

Interim Results for the six months ended 30 June 2020

M Winkworth Plc (“Winkworth” or the “Company”) is pleased to announce its unaudited Interim Results for the six months ended 30 June 2020

Highlights for the period

- Revenues down 4.15% to £2.54 million (H1 2019 restated: £2.65 million)
- Profit before taxation down 20.24% to £461k (H1 2019 restated: £578k)
- Cash balance at 30 June 2020 of £3.27 million (30 June 2019: £2.51 million)
- Rental income increased to 55% of total revenues (H1 2019: 53%)
- One new office signed up
- Dividends of 3.08p declared and paid during the period (H1 2019: 3.8p)

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

“Winkworth emerged from lockdown with increased market share after rapidly adapting to the changed environment. As a result, in relative terms, our first half performance in sales was satisfactory and lettings and management proved solid. We have seen a spike in activity in the first two months of the second half and, if this carries through to the rest of the year, we hope to make up much of the ground lost in the second quarter. Our balance sheet continues to be strong and we are working hard to explore new opportunities for organic growth.”

For further information please contact:

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Chairman’s Statement

After the UK's Covid-19 related lockdown in March 2020, we took a number of measures to help our franchisees weather the crisis and adapt our head office costs to the changed market circumstances. As a result of these initiatives, we are in a satisfactory position for the year to date bearing in mind the uncertain background. As a result of initiatives taken to grow profitability during the lockdown period, we are in a satisfactory position for the year to date bearing in mind the uncertain background.

One of the bright spots so far this year has been the benefit of our 2019 decision to take our software and internet capabilities to the next level. This has enabled us to move ahead quickly and include videos, training and regulatory compliance online. These upgrades to our internal platform have allowed us to cope with the challenges of the last seven months and should protect us from any future issues caused by a similar lockdown or increased working from home.

From our experience of reopening our offices, we remain convinced that our high street presence is still the driver of our business. The return of our clients and buyers to our shops shows they value the proximity of Winkworth's local expertise and knowledge, together with the relationships built up over the years of local trading.

We are reassured, therefore, that our business model works to the benefit of our customers and is a sound economic model not only in lockdown but in anticipation of the recovery.

I congratulate the franchisor team on their flexibility over this period and, on behalf of tenants and landlords, our rental and management staff for their patience and skill during the lockdown period. The Company has not made any redundancies and we welcome staff back to its head office, looking forward to once again benefiting from the teamwork they generate. We have been fortunate that our head office lease was due to expire in September 2020, giving us the flexibility to extend and renegotiate one of our major overheads.

One of the positive outcomes of this period of the pandemic has been that it has enabled our businesses to look at their strengths and weaknesses and we have been utilising that understanding to create new opportunities. We are full of ideas and energy and consider this to be a new launch into a changed market. Winkworth has always thrived after market corrections, so we remain positive for the future.

Simon Agace

Non-Executive Chairman

9 September 2020

CEO's Statement

Following the decisive election result in December 2019, sales activity in Q1 2020 was brisk and we saw the price declines of the latter part of 2019 reversed, supporting our view that, following weakness in recent years, pent-up activity was ready to be released once the outcome for Brexit became clearer. This came to a sudden halt with the initiation of the nationwide lockdown, with the property market being effectively put on pause for most of Q2 2020. Despite this dramatic step, however, we have not witnessed the same reaction in the property market as in 2008 following the financial crash, which led to buyers reducing prices and transactions falling through. Instead, although the majority of transactions were put on hold, we saw fall-through rates continuing to be in line with an industry average of 20%, and where price re-negotiations took place, these averaged around 3% of the agreed price pre-lockdown.

The rentals and management side of the business was affected to a lesser extent, with lettings income proving resilient as many tenants stayed put and renewals business increased. As moves into vacant properties were still permitted, needs-based transactions continued where appropriate. Property management continued to be active as landlords looked to agents to help them through difficult negotiations with tenants and find fair compromises with those with changed circumstances looking to discuss rent reductions, pauses or early exits from their properties.

In H1 2020, gross revenues of the franchised office network of £18.9m were 11% down on H1 2019 (£21.2m). Sales income fell by 17% to £8.2m (H1 2019: £9.9m). Lettings and management declined by 7% to £10.6m (H1 2019: £11.4m), equating to a 55% lettings and management / 45% sales income split across the business at the half year (H1 2019: 53% lettings and management / 47% sales). Besides the overall resilient performance in the lettings and management business, it is worth noting that, following a positive start to 2020, our country rentals business grew by 8%.

Total income from our outer London markets, which represent 60% of our business, fell by only 7%, while with international clients leaving London and all but essential travel being banned, our central London business remained the most sensitive, with a 27% reduction in income in H1.

Winkworth's revenues fell by 4.1% to £2.54m (2019: £2.65m restated) and profit before taxation decreased by 20.2% to £461k (2019: £578k restated). As at 30 June 2020, the Group's cash stood at £3.27m (2019: £2.51m) and dividends of 3.08p were declared for the first half of the year (2019: 3.8p). While the outlook for the second half of the year remains hard to predict, the Board remains committed to paying a quarterly dividend.

We have signed one new office this year in Long Melford and have three further openings in the pipeline for H2. In line with the hiatus in the market, we have seen a fall in new franchise applicants. As part of our portfolio management policy, we also closed one office in H1 2020.

As noted in the full year report for 2019, we are looking to encourage talented individuals and to-date have backed one new franchisee in Tooting through equity participation, aiming to increase our financial return to above the 8% that we receive as part of our regular franchise agreement. We are very pleased that, against the trend, the Winkworth Tooting office maintained its revenue in H1 2020 year-on-year. We have identified further individuals with the potential to take on their own Winkworth businesses in H2 2020 and 2021 and we look forward to updating shareholders on our progress in due course.

Outlook

Since the ending of lockdown, we have seen a significant uplift in activity in the sales market, with pent-up demand being combined with new movers entering the market, looking for a change in their living environment following enforced time at home. This has been further fuelled by the raising of the stamp duty threshold, and since the start of the second half we have seen the highest weekly number of applicants in five years registering, viewing and agreeing sales. With the stamp duty cut remaining in place until March 2021, we anticipate that this surge in demand will be maintained through H2 2020. While we do not expect this to lead to higher prices, as increased demand is met by greater supply, we anticipate that the number of transactions will continue to be elevated. The change in taxation highlights the negative impact that increased stamp duty has had on the property market and its liquidity since the end of 2014.

In rentals, we have seen increased supply outstripping demand, particularly in central London where restricted international movement has undermined tenant demand. While we anticipate seeing increased activity as the market catches up from lockdown, we expect this to be against a background of flat pricing overall as rents fall in prime London areas.

A significant amount of management time has been spent on dealing with the unique challenges presented by Covid-19, and the prompt re-opening of all of our offices led to an increase in our market share. But we have also remained focused on delivering our strategy of creating profitable growth for the long term by developing new opportunities and optimising performance. From an operational point of view, we continue to invest in our digital offering and the launch of a new platform for our website in H1 2020 has enabled us to integrate seamlessly with new proptech solutions. The early signs for the new website platform are extremely encouraging as we drive record leads to our offices.

Whilst the extent to which some of the exceptional trends will continue longer-term is not yet clear, in the absence of further Covid-19 restrictions the Board is expecting both sales and rentals activity to be positive for the remainder of the year. The Company's strong balance sheet means that it is well positioned to withstand any further challenges, while also continuing to invest in key areas of growth.

Dominic Agace

Chief Executive Officer

9 September 2020

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

M WINKWORTH PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period 1 January 2020 to 30 June 2020

		(Unaudited) Period 1.1.20 To 30.6.20 £000's	(Unaudited) Period 1.1.19 To 30.6.19 as restated £000's	(Audited) Year ended 31.12.19 £000's
CONTINUING OPERATIONS				
Revenue	2	2,544	2,648	6,416
Cost of sales		<u>(517)</u>	<u>(668)</u>	<u>(1,320)</u>
GROSS PROFIT		2,027	1,980	5,096
Other operating income		98	-	-
Administrative expenses		(1,673)	(1,418)	(3,561)
Negative goodwill		<u>-</u>	<u>-</u>	<u>68</u>
OPERATING PROFIT		452	562	1,603
Finance costs		(13)	(17)	(29)
Finance income		<u>22</u>	<u>32</u>	<u>54</u>
PROFIT BEFORE TAXATION		461	577	1,628
Taxation		<u>(87)</u>	<u>(114)</u>	<u>(320)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>374</u>	<u>463</u>	<u>1,308</u>
Profit and total comprehensive income attributable to:				
Owners of the parent		365	463	1,285
Non-controlling interests		<u>9</u>	<u>-</u>	<u>23</u>
TOTAL COMPREHENSIVE INCOME SINCE LAST ANNUAL REPORT		<u>374</u>	<u>463</u>	<u>1,308</u>
Earnings per share expressed in pence per share:	3			
Basic		2.87	3.64	10.09
Diluted		<u>2.86</u>	<u>3.63</u>	<u>10.07</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

		(Unaudited) 30.06.2020	(Unaudited) 30.06.2019 as restated	(Audited) 31.12.2019
	Notes	£000's	£000's	£000's
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	4	722	56	668
Property, plant and equipment		434	600	607
Prepaid assisted acquisitions support		463	582	541
Investments		49	57	43
Trade and other receivables		423	655	372
		<u>2,091</u>	<u>1,950</u>	<u>2,231</u>
CURRENT ASSETS				
Trade and other receivables		1,460	1,641	913
Cash and cash equivalents		3,266	2,513	3,571
		<u>4,726</u>	<u>4,154</u>	<u>4,484</u>
TOTAL ASSETS		<u>6,817</u>	<u>6,104</u>	<u>6,715</u>
EQUITY				
SHAREHOLDERS' EQUITY				
Share capital		64	64	64
Share option reserve		51	51	51
Retained earnings		4,751	4,529	4,867
		<u>4,866</u>	<u>4,644</u>	<u>4,982</u>
Non-controlling interests		106	-	97
TOTAL EQUITY		<u>4,972</u>	<u>4,644</u>	<u>5,079</u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Trade and other payables		259	299	294
Deferred tax		58	14	66
		<u>317</u>	<u>313</u>	<u>360</u>
CURRENT LIABILITIES				
Trade and other payables		1,301	1,020	1,085
Tax payable		227	127	191
		<u>1,528</u>	<u>1,147</u>	<u>1,276</u>
TOTAL LIABILITIES		<u>1,845</u>	<u>1,460</u>	<u>1,636</u>
TOTAL EQUITY AND LIABILITIES		<u>6,817</u>	<u>6,104</u>	<u>6,715</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period 1 January 2020 to 30 June 2020

	Share capital £000's	Retained earnings £000's	Share option reserve £000's	Non controlling interest £000's	Shareholders' equity £000's
Balance at 1 January 2019	64	4,550	51	-	4,665
Total comprehensive income	-	463	-	-	463
Dividends paid	-	(484)	-	-	(484)
Balance at 30 June 2019	64	4,529	51	-	4,644
Acquired with subsidiary	-	-	-	74	74
Profit and comprehensive income	-	822	-	23	845
Dividends paid	-	(484)	-	-	(484)
Balance at 31 December 2019	64	4,867	51	97	5,079
Total comprehensive income	-	365	-	9	374
Dividends paid	-	(481)	-	-	(481)
Balance at 30 June 2020	64	4,751	51	106	4,972

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CONSOLIDATED STATEMENT OF CASH FLOWS
for the period 1 January 2020 to 30 June 2020

		(Unaudited) Period 1.1.20 To 30.6.20	(Unaudited) Period 1.1.19 To 30.6.19 as restated	(Audited) Year ended 31.12.19
	Notes	£000's	£000's	£000's
Cash flows from operating activities				
Cash generated from operations	i	491	407	2,275
Tax paid		(60)	(120)	(255)
Net cash from operating activities		<u>431</u>	<u>287</u>	<u>2,020</u>
Cash flows from investing activities				
Purchase of intangible fixed assets		(105)	(11)	(170)
Purchase of tangible fixed assets		(7)	(4)	(9)
Assisted acquisition support		-	(58)	(98)
Cash acquired on acquisition		-	-	116
Cash paid to acquire subsidiary		-	-	(23)
Interest received		22	32	54
Net cash used in investing activities		<u>(90)</u>	<u>(41)</u>	<u>(130)</u>
Cash flows from financing activities				
Payment of lease liabilities		(152)	(167)	(257)
Interest paid on lease liabilities		(13)	(17)	(29)
Equity dividends paid		(481)	(484)	(968)
Net cash used in financing activities		<u>(646)</u>	<u>(668)</u>	<u>(1,254)</u>
Increase/(decrease) in cash and cash equivalents		(305)	(422)	636
Cash and cash equivalents at beginning of period		<u>3,571</u>	<u>2,935</u>	<u>2,935</u>
Cash and cash equivalents at end of period	ii	<u><u>3,266</u></u>	<u><u>2,513</u></u>	<u><u>3,571</u></u>

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
for the period 1 January 2020 to 30 June 2020

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

	(Unaudited) Period 1.1.20 To 30.6.20 £000's	(Unaudited) Period 1.1.19 To 30.6.19 as restated £000's	(Audited) Year ended 31.12.19 £000's
Profit before taxation	461	577	1,628
Depreciation and amortisation	306	306	573
(Reversal of) Impairment of fixed asset investments	(4)	(4)	10
Negative goodwill			(68)
Finance costs	13	17	29
Finance income	(22)	(32)	(54)
	<u>754</u>	<u>864</u>	<u>2,118</u>
(Increase) in trade and other receivables	(1,660)	(546)	(1,464)
Increase/(decrease) in trade and other payables	1,397	89	1,621
	<u>491</u>	<u>407</u>	<u>2,275</u>
Cash generated from operations	<u>491</u>	<u>407</u>	<u>2,275</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:

	30.6.20 £000's	30.6.19 £000's	31.12.19 £000's
Cash and cash equivalents	<u>3,266</u>	<u>2,513</u>	<u>3,571</u>

**NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2020 to 30 June 2020**

1. ACCOUNTING POLICIES

Basis of preparation

The interim report for the six months ended 30 June 2020 and the comparative information for the periods ended 30 June 2019 and 31 December 2019 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 2019 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 2020 and 30 June 2019 is unaudited. The financial information for the year ended 31 December 2019 is derived from the group's audited annual report and accounts. The financial information for the six months ended 30 June 2019 has been restated for the adjustment in respect of the application of IFRS 16, as set out in note 5.

In addition, as disclosed in note 3 to the financial statements for the year ended 31 December 2019, the Directors 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, in the financial statements for the year ended 31 December 2019 this was 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 30 June 2019 have been restated by £79,000. There is no impact on the profit or net assets reported for the period ended/as at 30 June 2019.

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.

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.

NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2020 to 30 June 2020

2. SEGMENTAL REPORTING

The board of directors, as the chief operating decision making body, review financial information and make decisions about the group's business and have identified a single operating segment, that of estate agency and related services and the franchising thereof.

The directors believe that there are two material revenue streams relevant to estate agency franchising.

	6 months 2020 £000	6 months 2019 £000	12 months 2019 £000
Revenue			
Corporate owned offices	352	-	498
Management service fees	<u>2,192</u>	<u>2,648</u>	<u>5,918</u>
	<u>2,544</u>	<u>2,648</u>	<u>6,416</u>

All revenue is earned in the UK and no customer represents more than 10% of total revenue in either of the years reported.

NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2020 to 30 June 2020

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 000's	Per-share amount pence
Period ended 30.06.20			
Basic EPS			
Earnings/number of shares	365	12,733	2.87
Effect of dilutive securities	-	25	(0.01)
	<hr/>	<hr/>	<hr/>
Diluted EPS			
Adjusted earnings/number of shares	365	12,758	2.86
	<hr/>	<hr/>	<hr/>
Period ended 30.06.19			
Basic EPS			
Earnings/number of shares	463	12,733	3.64
Effect of dilutive securities	-	6	(0.01)
	<hr/>	<hr/>	<hr/>
Diluted EPS			
Adjusted earnings/number of shares	463	12,739	3.63
	<hr/>	<hr/>	<hr/>
Year ended 31.12.19			
Basic EPS			
Earnings/number of shares	1,285	12,733	10.09
Effect of dilutive securities	-	25	(0.02)
	<hr/>	<hr/>	<hr/>
Diluted EPS			
Adjusted earnings/number of shares	1,285	12,758	10.07
	<hr/>	<hr/>	<hr/>

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**NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2020 to 30 June 2020**

4. INTANGIBLE ASSETS

	Customer lists £000's	Website development £000's	Total £000's
Net book value at 1 January 2019	-	71	71
Additions	-	11	11
Amortisation	-	(26)	(26)
Net book value at 30 June 2019	-	56	56
Additions	-	159	159
Acquired with subsidiary	496	-	496
Amortisation	(18)	(25)	(43)
Net book value at 31 December 2019	478	190	668
Additions	-	105	105
Amortisation	(17)	(34)	(51)
Net book value at 30 June 2020	461	261	722

5. LEASES

	Note	30/06/2019 £'000
Profit for the period (as previously stated)		474
Change in depreciation charge	i	(54)
Change in interest charge	i	3
Change in rent payable	i	40
Profit for the period (as restated)		463

i. IFRS 16: Leases

Under IAS 17 Leases, the company was not required to recognise off-balance operating leases as tangible assets.

NOTES TO THE CONSOLIDATED INTERIM RESULTS
for the period 1 January 2020 to 30 June 2020

5. **LEASES - continued**

Initially on preparation of the 30 June 2019 interim accounts, the decision was made to recognise the leases under IFRS 16 using the retrospective approach. However, the directors reassessed the approach to adopting IFRS 16 during the year ended 31 December 2019, and the change was made in accordance with the transitional provision that allows a company to measure lease assets at an amount based on the lease liability, rather than as if IFRS 16 had always been applied. In line with this the discount rate used was at the date of transition. Comparative amounts in these interim accounts have therefore been restated to reflect the accounting treatment adopted in the audited financial statements for the year ended 31 December 2019.

6. **FINANCIAL INSTRUMENTS**

Categories of financial instruments

The group has the following financial instruments:

	30.06.2020	30.06.2019	31.12.2019
	£000's	£000's	£000's
Financial assets that are debt instruments measured at amortised cost			
Trade receivables	919	1,075	476
Loans to franchisees	671	938	590
Other receivables	70	-	20
Financial liabilities measured at amortised cost			
Trade payables	302	332	362
Lease liability	283	509	538
Other payables	111	5	104
Financial assets measured at fair value			
Listed investments	41	50	36

Listed investments are valued by reference to publicly available share prices and are considered at level 1 under the IFRS 13 fair value hierarchy.

7. **RELATED PARTY DISCLOSURES**

During the 6 months to 30 June 2020, total dividends of £243,273 (30 June 2019: £242,748) were paid to the directors.

During the 6 months to 30 June 2020, the company received a dividend of £481,316 (30 June 2019: £483,863) from its subsidiary undertaking Winkworth Franchising Limited. The balance owed by Winkworth Franchising Limited to the company at 30 June 2020 was £1,267,587 (30 June 2019: £1,025,665).

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NOTES TO THE CONSOLIDATED INTERIM RESULTS for the period 1 January 2020 to 30 June 2020

8. POST BALANCE SHEET EVENTS

On 20 July 2020 the group acquired the trade and assets of Stilum Properties Limited through a subsidiary undertaking, Crystal Palace Estates Limited. The trade and assets were acquired for £Nil consideration. Crystal Palace Estates Limited commenced trading on 27 July 2020.

9. 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