Writtle

Writtle Holdings Limited

Annual Report and Accounts 2013

Who we are

Writtle Holdings Ltd is an investment and management services company that owns majority shareholdings in a portfolio of media and marketing services companies. We create value for our shareholders by using our experience in the media sector and capital to support these specialist businesses to achieve their full potential.

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Financial highlights

Turnover

£88.6m

£88.9m 2012

Headline operating profit

£5.9m

Up 8% from
£5.5m 2012

Headline profit before tax

£5.6m

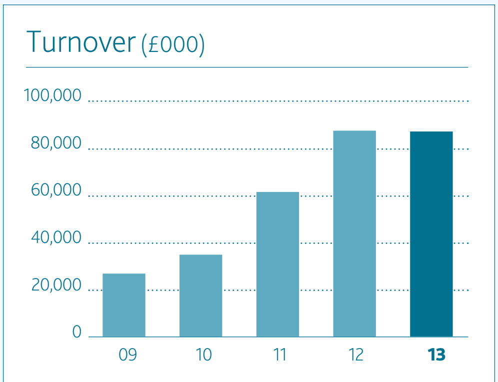
Up 15% from
£4.8m 2012

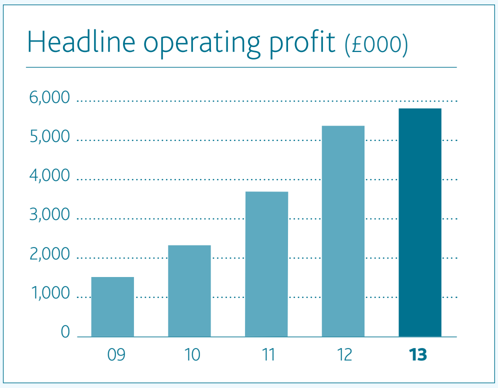
Dividend per share

8.75p

Up 12.9% from
7.75p 2012

Headline measures are defined as being before amortisation, share-based payment charges, and profit on sale of investments.





Chairman's statement

I am pleased to present Writtle's accounts for 2013. We achieved another excellent result as Writtle continued to benefit from organic growth and acquisitions, as well as the disposal of non-core operations.

Results and dividends

Turnover from continuing operations was £78.80m (2012: £75.20m) and operating profit from continuing operations was £4.97m (2012: £4.01m). Additional profits on exceptional items of £1.19m were derived from the sale of discontinued operations and contributed to overall profit before amortisation and share-based payment charges of £5.91m (2012: £5.45m) and profit before tax and minority interests of £5.93m (2012: £3.60m)

Writtle's year end net debt was reduced by £4.11m to £7.58m (2012: £11.69m) reflecting proceeds from disposals and good cash conversion.

The directors are recommending a final dividend for 2013 of £405,000 (6.00p per share) to ordinary shareholders making a total of £586,000 (8.75p per share) for the year (2012: £509,000 being 7.75p per share). Subject to shareholders' approval, the dividend will be paid on 30 May 2014 to shareholders on the register on 26 March 2014.

Principal activities and review of business

Writtle invests in media and marketing communications businesses with the aim of creating a substantial international marketing group.

Writtle's model continues to be based on equity involvement and decentralised growth. Whether a group company was a start-up or acquired, Writtle will typically hold a majority shareholding alongside management which creates a motivational structure. Writtle looks for businesses in the media and marketing communications sector which can demonstrate potential for further growth either organically or by acquisition, and where Writtle can add value through its experience or by funding further expansion. Growth opportunities are typically identified by operating company management rather than dictated by the centre, although when larger opportunities have been identified, as Loewy Group was in 2011, we have integrated the individual companies into Writtle by dismantling any central head office and marketing function and instead promoted the individual company brands. Alongside this decentralised approach comes a re-incentivisation package for operational management through the opportunity to purchase equity on favourable terms in their companies, and participation in share option schemes in Writtle. This creates a lean head office structure as well as considerable incentives for management in their individual companies and the group as a whole. A short review by operating company follows this section, each written by its directors. Each operating company has its own unique style and apart from overlaying similar financial controls, Writtle encourages individual company autonomy and identity.

As the results and individual company reviews demonstrate, 2013 was another excellent year for Writtle. The economic conditions were kinder than in the past, but there is no substitute for the talent and innovation contained within our businesses which are nurtured and allowed to flourish within the Writtle model. However, business is never easy and we must acknowledge that we don't win them all. Of the two companies I mentioned in the 2013 Interim Report as having weaker first halves, 20.20 recovered strongly but Interact failed to re-establish itself and left the group in the first quarter this year.

Once again, many acquisition opportunities were reviewed but only one, the acquisition of Technik by Magnet Harlequin, was completed and financial details can be found in note 25. Early indications are that Technik will prove to be another successful acquisition. Most discarded acquisition opportunities have been on grounds of unrealistic price expectation by vendors or where we felt there was insufficient upside, but we have had discussions with larger groups where we felt there were compelling synergies in overlaying the Writtle model. While some discussions have foundered because of Writtle's spartan view of head office downsizing not always being embraced by potential targets, we have an ongoing strategy to achieve further transformational acquisitions of scale, alongside bolt-ons for operating companies.

In 2013 Writtle also made its first exits from non-core investments, both generating profits for shareholders. The disposals were of Writtle's packaging interests of Connect Packaging Ltd and Connect Archive and Mailing Products Ltd (financial details in note 25). With Writtle's increasing focus on the media and marketing communications sector, Connect Packaging was on the periphery of core operations and its future better suited to a corrugated packaging specialist to which Writtle sold the business at the year end. We wish our many friends within Connect Packaging every success.

Summary

The profitable disposal of two businesses in 2013 completes a set of value creating landmarks by Writtle. The Writtle model has achieved success with start-ups (Creo Retail Marketing, Beyond, Maglabs, Less Packaging), investing for growth (Magnet Harlequin), turnarounds (Arken), integration of major acquisitions (Loewy Group) and now profitable disposals.

Writtle has become a well-established and substantial marketing communications business with an international reach. Our model is attracting more talent and companies to approach us and we feel there are significant opportunities ahead.

We look forward to reporting further progress in 2014.

Robert Essex
Chairman
17 April 2014

creo

Creo Retail Marketing

The initial shoots of economic recovery became apparent during the year. However, the retail sector still remains under pressure and competition in the point of sale industry is high but our investment in people and digital printing equipment in 2012 delivered a successful 2013. New client contracts included Furniture Village, Henkel, Revlon and Universal Pictures, and we were heavily involved in Twentieth Century Fox's record-breaking UK cinema release of Skyfall.

We continued to invest heavily in Opus, our online campaign management system during the year. Opus provides clients with complete visibility and control across all processes, enabling them to collaborate and share assets, budgets, timelines and data – across customer contacts, regions and territories.

Planning for future growth continues, with further investment scheduled in equipment, and additional space was acquired in December by purchasing land adjacent to the Aylesford site.

www.creo-uk.com

Our companies

20.20

2013 saw our retail and leisure clients invest less in physical store and interior design and more in brand strategy and omni-channel. Our strategic work with the leadership teams of Arsenal, Liverpool Football Club and Manchester City has not only made us the go-to consultants in Premier Sport but also taught us how to transform traditional leisure operators, and retailers, into more emotionally connected brands.

The year also proved that retailers are finally embracing omni-channel in their stores. Technology is no longer just a PR stunt but a real driver for growth. Stores like our newly launched 'connected' concept for Thomson Travel (TUI) truly empower the customer across all channels, making the High Street a destination again.

www.20.20.co.uk

Beyond Communications

Beyond had a solid year, winning a major pitch to rebrand and deliver the retail communications strategy and in-store creative for British Heart Foundation's Furniture & Electrical stores. We continued working with L'Oréal to deliver a future strategy for retail and wholesale channels, and developed a new retained relationship to design all marketing and in-store communications for Bliss. Work has also recently started for The Bodyshop and F1.

The year also saw continuing good work on the asset management side of the business. There is ongoing work with Hammerson at a variety of shopping centres in the UK, while new clients include Ellandi LLP and Land Securities. The retail delivery role gets stronger every year with Beyond now responsible for 18 shopping centres across five clients, delivering more than 130 approvals in 2013.

www.beyond-communications.co.uk

Arken POP International

Arken had an exceptional year as we continued to build on our success in the health and beauty sector and can now include The Perfume Shop in our portfolio.

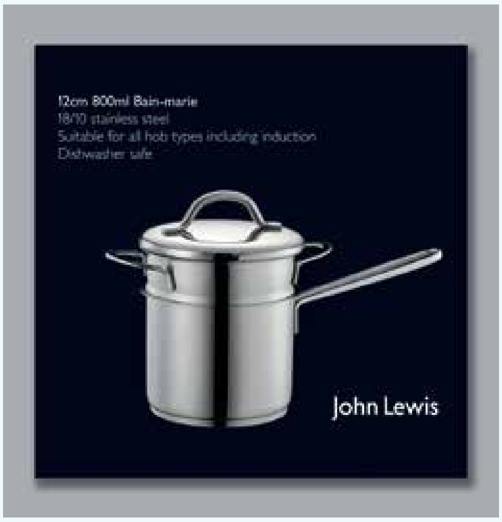
Most notable, however, was the growth of our consumer electronics division, where product innovations led to the integration of printed circuit board technology into our offer. This not only further cemented relations with long-standing client Logitech, but delivered substantial new business from Samsung and Intel.

www.arken-pop.com

Epoch Design

Epoch had an exciting year, with an international flavour setting the tone. New FMCG Personal Care opportunities in Singapore have seen us spread our creative wings and forge relationships right the way through Asia. New design projects for alcohol brands across Africa have delivered real cultural diversity and insight, while closer to home we have recruited a new digital team to strengthen our in-store design and packaging offer. We have also continued to grow our core FMCG client base, with significant project wins for a major soft drinks brand a particular highlight. 2014 is shaping up to be equally frenetic.

www.epochdesign.co.uk

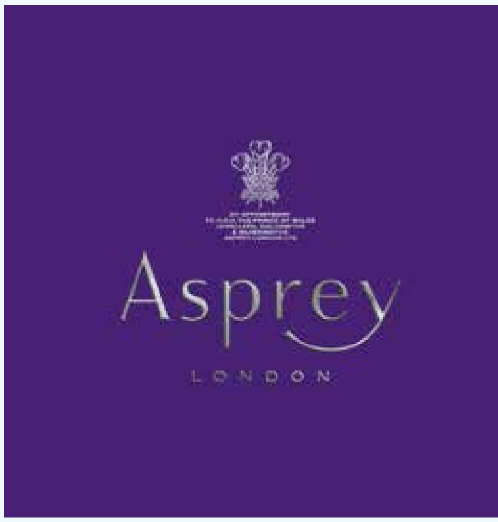


[magnetharlequin]

Magnet Harlequin

The launch of our new photographic studios in January and strategic acquisition of Technik two months later made for an extremely busy start to the year. Fortunately it also remained busy on the work front, helping the business deliver another strong performance across all divisions, including our Asia business which exceeded budget. Packaging delivered good organic growth in the form of M&S, Tesco, John Lewis and Brakes. LG was our stand-out performer in marcoms with World Duty Free, Asprey, Specialized and Deloitte all delivering above budget. With the successful transition of Technik complete and the considerable benefits this additional resource and strength now provides, we sense 2014 will make for another exciting year.

www.magharl.co.uk



Our companies continued

The Less Packaging Company

It proved to be a breakthrough year for Less in the North American market with US retailer Target joining our client list in 2013, encouraging further development in the region. Back in the UK the proposition continues to develop, with new contracts secured with Next and Sainsbury's. The operations in Hong Kong and Delhi continue to support the UK retailer with compliance services, and our business in India is set to service major Indian brand owners and retailers. The Virtual Packaging Management systems developed by Less have started to attract the imagination of senior supply chain management in the retail sector, and are predicted to be a key ingredient for our future success.

www.lesspackaging.com

Maglabs

Maglabs had another good year and one that continued to see turnover levels increase and recurring revenues grow. This was achieved through organic growth of existing client relationships and new business wins such as Deloitte, Heinz and a new global hosting contract for NBCUniversal. During the year we launched the entertainment platform PublicityMedia.com, which experienced steady growth throughout the year and further established Maglabs' credentials in the entertainment sector. 2013 also saw the significant growth of Maglabs' Digital division and the establishment of the Maglabs Digital branding. Operational improvements, datacentre rationalisation and the relocation of our technical team to our Edinburgh Office were a key focus, all of which have proved very positive for the business and created the platform to finalise our ISO 27001 accreditation.

www.maglabs.net

Speed Communications

Following the successful amalgamation of two agencies, 2013 was a year of consolidation and restructure. The loss of a major long-standing client in Virgin Media Business, due to its acquisition by Liberty Global in June 2013, did have a significant downward effect on income levels. But by Q4, new business growth, backed by an aggressive sales strategy, paid dividends and we saw some exciting new clients join our portfolio including a number of titles from the Financial Times Group and Thomas International. A stronger digital offering helped drive further income from existing clients and this is predicted to continue, adding significant growth in 2014. The opportunities across sport and technology led much of the new business development in Q4 and our combined expertise in this area continues to show great potential. We have built a strong platform for growth, which we are confident will deliver an exciting and profitable 2014.

www.speedcommunications.com

Technik

It's been a hectic but enjoyable past nine months at Technik. New owners- Magnet Harlequin, new investment and new ways of working generated a real buzz in the business. Technik is a 50-plus-strong team, with production studios in Berkhamsted and Bradford. Our business proposition mirrors that of Magnet Harlequin. However, the key differentiator is our specialism in food packaging with Morrisons and Waitrose our lead clients, both of whom kept us busy in 2013. On the marcoms side of the business, Panasonic, Boots, The Folio Society and Trafalgar performed well. We enter 2014 with a team full of optimism and raring to go.

www.technik.com

Seymourpowell

Seymourpowell exceeded budgets and won some exciting new clients and pieces of work. New clients for 2013 included Brother, Cubic Transportation Systems, Gatorade and the updating of train interiors for the Angel Trains fleet. Our on-going work for Unilever, in the form of the Axe/Lynx Icon2, marks the next phase in a long-standing relationship with the brand.

Our staff continue to enhance our reputation. They amaze, inspire and perform at the highest levels. It is our intention that Seymourpowell's net creative staff intake should continue to increase in 2014 in line with turnover and profit.

www.seymourpowell.com

The Team

The Team continued to deliver on the core themes of fun, fame and fortune. There is a firm focus on domestic and international client opportunities delivered through our integrated portfolio services in brand, employee engagement, proposition engineering and digital experience design. We had a landmark year in 2013, securing substantial project wins from NS&I, RBS and Centrica while achieving ISO 9001 accreditation and retaining our Investor In People (IIP) status.

Additional wins from Ara Darzi Qatar and the World Innovation Summit for Health (WISH) served to support our Middle East marketing efforts, while ongoing Team work with BP and Rio Tinto enabled further international opportunity, supporting our vision of 'Breaking out of Southwark'.

www.theteam.co.uk

Writtle Property

Writtle Property Limited (WPL) was formed in April 2011 to invest in certain properties owned or part-owned by the group and occupied by group companies. WPL owns a 27 per cent share of 10 Studlands Park Avenue, Newmarket, which is occupied by Arken POP International, and 2014 will see further investment in the expansion of this property to meet Arken's growing needs. WPL also owns property in the Tomo Industrial Estate occupied by Magnet Harlequin.

Williams Murray Hamm

2013 was the year that WMH became truly digital and global.

Our work on JuiceBurst's relaunch saw this previously unknown soft drink become augmented reality app Blippar's second most 'blipped' brand, outscoring One Direction and Dr Who. JuiceBurst also grew its distribution significantly in the year since relaunch. WMH's global redesign of Castrol's three key motor oils hit the shelves, supported by a swathe of digital support, including three iconic brand films.

2013 also saw ConAgra, the $13 billion US foods business, become a significant client, vastly expanding our knowledge and understanding of North American markets.

On a smaller, but no less interesting note, we created the polarising identity of burger delivery pioneers Chosen Bun. It's been so successful that they are already planning their second outlet.

www.williamsmurrayhamm.com

Group strategic and directors' report for the year ended 31 December 2013

Group strategic report

Introduction and business review

See 'Principal activities and review of business' section in the Chairman's statement on pages 2 to 3.

Principal risks and uncertainties

The group's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk.

Price risk

The group is exposed to commodity price risk as a result of its operations. However, given the size of the group's operations, the costs of hedging exposure to commodity price risk exceed any potential benefits.

Credit risk

The group insures its debtor balances where practical to mitigate credit risk.

Liquidity risk

The group maintains a mixture of long-term and short-term debt finance that is designed to ensure the group has sufficient available funds for operations.

Interest rate risk

The group has implemented interest rate caps or fixed interest rates on some of its borrowings to mitigate interest rate risk.

Financial key performance indicators

See 'Results and dividends' section in the Chairman's statement on pages 2 to 3.

This report was approved by the board on 17 April 2014 and signed on its behalf.

G R Harris Director

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2013.

Directors' responsibilities statement

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Results

The profit for the year, after taxation and minority interests, amounted to £3,093,000 (2012: £1,234,000).

Directors

The directors who served during the year were:
R T T Essex
C S Alexander (resigned 31 March 2014)
G A Booker
P Bruford (resigned 13 March 2013)
C C Cahn (resigned 13 March 2013)
G R Harris
A W Lucas
K MacKenzie (appointed 26 March 2014)
D H Powell
R Saysell
R W Seymour
N D Stern
A Sutcliffe
R C J Williams
A Wright

Events since the end of the year

On 19 March 2014, Beyond Communications Ltd, a subsidiary company, sold its investment in Interact-2020 Ltd.

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units.

Disabled employees

Disabled employees receive appropriate training to promote their career development within the group. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

This report was approved by the board on 17 April 2014 and signed on its behalf.

G R Harris Director

Independent auditor's report to the shareholders of Writtle Holdings Limited

We have audited the financial statements of Writtle Holdings Limited for the year ended 31 December 2013 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement on pages 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the companies act 2006

In our opinion the information given in the chairman's report, our companies, the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Samantha Russell
(Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date: 17 April 2014

Consolidated profit and loss account for the year ended 31 December 2013

	Note	2013 £000	2012 £000
Turnover			
Continuing operations	1, 2	78,804	75,199
Discontinued operations		9,755	13,666
		88,559	88,865
Cost of sales	4	(37,363)	(37,116)
Gross profit		51,196	51,749
Administrative expenses	4	(46,800)	(46,893)
Other operating income	3	690	–
Operating profit	5		
Continuing operations		4,965	4,009
Discontinued operations		121	847
		5,086	4,856
Operating profit before amortisation and share-based payments		5,906	5,451
Amortisation		(708)	(498)
Share-based payments		(112)	(97)
Operating profit		5,086	4,856
Exceptional items	10		
Profit on sale of investments		1,191	–
Profit on disposal of property		–	350
Loss on deemed disposal		–	(968)
		1,191	(618)
Profit on ordinary activities before interest		6,277	4,238
Interest payable and similar charges	9	(350)	(639)
Profit on ordinary activities before taxation		5,927	3,599
Tax on profit on ordinary activities	11	(1,832)	(1,168)
Profit on ordinary activities after taxation		4,095	2,431
Minority interests	24	(1,002)	(1,197)
Profit for the financial year	21	3,093	1,234

There were no recognised gains and losses for 2013 or 2012 other than those included in the profit and loss account.

The notes on pages 16 to 31 form part of these financial statements.

Consolidated balance sheet as at 31 December 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Intangible assets	12		13,435		12,724
Tangible assets	13		8,473		10,539
Investments	14		100		23
			22,008		23,286
Current assets					
Stock	15	2,000		2,170	
Debtors	16	23,931		24,094	
Cash at bank		2,783		1,390	
		28,714		27,654	
Creditors: amounts falling due within one year	17	(25,003)		(26,080)	
Net current assets			3,711		1,574
Total assets less current liabilities			25,719		24,860
Creditors: amounts falling due after more than one year	18		(4,098)		(6,058)
Provisions for liabilities					
Deferred tax	19		(141)		–
Net assets			21,480		18,802
Capital and reserves					
Called up share capital	20		6,707		6,553
Share premium account	21		6,353		6,028
Revaluation reserve	21		1		1
Other reserves	21		89		89
Profit and loss account	21		5,475		2,909
Shareholders' funds – equity	22		18,625		15,580
Minority interests	24		2,855		3,222
			21,480		18,802

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 April 2014.

R T T Essex
Director

G R Harris
Director

The notes on pages 16 to 31 form part of these financial statements.

Company balance sheet as at 31 December 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Tangible assets	13		6		11
Investments	14		15,957		14,623
			15,963		14,634
Current assets					
Debtors	16	3,751		2,730	
Cash at bank		1,541		77	
		5,292		2,807	
Creditors: amounts falling due within one year	17	(3,351)		(1,238)	
Net current assets			1,941		1,569
Total assets less current liabilities			17,904		16,203
Creditors: amounts falling due after more than one year	18		–		(1,952)
Net assets			17,904		14,251
Capital and reserves					
Called up share capital	20		6,707		6,553
Share premium account	21		6,353		6,028
Other reserves	21		1,657		1,657
Profit and loss account	21		3,187		13
Shareholders' funds – equity	22		17,904		14,251

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 April 2014.

R T T Essex
Director

G R Harris
Director

The notes on pages 16 to 31 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2013

	Note	2013 £000	2012 £000
Net cash flow from operating activities	26	7,365	4,850
Returns on investments and servicing of finance	27	(928)	(908)
Taxation		(1,517)	(719)
Capital expenditure and financial investment	27	(103)	374
Acquisitions and disposals	27	(230)	64
Equity dividends paid		(527)	(475)
Cash inflow before financing		4,060	3,186
Financing	27	(2,838)	(2,760)
Increase in cash in the year		1,222	426

Reconciliation of net consolidated cash flow to movement in net debt

for the year ended 31 December 2013

	2013 £000	2012 £000
Increase in cash in the year	1,222	426
Cash outflow from decrease in debt and lease financing	2,883	2,760
Change in net debt resulting from cash flows	4,105	3,186
New finance lease	–	(270)
Movement in net debt in the year	4,105	2,916
Net debt at 1 January 2013	(11,685)	(14,601)
Net debt at 31 December 2013	(7,580)	(11,685)

The notes on pages 16 to 31 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and in accordance with applicable accounting standards.

1.2 Basis of consolidation

The financial statements consolidate the accounts of Writtle Holdings Limited and all of its subsidiary undertakings ('subsidiaries').

The results of subsidiaries acquired during the year are included from the effective date of acquisition.

The results of subsidiaries sold are included up to the effective date of disposal.

1.3 Turnover

Turnover comprises revenue recognised by the group in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Any income received relating to incomplete projects is deferred to the extent that the proportion of that project is incomplete at the year end.

In respect of contracts for ongoing services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of such contracts is recognised by reference to the stage of completion.

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost or valuation of those assets, less their estimated residual value, over their expected useful lives on the following annual bases:

Land and freehold property	–	1%-2% straight line
Short-term leasehold property	–	over the period of the lease
Plant and machinery	–	7%-20% straight line
Motor vehicles	–	20%-50% straight line
Fixtures, fittings and equipment	–	20%-33% straight line

1.6 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at the balance sheet date. A full valuation is obtained from a qualified valuer for each property every five years, with an interim valuation three years after the previous full valuation, and in any year where it is likely that there has been a material change in value.

Revaluation gains and losses are recognised in the statement of total recognised gains and losses unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the losses are recognised in the profit and loss account.

1.7 Investments

(i) Subsidiary undertakings
Investments in subsidiaries are valued at cost less provision for impairment.

(ii) Other investments
Investments held as fixed assets are shown at cost less provision for impairment.

1.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.9 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.10 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stock. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Work in progress is made up of costs incurred on projects due to be recharged at a later date. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

1.11 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.12 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.13 Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

1.14 Pensions

The group contributes to certain employee SIPPs and operates Group Personal Pension Plans which are defined contribution pension schemes. The pension charge represents the amounts payable by the group to the fund in respect of the year.

The assets of the schemes are held separately from those of the group in independently administered funds.

1.15 Share-based payments

The group operates a cash settled share-based compensation plan under which the entity receives services from employees as consideration for future cash payments. The fair value of the employee services received in exchange for the award under the plan is recognised as an expense.

1.16 Loan issue costs

Costs incurred with the issue of debt finance are capitalised and included as a deduction from the related loan instrument, in accordance with the provisions of Financial Reporting Standard 4 “Capital Instruments”. These costs are amortised over the life of the loan with the related charge included within finance costs in the profit and loss account.

2. Turnover

A geographical analysis of turnover is as follows:

	2013 £000	2012 £000
United Kingdom	73,573	73,758
Rest of world	14,986	15,107
	88,559	88,865

The whole of the turnover and profit before taxation from continuing activities is attributable to the principal activities as disclosed in the strategic report. The turnover and profit before taxation from discontinued activities arose from designing and manufacturing corrugated cardboard.

Notes to the financial statements continued

3. Other operating income

	2013 £000	2012 £000
Financial product compensation	352	–
Gain on termination of an onerous lease	338	–
	690	–

Financial product compensation was awarded for a mis-selling claim against HSBC for an interest rate hedge.

A gain on termination of an onerous lease arose upon the release of a provision following the departure of a sub-tenant.

4. Analysis of operating profit

	2013 Continuing £000	2013 Discontinued £000	2012 Continuing £000	2012 Discontinued £000
Turnover	78,804	9,755	75,199	13,666
Cost of sales	(30,769)	(6,594)	(27,719)	(9,397)
Gross profit	48,035	3,161	47,480	4,269
Administrative expenses	(43,760)	(3,040)	(43,471)	(3,422)
Other operating income	690	–	–	–
	4,965	121	4,009	847

The following amounts were included within continuing activities in relation to acquisitions during the year:

	2013 £000
Turnover	2,222
Cost of sales	(1,593)
Gross profit	629
Administrative expenses	(587)
Operating profit	42

5. Operating profit

The operating profit is stated after charging/(crediting):

	2013 £000	2012 £000
Amortisation – intangible fixed assets	708	497
Depreciation of tangible fixed assets:		
– owned by the group	1,337	1,294
– held under finance leases	586	588
Operating lease rentals:		
– plant and machinery	267	350
– other operating leases	2,691	2,519
Difference on foreign exchange	(38)	28
Share-based payment charge	112	97

6. Auditor's remuneration

	2013 £000	2012 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	11	11
Fees payable to the company's auditor in respect of:		
The auditing of group companies' annual accounts	86	76
Taxation compliance services	33	18
All other non-audit services not included above	–	7

7. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2013 £000	2012 £000
Wages and salaries	35,533	34,201
Social security costs	3,887	1,993
Other pension costs	848	968
	40,268	37,162

The average monthly number of employees, including the directors, during the year was as follows:

	2013 No.	2012 No.
Directors	75	71
Office and management	207	187
Production	660	579
	942	837

8. Directors' remuneration

	2013 £000	2012 £000
Remuneration	2,167	1,679
Company pension contributions to defined contribution pension schemes	161	144

During the year retirement benefits were accruing to 10 directors (2012: 11) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £323,000 (2012: £191,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,000 (2012: £9,000).

The highest paid director had options over 17,500 (2012: 10,000) shares. During the year, two (2012: no) directors exercised share options.

9. Interest payable and similar charges

	2013 £000	2012 £000
On bank loans and overdrafts	268	518
On other loans	32	49
On finance leases and hire purchase contracts	50	72
	350	639

10. Exceptional items

	2013 £000	2012 £000
Profit on sale of investments	1,191	–
Profit on disposal of property	–	350
Loss on deemed disposal	–	(968)
	1,191	(618)

In 2013 Writtle made its first exits from non-core investments which both generated profits. The disposals were of Writtle's packaging interests of Connect Packaging Ltd and Connect Archive and Mailing Products Ltd.

11. Taxation

	2013 £000	2012 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	1,443	1,468
Adjustments in respect of prior periods	–	(249)
Total current tax	1,443	1,219
Deferred tax (see note 19)		
Origination and reversal of timing differences	389	(51)
Tax on profit on ordinary activities	1,832	1,168

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2012: higher than) the standard rate of corporation tax in the UK of 23.25% (2012: 24%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before tax	5,927	3,599
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24%)	1,378	864
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	173	113
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	69	112
Depreciation for year in excess of capital allowances	127	114
Utilisation of tax losses	(201)	(46)
Adjustments to tax charge in respect of prior periods	–	(249)
Non-deductible (profit)/loss on disposal	(33)	244
Non-trade relationship	(136)	–
Unrelieved tax losses carried forward	65	150
Indexation allowance on chargeable gains	–	(83)
Other differences leading to an increase in the tax charge	1	–
Current tax charge for the year (see note above)	1,443	1,219

Factors that may affect future tax charges

Future changes in corporation tax rates

Further reductions to the corporation tax rates have been enacted by the Finance Act 2013 (July 2013). The 2013 Finance Act reduces the corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015.

Deferred tax rate:

Deferred tax has been calculated at 20% which is the rate which has been enacted to apply from 1 April 2015.

The group's freehold properties have been revalued in accordance with Financial Reporting Standard 15. It is the group's intention to retain the properties for the foreseeable future. No deferred tax has been provided for on the gains arising from revaluation as such tax would only be payable if the properties were sold without a rollover relief being obtained. The tax which would be payable in such circumstances is estimated to be £60,000 (2012: £69,000).

12. Intangible fixed assets

	Patents and trademarks £000	Goodwill £000	Total £000
Group			
Cost			
At 1 January 2013	5	13,694	13,699
Additions	–	1,424	1,424
Disposals	(5)	–	(5)
At 31 December 2013	–	15,118	15,118
Amortisation			
At 1 January 2013	–	975	975
Charge for the year	–	708	708
At 31 December 2013	–	1,683	1,683
Net book value			
At 31 December 2013	–	13,435	13,435
At 31 December 2012	5	12,719	12,724

13. Tangible fixed assets

	Land and property £000	Plant and machinery £000	Motor vehicles £000	Fixtures fittings and equipment £000	Total £000
Group					
Cost or valuation					
At 1 January 2013	6,891	7,230	97	2,039	16,257
On acquisition	–	–	171	–	171
Additions	590	1,275	14	534	2,413
Disposals	(2,593)	(3,845)	(20)	(641)	(7,099)
At 31 December 2013	4,888	4,660	262	1,932	11,742
Depreciation					
At 1 January 2013	288	4,143	54	1,233	5,718
On acquisition	–	–	93	–	93
Charge for the year	252	1,133	58	480	1,923
On disposals	(314)	(3,613)	(14)	(524)	(4,465)
At 31 December 2013	226	1,663	191	1,189	3,269
Net book value					
At 31 December 2013	4,662	2,997	71	743	8,473
At 31 December 2012	6,603	3,087	43	806	10,539

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2013 £000	2012 £000
Group		
Plant and machinery	1,634	1,626
Motor vehicles	20	–
Furniture, fittings and equipment	39	31
	1,693	1,657

At 31 December 2013, included within the net book value of land and property is £4,384,000 (2012: £6,368,000) relating to freehold land and buildings, £253,000 (2012: £194,000) relating to short-term leasehold land and buildings and £25,000 (2012: £41,000) relating to long-term leasehold land and buildings.

13. Tangible fixed assets continued

Cost or valuation at 31 December 2013 is as follows:

	Land and property £000
Group	
At cost	3,926
At valuation:	
31 December 2004	934
31 December 2007	706
31 December 2010	(600)
31 December 2013	(78)
	4,888

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2013 £000	2012 £000
Group		
Cost	3,926	5,120
Accumulated depreciation	(680)	(907)
Net book value	3,246	4,213

The land and buildings carried forward were revalued in 2013 by Michael Parkes Chartered Surveyors on an open market basis.

	Fixtures, fittings and equipment £000
Company	
Cost or valuation	
At 1 January 2013	18
Additions	2
At 31 December 2013	20
Depreciation	
At 1 January 2013	7
Charge for the year	7
At 31 December 2013	14
Net book value	
At 31 December 2013	6
At 31 December 2012	11

14. Fixed asset investments

	Unlisted investments £000
Group	
Cost or valuation	
At 1 January 2013	23
Additions	77
At 31 December 2013	100
Net book value	
At 31 December 2013	100
At 31 December 2012	23

14. Fixed asset investments continued

	Investments in subsidiary companies £000
Company	
Cost or valuation	
At 1 January 2013	14,623
Additions	1,909
Disposals	(575)
At 31 December 2013	15,957
Net book value	
At 31 December 2013	15,957
At 31 December 2012	14,623

Details of the principal subsidiaries can be found under note 36.

15. Stock and work in progress

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Raw materials	726	890	–	–
Work in progress	1,235	558	–	–
Finished goods and goods for resale	39	722	–	–
	2,000	2,170	–	–

16. Debtors

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Due after more than one year				
Amounts owed by group undertakings	–	–	–	40
Other debtors	120	124	–	–
Due within one year				
Trade debtors	16,902	19,211	5	–
Amounts owed by group undertakings	–	–	3,314	2,452
Other debtors	3,979	1,134	10	8
Prepayments and accrued income	1,983	2,430	246	85
Deferred tax asset (see note 19)	947	1,195	176	145
	23,931	24,094	3,751	2,730

Notes to the financial statements continued

17. Creditors:

Amounts falling due within one year

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Bank loans and overdrafts	4,453	4,104	1,813	744
Net obligations under finance leases and hire purchase contracts	433	409	–	–
Trade creditors	5,768	7,156	267	23
Amounts owed to group undertakings	–	–	674	34
Corporation tax	1,086	1,155	–	–
Other taxation and social security	3,377	2,885	60	65
Amounts due to invoice discounting companies	1,379	2,517	–	–
Other creditors	1,876	1,824	66	162
Accruals and deferred income	6,631	6,030	471	210
	25,003	26,080	3,351	1,238

Obligations under finance leases and hire purchase contracts of £805,000 (2012: £899,000) are secured on the assets to which they relate.

Amounts due to invoice discounting companies are secured on the book debts of the group companies to which they relate.

18. Creditors:

Amounts falling due after more than one year

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Bank loans	3,726	5,555	–	1,952
Net obligations under finance leases and hire purchase contracts	372	490	–	–
Other creditors	–	13	–	–
	4,098	6,058	–	1,952

Creditors include amounts not wholly repayable within five years as follows:

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Repayable by instalments	1,522	1,724	–	235

A bank loan of £1,519,000 (2012: £2,559,000) is repayable in quarterly instalments of £260,000. The interest rate is 2.25% above LIBOR but this can increase up to 3.75% above LIBOR if specific financial ratios do not continue to be achieved. The loan is secured by a debenture on the assets and cross guarantees of certain group companies.

A bank loan of £1,812,000 (2012: £1,375,000) is repayable in three equal instalments and a final instalment and bears interest of 2.1% above LIBOR. The loan is secured by a debenture on the assets of Writtle Holdings and cross guarantees with certain other group companies.

A bank loan of £1,380,000 (2012: £1,437,000) is repayable over a 25-year term. Interest is accrued on the loan at 2.5% above bank base rate. The loan is secured on one of the freehold properties.

A bank loan of £555,000 (2012: £617,000) is secured on a property that it relates to, along with a fixed and floating charge over all other assets of the company in which the bank loan is present. The bank loan is repayable over a 10-year term. Interest is accrued on the loan at 2.15% above bank base rate.

A bank loan of £400,000 (2012: £nil) is repayable over a 4-year term. Interest is accrued on the loan at 2% above bank base rate. The loan is secured on one of the freehold properties.

A bank loan of £161,000 (2012: £178,000) is secured on a property that it relates to. The bank loan is repayable over a 10-year term. Interest is accrued on the loan at 2.15% above bank base rate.

A bank loan of £nil (2012: £907,000) was repayable in monthly instalments. This was repaid during the year. The interest rate was 2.5% above bank base rate and subject to a base rate interest collar of 3.99% to 5.4%. The loan was secured on one of the freehold properties.

A bank loan of £nil (2012: £414,000) was repayable in monthly instalments. This was repaid during the year. The interest rate was 2.5% above base rate.

A loan of £nil (2012: £18,000) was repayable in monthly instalments and was secured over the asset to which it related. This was repaid during the year.

18. Creditors: continued

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Between one and five years	372	490	–	–

19. Deferred tax asset

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
At 1 January	1,195	1,144	145	–
(Charge for)/released during the year	(389)	51	31	145
At 31 December	806	1,195	176	145

The deferred tax asset is made up as follows:

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Accelerated capital allowances	550	399	–	–
Tax losses recoverable	398	796	176	145
Capital allowances in excess of depreciation	(142)	–	–	–
	806	1,195	176	145
Comprising:				
Asset – due within one year	947	1,195	176	145
Liability	(141)	–	–	–
	806	1,195	176	145

20. Share capital

	2013 £000	2012 £000
Allotted, called up and fully paid		
6,706,903 (2012: 6,553,457) Ordinary shares of £1 each	6,707	6,553

On each of 10 January 2013, 27 March 2013 and 18 December 2013 15,000 Ordinary shares of £1 were allotted, called up and fully paid at par. These share issues resulted in an increase to share capital of £45,000 and to share premium reserve of £nil.

On 18 December 2013, 108,446 Ordinary shares of £1 each were allotted, called up and fully paid at £4.00 per share. This resulted in an increase to the share premium reserve of £325,000.

At 31 December 2013, the group had options outstanding for subscription of 923,789 (2012: 811,579) Ordinary shares. All options may be exercised after three years from date of grant, at a specified exit event or earlier at the discretion of the board.

Details of the outstanding options are as follows:

Grant date: May 2008
Number of shares under option 90,000 (2012: 135,000)
Exercise price: £1.00

Grant date: June 2010
Number of shares under option 157,143 (2012: 157,143)
Exercise price: £1.40

Grant date: October 2011
Number of shares under option 215,000 (2012: 240,000)
Exercise price: £2.00

Grant date: October 2012
Number of shares under option 261,646 (2012: 279,436)
Exercise price: £2.81

Grant date: December 2013
Number of shares under option 200,000 (2012: nil)
Exercise price: £4

Notes to the financial statements continued

21. Reserves

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
Group				
At 1 January 2013	6,028	1	89	2,909
Profit for the financial year	–	–	–	3,093
Dividends on equity capital	–	–	–	(527)
Premium on shares issued during the year	325	–	–	–
At 31 December 2013	6,353	1	89	5,475

	Share premium account £000	Other reserves £000	Profit and loss account £000
Company			
At 1 January 2013	6,028	1,657	13
Profit for the financial year	–	–	3,701
Dividends on equity capital	–	–	(527)
Premium on shares issued during the year	325	–	–
At 31 December 2013	6,353	1,657	3,187

22. Reconciliation of movement in shareholders' funds

	2013 £000	2012 £000
Group		
Opening shareholders' funds	15,580	14,821
Profit for the financial year	3,093	1,234
Dividends (note 23)	(527)	(475)
Shares issued during the year	154	–
Share premium on shares issued (net of expenses)	325	–
Closing shareholders' funds	18,625	15,580

	2013 £000	2012 £000
Company		
Opening shareholders' funds	14,251	14,574
Profit for the financial year	3,701	152
Dividends (note 23)	(527)	(475)
Shares issued during the year	154	–
Share premium on shares issued (net of expenses)	325	–
Closing shareholders' funds	17,904	14,251

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account.

The profit for the year dealt with in the accounts of the company was £3,701,000 (2012: £152,000).

23. Dividends

	2013 £000	2012 £000
Dividends paid on equity capital	527	475

24. Minority interests

	£000
Equity	
At 1 January 2013	3,222
Minorities' share of profit after taxation for the year	1,002
Equity purchased from minorities	(899)
Dividends paid to minorities	(470)
At 31 December 2013	2,855

25. Acquisitions and disposals

Acquisition of the Bosham Holdings Limited group, including Technik Limited

On 15 March 2013, the group purchased Bosham Holdings Limited and its subsidiary Technik Limited. The goodwill arising on acquisition is being amortised over 20 years being the directors' estimate of its economic life.

Consideration for the acquisition and details of the assets and liabilities acquired are set out below. All the assets and liabilities are stated at book value as the directors have not identified any additional adjustments required to state them at fair value.

	Fair value to the group £000
Assets and liabilities acquired	
Tangible fixed assets	144
Stock	174
Debtors	1,465
Cash at bank	1,059
Creditors	(410)
Other creditors and provisions	(348)
Net assets acquired	2,084
Satisfied by	
Consideration:	
Cash	2,884
Acquisition costs	81
	2,965
Goodwill arising on consolidation (see note 12)	881

The summarised profit and loss account for the Bosham Holdings Limited group for the period from 1 January 2013 to the date of acquisition was as follows:

Turnover	763
Operating loss	(141)
Loss before tax	(160)
Loss after tax	(160)

Disposal of Connect Packaging Limited

	£000
Assets and liabilities sold	
Tangible fixed assets	281
Debtors	1,984
Stock	299
Cash at bank	280
Creditors	(1,423)
Net assets sold	1,421
Proceeds – cash	2,621
Disposal costs	(100)
	2,521
Profit on disposal	1,100

25. Acquisitions and disposals continued

The summarised profit and loss account for Connect Packaging Limited for the period from 1 January 2013 to the date of disposal was as follows:

	£000
Turnover	7,218
Operating profit	301
Exceptional profit on sale of investment	558
Profit before tax	875
Taxation	(201)
Profit after tax	674

Disposal of Connect Archive & Mailing Products Limited

	£000
Assets and liabilities sold	
Tangible fixed assets	32
Intangible fixed assets	5
Debtors	1,645
Stock	315
Cash at bank	32
Creditors	(1,645)
Minority interest	(188)
Net assets sold	196
Proceeds – cash	460
Disposal costs	(17)
	443
Profit on disposal	247

The summarised profit and loss account for Connect Archive & Mailing Products Limited for the period from 1 January 2013 to the date of disposal was as follows:

	£000
Turnover	1,407
Operating profit	98
Profit before tax	97
Profit after tax	97

26. Net cash flow from operating activities

	2013 £000	2012 £000
Operating profit	5,086	4,856
Amortisation of intangible fixed assets	708	497
Depreciation of tangible fixed assets	1,923	1,882
Increase in stock	(270)	(129)
Increase in debtors	(2,060)	(2,598)
Increase in creditors	1,978	342
Net cash inflow from operating activities	7,365	4,850

27. Analysis of cash flows for headings netted in cash flow statement

	2013 £000	2012 £000
Returns on investments and servicing of finance		
Interest paid	(408)	(567)
Hire purchase interest	(50)	(72)
Dividends paid to minority interests	(470)	(269)
Net cash outflow from returns on investments and servicing of finance	(928)	(908)
Capital expenditure and financial investment		
Purchase of intangible fixed assets	–	(5)
Purchase of tangible fixed assets	(2,517)	(1,663)
Sale of tangible fixed assets	2,414	2,042
Net cash (outflow)/inflow from capital expenditure	(103)	374
Acquisitions and disposals		
Purchase of subsidiaries	(2,975)	(484)
Cash acquired with subsidiary	1,059	18
Purchase of additional equity in subsidiaries	(998)	–
Sale of subsidiaries	2,996	–
Cash disposed with subsidiaries	(312)	–
Proceeds of deemed disposal	–	530
Net cash (outflow)/inflow from acquisitions and disposals	(230)	64
Financing		
Issue of ordinary shares	45	–
New secured loans	1,400	1,745
Repayment of loans	(3,051)	(3,352)
Movement on invoice discounting	(1,138)	(618)
Repayment of finance leases	(94)	(535)
Net cash outflow from financing	(2,838)	(2,760)

28. Analysis of changes in net debt

	1 January 2013 £000	Cash flow £000	Other non-cash changes £000	31 December 2013 £000
Cash at bank	1,390	1,393	–	2,783
Bank overdraft	(2,155)	(171)	–	(2,326)
Debt:	(765)	1,222	–	457
Finance leases	(899)	94	–	(805)
Debts due within one year	(4,466)	2,789	(1,829)	(3,506)
Debts falling due after more than one year	(5,555)	–	1,829	(3,726)
Net debt	(11,685)	4,105	–	(7,580)

29. Contingent liabilities

A joint overdraft facility with a right of offset exists between certain companies within the group and this is reported net of credit balances.

Notes to the financial statements continued

30. Share-based payments

The group has a Phantom Share Incentive Plan ('the Plan'). Under the Plan, certain employees are entitled to a capital entitlement on the sale or listing of the group's parent entity, Writtle Holdings Limited or of the group company in which the incentive plan was issued. The capital entitlement payment will be cash settled based on the increase in market value of the group company over the initial valuation in each employee's agreement.

The fair value of the capital entitlement has been valued by an external expert using the binomial valuation model.

The expense recognised in the financial statements in the year is £112,000 (2012: £97,000) and the liability at the year end is £558,000 (2012: £446,000).

31. Pension commitments

The group operates defined contributions pension schemes and contributes to certain member's SIPPs. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £806,000 (2012: £968,000). Contributions totalling £98,000 (2012: £117,000) were payable to the funds at the balance sheet date and are included in creditors.

32. Operating lease commitments

At 31 December 2013 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2013 £000	2012 £000	2013 £000	2012 £000
Group				
Expiry date:				
Within 1 year	152	463	40	87
Between 2 and 5 years	834	312	91	227
After more than 5 years	411	810	16	28

33. Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related Party Disclosures' not to disclose transactions with wholly owned subsidiaries or of any transactions or balances between group entities that have been eliminated on consolidation.

34. Post balance sheet events

On 19 March 2014, Beyond Communications Ltd, a subsidiary company, sold its investment in Interact 2020 Ltd.

35. Controlling party

Writtle Holdings Limited is the largest and smallest group for which group accounts are prepared. The company is registered at 30 Park Street, London, SE1 9EQ. There is no individual controlling party.

36. Principal subsidiaries

Company name	Country	Percentage shareholding	Description
20/20 Ltd	United Kingdom	76.20% (W)	Design and strategy consultants
Arken POP International Ltd	United Kingdom	100.00% (W)	Manufacturing of point of sale and graphic display stands
Beyond Communications Ltd	United Kingdom	76.58% (W)	Branding and design agency
Bosham Holdings Ltd	United Kingdom	100.00% (A)	Holding company
Creo Retail Marketing Holdings Ltd	United Kingdom	67.32% (W)	Holding company
Creo Retail Marketing Ltd	United Kingdom	100.00% (D)	Design, project management and production of tactical POP campaigns, and large format printing
Epoch Design Ltd	United Kingdom	79.30% (B)	Point of sales experts and brand designs
Loewy Group Ltd	United Kingdom	100.00% (W)	Holding company
Maglabs (Holdings) Ltd	United Kingdom	75.00% (F)	Holding company
Maglabs Ltd	United Kingdom	100.00% (G)	Consultancy, technology and managed services throughout the marketing process
Magnet Harlequin Asia Limited	Hong Kong	100.00% (A)	Creative services and digital pre press
Magnet Harlequin Holdings Limited	United Kingdom	77.53% (W)	Holding company
Magnet Harlequin Ltd	United Kingdom	100.00% (F)	Creative services and digital pre press
Raymond Loewy International Ltd	United Kingdom	90.00% (B)	Public Relations consultancy
Seymour Powell Ltd	United Kingdom	76.30% (B)	Design and innovation consultancy
Technik Limited	United Kingdom	100.00% (E)	Creative and packaging management services
The Less Packaging Company (Asia) Ltd	Hong Kong	100.00% (C)	Design and consultancy services for the optimisation of packaging and related supply chain efficiencies
The Less Packaging Company India Pvt	India	100.00% (C)	Design and consultancy services for the optimisation of packaging and related supply chain efficiencies
The Less Packaging Company Ltd	United Kingdom	62.19% (W)	Design and consultancy services for the optimisation of packaging and related supply chain efficiencies
The Team Brand Communication Consultants Limited	United Kingdom	75.50% (B)	Through-the-line communications consultancy
Williams Murray Hamm Ltd	United Kingdom	79.40% (B)	Design and new product development consultants
Writtle Property Ltd	United Kingdom	100.00% (W)	Property investment

All subsidiary undertakings have the same year end as Writtle Holdings Limited. All the above companies have been included in the group consolidation. The companies listed above include all those which materially affect the amount of profit and the assets of the group.

The above percentage is the shareholding being held through:
(A) Magnet Harlequin Ltd
(B) Loewy Group Limited
(C) The Less Packaging Company Ltd
(D) Creo Retail Marketing Holdings Limited
(E) Bosham Holdings Limited
(F) Magnet Harlequin Holdings Limited
(G) Maglabs (Holdings) Ltd
(W) Writtle Holdings Limited

Company information

Directors

R T T Essex

G A Booker

G R Harris

A W Lucas

K MacKenzie

D H Powell

R Saysell

R W Seymour

N D Stern

A Sutcliffe

R C J Williams

A Wright

Company secretary

M J Gilmore

Company number

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Writtle

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