

WRITTLE HOLDINGS LIMITED
INTERIM REPORT 2020



WRITTLE

I am pleased to report a resilient group performance in a first half overshadowed by the impact of the Covid-19 pandemic.

Once we had ensured our staff were safe and government Covid-19 guidelines followed, we acted quickly to address the decline in global demand caused by lockdowns in most of our markets. Costs and overheads were re-aligned to lower turnover levels, investment and expenditure were curtailed but at the same time we were determined to offer our clients an uninterrupted and high-quality service throughout the period.

The half year results are testament to the success of these actions.

RESULTS AND DIVIDENDS

Turnover was £33.30m (2019: £34.36m) and headline profit before tax was £2.00m (2019: £2.37m). With fewer exceptional items than in the prior period, profit before tax was £1.57m (2019: £1.41m).

Net cash balances at 30 June 2020 were £12.96m (2019: £4.72m) as cash management was prioritised.

Since the period end the final dividend for 2019 of 12p per share has been paid and an interim dividend of 6.25p (2019: 6.25p) will be paid on 30 October 2020 to shareholders on the register on 19 August 2020.

REVIEW OF TRADING

The performance of our three business groups is shown on page 8 of this report.

Our **Innovation** businesses saw an overall decline in revenues against prior year of 9% yet increased profits, but this masks widely differing performances between agencies. Our larger agencies like Epoch and Seymourpowell, performed strongly while smaller agencies in branding and design saw discretionary client spend fall sharply. Unsurprisingly, agencies with clients in hospitality, travel and high street retail fared worst, and we have embarked on a programme to merge some smaller agencies to create fewer, larger businesses going forward.

Our **Implementation** businesses, trading as **Branded**, saw the inclusion of Showcard's results for the full period for the first time which gave an increase in overall turnover against the prior period. However, excluding Showcard, the like for like decline in revenues and profits were 7% and 22% respectively. Branded has a strong presence with food retailer clients and this offset declines in hospitality and travel-related clients. Showcard itself was the hardest hit of Writtle's businesses with client spend 42% behind budgeted levels in the second quarter which necessitated significant cost reductions through furlough and redundancy, and we exited one expensive property lease at the end of June. Showcard is now back to monthly breakeven and is in a position to benefit from the usual seasonal uplift in September, October and November to recover its first half losses.

Our **Instore** business, Arken, performed extremely well in very difficult circumstances. New orders for Arken all but stopped at the end of March when most non-food retailers closed, but Arken was able to spread its long term order book over the remainder of the quarter and operate with minimal staff to maintain client service levels and take new briefs for the future. As a result, Arken was able to withstand a 26% decline in turnover and maintain profits at prior year levels.

All our business groups benefitted from the government's Coronavirus Job Retention Scheme (CJRS) and I am pleased to report that many furloughed employees are now returning to work as demand begins to pick up. These employees would have been lost to our business without the CJRS and although our staff numbers are unlikely to recover to pre Covid-19 levels in the short term, it is good to see the CJRS delivering the outcome that was intended.

CURRENT TRADING

Trading has remained sound rather than spectacular in July and August. With the onset of a global recession, we do not anticipate our usual trading uplift in the second half, but we do intend to stay in profit and build for the future. At the beginning of the pandemic our aim was simply to survive but given our first half results we have raised our expectations and I hope to report a satisfactory full year performance next April.

Robert Essex
Chairman

19 August 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	6 months to 30 June 2020 Unaudited £000	6 months to 30 June 2019 Unaudited £000	Year ended 31 December 2019 Audited £000
Turnover	33,302	34,365	78,413
Cost of sales	(13,021)	(12,265)	(32,468)
Gross profit	20,281	22,100	45,945
Administrative expenses	(18,719)	(20,652)	(40,436)
Operating profit	1,562	1,448	5,509
Operating profit before the items listed below	2,005	2,408	7,377
Exceptional items	(41)	(490)	(954)
Amortisation	(402)	(470)	(914)
Operating profit	1,562	1,448	5,509
Interest receivable/(payable)	5	(40)	(123)
Profit before taxation	1,567	1,408	5,386
Tax on profit	(325)	(276)	(1,012)
Profit after taxation	1,242	1,132	4,374
Non-controlling interests	(218)	(165)	(652)
Profit for the period	1,024	967	3,722

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	As at 30 June 2020 Unaudited £000	As at 30 June 2019 Unaudited £000	As at 31 December 2019 Audited £000
Fixed assets			
Intangible assets	9,044	9,319	9,381
Tangible assets	5,808	6,652	6,329
Investments	–	220	–
	14,852	16,191	15,710
Current assets			
Stocks	1,813	2,747	1,952
Debtors	19,567	21,205	23,534
Cash at bank and in hand	13,545	7,738	8,942
	34,925	31,690	34,428
Creditors: Amounts falling due within one year	(16,755)	(18,508)	(18,278)
Net current assets	18,170	13,182	16,150
Total assets less current liabilities	33,022	29,373	31,860
Creditors: Amounts falling due after more than one year	(388)	(806)	(476)
Provisions for liabilities			
Deferred tax	(55)	(67)	(55)
Other provisions	(80)	(85)	(80)
Net assets	32,499	28,415	31,249
Capital and reserves			
Called-up share capital	7,402	7,380	7,400
Share premium account	7,203	7,135	7,197
Other reserves	(1,283)	(1,259)	(1,283)
Retained earnings	15,902	12,552	14,878
Equity attributable to owners of the parent company	29,224	25,808	28,192
Non-controlling interests	3,275	2,607	3,057
	32,499	28,415	31,249

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2020

	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 2019	7,347	7,037	(1,102)	15,970	29,252	2,512	31,764
Profit for the period	-	-	-	967	967	165	1,132
Total comprehensive income for the period	-	-	-	967	967	165	1,132
Contributions by and distributions to owners							
Dividends	-	-	-	(4,385)	(4,385)	(249)	(4,634)
Shares issued during the period	33	98	-	-	131	-	131
Other movements	-	-	(157)	-	(157)	179	22
Total contributions by and distributions to owners	33	98	(157)	(4,385)	(4,411)	(70)	(4,481)
At 30 June 2019	7,380	7,135	(1,259)	12,552	25,808	2,607	28,415
Profit for the period	-	-	-	2,755	2,755	487	3,242
Total comprehensive income for the period	-	-	-	2,755	2,755	487	3,242
Contributions by and distributions to owners							
Dividends	-	-	-	(441)	(441)	(89)	(530)
Shares issued during the period	20	62	-	-	82	-	82
Other movements	-	-	(24)	12	(12)	52	40
Total contributions by and distributions to owners	20	62	(24)	(429)	(371)	(37)	(408)
At 31 December 2019	7,400	7,197	(1,283)	14,878	28,192	3,057	31,249
Profit for the period	-	-	-	1,024	1,024	218	1,242
Total comprehensive income for the period	-	-	-	1,024	1,024	218	1,242
Contributions by and distributions to owners							
Shares issued during the period	2	6	-	-	8	-	8
Total contributions by and distributions to owners	2	6	-	-	8	-	8
At 30 June 2020	7,402	7,203	(1,283)	15,902	29,224	3,275	32,499

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	6 months to 30 June 2020 Unaudited £000	6 months to 30 June 2019 Unaudited £000	Year ended 31 December 2019 Audited £000
Cash flows from operating activities			
Profit for the period	1,242	1,132	4,374
Adjustments for:			
Amortisation of intangible fixed assets	515	470	1,086
Depreciation of tangible fixed assets	807	679	1,407
Disposal of unlisted investment	-	-	220
(Profit)/Loss on disposal of tangible fixed assets	(11)	-	7
Decrease/(increase) in stocks	138	(186)	664
Interest (received)/paid	(5)	40	123
Corporation tax charge	325	276	1,012
Decrease/(increase) in debtors	3,969	2,759	(123)
Decrease in creditors	(1,487)	(3,125)	(1,211)
Corporation tax paid	(376)	(418)	(1,136)
Net cash generated from operating activities	5,117	1,627	6,423
Cash flows from investing activities			
Purchase of tangible fixed assets	(347)	(516)	(1,247)
Investment in software development	(177)	-	(248)
Sale of tangible fixed assets	73	-	82
Purchase of subsidiaries	-	(101)	(100)
Cash acquired with subsidiaries	-	126	146
Increase in investment in subsidiaries	-	(174)	(271)
Net cash used in investing activities	(451)	(665)	(1,638)
Cash flows from financing activities			
Issue of ordinary shares	8	131	213
Issue of shares to non-controlling interests	-	757	1,191
New bank loans	17	-	-
Repayment of loans	-	(846)	(1,273)
Repayment of finance leases	(93)	(45)	(136)
Movement on invoice discounting	-	(429)	(2,268)
Equity dividends paid	-	(4,385)	(4,826)
Interest received/(paid)	5	(40)	(123)
Dividends paid to non-controlling interests	-	(446)	(675)
Purchase of shares by ESOT	-	(157)	(182)
Net cash used in financing activities	(63)	(5,460)	(8,079)
Net increase/(decrease) in cash and cash equivalents	4,603	(4,498)	(3,294)
Cash and cash equivalents at beginning of period	8,942	12,236	12,236
Cash and cash equivalents at the end of period	13,545	7,738	8,942
Cash at bank and in hand	13,545	7,738	8,942

ANALYSIS OF NET CASH/(DEBT)

AS AT 30 JUNE 2020

	As at 30 June 2020 Unaudited £000	As at 30 June 2019 Unaudited £000	As at 31 December 2019 Audited £000
Cash at bank and in hand	13,545	7,738	8,942
Debt:			
Finance leases	(570)	(754)	(663)
Debts due within one year	(17)	(2,031)	-
Debts falling due after more than one year	-	(235)	-
Net cash/(debt)	12,958	4,718	8,279

BUSINESS GROUP ANALYSIS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Innovation £000	Implementation £000	Instore £000	Group £000
For the six months ended 30 June 2020				
Turnover	11,332	15,202	6,768	33,302
<i>excluding Showcard acquisition</i>	<i>11,332</i>	<i>8,780</i>	<i>6,768</i>	<i>26,880</i>
Headline business group operating profit	1,069	215	1,114	2,398
<i>excluding Showcard acquisition</i>	<i>1,069</i>	<i>731</i>	<i>1,114</i>	<i>2,914</i>
Central costs				(393)
Headline operating profit				2,005
Interest receivable				5
Headline profit before tax				2,010

	Innovation £000	Implementation £000	Instore £000	Group £000
For the period ended 30 June 2019				
Turnover	12,434	12,835	9,096	34,365
<i>excluding Showcard acquisition</i>	<i>12,434</i>	<i>9,411</i>	<i>9,096</i>	<i>30,941</i>
Headline business group operating profit	888	847	1,102	2,837
<i>excluding Showcard acquisition</i>	<i>888</i>	<i>939</i>	<i>1,102</i>	<i>2,929</i>
Central costs				(429)
Headline operating profit				2,408
Interest payable				(40)
Headline profit before tax				2,368

	Innovation £000	Implementation £000	Instore £000	Group £000
For the year ended 31 December 2019				
Turnover	26,956	32,088	19,369	78,413
<i>excluding Showcard acquisition</i>	<i>26,956</i>	<i>19,720</i>	<i>19,369</i>	<i>66,045</i>
Headline business group operating profit	2,908	2,543	3,074	8,525
<i>excluding Showcard acquisition</i>	<i>2,908</i>	<i>2,137</i>	<i>3,074</i>	<i>8,119</i>
Central costs				(1,149)
Headline operating profit				7,376
Interest payable				(123)
Headline profit before tax				7,253

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

COMPANY INFORMATION

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D H Powell

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