News Release

Knight Frank reports strong profits on record turnover for 2016

London, UK - Alistair Elliott, senior partner & group chairman, commented: "I am pleased to report another set of strong results which pay testament to our unique partnership model. Whilst profit levels are constrained, they are nonetheless very encouraging given the significant investment we have made in people during the year and the relative weakening of certain markets during our fourth quarter. Our focus on strategic recruitment of outstanding people in key locations is paying dividends, demonstrated by our growth in market share and our ability to complete market-leading deals. With no debt and strong profits every year, we are in robust shape to continue the development of our business and address the future cycles. Our focus on profit delivery will continue."

Results for the year ended 31 March 2016:

- Group turnover up 4.0% to £460.9m (2015: £443.1m)
- Group profit before tax down 4.7% to £152.6m (2015: £160.1m)
- Strong balance sheet with net assets at £223.7m (2015: £210.8m)

"In the UK we had a second successive record year in the regional commercial markets, launched our 30th residential office in London and delivered particularly impressive performances from our specialist sector teams, residential lettings and our investment management arm, Knight Frank Investment Management, which now has more than £1bn under management.

"Across our group we have seen double digit growth in India, Greater China, the Middle East and Africa and have made great progress in strategic recruitment, notably in Berlin, London, Paris, Hong Kong, Shanghai, Singapore and Sydney. We've also significantly grown our capital markets capabilities within NGKF in the US to comprise a leading team of more than 345 people across the states.

UK Context

"While the EU referendum result clearly contributed to a downturn in pricing, sentiment and activity volumes, our experience confirms it is important not to overstate this impact.

"In the prime UK residential sales market (£750k+), there has been a 20% fall in the number of exchanges since the referendum compared with the same period last year. Despite this weakness in sales, the number of offers being made on properties is only 6% lower and the number of offers being accepted by vendors is actually 5% higher than a year earlier.

"On the demand side, the volume of prospective residential buyers registering in the prime market through July and August this year has been consistently higher than in 2015. We expect this rise to feed through to an improvement in sales volumes in the final calendar quarter of this year. However, we don't expect annualised growth as the higher stamp duty rates on prime residential property introduced last year and the additional rate of stamp duty on second homes and investment properties introduced in April have reduced liquidity in the market below the levels we saw prior to 2015.

"In the UK commercial property market, the immediate aftermath of the EU referendum led to concerns that drove a sharp adjustment in REIT prices and the suspension of trading in a number of daily-priced retail funds. However, this initial financial market reaction corrected quickly, with REITs reversing much of their falls and retail funds working through strategies to re-open. This shock to the investment market should be considered in the context of industry trends already in motion in the first half of 2016 which had already seen a slowing of investment volumes following a record year in 2015. Pricing was also already softening in many markets as is consistent with the late phase of the cycle.

"Whilst a few transactions were aborted because of the EU referendum, many continued, albeit at a slower pace, as investors took time to assess the changing economic environment. In July and August Knight Frank was involved in completing transactions that had an aggregate value 47% lower than for the same two-month period in 2015. This is consistent with the wider market for the first half of the year, with 2016 volumes 45% lower than prior year. Levels of interest from investors to trade their assets remain high and a slowing of the rate of decline in values from -2.7% in July to -0.7% in August has reduced concerns of a steep cycle.

Strategic recruitment

"We believe that a combination of organic growth and strategic recruitment of outstanding people and teams enables us to retain and develop our partnership culture. In the past year alone we have recruited some extraordinary talent including:

- **Asset and Property management team, UK** – a team of 50 from Deloitte Real Estate, led by Julian Stocks
- **Alan Liu, Shanghai –** Managing Director of China
- **Hanns-Joachim Fredrich, Berlin** – Capital Markets
- **Calvin Yeo, Singapore** – Executive Director Office Agency
- **Charlie Barke, UK –** Retail Capital Markets
- **Vincent Bollaert and Antoine Grignon, Paris –** Capital Markets
- **Piers Brunner, Hong Kong –** CEO of Greater China
- **Michael Robinson, Melbourne** – Head of Residential Project Marketing
- **Helen Mak, Hong Kong –** Head of Retail
- **Robert E. Griffin, Jr. USA** – NGKF Head of Capital Markets
- **Bunny Wang, Yi Cheng, Ken Wu, Shanghai –** International Capital Markets and International Project Marketing
- **Kevin Shannon, USA –** West Coast President of NGKF Capital Markets
- **Industrial team, Singapore –** from Colliers International, led by Tan Boon Leong
- **Vicky Jarman** - Non-Executive Adviser, Group Executive Board

Our deals

"And this has helped us to deliver some trophy deals for our clients around the world:

- **Silicon Valley, USA** – leased 1.9m sq ft to Google - the largest office lease ever signed in the US.

- **Johannesburg, South Africa** – sold 750 000sf (75 000m2) state of the art turnkey distribution centre to Caterpillar
- **UK,** sold Sampson & Ludgate House to a consortium led by Native Land for £295 million
- **Melbourne, Australia** – sold the Southgate complex, located at 3 Southgate Avenue, Southbank, for AUD578 million
- **Mumbai, India –** 2,800,000 sq ft (260,126 sq m) consolidation of 25 offices to one campus for India's leading IT company
- **UK, Meridian Healthcare** – sold 30 care homes on behalf of Meridian Healthcare Ltd to Formation Capital and HCPI, for in excess of £100 million
- **UK** – Sold 112 Eaton Square in Belgravia for £25.5 million
- **UK/HK** - concluded an overseas transaction for Chinese Estates in Oxford Street and Soho Street in London for over HKD2 billion

The way forward

"There are huge opportunities for us to grow our business around the world. Whilst it's clear that economic and political uncertainties have never been greater, there is a global accumulation of investment capital which we consider will increasingly be drawn to property given its attractive returns, especially relative to most other options.

UK

"In the first half of this year, UK markets became distracted by the looming EU referendum. Nonetheless, the fundamentals remain strong and the immediate aftermath of the Brexit vote has been less dramatic than feared. Volumes and prices, especially in the residential sector, are down but activity is gradually recovering and we consider this trend will continue if the on-going dialogue with Europe gathers pace and the messages are broadly positive.

Continental Europe

"Outside the UK, continental Europe presents an interesting range of market conditions. Central and Eastern Europe generally remain steady with underlying growth, although recent dramatic rises in real estate activity across France and Spain have slowed.

Middle East

"The Middle East remains a strong source of outbound capital, supporting our strategy to recruit and grow our presence in the region.

Africa

"We continue to strengthen our business across Africa and remain open to greater expansion. Many markets are maturing and the opportunities for investors and occupiers will only grow.

News Release

Asia Pacific

“In Australia, where the real estate sector continues to thrive, we have continued our expansion, now with our emphasis on the residential sector.

“India is firmly on the road to developing a more business-friendly economy, heralding significant investment in infrastructure and huge legislative change that is providing a very real and exciting prospect ahead as the investment markets really open up.

“Elsewhere across South East Asia and Greater China we are seeing strong signs of increased local activity and capital flows, albeit the on-going cooling measures in Singapore and Hong Kong continue to constrain the residential sector.

USA

“Our partnerships in the USA with NGKF and Douglas Elliman are getting stronger and stronger. The movement of both residential and commercial capital and occupiers still offer our group huge potential.

Our People

“Our business is nothing without our great people and I extend huge thanks to everyone at Knight Frank for making it the organisation it is today.

“We remain committed to ensuring Knight Frank is an attractive and fair place to work, welcoming to the best people in the industry and prioritising equal opportunities where we are proud to be involved in some key initiatives.”

News Release

Knight Frank LLP
Consolidated Profit and Loss Account
Year ended 31 March 2016

	2016 £M Unaudited	2015 £M Unaudited
Turnover	**460.9**	**443.1**
Staff costs	(182.9)	(172.9)
Depreciation and amortisation	(5.9)	(4.0)
Other operating income	5.9	6.3
Other operating costs	(127.5)	(115.5)
Operating profit	**150.5**	**157.0**
Share of operating profits of associated undertakings	1.7	1.8
Income from fixed asset investments	0.2	0.7
Profit before interest and taxation	**152.4**	**159.5**
Interest receivable and similar income	1.9	1.9
Interest payable and similar charges	(1.2)	(0.8)
Other financial income	(0.5)	(0.5)
Profit on ordinary activities before taxation	**152.6**	**160.1**
Tax on profit on ordinary activities	(3.5)	(2.3)
Profit or for the financial year after taxation and before members' remuneration and profit shares	**149.1**	**157.8**

This is the first year in which the financial statements have been prepared under FRS102 and the comparative figures have been adjusted accordingly.

News Release

Knight Frank LLP
Consolidated Balance Sheet
31 March 2016

	2016 £M Unaudited	2015 £M Unaudited
Intangible assets	0.2	-
Other fixed assets	24.8	22.8
Fixed assets	**25.0**	**22.8**
Cash at bank and in hand	156.8	168.3
Other net current assets	69.9	51.8
Net current assets	**226.7**	**220.1**
Creditors: amounts falling due after more than one year	**(0.9)**	**(0.8)**
Provision for liabilities and charges	**(15.3)**	**(14.8)**
Pension liabilities	**(11.8)**	**(16.5)**
Net assets	**223.7**	**210.8**

This is the first year in which the financial statements have been prepared under FRS102 and the comparative figures have been adjusted accordingly.

For further information, please contact:

Alistair Elliott, Group Chairman & Senior Partner, Knight Frank
+44(0)20 7861 1141 / +44(0)7836 233756

Alice Mitchell, Head of Corporate Communications, Knight Frank
+44 (0)20 7861 1738 / +44(0)7776769510

Ends

Note to Editors

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank has more than 14,000 people operating from 411 offices across 59 countries. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit knightfrank.com.