

M Winkworth Plc**Audited final results for the year to 31 December 2019**

M Winkworth plc (“Winkworth” or the “Company”), the leading franchisor of real estate agencies, is pleased to announce its results for the year ended 31 December 2019.

Highlights for the year

- Franchised office network revenue of £48.3 million (2018: £46.5 million)
- Revenues of £6.42 million (2018: £5.83 million)
- Profit before taxation £1.63 million (2018: £1.45 million)
- Year-end cash balance of £3.57 million (2018: £2.94 million)
- Rental income 51% of total revenues (2018: 50%)
- Six new franchisees with three offices opened and three resold to new management
- Dividends of 7.8p declared (2018: 7.45p)

Dominic Agace, CEO of the Company, commented: “In 2019, we recorded another good set of results against testing market conditions, and the increase in our dividend reflects this achievement. We are proud of the strength of our brand and the balance in our business between sales and rentals. We are now waiting to see how great an impact the coronavirus crisis will have on the current year’s trading and doing all we can to safeguard our franchisees, customers and employees. The long-term fundamentals for the housing market remain in place and with a strong financial position and a proven, defensive model, we are well placed to withstand this fast-moving situation.”

For further information please contact:

M Winkworth Plc

Dominic Agace (Chief Executive Officer)
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Tel : 020 7408 4090**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

Update on Covid-19

Since the government's directive on the temporary closing of high street branches came into effect on 24 March 2020, we have undertaken a number of initiatives to help our franchisees through this difficult time. Besides cutting non-essential marketing and training courses, and passing on savings to our franchisees, we have provided them with comprehensive help on business topics including remote working, maintaining a dialogue with customers, employment rights and government loan schemes. On top of the daily flow of commercial information, our franchisees are providing us with regular updates of their financial health so that we can assess their individual situations and provide support where most needed.

At Group level, we have modelled a range of scenarios to stress test our liquidity in the current financial year. The Board is comfortable that, even under the worst of these, the business has the required financial resources for the foreseeable future. Winkworth paid its 2019 fourth quarter dividend on 20th February 2020 as announced.

Chairman's Statement

As we report on a successful year in 2019, we are getting to grips with the unprecedented outbreak of Covid-19 and government directives on how best to respond to it. Our group will do all that it can to mitigate the impact of this crisis while safeguarding the health of all concerned.

On reading the Winkworth results, shareholders will note that, since the Brexit vote, our gross turnover generated by franchisee operations has fallen yet our profits have grown, and we are satisfied that this is one of the strengths of the Winkworth franchise model. Markets fluctuate, but as a boutique group of franchised estate agents, Winkworth's managers have managed their costs with agility and successfully promoted the overall business.

Winkworth is in the fortunate position of being able to adapt to the cycle. In 2014-15, the market peaked followed by market turbulence due to substantial increases in stamp duty and uncertainty over Brexit. Higher stamp duty has had a negative impact on buying power and no one has yet found a way to borrow money to pay it, so this remains a hurdle in the London market. Since the increases, the volume of sales has reduced right across the market, offset to some extent by growth in rentals.

Meanwhile, the trend to buying for investment was originally propelled by mortgage interest offset encouraging investors to compete with home buyers. Changes in tax treatment have caused this to adjust, with landlords now buying through corporate envelopes where mortgage relief and costs can be offset against income, and net income paid as corporation tax. I believe, therefore, that we are undergoing a period of adjustment from landlords in the rental market.

Service and personal connections, rather than volume, have always been key drivers of Winkworth's business. We continue to expand our software and internet services to back this up and, with a small increase in sales volumes, we anticipate that Winkworth will benefit from the increased profitability that you would expect from a business with a flexible cost base.

Finally, we are extremely pleased to be in the top ten of YouGov's 2019 independent survey of most recommended property brands, and fifth in the estate agency category, reflecting the high standards that we set ourselves. We hope that through the investment that we make in our Knowledge and Regulation team, delivering increased training across the group both online and through face to face sessions, we can maintain or improve this position going forward. As a high touch advisory business, continuing to evolve digitally and operating in prime local markets, we believe that we can continue to grow market share and attract the right individuals to join our group, rewarding their efforts and enabling us to transition to the next generation of quality operators.

Simon Agace

Non-Executive Chairman

4 April 2020

CEO's Statement

At the time of writing we are waiting to see how great an impact the COVID-19 crisis will have on the current year's trading. Our thoughts and sympathies go out to all that have been affected by the virus either directly or indirectly.

After a good year's performance in 2019, we have entered the crisis in robust financial health. The 2019 sales market was characterised by strength in underlying demand, and it became evident over the course of the year that people had moved on beyond Brexit. Each time that the dramatic news-flow eased, sales picked up significantly, in particular after the March delay and post the November election and associated 'Boris bounce', the size of which showed that the debate had moved on to fears over either the potential impact of some of Labour's policies or an unending political deadlock resulting from a hung parliament.

With asking prices significantly lower (by as much as 20% in London) since the 2014 stamp duty changes, employment remaining high and money cheap, we believe that there was, and still is, significant pent up demand from those that have been holding off moving for several years and want to take advantage of this environment when they can, thus keeping up with their life needs.

Winkworth saw an 8% increase in transactions across the board, increasing its market share both nationally and in London in particular, where we ranked second in Sales Subject to Contract with a market share of 4.2%, up from 3.6% in 2018. Notwithstanding some weakness in Central London, our total transactions in the capital increased by 2% while our country offices marked a 15% increase.

Lettings and management services underwent a significant year with the ending of tenant fees in June. Our revenues continue to grow despite this, with overall UK income up by 6% on 2018, driven by our country offices growing at 16%. Our London offices recorded a respectable 4% increase in revenues and represented 84% of total lettings and management income (2018: 86%).

Within this division, revenues from property management continued to show excellent growth, increasing by 12% to represent 20% of total gross revenues (2018: 18%). As the stickiest income stream within our business, it is positive to see the network responding to increased regulation by converting more landlords to our management services proposition and building a closer relationship to help them through the increased regulatory burden. Converting service to a more advisory one adds value to our clients and strengthens our overall business.

With commission levels stable, and both sales and lettings and management services showing growth on 2018, total gross revenues for the franchised office network rose by 4% to £48.3m (2018: £46.5m) with sales up by 2% to £23.8m (2018: £23.4m) and lettings and management up 6% to £24.4m (2018: £23.0m). London offices accounted for 78% of gross revenues (2018: 81%) following a 1% rise, while total gross revenues were bolstered by a 16% increase from our country offices.

This performance came just 4% short of the peak level achieved by the Winkworth network in 2014, despite sales transactions in our heartland of the South-East being significantly lower than they were in that year. This reflects both the 6-10% per annum growth of our lettings and management business over the past five years and market share gains achieved in a weaker sales market.

Winkworth's revenues, incorporating six months trading of Tooting Estates Limited, grew by 10% to £6.42m (2018 as restated: £5.83m) and profit before taxation increased by 12% to £1.63m (2018: £1.45m). The Group's cash stood at £3.57m (2018: £2.94m). Dividends of 7.8p were declared for the year (2018: 7.45p).

Reflecting the ebb and flow of market uncertainty, new applicants approached opening new offices with caution. Despite this, we opened three new franchisee offices and, as part of our portfolio management process, re-sold a further three franchisee offices to new operators. This transition improves the quality of the offices in our network and, when added to the portfolio management of previous years, increases the pool of talented operators that help us to grow dynamically.

At a time, outside of the impact of Covid 19, when the profitability of pure lettings and management businesses is under pressure from a shortening of supply, increased regulation, and the loss of tenant fees, we believe that our business model, equally balanced between rentals and the more profitable sales business, not only benefits our existing franchisees but is also attractive to new franchise talent looking for a blended proposition to suit changing market conditions.

We backed one new franchisee through equity participation in Tooting Estates Limited, looking to increase our financial return to above the 8% that we receive as part of our regular franchise agreement, and we remain open to repeating this approach where we find the right local market and the right operator. This type of endorsement can provide a quality operator, who otherwise would not be able to take the step, to become their own boss and build a business. Having analysed the data across all our London offices, we see further opportunities to develop this approach in due course.

We look forward to seeing the conclusions from the work of the Regulation of Property Agents (ROPA) working group. Having always focussed on the quality of the people in our network, we expect its recommendations to be in line with our thoughts on the future for the business. Our existing initiatives, such as the Knowledge and Regulation hub that is accessible to all Winkworth agents, should help us to maintain our position at the leading edge of the industry.

We are now waiting to see how great an impact the coronavirus crisis will have on the current year's trading and doing all we can to safeguard our franchisees, customers and employees. The long-term fundamentals for the housing market remain in place and with a strong financial position and a proven, defensive model, we are well placed to withstand this fast-moving situation.

Outlook

The first quarter of this year started extremely well, with sales applicants rising by 30-40% on the comparable period in 2019. We also saw a positive start in lettings, albeit with supply reducing as fewer buy-to-let investors entered the market due to additional stamp duty changes on second home purchases. Some existing investors consolidated their portfolios or sold off investments, taking advantage of the uptick in sales activity as the reduction of relief on interest payments comes to an end.

Now, however, we have entered a period of considerable uncertainty as measures are taken to defend the UK against the spread of Covid-19. These are having an impact on the business of each and every one of our franchisees and, whilst we have a very robust business model and financial position, it is too early to predict what the full effect will be on activity in the remaining nine months of 2020. We will, of course, update shareholders on trading as soon as we have some greater clarity on a return to more normal trading conditions. In the meantime, our key concern is the wellbeing and safety of our franchisees, customers and group employees and we are taking all possible steps to mitigate health risks.

Dominic Agace

Chief Executive Officer

4 April 2020

M WINKWORTH PLC
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 as restated £'000
CONTINUING OPERATIONS			
Revenue		6,416	5,831
Cost of sales		<u>(1,320)</u>	<u>(1,547)</u>
GROSS PROFIT		5,096	4,284
Administrative expenses		(3,561)	(2,915)
Negative goodwill		<u>68</u>	<u>-</u>
OPERATING PROFIT		1,603	1,369
Finance costs		(29)	-
Finance income		<u>54</u>	<u>83</u>
PROFIT BEFORE TAXATION		1,628	1,452
Tax	4	<u>(320)</u>	<u>(288)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,308</u>	<u>1,164</u>
Profit and total comprehensive income attributable to:			
Owners of the parent		1,285	1,164
Non-controlling interests		<u>23</u>	<u>-</u>
		<u>1,308</u>	<u>1,164</u>
Earnings per share expressed in pence per share:			
	Notes	2019	2018
	6	£	£
Basic		10.09	9.14
Diluted		<u>10.07</u>	<u>9.14</u>

M WINKWORTH PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Notes	2019 £'000	2018 as restated £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		668	71
Property, plant and equipment		607	121
Prepaid assisted acquisitions support		541	603
Investments		43	53
Trade and other receivables		372	724
		<u>2,231</u>	<u>1,572</u>
CURRENT ASSETS			
Trade and other receivables		913	1,026
Cash and cash equivalents		3,571	2,935
		<u>4,484</u>	<u>3,961</u>
TOTAL ASSETS		<u>6,715</u>	<u>5,533</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital		64	64
Share based payment reserve	8	51	51
Retained earnings		4,867	4,550
		<u>4,982</u>	<u>4,665</u>
Non-controlling interests		97	-
TOTAL EQUITY		<u>5,079</u>	<u>4,665</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables		294	-
Deferred tax		66	17
		<u>360</u>	<u>17</u>
CURRENT LIABILITIES			
Trade and other payables		1,085	722
Corporation tax payable		191	129
		<u>1,276</u>	<u>851</u>
TOTAL LIABILITIES		<u>1,636</u>	<u>868</u>
TOTAL EQUITY AND LIABILITIES		<u>6,715</u>	<u>5,533</u>

M Winkworth PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2019

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Other reserves £'000	Total £'000	Non- controlli ng interests £'000	Total equity £'000
Balance at 1 January 2018	64	3,742	1,793	51	5,650	-	5,650
Changes in equity							
Capital reduction	-	-	(1,146)	-	(1,146)	-	(1,146)
Capital reduction expenses	-	(61)	-	-	(61)	-	(61)
Transfer of excess share premium	-	647	(647)	-	-	-	-
Dividends	-	(942)	-	-	(942)	-	(942)
Profit and total comprehensive income	-	1,164	-	-	1,164	-	1,164
Balance at 31 December 2018	64	4,550	-	51	4,665	-	4,665
Changes in equity							
Dividends	-	(968)	-	-	(968)	-	(968)
Acquired with subsidiary	-	-	-	-	-	74	74
Profit and total comprehensive income	-	1,285	-	-	1,285	23	1,308
Balance at 31 December 2019	64	4,867	-	51	4,982	97	5,079

M WINKWORTH PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
		as restated
Notes	£'000	£'000
Cash flows from operating activities		
Profit before tax	1,628	1,452
Depreciation charges	573	270
Profit on disposal of fixed assets	-	(3)
Reduction in fair value of fixed asset investments	10	32
Negative goodwill	(68)	-
Finance costs	29	-
Finance income	(54)	(83)
	2,118	1,668
Increase in trade and other receivables	(1,464)	(133)
Increase/(decrease) in trade and other payables	1,621	77
Cash generated from operations	2,275	1,612
Tax paid	(255)	56
Net cash from operating activities	2,020	1,668
Cash flows from investing activities		
Purchase of intangible fixed assets	(170)	(104)
Purchase of tangible fixed assets	(9)	(70)
Assisted acquisitions support	(98)	(15)
Purchase of fixed asset investments	-	(78)
Repayment of assisted acquisitions support	-	21
Cash acquired on acquisition	116	-
Cash paid to acquire subsidiary	(23)	-
Interest received	54	83
Net cash from investing activities	(130)	(163)
Cash flows from financing activities		
Capital reduction	-	(1,146)
Costs relating to capital reduction	-	(61)
Principal paid on lease liabilities	(257)	-
Interest paid on lease liabilities	(29)	-
Equity dividends paid	(968)	(942)
Net cash from financing activities	(1,254)	(2,149)
Increase/(decrease) in cash and cash equivalents	636	(644)
Cash and cash equivalents at beginning of year	2,935	3,579
Cash and cash equivalents at end of year	3,571	2,935

INKWORTH PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. STATUTORY INFORMATION

M Winkworth Plc is a public company, registered in England and Wales and listed on AIM. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS"), under the historical cost convention, with the exception of financial instruments as set out below. The financial statements are presented in pound sterling, which is also the company's functional currency. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Various scenarios have been run on the potential impact of COVID-19 (as detailed in the Report of the Directors on page 11 of the full financial statements), which demonstrate that the group has sufficient working capital for the foreseeable future. The group has a strong cash base and no borrowings, with a high level of discretionary expenditure, which can be cut at short notice. Income would need to fall very substantially for a prolonged period, beyond six months, before a cash shortfall arose, at which point stronger measures would be taken to cut costs. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue

Revenue represents the value of commissions and subscriptions due to the group under franchise agreements, together with the value of fees earned by its subsidiary lettings business. Revenue in respect of commissions due on house sales is recognised at the point of the relevant property sale having been completed by the franchisee. Revenue in respect of commissions due on lettings, property management and administration services is recognised in the period to which the services relate. The group earns a straight 8% by value on all sales and lettings income generated by the franchisees.

In Tooting Estates Limited, revenue in respect of commissions due on house sales is recognised on completion. Revenue in respect of commissions due on lettings and property management is recognised over the life of the rental agreement.

3. PRIOR YEAR ADJUSTMENT

The directors have reconsidered the nature of the payments made to franchises on inception of a franchise arrangement, which are intended to assist with branding and other costs. These had previously been presented as an intangible asset under IAS 38, but the directors are now of the view that the payments do not result in the group receiving a distinct good or service from the franchisee and, in consequence, consider them to meet the definition of consideration payable to a customer under IFRS 15.

Consequently, this asset is described as "Prepaid assisted acquisitions support" on the Group statement of financial position. The asset continues to be amortised over 10 years on a straight-line basis, however, the amortisation is now recognised as a deduction in revenue rather than an amortisation charge to administrative expenses. As a result, revenue and

administrative expenses reported at 31 December 2018 have been restated by £148,639. There is no impact on the profit or net assets reported for the year in 2018.

A full balance sheet as at 31 December 2017 has not been presented in accordance with IAS 1 given the limited number of line items affected. The effect of the adjustment posted to correct this historical error has been included in the table below:

	2018	2018	2018
	As previously Presented	Effect of Adjustment	As restated
	£'000	£'000	£'000
Prepaid assisted acquisitions support	-	603	603
Intangible assets	674	(603)	71

	2017	2017	2017
	As previously Presented	Effect of Adjustment	As restated
	£'000	£'000	£'000
Prepaid assisted acquisitions support	-	665	665
Intangible assets	796	(665)	131

4. TAXATION

Analysis of tax expense

	2019	2018
	£'000	£'000
Current tax:		
Taxation	311	280
Adjustment re previous years	6	2
Total current tax	<u>317</u>	<u>282</u>
Deferred tax	3	6
Total tax expense in consolidated statement of profit or loss and other comprehensive	<u>320</u>	<u>288</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:

	2019	2018
	£'000	£'000
Profit before income tax	1,685	1,452
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 – 19%)	<u>320</u>	<u>275</u>
Effects of:		
Expense not deductible for tax purposes	7	1
Adjustment in respect of prior periods	6	10

Depreciation in excess of capital allowances	6	2
Income not taxable	(17)	-
Other movements	(2)	-
Tax expense	320	288

5. DIVIDENDS

	2019	2018
	£'000	£'000
Ordinary shares of 0.5p each	968	942

6. 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	2019 Weighted average number of shares	Per-share amount
	£'000	'000	pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,285	12,733	10.09
Effect of dilutive securities	-	25	-
Diluted EPS			
Diluted earnings	1,285	12,758	10.07

	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	-	4	-
Diluted EPS			
Diluted earnings	1,164	12,737	9.14

7. CALLED UP SHARE CAPITAL

		2019	2018
Authorised:		£'000	£'000
20,000,000	Ordinary shares of 0.5p	<u>100</u>	<u>100</u>
		2019	2018
Issued and fully paid:		£	£
12,733,238	Ordinary shares of 0.5p	<u>64</u>	<u>64</u>

8. 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.

9. ACQUISITION OF SUBSIDIARY

On 1 July 2019, Winkworth Franchising Limited acquired 55% of Tooting Estates Limited, which operates the Winkworth franchise in the Tooting area, for £22,500. The consideration of £22,500 was paid in cash. In addition, Winkworth Franchising Limited advanced £92,500 of loans to Tooting Estates Limited at an interest rate of 5% repayable over 5 years.

In addition to the financial impact, the acquisition of Tooting Estates Limited as a subsidiary, will keep Winkworth in touch with and learning from front end experiences and industry trends. It will also provide a live platform to test and develop future digital initiative and evolve our centralised CRM systems, which will be of benefit to all our franchisees.

	At 01/07/19	Fair value adjustment	Fair value of net assets
	£'000	£'000	£'000
Customer lists	192	304	496
Tangible assets	146	-	146
Trade and other receivables	52	-	52
Cash and cash receivables	116	-	116
Payables < 1 year	-267	-	-267
Payables > 1 year	-333	-	-333
Deferred tax	12	(58)	-46
Net asset acquired	(82)	246	164
Group share			91
Consideration paid			23
Negative goodwill			68

The purchase consideration of £22,500 was settled in cash, with negative goodwill included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

10. POST BALANCE SHEET EVENTS

Since the government's directive on the temporary closing of high street branches came into effect on 24 March 2020, we have undertaken a number of initiatives to help our franchisees through this difficult time. Besides cutting non-essential marketing and training courses, and passing on savings to our franchisees, we have provided them with comprehensive help on business topics including remote working, maintaining a dialogue with customers, employment rights and government loan schemes. On top of the daily flow of commercial information, our franchisees are providing us with regular updates of their financial health so that we can assess their individual situations and provide support where most needed.

At Group level we have modelled a range of scenarios to stress test our liquidity in the current financial year. The Board is comfortable that, even under the worst of these, the business has the required financial resources for the foreseeable future. Winkworth paid its 2019 fourth quarter dividend on 20th February 2020 as announced.

11. FINANCIAL INFORMATION

The financial information contained within this announcement for the year ended 31 December 2019 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 2018 have been filed with the Registrar of Companies and those for the year ended 31 December 2019 will be filed following the Company's annual general meeting. The auditors' reports on the statutory accounts for the years ended 31 December 2019 and 31 December 2018 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.

12. ANNUAL REPORT AND ACCOUNTS

Copies of the annual report and accounts for the year ended 31 December 2019 together with the notice of the Annual General Meeting to be held at the offices of M Winkworth Plc on 12 May 2020, will be posted to shareholders shortly and will be available to view and download

from the Company's website at www.winkworthplc.com