



Interim Report 2022

Chairman's statement

I am pleased to report on our first half performance. As you will see from the review of trading below, some of our businesses have felt the effects of an economic downturn in the period, while others maintained their upward trajectory. Our portfolio of profitable businesses and strong balance sheet continue to provide comfort as we face further uncertain times.

Results and Dividends

Turnover increased to £33.84m (2021: £31.46m) but headline profit before tax reduced to £1.17m (2021: £1.98m). Overall, the increase in turnover was offset by higher costs, particularly staff costs, after the withdrawal of government Covid reliefs that were in place throughout the prior period. With exceptional gains and losses netting off to a £0.03m profit this year (2021: exceptional profit £0.60m) profit before tax was £0.83m (2021: £2.22m).

Net cash at 30 June 2022 was £8.95m (2021: £11.87m) following dividend payments of over £4.5m in the period.

An interim dividend of 7.00p (2021: 6.75p) per share will be paid on 31 October 2022 to shareholders on the register on 8 September 2022. We would normally consider a further distribution given our substantial cash balances but in light of

the widely reported economic headwinds, and any acquisition opportunities that might present, we have decided to keep our cash reserves in place.

Review of Trading

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

Our **Innovation** businesses were once again the strongest performers in the first half, with turnover and profit increasing over prior year. All three of our Innovation agencies, Epoch, Seymourpowell and The Team performed ahead of budget as clients continued to be drawn to their creative reputations, and their expertise in digital transformation, product and brand experiences and employee engagement.

Our **Implementation** business, Branded, had a more difficult first half with turnover and profit reduced. Anticipating a recession, some clients postponed discretionary spend on new product launches and marketing campaigns, at the same time as applying downward pressure to pricing. Margins were impacted but no major clients were lost as Branded continued to deliver a high quality service. Following some restructuring the second half is showing better signs, but we remain cautious.

Our **Instore** businesses saw contrasting fortunes. Fero goes from strength to strength and produced record turnover and profit, building on its excellent recovery in 2021. Investment has been made in machinery upgrades and improvements to its premises and we look forward to a further seasonal uplift in the second half. Arken suffered from a postponement to a major retail client's new product rollout and recorded an unwelcome loss. The delayed rollout is now under way and Arken is expected to return to profitability. As manufacturers with large premises and workforces, Arken and Fero are most affected by inflationary cost increases in labour, materials and energy, and management teams are acutely aware of the need to recover these increases.

Corporate Activity

I referred in the last annual report to our exploratory talks with brokers over an IPO but stock market conditions for smaller quoted companies have worsened considerably in recent months. We have therefore decided to wait until conditions improve and we have weathered any impending recession. We are also taking a cautious approach to acquisitions, pausing a number of discussions. We are most likely to invest in our existing

businesses in the coming months unless the recession presents attractive turnaround prospects. It is a good time to have a strong balance sheet and be holding substantial cash balances.

Current Trading

Our profitability is usually second half weighted and this year should be no exception. Despite the challenges presented by an uncertain economic and political landscape, I expect our excellent management teams will deliver another satisfactory year for Writtle.

Robert Essex
Chairman

8 September 2022

Consolidated statement of comprehensive income

for the six months ended 30 June 2022

	6 months to 30 June 2022 Unaudited £000	6 months to 30 June 2021 Unaudited £000	Year ended 31 December 2021 Audited £000
Turnover	33,835	31,455	67,933
Cost of sales	(14,250)	(13,256)	(28,519)
Gross profit	19,585	18,199	39,414
Administrative expenses	(18,744)	(16,570)	(35,021)
Other operating income	-	595	800
Operating profit	841	2,224	5,193
Operating profit before the items listed below	1,166	1,978	5,436
Exceptional items	27	598	465
Goodwill amortisation	(352)	(352)	(708)
Operating profit	841	2,224	5,193
Net interest payable	(9)	(2)	(2)
Profit before taxation	832	2,222	5,191
Tax on profit	(263)	(463)	(758)
Profit after taxation	569	1,759	4,433
Non-controlling interests	(273)	(268)	(1,129)
Profit for the period	296	1,491	3,304

Consolidated statement of financial position

as at 30 June 2022

	As at 30 June 2022 Unaudited £000	As at 30 June 2021 Unaudited £000	As at 31 December 2021 Audited £000
Fixed assets			
Intangible assets	7,631	7,912	7,809
Tangible assets	3,833	4,756	4,547
	11,464	12,668	12,356
Current assets			
Stocks	2,991	1,908	1,806
Debtors	19,401	17,188	18,096
Cash at bank and in hand	9,247	12,244	15,413
	31,639	31,340	35,315
Creditors: Amounts falling due within one year	(15,758)	(14,403)	(16,136)
Net current assets	15,881	16,937	19,179
Total assets less current liabilities	27,345	29,605	31,535
Creditors: Amounts falling due after more than one year	(68)	(183)	(76)
Provisions for liabilities			
Deferred tax	(299)	(133)	(298)
Other provisions	(771)	(811)	(771)
Net assets	26,207	28,478	30,390
Capital and reserves			
Share capital	7,737	7,568	7,587
Share premium account	8,336	7,654	7,722
Other reserves	(1,436)	(1,404)	(1,436)
Retained earnings	7,738	11,027	13,075
Equity attributable to owners of the parent company	22,375	24,845	26,948
Non-controlling interests	3,832	3,633	3,442
	26,207	28,478	30,390

Consolidated statement of changes in equity

as at 30 June 2022

	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 2021	7,448	7,326	(1,283)	15,545	29,036	2,995	32,031
Profit for the period	-	-	-	1,491	1,491	268	1,759
Total comprehensive income for the period	-	-	-	1,491	1,491	268	1,759
Contributions by and distributions to owners							
Dividends	-	-	-	(5,161)	(5,161)	(150)	(5,311)
Shares issued during the period	120	328	-	-	448	-	448
Other movements	-	-	(121)	(208)	(329)	(120)	(449)
Total contributions by and distributions to owners	120	328	(121)	(5,369)	(5,042)	(270)	(5,312)
At 30 June 2021	7,568	7,654	(1,404)	11,667	25,485	2,993	28,478
Profit for the period	-	-	-	1,813	1,813	861	2,674
Total comprehensive income for the period	-	-	-	1,813	1,813	861	2,674
Contributions by and distributions to owners							
Dividends	-	-	-	(487)	(487)	(471)	(958)
Shares issued during the period	19	68	-	-	87	-	87
Other movements	-	-	(32)	82	50	59	109
Total contributions by and distributions to owners	19	68	(32)	(405)	(350)	(412)	(762)
At 31 December 2021	7,587	7,722	(1,436)	13,075	26,948	3,442	30,390
Profit for the period	-	-	-	296	296	273	569
Total comprehensive income for the period	-	-	-	296	296	273	569
Contributions by and distributions to owners							
Dividends	-	-	-	(4,589)	(4,589)	(399)	(4,988)
Shares issued during the period	150	614	-	-	764	-	764
Other movements	-	-	-	(1,044)	(1,044)	516	(528)
Total contributions by and distributions to owners	150	614	-	(5,633)	(4,869)	117	(4,752)
At 30 June 2022	7,737	8,336	(1,436)	7,738	22,375	3,832	26,207

Consolidated statement of cash flows

for the six months ended 30 June 2022

	6 months to 30 June 2022 Unaudited £000	6 months to 30 June 2021 Unaudited £000	Year ended 31 December 2021 Audited £000
Cash flows from operating activities			
Profit for the period	569	1,759	4,433
Adjustments for:			
Amortisation of goodwill	352	352	708
Amortisation of software development	364	232	516
Depreciation of tangible fixed assets	655	638	1,307
Profit on disposal of tangible fixed assets	(167)	(664)	(662)
Increase in stocks	(1,185)	(214)	(112)
Interest paid	9	2	2
Corporation tax charge	263	463	758
(Increase)/decrease in debtors	(1,302)	1,404	933
Decrease in creditors	(350)	(2,449)	(629)
Corporation tax paid	(321)	(321)	(1,044)
Receipt of government grants	-	(595)	(800)
Net cash generated from operating activities	(1,113)	607	5,410
Cash flows from investing activities			
Purchase of tangible fixed assets	(220)	(164)	(638)
Investment in software development	(538)	(415)	(952)
Sale of tangible fixed assets	450	1,536	1,552
Sale of subsidiaries	-	527	527
Cash disposed of with subsidiaries	-	(494)	(494)
Repurchase of own share by subsidiary	(35)	-	(37)
Increase in investment in subsidiaries	(491)	(74)	(74)
Net cash used in investing activities	(834)	916	(116)
Cash flows from financing activities			
Issue of ordinary shares	763	448	535
Waiver of bank loans	-	-	(15)
New finance leases	126	-	-
Repayment of finance leases	(111)	(97)	(195)
Equity dividends paid	(4,589)	(5,161)	(5,648)
Interest paid	(9)	(2)	(2)
Dividends paid to non-controlling interests	(399)	(359)	(621)
Purchase of shares by ESOT	-	(121)	(153)
Receipt of government grants	-	595	800
Net cash (used in)/generated from financing activities	(4,219)	(4,697)	(5,299)
Net (decrease)/increase in cash and cash equivalents	(6,166)	(3,174)	(5)
Cash and cash equivalents at beginning of period	15,413	15,418	15,418
Cash and cash equivalents at the end of period	9,247	12,244	15,413
Cash at bank and in hand	9,247	12,244	15,413

Analysis of net cash/(debt)

as at 30 June 2022

	As at 30 June 2022 Unaudited £000	As at 30 June 2021 Unaudited £000	As at 31 December 2021 Audited £000
Cash at bank and in hand	9,247	12,244	15,413
Debt:			
Finance leases	(295)	(378)	(280)
Debts due within one year	-	-	-
Debts falling due after more than one year	-	-	-
Net cash/(debt)	8,952	11,866	15,133

Business group analysis

for the six months ended 30 June 2022

	Innovation £000	Implementation £000	Instore £000	Group £000
For the six months ended 30 June 2022				
Turnover	9,719	9,014	14,904	33,637
Headline business group operating profit	1,312	97	289	1,698
Central costs				(532)
Headline operating profit				1,166
Net interest payable				(9)
Headline profit before tax				1,157

	Innovation £000	Implementation £000	Instore £000	Group £000
For the six months ended 30 June 2021				
Turnover	8,810	9,273	13,372	31,455
Headline business group operating profit	1,006	842	614	2,462
Central costs				(484)
Headline operating profit				1,978
Net interest payable				(2)
Headline profit before tax				1,976

	Innovation £000	Implementation £000	Instore £000	Group £000
For the year ended 31 December 2021				
Turnover	18,274	19,280	30,379	67,933
Headline business group operating profit	2,584	1,767	2,415	6,766
Central costs				(1,330)
Headline operating profit				5,436
Net interest payable				(2)
Headline profit before tax				5,434

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

The results of Williams Murray Hamm Ltd are now reported within the Implementation Group, and the prior year numbers have been restated accordingly.

Company information

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