Interim Report

for the six months to 30 June 2019

MISSION

The alternative group
for **ambitious brands.**

MISSION is a collective of creative Agencies led by entrepreneurs who encourage an independent spirit. Employing 1,150 people in the UK, Europe, Asia and US, the Group combines the expertise of Integrated and Specialist Agencies to bring commercially effective solutions to business challenges.

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The MISSION Group plc
Interim results for the six months to 30 June 2019

Highlights

Interim results

- Revenue from continuing operations* up 9% to £39.2m (2018: £36.1m)
- Headline** profit before tax up 10% to £3.4m (2018: £3.1m)
- Headline** diluted EPS up 9% to 3.12 pence (2018: 2.85 pence)
- Net bank debt £5.1m (30 June 2018: £7.8m)
- A strong second-half bias again predicted
- Pathfindr progressing well

Dividend

- Interim dividend increased by 10% to 0.77p (2018: 0.70p)
- Payable on 29 November 2019 to shareholders on the register at 1 November 2019

Repositioning of MISSION

- New positioning to reflect **MISSION's** coming of age
- A real and credible alternative to the established agency networks
- Focus will be on developing creative partnerships, not just marketing communications
- Collaboration and co-working moving to a new level
- Fewer but larger Agencies

* Continuing operations exclude the results of BroadCare, sold on 12 November 2018

** Headline results are calculated on continuing operations and excluding the profit/loss on investments, acquisition-related items and start-up losses

Summary of the period

So far 2019 has been a successful and transitional year for **MISSION**.

There is no doubt that within **MISSION** we have created unique skills and processes which enhance what we do for our Clients within an ever-changing marketplace. This approach has set us apart from our competitors and enhanced the performance of our Agencies and the Group as a whole. So earlier this year we took a long hard look at ourselves and what makes us special and this autumn we are launching a new look **MISSION**, more of which below.

But it is what's behind the face that matters most.

The first half of 2019 has panned out as we expected in delivering our revenue and profit targets whilst maintaining a strong balance sheet. Our Agencies performed well with major new contracts being won and existing Client support continuing.

Whilst the day to day issues are of paramount importance, our continued growth forms the platform from which we are embracing a determined positioning, refining our structure and creating greater opportunities for our people. As part of this, the promotion of James Clifton to Group CEO in April is already having a significant impact. James' objective is to build on our multi-Agency approach that ensures our Clients get a best in class team with unparalleled resources working on their business.

Our policy of going where our Clients wish us to be continues. Major global wins this year from Cummins, Docker and Fuji Xerox, supplemented by new Clients in our recently opened Seattle Agency, plus our expanded Asia presence, are helping us strengthen our footprint in those territories. In addition we have recently opened an office in Munich, the Group's first opening in Mainland Europe. We will continue to grow overseas but in a measured and risk-averse manner.

So in a market that continues to be challenging, we are growing our businesses and strengthening our resources in a way that provides us with a level of confidence that will take us into 2020 and beyond.

Our fuse technology division is seeing some exciting new initiatives develop, a couple of which should be ready for launch in 2020, whilst our Pathfindr Asset Management System continues to expand its Client base with some excellent new contracts. It is gratifying to note that wherever Pathfindr is trialled, it quite quickly becomes the system of choice; so much so that we will be accelerating our investment and reaching out into new markets.

Trading results

Comparisons

The Group's BroadCare business was sold in November 2018 and, as a result, the following financial comparisons and commentary are based on like-for-like trading from continuing operations.

In addition, the Group has implemented IFRS 16: Leases and 2018 comparatives have been restated accordingly. The impact of IFRS 16 on the Group's net profitability is insignificant but the bringing onto the balance sheet of future lease commitments and the reclassification of operating lease costs into depreciation and interest costs affects EBITDA and leverage ratios. The impact of the application of IFRS 16 is included in Note 2 and, where significant, referred to in the commentary below.

Billings and revenue

Turnover ("billings") for the six months ended 30 June 2019 increased by 5% to £82.3m (2018: £78.1m), while operating income ("revenue") increased by 9% to £39.2m (2018: £36.1m), continuing our track record of consistent revenue growth over many years and achieving our target growth of at least 5% pa.

Profit, margins and earnings per share

Headline operating profits increased by 5% to £3.6m (2018: £3.4m). Headline operating profit margins were slightly lower in the first six months, at 9.2% (2018: 9.6%), primarily due to changes in phasing of spend by certain large Clients. As in prior years, we expect our trading to have a strong bias towards the second half and, coupled with further efficiency improvements anticipated from our Shared Services initiative, we expect overall margins to increase as a result.

Financing costs reduced to £0.3m (2018: £0.4m) reflecting lower net bank debt levels, and headline profit before tax increased by 10% to £3.4m (2018: £3.1m), in line with our target growth of at least 10% pa.

Adjustments to headline profits in 2019, at £1.0m, were higher than the prior year (2018: £0.6m) due to an increase in the estimate of future contingent consideration obligations. After these adjustments, reported profit before tax was £2.4m (2018: £2.5m).

The Group estimates an effective tax rate on headline profits before tax of 20% (2018: 20%), resulting in a 9% increase in headline earnings to £2.7m for the six months (2018: £2.5m), and reported profit after tax of £1.8m (2018: £2.0m). Fully diluted headline EPS increased 9% to 3.12 pence (2018: 2.85 pence).

Balance sheet and cash flow

Two key balance sheet ratios measured and monitored by the Board are the ratios of net debt and total debt, including acquisition liabilities, to headline EBITDA ("leverage ratios"). The adoption of IFRS 16 increases both EBITDA and debt. The increase in EBITDA from the reclassification of operating lease costs into depreciation and interest costs is £2.6m in a full year. The recognition of future lease payments as balance sheet liabilities increases total debt by over £7m. There is no impact from the adoption of IFRS 16 on net cash flow, nor on bank covenant tests, which remain calculated on a pre-IFRS 16 basis, but the standard increases the debt leverage ratios by approximately x0.5.

Net bank debt at 30 June 2019 was £5.1m (30 June 2018: £7.8m). Together with lease liabilities, net debt totalled £12.7m (30 June 2018: £17.1m), resulting in a reduced leverage ratio of net debt to headline EBITDA of x0.9 (30 June 2018: x1.3).

£3.2m of acquisition obligations from prior years were settled in the first half of the year and after adjustments to estimated future contingent consideration payments, the total estimated acquisition liability at 30 June 2019 totalled £9.1m (30 June 2018: £11.0m). Including estimates of acquisition liabilities (calculated by reference to current levels of profitability), total debt leverage reduced to x1.4 (30 June 2018: x1.9).

Virtually all of the Group's acquisition obligations are dependent on post-acquisition earn-out profits. £2.3m is expected to fall due for payment in cash within 12 months and a further £5.9m in the subsequent 12 months. The Directors believe that the strength of the Group's cash generation can comfortably accommodate these obligations. Furthermore, to achieve maximum earn-outs, the acquired Agencies would need to perform very strongly, which would generate much of the cash required to meet these obligations.

Dividend

Reflecting the growth in headline earnings, the Directors have declared an interim dividend of 0.77p, representing a 10% increase over last year, payable on 29 November 2019 to shareholders on the register at 1 November 2019. The ex-dividend date is 31 October 2019.

A new MISSION

All agency groups strive for cooperation and collaboration within their organisations. From its inception, **MISSION** has been different from the rest. Founded as a cooperative of like-minded entrepreneurs, we have flourished best when **MISSION** has supported rather than directed, harnessing the innate ambition and independent spirit of our Agency CEOs. We have grown revenue and profit each year over the last decade, winning prestigious and progressively bigger business. We have acquired businesses with fantastic reputations that elevate our standing in the sector. At the same time, we have retained virtually all the founders of the businesses we have acquired, providing them with opportunities to develop and grow both their businesses and themselves from an increasingly international platform.

Over the years, we have progressively developed methodologies and structures to encourage and support collaboration and multi-agency working. We truly believe we have found an alternative and better way to help our Clients.

As a group of collaborative specialists, we are no longer purely a marketing communications group, selling our marketing wares. Instead we are a business partner with a range of creative skills to help solve business challenges. In recognition of this, we have re-named our group The **MISSION** Group plc ("**MISSION**") and put **MISSION** at the forefront of our new business activity as **the alternative group for ambitious brands,** with a new visual identity. In addition, we have refined our business structure to create a simplified, more effective service offering. Three key structural changes are: the merger of bigdog and krow into a single integrated agency, retaining the name krow; the expansion of Story into Leeds and Newcastle, taking on our Robson Brown agency; and the merger of April Six and RLA into a single agency to leverage both complementary skillsets and the existing April Six international footprint.

This new-look **MISSION** celebrates and drives forward the Group's open, collaborative culture whilst retaining the entrepreneurial spirit on which it has been built.

Outlook

As in previous years, we expect the majority of our profit to be generated in the second half of the year. Despite the heightened level of Brexit uncertainty we remain on track to deliver against expectations. We feel confident in ourselves and our ability to establish trusted creative partnerships with Clients that deliver real business growth. We are excited about **MISSION's** prospects.

Condensed Consolidated Income Statement for the six months ended 30 June 2019

	Note	Six months to 30 June 2019 Unaudited £'000	Continuing operations Six months to 30 June 2018 Unaudited (Restated) £'000	Discontinued operations Six months to 30 June 2018 Unaudited £'000	Total Six months to 30 June 2018 Unaudited (Restated) £'000	Continuing operations Year ended 31 December 2018 Audited (Restated) £'000	Discontinued operations Year ended 31 December 2018 Audited £'000	Total Year ended 31 December 2018 Audited (Restated) £'000
TURNOVER	3	**82,300**	78,112	1,116	79,228	159,916	1,476	161,392
Cost of sales		**(43,140)**	(42,056)	(127)	(42,183)	(82,331)	(221)	(82,552)
OPERATING INCOME	3	**39,160**	36,056	989	37,045	77,585	1,255	78,840
Headline operating expenses		**(35,545)**	(32,608)	(451)	(33,059)	(67,666)	(776)	(68,442)
HEADLINE OPERATING PROFIT		**3,615**	3,448	538	3,986	9,919	479	10,398
(Loss) / profit on investments		**-**	-	-	-	(312)	2,981	2,669
Acquisition adjustments	5	**(925)**	(508)	-	(508)	(1,010)	-	(1,010)
Start-up costs		**(74)**	(74)	-	(74)	(139)	-	(139)
OPERATING PROFIT		**2,616**	2,866	538	3,404	8,458	3,460	11,918
Share of results of associates and joint ventures		**69**	(9)	-	(9)	(1)	-	(1)
PROFIT BEFORE INTEREST AND TAXATION		**2,685**	2,857	538	3,395	8,457	3,460	11,917
Net finance costs	6	**(289)**	(361)	-	(361)	(735)	-	(735)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**2,396**	2,496	538	3,034	7,722	3,460	11,182
Taxation	7	**(608)**	(527)	(108)	(635)	(1,710)	(96)	(1,806)
PROFIT FOR THE PERIOD		**1,788**	1,969	430	2,399	6,012	3,364	9,376
Attributable to:								
Equity holders of the parent		**1,757**	1,910	430	2,340	5,901	3,364	9,265
Non-controlling interests		**31**	59	-	59	111	-	111
		1,788	1,969	430	2,399	6,012	3,364	9,376
Basic earnings per share (pence)	8	**2.10**	2.30	0.52	2.82	7.08	4.04	11.12
Diluted earnings per share (pence)	8	**2.04**	2.24	0.50	2.75	6.91	3.94	10.85
Headline basic earnings per share (pence)	8	**3.20**	2.92	0.52	3.44	8.67	0.46	9.13
Headline diluted earnings per share (pence)	8	**3.12**	2.85	0.50	3.35	8.46	0.45	8.90

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2019

	Six months to 30 June 2019	Continuing operations Six months to 30 June 2018	Discontinued operations Six months to 30 June 2018	Total Six months to 30 June 2018	Continuing operations Year ended 31 December 2018	Discontinued operations Year ended 31 December 2018	Total Year ended 31 December 2018
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
		(Restated)		(Restated)	(Restated)		(Restated)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PROFIT FOR THE PERIOD	**1,788**	1,969	430	2,399	6,012	3,364	9,376
Other comprehensive income - items that may be reclassified separately to profit or loss:							
Exchange differences on translation of foreign operations	**226**	7	–	7	73	–	73
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,014**	1,976	430	2,406	6,085	3,364	9,449
Attributable to:							
Equity holders of the parent	**1,926**	1,907	430	2,337	5,933	3,364	9,297
Non-controlling interests	**88**	69	–	69	152	–	152
	2,014	1,976	430	2,406	6,085	3,364	9,449

Condensed Consolidated Balance Sheet as at 30 June 2019

	Note	As at 30 June 2019 Unaudited £'000	As at 30 June 2018 Unaudited (Restated) £'000	As at 31 December 2018 Audited (Restated) £'000
FIXED ASSETS				
Intangible assets	**9**	**95,629**	96,079	96,121
Property, plant and equipment		**3,100**	3,003	3,125
Right of use assets		**6,875**	8,415	7,733
Investments in associates and joint ventures		**69**	306	-
Investments		**100**	-	-
Deferred tax assets		**20**	44	23
		105,793	107,847	107,002
CURRENT ASSETS				
Stock		**1,062**	684	850
Trade and other receivables		**44,985**	38,444	39,727
Cash and short term deposits		**2,811**	6,102	5,899
		48,858	45,230	46,476
CURRENT LIABILITIES				
Trade and other payables		**(41,057)**	(37,875)	(37,060)
Corporation tax payable		**(1,110)**	(877)	(668)
Bank loans	**10**	**-**	(13,852)	-
Acquisition obligations	**11**	**(2,398)**	(3,084)	(3,258)
		(44,565)	(55,688)	(40,986)
NET CURRENT ASSETS / (LIABILITIES)		**4,293**	(10,458)	5,490
TOTAL ASSETS LESS CURRENT LIABILITIES		**110,086**	97,389	112,492
NON CURRENT LIABILITIES				
Bank loans	**10**	**(7,906)**	-	(9,886)
Lease liabilities		**(5,163)**	(6,754)	(6,022)
Acquisition obligations	**11**	**(6,707)**	(7,889)	(8,537)
Deferred tax liabilities		**(393)**	(538)	(451)
		(20,169)	(15,181)	(24,896)
NET ASSETS		**89,917**	82,208	87,596
CAPITAL AND RESERVES				
Called up share capital		**8,530**	8,436	8,436
Share premium account		**43,015**	42,506	42,506
Own shares		**(419)**	(304)	(299)
Share-based incentive reserve		**607**	465	498
Foreign currency translation reserve		**286**	82	117
Retained earnings		**37,295**	30,445	35,826
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**89,314**	81,630	87,084
Non controlling interests		**603**	578	512
TOTAL EQUITY		**89,917**	82,208	87,596

Condensed Consolidated Cash Flow Statement for the six months ended 30 June 2019

	Six months to 30 June 2019 Unaudited £'000	Six months to 30 June 2018 Unaudited (Restated) £'000	Year ended 31 December 2018 Audited (Restated) £'000
Operating profit	**2,616**	3,404	11,918
Depreciation and amortisation charges	**2,329**	2,309	4,738
Movements in the fair value of contingent consideration	**479**	(30)	(67)
Profit on disposal of fixed assets	**(73)**	(4)	(5)
Loss on write down of investment	**-**	-	312
Profit on disposal of BroadCare	**-**	-	(2,981)
Non cash charge for share options, growth shares and shares awarded	**122**	144	183
Increase in receivables	**(5,258)**	(735)	(2,022)
Increase in stock	**(212)**	(16)	(182)
Increase / (decrease) in payables	**4,075**	558	(210)
OPERATING CASH FLOW	**4,078**	5,630	11,684
Net finance costs	**(266)**	(319)	(826)
Tax paid	**(221)**	(722)	(1,906)
Net cash inflow from operating activities	**3,591**	4,589	8,952
INVESTING ACTIVITIES			
Proceeds on disposal of fixed assets	**150**	23	30
Purchase of property, plant and equipment	**(640)**	(286)	(1,014)
Investment in software development	**(85)**	(45)	(377)
Proceeds from disposal of BroadCare	**-**	-	4,099
Acquisition of subsidiaries	**-**	(2,750)	(2,990)
Acquisition of investments	**(100)**	-	-
Payment of obligations relating to acquisitions made in prior periods	**(2,555)**	(1,749)	(1,748)
Cash disposed of and costs of disposal of BroadCare	**-**	-	(584)
Cash acquired with subsidiaries	**-**	553	553
Net cash outflow from investing activities	**(3,230)**	(4,254)	(2,031)
FINANCING ACTIVITIES			
Dividends paid	**-**	-	(1,546)
Dividends paid to non-controlling interests	**-**	-	(149)
Repayment of lease liabilities	**(1,244)**	(1,161)	(2,446)
(Repayment of) / increase in bank loans	**(2,000)**	750	(3,125)
Issue of shares to minority interests	**3**	-	-
(Purchase) / disposal of own shares held in EBT	**(434)**	311	311
Net cash outflow from financing activities	**(3,675)**	(100)	(6,955)
(Decrease) / increase in cash/equivalents	**(3,314)**	235	(34)
Exchange differences on translation of foreign subsidiaries	**226**	7	73
Cash/cash equivalents at beginning of period	**5,899**	5,860	5,860
Cash and cash equivalents at end of period	**2,811**	6,102	5,899

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2019

	Share capital £'000	Share premium £'000	Own shares £'000	Share-based incentive reserve £'000	Foreign currency translation reserve £'000	Retained earnings (Restated) £'000	Total attributable to equity holders of parent (Restated) £'000	Non-controlling interest £'000	Total equity (Restated) £'000
At 1 January 2018	**8,436**	**42,506**	**(602)**	**341**	**85**	**28,072**	**78,838**	**509**	**79,347**
Profit for period	–	–	–	–	–	2,340	2,340	59	2,399
Exchange differences on translation of foreign operations	–	–	–	–	(3)	–	(3)	10	7
Total comprehensive income for period	–	–	–	–	(3)	2,340	2,337	69	2,406
Share option charge	–	–	–	80	–	–	80	–	80
Growth share charge	–	–	–	44	–	–	44	–	44
Shares awarded and sold from own shares	–	–	298	–	–	33	331	–	331
At 30 June 2018	**8,436**	**42,506**	**(304)**	**465**	**82**	**30,445**	**81,630**	**578**	**82,208**
Profit for period	–	–	–	–	–	6,925	6,925	52	6,977
Exchange differences on translation of foreign operations	–	–	–	–	35	–	35	31	66
Total comprehensive income for period	–	–	–	–	35	6,925	6,960	83	7,043
Share option credit	–	–	–	(11)	–	–	(11)	–	(11)
Growth share charge	–	–	–	44	–	–	44	–	44
Shares awarded and sold from own shares	–	–	5	–	–	2	7	–	7
Dividend paid	–	–	–	–	–	(1,546)	(1,546)	(149)	(1,695)
At 31 December 2018	**8,436**	**42,506**	**(299)**	**498**	**117**	**35,826**	**87,084**	**512**	**87,596**
Profit for period	–	–	–	–	–	1,757	1,757	31	1,788
Exchange differences on translation of foreign operations	–	–	–	–	169	–	169	57	226
Total comprehensive income for period	–	–	–	–	169	1,757	1,926	88	2,014
New shares issued	94	509	–	–	–	–	603	3	606
Share option charge	–	–	–	65	–	–	65	–	65
Growth share charge	–	–	–	44	–	–	44	–	44
Own shares purchased by EBT	–	–	(434)	–	–	–	(434)	–	(434)
Shares awarded and sold from own shares	–	–	314	–	–	(288)	26	–	26
At 30 June 2019	**8,530**	**43,015**	**(419)**	**607**	**286**	**37,295**	**89,314**	**603**	**89,917**

Notes to the unaudited Interim Report for the six months ended 30 June 2019

1. Accounting Policies

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with the IAS 34 "Interim Financial Reporting" and the Group's accounting policies.

The Group's accounting policies are in accordance with International Financial Reporting Standards as adopted by the European Union and are set out in the Group's Annual Report and Accounts 2018 on pages 53-58. The comparative figures extracted have been adjusted as described in Note 2, following the first time adoption of IFRS 16. These are consistent with the accounting policies which the Group expects to adopt in its 2019 Annual Report. The Group has not early-adopted any Standard, Interpretation or Amendment that has been issued but is not yet effective.

The information relating to the six months ended 30 June 2019 and 30 June 2018 is unaudited and does not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The comparative figures for the year ended 31 December 2018 have been extracted from the Group's Annual Report and Accounts 2018, on which the auditors gave an unqualified opinion and did not include a statement under section 498 (2) or (3) of the Companies Act 2006. The Group Annual Report and Accounts for the year ended 31 December 2018 have been filed with the Registrar of Companies.

Going concern

The Directors have considered the financial projections of the Group, including cash flow forecasts, the availability of committed bank facilities and the headroom against covenant tests for the coming 12 months. They are satisfied that the Group has adequate resources for the foreseeable future and that it is appropriate to continue to adopt the going concern basis in preparing these interim financial statements.

Accounting estimates and judgements

The Group makes estimates and judgements concerning the future and the resulting estimates may, by definition, vary from the actual results. The Directors considered the critical accounting estimates and judgements used in the financial statements and concluded that the main areas of judgement are:

- Potential impairment of goodwill;
- Contingent deferred payments in respect of acquisitions;
- Revenue recognition policies in respect of contracts which straddle the period end; and
- Valuation of intangible assets on acquisitions.

These estimates are based on historical experience and various other assumptions that management and the Board of Directors believe are reasonable under the circumstances.

New standards, interpretations and amendments to existing standards

The Group has adopted IFRS 16 Leases for the first time. The impact on the financial statements of this new standard is detailed in Note 2.

2. Adoption of IFRS 16 Leases

The Group has applied IFRS 16 Leases for the first time, using the full retrospective approach, with restatement of comparative information. IFRS 16 changes how the Group accounts for leases previously classified off balance sheet as operating leases under IAS 17 by removing the distinction between operating and finance leases and requiring the recognition of a right of use asset and a lease liability at the commencement of all leases, except for short term leases and leases of low value assets.

Applying IFRS 16 for all leases (except as noted below), the Group:

- Recognises right of use assets and lease liabilities in the consolidated balance sheet, initially measured at present value of future lease payments;
- Recognises depreciation on right of use assets and interest on lease liabilities in the consolidated income statement; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

For short term leases (lease term of 12 months or less) and leases of low value assets (such as computer equipment), the Group has opted to recognise a lease expense on a straight line basis as permitted by IFRS 16. This expense is presented within operating expenses in the consolidated income statement.

Financial impact of initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior periods.

The impact of IFRS 16 on the Group's profitability is insignificant, with the primary impact being one of reclassification: from operating lease expenses to depreciation and interest costs. The impact on the balance sheet is to recognise the Group's operating lease commitments, most of which relate to Agencies' premises rentals and which were previously reported in the Notes to the financial statements, as assets and liabilities on the face of the balance sheet. The value of these right of use assets and corresponding liabilities will fluctuate over time as lease terms expire and new leases are entered into.

Impact on profit or loss

	Note	**Six months to 30 June 2019** **Unaudited** **£'000**	Six months to 30 June 2018 Unaudited £'000	Year ended 31 December 2018 Audited £'000
Decrease in operating lease expenses	i	**1,333**	1,319	2,649
Increase in depreciation expense	i	**(1,117)**	(1,071)	(2,194)
Increase in headline operating profit		**216**	248	455
Increase in finance costs	i	**(126)**	(130)	(266)
Increase in headline PBT, headline PAT and profit for the period		**90**	118	189

Impact on earnings per share

	Six months to 30 June 2019	Six months to 30 June 2018	Year ended 31 December 2018
Increase in reported and headline earnings per share:			
Basic earnings per share (pence)	**0.11**	0.14	0.23
Diluted earnings per share (pence)	**0.10**	0.14	0.22

The above increases apply to both earnings per share from total operations and earnings per share for continuing operations. There is no change in earnings per share from discontinued operations.

Impact on assets, liabilities and equity as at 1 January 2018

	Note	As previously reported £'000	IFRS 16 adjustments £'000	As restated £'000
Property, plant and equipment	ii	3,489	(219)	3,270
Right of use assets	i, ii	–	8,016	8,016
Impact on total assets			7,797	
Other creditors and accruals	iii	(9,845)	(246)	(10,091)
Short term lease liabilities	i	(86)	(2,227)	(2,313)
Long term lease liabilities	i	(129)	(6,131)	(6,260)
Impact on total liabilities			(8,604)	
Retained earnings		28,879	(807)	28,072

Impact on assets, liabilities and equity as at 30 June 2018

	Note	As previously reported £'000	IFRS 16 adjustments £'000	As restated £'000
Goodwill	iv	90,450	398	90,848
Property, plant and equipment	ii	3,175	(172)	3,003
Right of use assets	i, ii	–	8,415	8,415
Trade and other receivables	iii	38,436	8	38,444
Impact on total assets			8,649	
Other creditors and accruals and deferred income	iii	(21,658)	(185)	(21,843)
Short term lease liabilities	i	(88)	(2,484)	(2,572)
Long term lease liabilities	i	(85)	(6,669)	(6,754)
Impact on total liabilities			(9,338)	
Retained earnings		31,134	(689)	30,445

Impact on assets, liabilities and equity as at 31 December 2018

	Note	As previously reported £'000	IFRS 16 adjustments £'000	As restated £'000
Goodwill	iv	91,354	398	91,752
Property, plant and equipment	ii	3,250	(125)	3,125
Right of use assets	i, ii	–	7,733	7,733
Impact on total assets			8,006	
Other creditors and accruals	iii	(9,623)	(224)	(9,847)
Short term lease liabilities	i	(90)	(2,417)	(2,507)
Long term lease liabilities	i	(39)	(5,983)	(6,022)
Impact on total liabilities			(8,624)	
Retained earnings		36,444	(618)	35,826

Impact on assets, liabilities and equity as at 30 June 2019

	Note	As if IAS 17 still applied £'000	IFRS 16 adjustments £'000	As restated £'000
Goodwill	iv	91,354	398	91,752
Property, plant and equipment	ii	3,178	(78)	3,100
Right of use assets	i, ii	–	6,875	6,875
Impact on total assets			7,195	
Other creditors, accruals	iii	(15,312)	(220)	(15,532)
Short term lease liabilities	i	(88)	(2,340)	(2,428)
Long term lease liabilities	i	–	(5,163)	(5,163)
Impact on total liabilities			(7,723)	
Retained earnings		37,823	(528)	37,295

Notes:

i The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right of use assets and lease liabilities. It also resulted in a decrease in operating leases expenses and an increase in depreciation and interest expenses.

ii Equipment under finance lease arrangements previously presented within property, plant and equipment is now presented within the line item right of use assets. There has been no change in the amount recognised.

iii Amounts previously recorded in prepayments or accruals under IAS 17 as a result of differences between operating lease expenses recognised and amounts paid have been derecognised and the amount factored into the measurement of the lease liability. The recognition of accruals for dilapidation costs has also been adjusted and the amount factored into the measurement of the right of use assets.

iv Goodwill of companies acquired after 1 January 2018 has been impacted as a result of the change in net assets as at acquisition date arising from the application of IFRS 16.

3. Segmental Information

Business segmentation

For management purposes the Board monitors the performance of its separate operating units, each of which carries out a range of activities, as a single business segment. However, since different activities have different revenue characteristics, the Group's turnover and operating income has been disaggregated below to provide additional benefit to readers of these financial statements.

In previous periods, the profitability by activity has been disclosed. However, following the implementation of a Shared Services function from the start of 2018 and the resulting transfer of certain Agency-specific contracts onto centrally-managed arrangements, a significant portion of the total operating costs are now centrally managed and segment information is therefore now only presented down to the operating income level.

Six months to 30 June 2019	Advertising & Digital £'000	Media Buying £'000	Exhibitions & Learning £'000	Public Relations £'000	Group £'000
Turnover	49,746	18,195	9,860	4,499	82,300
Operating income	31,560	1,880	2,361	3,359	39,160

Six months to 30 June 2018		Advertising & Digital £'000	Media Buying £'000	Exhibitions & Learning £'000	Public Relations £'000	Group £'000
Turnover –	continuing operations	43,216	20,953	9,249	4,694	78,112
	discontinued operations	1,116	–	–	–	1,116
	total Group	44,332	20,953	9,249	4,694	79,228
Operating income –	continuing	28,170	1,932	2,528	3,426	36,056
	discontinued	989	–	–	–	989
	total Group	29,159	1,932	2,528	3,426	37,045

Year to 31 December 2018		Advertising & Digital £'000	Media Buying £'000	Exhibitions & Learning £'000	Public Relations £'000	Total £'000
Turnover –	continuing operations	96,615	36,473	17,488	9,340	159,916
	discontinued operations	1,476	–	–	–	1,476
	total Group	98,091	36,473	17,488	9,340	161,392
Operating income –	continuing	61,805	3,469	5,202	7,109	77,585
	discontinued	1,255	–	–	–	1,255
	total Group	63,060	3,469	5,202	7,109	78,840

Geographical segmentation

The following table provides an analysis of the Group's operating income by region of activity:

	Six months to 30 June 2019	Six months to 30 June 2018	Year ended 31 December 2018
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
From continuing operations			
UK	**34,544**	32,134	68,519
Asia	**2,125**	1,948	5,061
USA	**2,491**	1,974	4,005
	39,160	36,056	77,585
From discontinued operations			
UK	**-**	989	1,255
From continuing and discontinued operations			
UK	**34,544**	33,123	69,774
Asia	**2,125**	1,948	5,061
USA	**2,491**	1,974	4,005
	39,160	37,045	78,840

4. Reconciliation of Reported Profit to Headline Profit

In order to provide a clearer understanding of underlying profitability, headline profits exclude exceptional items, acquisition-related items, and start-up costs. Start-up costs derive from organically started businesses and comprise the trading losses of such entities until the earlier of two years from commencement or when they show evidence of becoming sustainably profitable.

	Six months to 30 June 2019		Six months to 30 June 2018		Year ended 31 December 2018	
		Unaudited		Unaudited		Audited
				(Restated)		(Restated)
	PBT	**PAT**	PBT	PAT	PBT	PAT
	£'000	**£'000**	£'000	£'000	£'000	£'000
From continuing operations						
Headline profit	**3,395**	**2,716**	3,078	2,486	9,183	7,334
Acquisition-related items (Note 5)	**(925)**	**(867)**	(508)	(457)	(1,010)	(895)
Impairment of Watchable	**-**	**-**	-	-	(312)	(312)
Start-up costs	**(74)**	**(61)**	(74)	(60)	(139)	(115)
Reported profit	**2,396**	**1,788**	2,496	1,969	7,722	6,012
From discontinued operations						
Headline profit	**-**	**-**	538	430	479	383
Profit on sale of BroadCare	**-**	**-**	-	-	2,981	2,981
Reported profit	**-**	**-**	538	430	3,460	3,364
From continuing and discontinued operations						
Headline profit	**3,395**	**2,716**	3,616	2,916	9,662	7,717
Profit on sale of BroadCare	**-**	**-**	-	-	2,981	2,981
Acquisition-related items (Note 5)	**(925)**	**(867)**	(508)	(457)	(1,010)	(895)
Impairment of Watchable	**-**	**-**	-	-	(312)	(312)
Start-up costs	**(74)**	**(61)**	(74)	(60)	(139)	(115)
Reported profit	**2,396**	**1,788**	3,034	2,399	11,182	9,376

Start-up costs in 2019 relate to the launches of April Six's new ventures in China and Germany. Start-up costs in 2018 related to April Six's new venture in China, and trading losses at Mongoose Promotions (now profitable).

5. Acquisition Adjustments

	Six months to 30 June 2019	Six months to 30 June 2018	Year ended 31 December 2018
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
(Increase)/decrease in fair value of contingent consideration	**(479)**	30	67
Amortisation of intangible assets recognised on acquisitions	**(446)**	(401)	(915)
Acquisition transaction costs expensed	**-**	(137)	(162)
	(925)	(508)	(1,010)

The movement in fair value of contingent consideration relates to a revision in the estimate payable to vendors of businesses acquired in prior years. Acquisition transaction costs relate to professional fees associated with the acquisitions.

6. Net Finance Costs

	Six months to 30 June 2019	Six months to 30 June 2018	Year ended 31 December 2018
	Unaudited	Unaudited	Audited
		(Restated)	(Restated)
	£'000	£'000	£'000
Net interest on bank loans, overdrafts and deposits	**(140)**	(198)	(394)
Amortisation of bank debt arrangement fees	**(23)**	(29)	(66)
Interest expense on leases liabilities	**(126)**	(134)	(275)
Net finance costs	**(289)**	(361)	(735)

7. Taxation

The taxation charge for the period ended 30 June 2019 has been based on an estimated effective tax rate on headline profit on ordinary activities of 20% (30 June 2018: 20%).

8. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data, determined in accordance with the provisions of IAS 33: "Earnings per Share".

	Six months to 30 June 2019 Unaudited £'000	Six months to 30 June 2018 Unaudited (Restated) £'000	Year to 31 December 2018 Audited (Restated) £'000
Earnings			
Reported profit for the year			
From continuing operations	**1,788**	1,969	6,012
Attributable to:			
Equity holders of the parent	**1,757**	1,910	5,901
Non-controlling interests	**31**	59	111
	1,788	1,969	6,012
From discontinued operations	**-**	430	3,364
Attributable to:			
Equity holders of the parent	**-**	430	3,364
Non-controlling interests	**-**	-	-
	-	430	3,364
From continuing and discontinued operations	**1,788**	2,399	9,376
Attributable to:			
Equity holders of the parent	**1,757**	2,340	9,265
Non-controlling interests	**31**	59	111
	1,788	2,399	9,376
Headline earnings (Note 4)			
From continuing operations	**2,716**	2,486	7,334
Attributable to:			
Equity holders of the parent	**2,685**	2,427	7,223
Non-controlling interests	**31**	59	111
	2,716	2,486	7,334
From discontinued operations	**-**	430	383
Attributable to:			
Equity holders of the parent	**-**	430	383
Non-controlling interests	**-**	-	-
	-	430	383

Notes to the unaudited Interim Report for the six months ended 30 June 2019 *(continued)*

	Six months to 30 June 2019 Unaudited £'000	Six months to 30 June 2018 Unaudited (Restated) £'000	Year to 31 December 2018 Audited (Restated) £'000
From continuing and discontinued operations	**2,716**	2,916	7,717
Attributable to:			
Equity holders of the parent	**2,685**	2,857	7,606
Non-controlling interests	**31**	59	111
	2,716	2,916	7,717
From continuing operations			
Basic earnings per share (pence)	**2.10**	2.30	7.08
Diluted earnings per share (pence)	**2.04**	2.24	6.91
From discontinued operations			
Basic earnings per share (pence)	**-**	0.52	4.04
Diluted earnings per share (pence)	**-**	0.50	3.94
From continuing and discontinued operations			
Basic earnings per share (pence)	**2.10**	2.82	11.12
Diluted earnings per share (pence)	**2.04**	2.75	10.85
Headline basis:			
From continuing operations			
Basic earnings per share (pence)	**3.20**	2.92	8.67
Diluted earnings per share (pence)	**3.12**	2.85	8.46
From discontinued operations			
Basic earnings per share (pence)	**-**	0.52	0.46
Diluted earnings per share (pence)	**-**	0.50	0.45
From continuing and discontinued operations			
Basic earnings per share (pence)	**3.20**	3.44	9.13
Diluted earnings per share (pence)	**3.12**	3.35	8.90

A reconciliation of the profit after tax on a reported basis and the headline basis is given in Note 4.

9. Intangible Assets

	30 June 2019 Unaudited £'000	30 June 2018 Unaudited (Restated) £'000	31 December 2018 Audited (Restated) £'000
Goodwill	**91,752**	90,848	91,752
Other intangible assets	**3,877**	5,231	4,369
	95,629	96,079	96,121

Goodwill	Six months to 30 June 2019 Unaudited £'000	Six months to 30 June 2018 Unaudited (Restated) £'000	Year ended 31 December 2018 Audited (Restated) £'000
Cost			
At 1 January	**96,025**	89,064	89,064
Recognised on acquisition of subsidiaries	**-**	6,057	6,961
At 30 June / 31 December	**96,025**	95,121	96,025
Impairment adjustment			
At beginning and end of period	**4,273**	4,273	4,273
Net book value	**91,752**	90,848	91,752

In accordance with the Group's accounting policies, an annual impairment test is applied to the carrying value of goodwill, unless there is an indication that one of the cash generating units has become impaired during the year, in which case an impairment test is applied to the relevant asset. The next impairment test will be undertaken at 31 December 2019.

Other Intangible Assets	Six months to 30 June 2019 Unaudited £'000	Six months to 30 June 2018 Unaudited £'000	Year ended 31 December 2018 Audited £'000
Cost			
At 1 January	**9,389**	7,210	7,210
Additions	**85**	2,689	3,011
Disposals	**-**	-	(832)
At 30 June / 31 December	**9,474**	9,899	9,389
Amortisation and impairment			
At 1 January	**5,020**	4,050	4,050
Amortisation charge for the period	**577**	618	1,286
Disposals	**-**	-	(316)
At 30 June / 31 December	**5,597**	4,668	5,020
Net book value	**3,877**	5,231	4,369

Other intangible assets consist of Client relationships, trade names and software development and licences.

10. Bank Loans and Net Bank Debt

	30 June 2019 Unaudited £'000	30 June 2018 Unaudited £'000	31 December 2018 Audited £'000
Bank loan outstanding	**8,000**	13,875	10,000
Adjustment to amortised cost	**(94)**	(23)	(114)
Carrying value of loan outstanding	**7,906**	13,852	9,886
Less: Cash and short term deposits	**(2,811)**	(6,102)	(5,899)
Net bank debt	**5,095**	7,750	3,987
The borrowings are repayable as follows:			
Less than one year	**-**	13,875	-
In one to two years	**-**	-	-
In more than two years but less than three years	**8,000**	-	10,000
	8,000	13,875	10,000
Adjustment to amortised cost	**(94)**	(23)	(114)
	7,906	13,852	9,886
Less: Amount due for settlement within 12 months (shown under current liabilities)	**-**	(13,852)	-
Amount due for settlement after 12 months	**7,906**	-	9,886

On 14 September 2018, the Group signed a new three year revolving credit facility of £15.0m, expiring on 28 September 2021, with an option to extend the facility by a further £5.0m and an option to extend by one year. Interest on the facility is based on LIBOR plus a margin of between 1.25% and 2.00% depending on the Group's debt leverage ratio, payable in cash on loan rollover dates.

In addition to its committed facilities, the Group has available an overdraft facility of up to £3.0m with interest payable by reference to National Westminster Bank plc Base Rate plus 2.25%.

11. Acquisition Obligations

The terms of an acquisition may provide that the value of the purchase consideration, which may be payable in cash or shares or other securities at a future date, depends on uncertain future events such as the future performance of the acquired company. The Directors estimate that the liability for payments that may be due is as follows:

	Cash	Shares	Total
	£'000	£'000	£'000
30 June 2019			
Less than one year	2,308	90	2,398
Between one and two years	5,930	294	6,224
In more than two but less than three years	-	-	-
In more than three but less than four years	483	-	483
	8,721	**384**	**9,105**

A reconciliation of acquisition obligations during the period is as follows:

	Cash	Shares	Total
	£'000	£'000	£'000
At 31 December 2018	10,820	975	11,795
Obligations settled in the period	(2,555)	(614)	(3,169)
Adjustments to estimates of obligations	456	23	479
At 30 June 2019	**8,721**	**384**	**9,105**

12. Post balance sheet events

There have been no material post balance sheet events.

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