

Writtle Holdings Limited
Interim Report 2017

Writtle



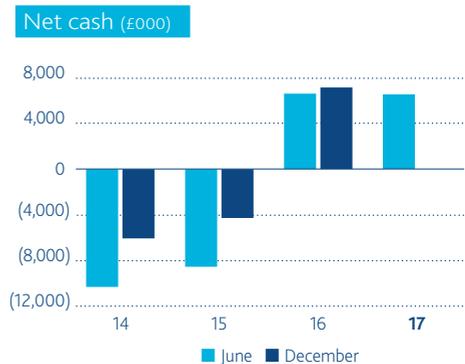
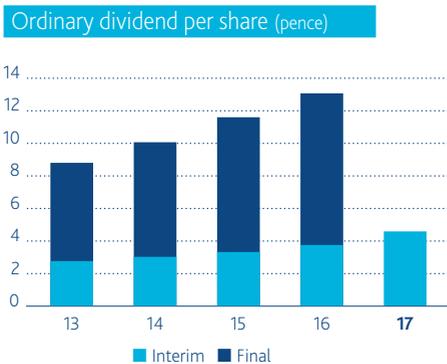
Who we are: **Writtle** is a UK-centred marketing services group with an international client base.

Key financial information

- Turnover £30.22m (2016: £38.68m)
- Continuing turnover £30.22m (2016: £27.45m)
- Continuing profit before tax £2.02m (2016: £0.71m)
- Headline profit before tax £2.41m (2016: £1.79m)
- Interim dividend per share 4.50p (2016: 3.75p)
- Net cash £6.48m (2016: £6.53m)

Headline measures are defined as being before profit on sale of investments, exceptional items, amortisation and share-based payments.

Comparatives are with 30 June 2016.



Ordinary dividend excludes the special dividend of 50 pence per share paid in 2016.

The strong first half trading has continued into the second half

I am pleased to report an excellent result for the first six months of the year, with profit on trading significantly ahead of the prior year which included profits from a business which was sold at the end of that period.

Results and dividends

Turnover was £30.22m (2016: £38.68m) and headline profit before tax was £2.41m (2016: £1.79m).

Turnover from continuing operations was £30.22m (2016: £27.45m) and operating profit from continuing operations was £2.01m (2016: £0.74m).

There were no exceptional profits on disposals in the period (2016: £5.13m).

Net cash balances at 30 June 2017 were £6.48m (2016: £6.53m).

An interim dividend of 4.50p (2016: 3.75p) will be paid on 31 October 2017 to shareholders on the register on 20 September 2017.

Review of trading

Our three business groups, **Innovation**, **Implementation** and **Instore**, experienced similar trading conditions to the prior year and we show their performance on page 9 of this report.

Our **Innovation** businesses again found the market difficult and further restructuring costs of £0.23m were incurred in the period as we reduced the cost base in certain companies. Despite some signs that our clients are unlocking budgets to innovate, it is too early to predict a recovery and our companies continue to have to fight harder to win projects, and more often they are at lower values. Against this trend, Epoch once again outperformed and Identica has made a strong contribution since its acquisition on 22 March 2017.

Our **Implementation** businesses, trading as the Magnet Harlequin Group, continued their upward trajectory, winning more work with brands and retailers. Faced with a growing demand for integrated creative, production and technology to provide clients with a fast and effective route to market, the Magnet Harlequin Group has thrived and it is now the UK's leading independent in the packaging graphics sector.

We continue to seek larger transformational deals although we will consider smaller opportunities like Identica, which have good synergies and growth potential

Our **Instore** business, Arken POP International, enjoyed an impressive first half operating at almost full capacity designing and manufacturing in-store displays with its highest growth coming from the beauty market across European retailers.

Corporate activity.

Aside from the acquisition of Identica on 22 March 2017, we have reviewed a number of potential acquisitions without finding a compelling case. Opportunities to acquire companies are plentiful, finding good value far harder. We continue to seek larger transformational deals although we will consider smaller opportunities in the sector, like Identica, which have good synergies and growth potential, as well as expanding our offer.

Writtle repeated a share trading opportunity for shareholders in May 2017 with a record £1.26m changing hands in matched bargains for Writtle shares. Once again, we have been able to create a market for those who wish to buy or sell shares without the significant costs associated with formal markets.

Current trading

I am pleased to report that the strong first half trading has continued into the second half and I look forward to reporting further progress in due course.

Robert Essex

Chairman

28 September 2017

Consolidated statement of comprehensive income for the six months ended 30 June 2017

	6 months to 30 June 2017 Unaudited £000	6 months to 30 June 2016 Unaudited £000	Year ended 31 December 2017 Audited £000
Turnover			
Continuing operations	30,221	27,451	60,963
Discontinued operations	–	11,233	11,233
	30,221	38,684	72,196
Cost of sales	(10,380)	(14,531)	(27,226)
	19,841	24,153	44,970
Gross profit			
Administrative expenses	(17,827)	(22,972)	(40,827)
Profit on sale of investments	–	5,134	5,191
	2,014	6,315	9,334
Operating profit			
Continuing operations	2,014	744	3,706
Discontinued operations	–	437	437
Profit on sale of investments	–	5,134	5,191
	2,014	6,315	9,334
Operating profit before the items listed below	2,408	1,887	5,132
Profit on sale of investments	–	5,134	5,191
Exceptional items	(235)	(260)	(407)
Amortisation	(348)	(338)	(717)
Share-based payments	189	(108)	135
	2,014	6,315	9,334
Operating profit			
Interest receivable/(payable)	4	(98)	(101)
	2,018	6,217	9,233
Profit on ordinary activities before taxation			
Taxation on profit on ordinary activities	(404)	(322)	(1,065)
	1,614	5,895	8,168
Profit on ordinary activities after taxation			
Non-controlling interests	(92)	(267)	(262)
	1,522	5,628	7,906
Profit for the financial year			

Consolidated statement of financial position as at 30 June 2017

	As at 30 June 2017 Unaudited £000	As at 30 June 2016 Unaudited £000	As at 31 December 2016 Audited £000
Fixed assets			
Intangible assets	10,015	10,371	10,019
Tangible assets	4,033	3,862	3,981
Investments	498	498	498
	14,546	14,731	14,498
Current assets			
Stocks	2,402	2,178	1,444
Debtors	18,769	17,851	18,265
Cash at bank and in hand	6,481	7,905	7,041
	27,652	27,934	26,750
Creditors: Amounts falling due within one year	(14,243)	(14,242)	(14,500)
Net current assets	13,409	13,692	12,250
Total assets less current liabilities	27,955	28,423	26,748
Creditors: Amounts falling due after more than one year	–	(411)	–
Provisions for liabilities			
Deferred taxation	(59)	(4)	(59)
Other provisions	(35)	–	–
Net assets	27,861	28,008	26,689
Capital and reserves			
Called-up share capital	7,287	7,179	7,185
Share premium account	6,885	6,715	6,720
Other reserves	(747)	(772)	(747)
Profit and loss account	12,474	13,088	11,769
Equity attributable to owners of the parent company	25,899	26,210	24,927
Non-controlling interests	1,962	1,798	1,762
	27,861	28,008	26,689

Consolidated statement of changes in equity as at 30 June 2017

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Equity attributable to owners of parent Company £000	Non-controlling interests £000	Total equity £000
At 1 January 2016	6,992	6,497	(428)	8,424	21,485	3,246	24,731
Profit for the period	-	-	-	5,628	5,628	267	5,895
Total comprehensive income for the period	-	-	-	5,628	5,628	267	5,895
Dividends: Equity capital	-	-	-	(565)	(565)	(195)	(760)
Shares issued during the period	187	218	-	-	405	-	405
Other movements	-	-	(344)	(399)	(743)	(1,520)	(2,263)
Total contributions by and distributions to owners	187	218	(344)	(964)	(903)	(1,715)	(2,618)
At 30 June 2016	7,179	6,715	(772)	13,088	26,210	1,798	28,008
Profit for the period	-	-	-	2,278	2,278	(5)	2,273
Total comprehensive income for the period	-	-	-	2,278	2,278	(5)	2,273
Dividends: Equity capital	-	-	-	(3,747)	(3,747)	(82)	(3,829)
Shares issued during the period	6	5	-	-	11	-	11
Other movements	-	-	25	150	175	51	226
Total contributions by and distributions to owners	6	5	25	(3,597)	(3,561)	(31)	(3,592)
At 31 December 2016	7,185	6,720	(747)	11,769	24,927	1,762	26,689
Profit for the period	-	-	-	1,522	1,522	92	1,614
Total comprehensive income for the period	-	-	-	1,522	1,522	92	1,614
Dividends: Equity capital	-	-	-	(647)	(647)	(84)	(731)
Shares issued during the period	102	165	-	-	267	-	267
Other movements	-	-	-	(170)	(170)	192	22
Total contributions by and distributions to owners	102	165	-	(817)	(550)	108	(442)
At 30 June 2017	7,287	6,885	(747)	12,474	25,899	1,962	27,861

Consolidated statement of cash flows for the six months ended 30 June 2017

	6 months to 30 June 2017 Unaudited £000	6 months to 30 June 2016 Unaudited £000	Year ended 31 December 2016 Audited £000
Cash flows from operating activities			
Profit for the financial period	1,614	5,895	8,168
Adjustments for:			
Amortisation of intangible fixed assets	348	338	717
Depreciation of tangible fixed assets	532	1,022	1,543
Profit on disposal of tangible fixed assets	(16)	(27)	(28)
Increase in stocks	(830)	(1,166)	(431)
Interest (received)/charged	(4)	98	101
Corporation tax charge	404	322	1,065
Increase in debtors	(98)	(2,025)	(1,984)
(Decrease)/increase in creditors	(472)	1,926	2,434
Corporation tax paid	(434)	(256)	(699)
Profit on disposal of investment in subsidiary	–	(5,134)	(5,191)
Share-based payment (credit)/charge	(189)	108	(135)
Net cash generated from operating activities	855	1,101	5,560
Cash flows from investing activities			
Purchase of tangible fixed assets	(462)	(765)	(1,408)
Sale of tangible fixed assets	18	71	36
Purchase of additional equity in subsidiaries	–	(86)	(104)
Sale of equity in subsidiaries	–	58	170
Purchase of subsidiary	(827)	–	–
Sale of subsidiary	–	8,336	8,771
Cash acquired with subsidiary	316	–	–
Cash disposed of with subsidiary	–	(969)	(969)
Net cash used in investing activities	(955)	6,645	6,496

Consolidated statement of cash flows continued for the six months ended 30 June 2017

	6 months to 30 June 2017 Unaudited £000	6 months to 30 June 2016 Unaudited £000	Year ended 31 December 2016 Audited £000
Cash flows from financing activities			
Issue of ordinary shares	267	405	416
Repayment of loans	–	(1,031)	(1,792)
Repayment of finance leases	–	(200)	(207)
Movements on invoice discounting	–	(874)	(1,484)
Equity dividends paid	(647)	(565)	(4,312)
Interest received/(paid)	4	(98)	(101)
Dividends paid to non-controlling interests	(84)	(195)	(277)
Purchase of shares by ESOT	–	(344)	(319)
Net cash (used in)/generated from financing activities	(460)	(2,902)	(8,076)
Net (decrease)/increase in cash and cash equivalents	(560)	4,844	3,980
Cash and cash equivalents at beginning of period	7,041	3,061	3,061
Cash and cash equivalents at the end of period	6,481	7,905	7,041
Cash at bank and in hand	6,481	7,905	7,041

Analysis of net cash/(debt) as at 30 June 2017

	As at 30 June 2017 Unaudited £000	As at 30 June 2016 Unaudited £000	As at 31 December 2016 Audited £000
Cash at bank and in hand	6,481	7,905	7,041
Debt:			
Finance leases	–	(7)	–
Debts due within one year	–	(960)	–
Debts falling due after more than one year	–	(411)	–
Net cash/(debt)	6,481	6,527	7,041

	Innovation £000	Implementation £000	Instore £000	Group £000
For the six months ended 30 June 2017				
Turnover	12,087	9,667	8,467	30,221
Headline operating profit	545	1,256	958	2,759
Central costs				(351)
Headline continuing operating profit				2,408
Discontinued operations				–
Interest receivable/(payable)				4
Headline profit before tax				2,412
For the six months ended 30 June 2016				
Turnover	13,141	8,956	5,354	27,451
Headline operating profit	786	921	61	1,768
Central costs				(431)
Headline continuing operating profit				1,337
Discontinued operations				550
Interest receivable/(payable)				(98)
Headline profit before tax				1,789
For the year ended 31 December 2016				
Turnover	24,943	19,101	16,919	60,963
Headline operating profit	1,173	2,604	1,829	5,606
Central costs				(1,024)
Headline continuing operating profit				4,582
Discontinued operations				550
Interest receivable/(payable)				(101)
Headline profit before tax				5,031

Our Innovation companies

Our Innovation companies are 20.20, Beyond Communications, Epoch, Identica, Seymourpowell, The Team and Williams Murray Hamm.



20.20 is a strategic design consultancy. We transform retail and leisure businesses into emotionally connected brand experiences; making it easier for customers, fans and colleagues to transact, engage and belong – in person, on the move or online.

Beyond

Beyond creates beautifully distinct brands, memorable campaigns and retail environments that will turn heads, capture hearts, sell products and inspire loyalty.

EPOCH DESIGN

Epoch is a creative agency specialising in packaging, in-store and online for global FMCG brands.

IDENTICA

Identica – with identity at our heart for over 25 years, we invent and reinvent iconic brands, expertly crafting and delivering definitive brand identities, truly, powerfully and vividly across all touch-points.

seymourpowell

Seymourpowell helps companies plan and create integrated product and brand experiences.

theTeam.

The Team is a brand and communications business focused on transformative ideas informed by strategy, insight and creativity

Williams Murray Hamm

Williams Murray Hamm fuses serious strategic muscle with creatively adventurous design, resulting in out-of-the-ordinary innovation and branding.



Williams Murray Hamm
Aberlour – Pernod Ricard

Loved in whisky connoisseur circles, Aberlour hadn't changed much since it all began with James Fleming, 137 years ago. WMH looked at Aberlour's long legacy, only to discover the founding family's motto, 'Let the deed show', meaning 'actions speak louder than words'. WMH unearthed these deeds and, working closely with Scottish artist Liz Myhill, brought them to life using traditional lino cutting and printing techniques, to create original illustrations gleaned from books of storytelling in the 1900s.

20.20
Maplin's store of the future

20.20 designed Maplin's 'store of the future' concept with a focus on Smart Home technology. The aim: to step change customer perceptions and move the business away from being an electronics specialist to becoming a technology expert. Six stores have opened with a further 20 planned to open before Christmas. The stores are performing really well with an average 15% increase in like-for-like sales, and an 18% increase in footfall.



Our Implementation companies

Our Implementation business is the Magnet Harlequin Group, comprising its subsidiary companies Maglabs, Magnet Harlequin, Magnet Harlequin Asia, Technik and WMHAdaptive.

[magnetharlequin]

Magnet Harlequin provide cross-media creative production, photography, packaging management, print and compliance services to retailers and brand owners alike.

[magnetharlequinasia]

Magnet Harlequin Asia (Hong Kong and India) afford packaging management, artwork, print and compliance services to both retailers and brands across the Asia Pacific region.



Maglabs is a global digital asset management, marketing resource and workflow technology provider, supporting market-leading businesses and brands worldwide.



Technik is a creative production agency with particular specialisms in food packaging and packaging management.

WMHAdaptive

WMHAdaptive provides efficiency focused, fully integrated 'concept to consumer' solutions for packaging and marketing communications clients alike.

Our Instore company is Arken POP International.

arken
creators of award winning p-o-p

Arken is a multi-award-winning, creative-led designer and manufacturer of retail display and signage, shop-in-shop theatre and point-of-purchase products.

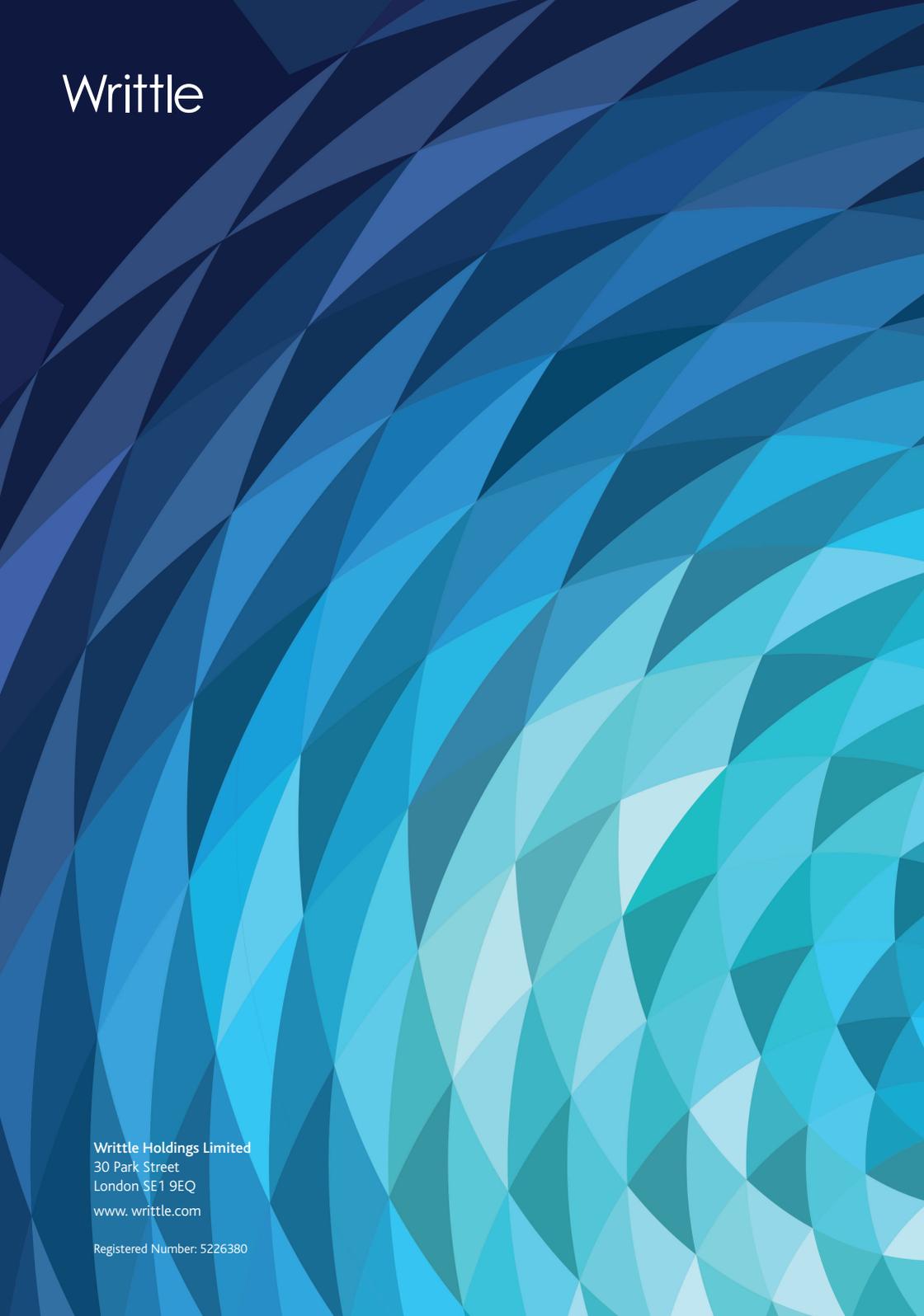


Arken

Intel-inside – Virtual Reality (VR) experience

Unveiled as a key part of in-store VR strategy at the The Consumer Electronics Show in Las Vegas by Intel's CEO Brian Krznich, the standalone unit focuses on user-safety and control.

The Arken-designed solution has a much smaller footprint than other VR zones, making it a feasible option for inclusion as a permanent fixture in stores across Europe. In addition, its compact size and user-control negate the need for additional staff associated with other larger products and therefore reduce in-store overheads.



Writtle

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