

WRITTLE HOLDINGS LIMITED

INTERIM REPORT 2023



WRITTLE

CHAIRMAN'S STATEMENT

I am pleased to report on our first half performance.

Although there was an overall increase in turnover for the period, headline profit was behind last year. One of our Instore businesses, Arken, faced unforeseen delays and a reduction in anticipated orders, while all our businesses encountered inflationary cost pressures. Further details are set out in the Review of Trading below. Nevertheless, our strong balance sheet and cash reserves provide stability during these uncertain times when business confidence in the UK is wavering and interest rates are on the rise.

RESULTS AND DIVIDENDS

Turnover increased to £34.23m (2022: £33.84m) but higher costs offset this sales growth leaving headline profit before tax at £0.75m (2022: £1.17m). Exceptional costs of £0.33m and goodwill amortisation of £0.35m reduced profit before tax to £0.12m (2022: £0.83m). Net cash at 30 June 2023 was £6.21m (2022: £8.95m) following dividend payments of £3m and capital expenditure of £2.5m during the period.

An interim dividend of 7.00p (2022: 7.00p) per share will be paid on 27 October 2023 to shareholders on the register on 7 September 2023.

SHARE OFFER AND BUYBACK

One of our major shareholders, Abry Partners, have expressed an intention to sell their entire shareholding in order to close the fund in which it sits. In order to facilitate the sale Abry have accepted a valuation of £4.00 per share, which is at a significant discount to previous share trading prices. We believe that Writtle purchasing and subsequently cancelling these shares will not only enhance the percentage ownership of all remaining shareholders but also represent a good allocation of our funds. While these shares will also be offered to existing shareholders and share option holders, they will not be made available to new shareholders. Further details are set out in the letter accompanying this report and in the shareholder resolutions that are required to enable this transaction.

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 increasing by 5.5% and profits down only slightly on prior year due to inflationary cost pressures. Epoch and Seymourpowell were the standout performers as clients continued to be drawn to their creative reputations and digital transformation expertise.

Our **Implementation** business, BRANDED, had a much stronger first half with turnover increasing by 7.4% and profit rising substantially compared to a poor first half last year. The business benefitted from the restructuring undertaken last year and its creative agency WMH&I performed particularly well under new leadership. In the US, BRANDED expanded operations in March with a new office in Miami which shows encouraging early signs.

Our **Instore** businesses endured a difficult first half with a 5.5% decline in turnover and a trading loss of £0.47m. Fero had anticipated a quieter first half as it installed its new high-speed single-pass digital print machine to increase capacity after rapid growth in recent years. Early output and quality have been exceptional boding well for the expected seasonal uplift in the second half. Arken faced the twin challenges of a downturn in trading from its largest account and reduced activity in high street cosmetics retailers. While the second half has shown improvement at Arken it has not yet matched last year's remarkable comeback.

CORPORATE ACTIVITY

Our recent focus has been on investing in our existing businesses, with significant capital expenditure by Fero an example of this commitment. However, we remain open to discussions with potential vendors in our areas of expertise. The proposed share buy-back will absorb some of our available cash reserves, but we anticipate these reserves building back up as our businesses continue to generate cash.

CURRENT TRADING

Our second half is traditionally stronger than the first and we expect this year to follow suit. Although we remain cautious in light of the uncertain economic climate, we expect to deliver another satisfactory year.

Robert Essex
Chairman

7 September 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2023

| | 6 months to 30 June 2023 Unaudited £000 | 6 months to 30 June 2022 Unaudited £000 | Year ended 31 December 2022 Audited £000 |
|------------------------------------------------|--------------------------------------------------|--------------------------------------------------|---------------------------------------------------|
| Turnover | 34,227 | 33,835 | 77,169 |
| Cost of sales | (14,587) | (14,250) | (35,334) |
| Gross profit | 19,640 | 19,585 | 41,835 |
| Administrative expenses | (19,575) | (18,744) | (39,556) |
| Operating profit | 65 | 841 | 2,279 |
| Operating profit before the items listed below | 745 | 1,166 | 4,356 |
| Exceptional items | (328) | 27 | (1,373) |
| Goodwill amortisation | (352) | (352) | (704) |
| Operating profit | 65 | 841 | 2,279 |
| Net interest receivable/(payable) | 54 | (9) | 34 |
| Profit before taxation | 119 | 832 | 2,313 |
| Tax on profit | 16 | (263) | (349) |
| Profit after taxation | 135 | 569 | 1,964 |
| Non controlling interests | (129) | (273) | (641) |
| Profit for the period | 6 | 296 | 1,323 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

| | As at 30 June 2023 Unaudited £000 | As at 30 June 2022 Unaudited £000 | As at 31 December 2022 Audited £000 |
|----------------------------------------------------------------|--------------------------------------------|--------------------------------------------|----------------------------------------------|
| Fixed assets | | | |
| Intangible assets | 5,829 | 7,631 | 6,262 |
| Tangible assets | 6,499 | 3,833 | 4,667 |
| | 12,328 | 11,464 | 10,929 |
| Current assets | | | |
| Stocks | 2,842 | 2,991 | 1,886 |
| Debtors | 18,576 | 19,401 | 19,617 |
| Cash and cash equivalents | 6,636 | 9,247 | 12,203 |
| | 28,054 | 31,639 | 33,706 |
| Creditors: Amounts falling due within one year | (14,949) | (15,758) | (16,490) |
| Net current assets | 13,105 | 15,881 | 17,216 |
| Total assets less current liabilities | 25,433 | 27,345 | 28,145 |
| Creditors: Amounts falling due after more than one year | (255) | (68) | (125) |
| Provisions for liabilities | | | |
| Deferred tax | (53) | (299) | (97) |
| Other provisions | (765) | (771) | (781) |
| Net assets | 24,360 | 26,207 | 27,142 |
| Capital and reserves | | | |
| Called-up share capital | 7,923 | 7,737 | 7,873 |
| Share premium account | 9,194 | 8,336 | 9,024 |
| Other reserves | (1,496) | (1,436) | (1,496) |
| Retained earnings | 5,580 | 7,738 | 8,085 |
| Equity attributable to owners of the parent company | 21,201 | 22,375 | 23,486 |
| Non controlling interests | 3,159 | 3,832 | 3,656 |
| | 24,360 | 26,207 | 27,142 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 30 June 2023

| | 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 2022 | 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 |
| Profit for the period | - | - | - | 1,027 | 1,027 | 368 | 1,395 |
| Other comprehensive income | - | - | - | 53 | 53 | - | 53 |
| Total comprehensive income for the period | - | - | - | 1,080 | 1,080 | 368 | 1,448 |
| Contributions by and distributions to owners | | | | | | | |
| Dividends | - | - | - | (517) | (517) | (44) | (561) |
| Shares issued during the period | 136 | 688 | - | - | 824 | - | 824 |
| Other movements | - | - | (60) | (216) | (276) | (500) | (776) |
| Total contributions by and distributions to owners | 136 | 688 | (60) | (733) | 31 | (544) | (513) |
| At 31 December 2022 | 7,873 | 9,024 | (1,496) | 8,085 | 23,486 | 3,656 | 27,142 |
| Profit for the period | - | - | - | 6 | 6 | 129 | 135 |
| Other comprehensive income | - | - | - | (39) | (39) | - | (39) |
| Total comprehensive income for the period | - | - | - | (33) | (33) | 129 | 96 |
| Contributions by and distributions to owners | | | | | | | |
| Dividends | - | - | - | (2,937) | (2,937) | (345) | (3,282) |
| Shares issued during the period | 50 | 170 | - | - | 220 | - | 220 |
| Other movements | - | - | - | 465 | 465 | (281) | 184 |
| Total contributions by and distributions to owners | 50 | 170 | - | (2,472) | (2,252) | (626) | (2,878) |
| At 30 June 2023 | 7,923 | 9,194 | (1,496) | 5,580 | 21,201 | 3,159 | 24,360 |

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2023

| | 6 months to 30 June 2023 Unaudited £000 | 6 months to 30 June 2022 Unaudited £000 | Year ended 31 December 2022 Audited £000 |
|---------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|---------------------------------------------------|
| Cash flows from operating activities | | | |
| Profit for the period | 135 | 569 | 1,964 |
| Adjustments for: | | | |
| Amortisation of goodwill | 352 | 352 | 704 |
| Amortisation of software development | 83 | 364 | 1,848 |
| Depreciation of tangible fixed assets | 633 | 655 | 1,323 |
| (Profit)/Loss on disposal of tangible fixed assets | (1) | (167) | (167) |
| Increase in stocks | (957) | (1,185) | (73) |
| Interest (received)/paid | (54) | 9 | (34) |
| Corporation tax (credit)/charge | (16) | 263 | 349 |
| Decrease/(increase) in debtors | 994 | (1,302) | (1,548) |
| (Decrease)/increase in creditors | (1,664) | (350) | 762 |
| Corporation tax received/(paid) | 36 | (321) | (790) |
| Net cash (used in)/generated from operating activities | (459) | (1,113) | 4,338 |
| Cash flows from investing activities | | | |
| Purchase of tangible fixed assets | (2,517) | (220) | (1,724) |
| Investment in software development | (2) | (538) | (1,005) |
| Sale of tangible fixed assets | 53 | 451 | 451 |
| Repurchase of own shares by subsidiary | - | (36) | (36) |
| Net cash used in investing activities | (2,466) | (343) | (2,314) |
| Cash flows from financing activities | | | |
| Issue of ordinary shares | 220 | 272 | 354 |
| Issue of ordinary shares to non-controlling interests | 195 | - | - |
| New finance lease | 315 | 126 | 126 |
| Repayment of finance leases | (137) | (111) | (160) |
| Equity dividends paid | (2,937) | (4,589) | (5,106) |
| Interest received/(paid) | 54 | (9) | 34 |
| Dividends paid to non-controlling interests | (345) | (399) | (443) |
| Purchase of shares by ESOT | - | - | (60) |
| Net cash (used in)/generated from financing activities | (2,635) | (4,710) | (5,255) |
| Net decrease in cash and cash equivalents | (5,560) | (6,166) | (3,231) |
| Exchange differences on translation of foreign subsidiaries | (7) | - | 21 |
| Cash and cash equivalents at beginning of period | 12,203 | 15,413 | 15,413 |
| Cash and cash equivalents at the end of period | 6,636 | 9,247 | 12,203 |
| Cash and cash equivalents | 6,636 | 9,247 | 12,203 |

ANALYSIS OF NET CASH/(DEBT)

as at 30 June 2023

| | As at 30 June 2023 Unaudited £000 | As at 30 June 2022 Unaudited £000 | As at 31 December 2022 Audited £000 |
|--------------------------------------------|--------------------------------------------|--------------------------------------------|----------------------------------------------|
| Cash and cash equivalents | 6,636 | 9,247 | 12,203 |
| Debt: | | | |
| Finance leases | (424) | (295) | (246) |
| Debts due within one year | - | - | - |
| Debts falling due after more than one year | - | - | - |
| Net cash/(debt) | 6,212 | 8,952 | 11,957 |

BUSINESS GROUP ANALYSIS

for the six months ended 30 June 2023

| | Innovation £000 | Implementation £000 | Instore £000 | Group £000 |
|--------------------------------------------------------|--------------------|------------------------|-----------------|---------------|
| For the six months ended 30 June 2023 | | | | |
| Turnover | 10,250 | 9,897 | 14,080 | 34,227 |
| Headline business group operating profit/(loss) | 1,244 | 525 | (472) | 1,297 |
| Central costs | | | | (552) |
| Headline operating profit | | | | 745 |
| Net interest receivable | | | | 54 |
| Headline profit before tax | | | | 799 |

| | Innovation £000 | Implementation £000 | Instore £000 | Group £000 |
|-------------------------------------------------|--------------------|------------------------|-----------------|---------------|
| For the six months ended 30 June 2022 | | | | |
| Turnover | 9,719 | 9,212 | 14,904 | 33,835 |
| 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 year ended 31 December 2022 | | | | |
| Turnover | 19,201 | 20,234 | 37,734 | 77,169 |
| Headline business group operating profit | 2,146 | 988 | 2,462 | 5,596 |
| Central costs | | | | (1,240) |
| Headline operating profit | | | | 4,356 |
| Net interest receivable | | | | 34 |
| Headline profit before tax | | | | 4,390 |

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

COMPANY INFORMATION

Directors

R T T Essex

M J Gilmore

G R Harris

A W Lucas

D H Powell

R G Saysell

T E Scutt

A Sutcliffe

A Wright

Company secretary

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