increased taxation, combined with uncertainty around Brexit discussions, meant that, despite strong employment and low interest rates, property prices continued to decline in 2018. This led to a reduction in transactions as many sellers chose not to put their properties on the market. This was accentuated in London, where tax

and political concerns have a greater impact on its international community and asking prices are higher. The market was driven by needs-based buyers and sellers, with the greatest activity being in the outer London house market as families took advantage of price reductions, offsetting stamp duty taxation increases, to move up the property ladder.

Winkworth's sales transactions fell by 4% overall and 6% in London, but in this low transactional market we outperformed our peers and grew market share, improving our ranking to second for properties exchanged in London and third in listings, a reflection of our efficiency at selling the properties we list.

Rentals and management revenues continued to grow strongly, and we reinforced this side of the business with the appointment of a Group head of lettings. Revenues rose by 8%, after a 6% increase in 2017, supported by our central initiatives – the Corporate Relocation Department (CRD) providing quality tenants and the Client Services Department (CSD) quality landlords. Within this increase it was notable to see property management revenues continuing to grow rapidly, rising by 12% following an increase of 15% in 2017. This enabled us to reach a 50/50 split in sales and lettings, up from 54/46 in 2017.

Total gross revenues for the franchised office network rose by 1% in 2018 to £46.5m (2017: £46.2m) with sales 6% lower at £23.4m (2017: £24.8m) and rentals up 8% to £23.1m (2017: £21.3m). London offices accounted for 81% of gross revenues (2017: 80%). The best performing area was outer London, which saw a slight 1% dip in sales income but an increase of 10% in lettings and management, compared to sales income down 6% and lettings management up 8% for the Group as a whole. We opened six new offices and new franchising applicants were up 78%, from 158 in 2017 to 282 in 2018. In addition, six offices were resold to new management, and we would expect these to have a positive impact on 2019 revenues.

Winkworth's revenues grew by 10% to £5.98m (2017: £5.42m) and profit before taxation increased by 5% to £1.45m (2017: £1.38m). The Group's cash stood at £2.94m (2017: £3.58m), after returning £1.15m of cash to shareholders in August 2018. Dividends of 7.45p were declared for the year (2017: 7.25p).

Our central teams continued to drive revenue to our franchisees, with CSD and CRD producing just over £1m in combined revenue for participating offices. CSD generated 1,538 valuations leading to 377 instructions, a 25% increase on 2017. The digital marketing campaign conducted in 2018 also paid off, with a 41% rise in visits to the website compared to 2017, 30% more new users and a 21% increase in leads sent out through the website to franchisees.

We continue to invest in our digital platform. Now that stage one of the sales platform has been rolled out and is evolving, we are looking to start the roll out of the lettings platform this year.

Outlook

As prices have declined over the last few years, we have noticed a consistent increase in applicants and so a pent-up demand that has not yet flowed through to a rise in sales. This is partly attributable to changing political dynamics creating uncertainty and holding transaction levels back. So long as political uncertainty dominates the news we anticipate that this will remain the case. However, when we eventually enter a period of relative stability we would expect the market to unlock, with sellers coming forward and buying demand feeding through to increased transactions, albeit without significant price increases due to affordability and tax changes. In lettings we anticipate strong levels of demand to

continue to be driven by young professionals.

So far this year, we are generating new franchising applicants and a pipeline for new offices broadly in-line with 2018. We expect a delay in some of the new applicants coming onboard as they await the outcome of Brexit negotiations, but we do envisage that these will come though once there is greater clarity. We will continue to invest in the digital platform and the services we provide to franchisees to support their expertise and skills with a strong central platform to enable them to offer best-in-class services to their clients.

We expect to see new opportunities deriving from agencies looking to convert to and plug into the Winkworth platform in order to grow their market share, as well as agencies looking to sell their portfolios. Under current market conditions and as some successful franchisees who have been with us for many years look to pass on the baton, we also see an exciting opportunity to bring in new talented operators with successful track records looking for equity to acquire offices and take them on to the next level. Four of our top five fastest growing offices in 2018 were managed by new operators joining the network.

Dominic Agace

Chief Executive Officer

2 April 2019

M WINKWORTH PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
CONTINUING OPERATIONS			
Revenue		5,979	5,423
Cost of sales		<u>(1,547)</u>	<u>(1,292)</u>
GROSS PROFIT		4,432	4,131
Administrative expenses		<u>(3,063)</u>	<u>(2,829)</u>
OPERATING PROFIT		1,369	1,302
Finance income		<u>83</u>	<u>74</u>
PROFIT BEFORE TAXATION		1,452	1,376
Tax	1	<u>(288)</u>	<u>(273)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,164</u></u>	<u><u>1,103</u></u>
Earnings per share expressed in pence per share:			
Basic	3	9.14	8.66
Diluted		<u>9.14</u>	<u>8.66</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 £'000	2017 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		674	796
Property, plant and equipment		121	98
Investments		53	7
Trade and other receivables		724	516
		<u>1,572</u>	<u>1,417</u>
CURRENT ASSETS			
Trade and other receivables		1,026	1,102
Corporation tax receivable		-	208
Cash and cash equivalents		2,935	3,579
		<u>3,961</u>	<u>4,889</u>
TOTAL ASSETS		<u>5,533</u>	<u>6,306</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	5	64	64
Share premium	6	-	1,793
Other reserves		51	51
Retained earnings		4,550	3,742
		<u>4,665</u>	<u>5,650</u>
TOTAL EQUITY		<u>4,665</u>	<u>5,650</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax		17	11
CURRENT LIABILITIES			
Trade and other payables		722	645
Corporation tax payable		129	-
		<u>851</u>	<u>645</u>
TOTAL LIABILITIES		<u>868</u>	<u>656</u>
TOTAL EQUITY AND LIABILITIES		<u>5,533</u>	<u>6,306</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Called up share capital	Retained earnings	Share premium	Other reserves	Total equity
		£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017		64	3,556	1,793	51	5,464
Changes in equity						
Dividends	2	-	(917)	-	-	(917)
Total comprehensive income		-	1,103	-	-	1,103
Balance at		64	3,742	1,793	51	5,650
Changes in equity						
Capital reduction		-	-	(1,146)	-	(1,146)
Capital reduction expenses		-	(61)	-	-	(61)
Transfer of excess share		-	647	(647)	-	-
Dividends	2	-	(942)	-	-	(942)
Total comprehensive income		-	1,164	-	-	1,164
Balance at		64	4,550	-	51	4,665

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from operations	4	1,612	2,115
Tax paid		56	(417)
Net cash from operating activities		<u>1,668</u>	<u>1,698</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(119)	(224)
Purchase of tangible fixed assets		(70)	(23)
Purchase of fixed asset investments		(78)	-
Sale of intangible fixed assets		21	-
Interest received		83	74
Net cash from investing activities		<u>(163)</u>	<u>(173)</u>
Cash flows from financing activities			
Capital reduction		(1,146)	-
Costs relating to capital reduction		(61)	-
Equity dividends paid		(942)	(917)
Net cash from financing activities		<u>(2,149)</u>	<u>(917)</u>
(Decrease)/increase in cash and cash equivalents		(644)	608
Cash and cash equivalents at beginning of year		<u>3,579</u>	<u>2,971</u>
Cash and cash equivalents at end of year		<u><u>2,935</u></u>	<u><u>3,579</u></u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. TAXATION

Analysis of tax expense

	2018	2017
	£'000	£'000
Current tax:		
Taxation	280	274
Adjustment re previous years	2	4
Total current tax	<u>282</u>	<u>278</u>
Deferred tax (note 20)	6	(5)
Total tax expense in consolidated statement of profit or loss and other comprehensive	<u>288</u>	<u>273</u>

Factors affecting the tax expense

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

	2018	2017
	£'000	£'000
Profit before income tax	<u>1,452</u>	<u>1,376</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	275	265
Effects of:		
Expense not deductible for tax purposes	1	7
Adjustment in respect of prior periods	10	4
Depreciation in excess of capital allowances	2	(3)
Tax expense	<u>288</u>	<u>273</u>

2. DIVIDENDS

	2018	2017
	£'000	£'000
Ordinary shares of 0.5p each		
Interim	<u>942</u>	<u>917</u>

There are no proposed dividends at the reporting date.

3. 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 outstanding during the period.

	Earnings	2018 Weighted average number of shares	Per-share amount
	£'000	'000	pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,164	12,733	9.14
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	1,164	12,733	9.14

Given that the market price of the shares has fallen lower than the strike price, for the options granted on 10 May 2017, this has made the options anti-dilutive.

	Earnings	2017 Weighted average number of shares	Per-share amount
	£'000	'000	pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,103	12,733	8.66
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	1,103	12,733	8.66

4. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

Group

	2018 £'000	2017 £'000
Profit before tax	1,452	1,376
Depreciation charges	270	246
Profit on disposal of fixed assets	(3)	-
Impairment of fixed asset investments	32	-
Finance income	(83)	(74)
	1,668	1,548
(Increase)/decrease in trade and other receivables	(133)	446
Increase in trade and other payables	77	121
Cash generated from operations	1,612	2,115

5. CALLED UP SHARE CAPITAL

Authorised:		2018	2017
20,000,000	Ordinary shares of 0.5p	£	£
		100	100
		<hr/>	<hr/>
Issued and fully paid:		2018	2017
12,733,238	Ordinary shares of 0.5p	£	£
		64	64
		<hr/>	<hr/>

6. RESERVES

Retained earnings are earnings retained by the Company not paid out in dividends.

Share premium is the premium paid on shares purchased in the Company.

Other reserves are the fair value equity components recognised over the vesting period of share based payments.

On 24 July, 2018, the High Court of Justice of England and Wales made an order approving a Reduction of Capital. Under the terms of this arrangement, the Company's share premium account of approximately £1.793 million was cancelled and approximately £1.146 million of capital was returned to shareholders. The balance of approximately £0.647 million, less the costs of the Return of Capital, was transferred to the Company's profit and loss account.

The share price at close of business on 23 July 2018, the day before the High Court made the order, was 130.0p for each 0.5p share.

7. FINANCIAL INFORMATION

The financial information contained within this preliminary announcement for the year ended 31 December 2018 is derived from but does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2017 have been filed with the Registrar of Companies and those for the year ended 31 December 2018 will be filed following the Company's annual general meeting. The auditors' reports on the statutory accounts for the years ended 31 December 2018 and 31 December 2017 are unqualified, do not draw attention to any matters by way of emphasis, and do not contain any statements under section 498 of the Companies Act 2006.

8. ANNUAL REPORT AND ACCOUNTS

Copies of the annual report and accounts for the year ended 31 December 2018 together with the notice of the Annual General Meeting to be held at the offices of M Winkworth Plc on 14 May 2019, will be posted to shareholders shortly and will be available to view and download from the Company's website at www.winkworthplc.com