the mission™

own ideas

Interim report for the six months ended 30 june 2016


ONE
ONE

contents

The Mission Marketing Group plc (**the mission**ⓣⓜ) is based predominantly in the UK with offices also in the USA and Asia. We're proud to be built from a rich partnership of specialist and full service Agencies, including:

- Integrated, multi-discipline, multi-sector Agencies
- Specialists in specific marketing and communications activities
- Specialists in particular market sectors

We are united by a single purpose – to make our Clients' businesses more valuable. Quite simply, that's **the mission**ⓣⓜ.

950+ PEOPLE 24 OFFICES 13 AGENCIES 1 MISSION

the agencies

The (tm) symbol represents the shared ambitions, values and goals that unite every Agency in **the mission** Group. The award-winning names you see here represent a huge variety of skills, experience, specialisms and expertise.

aprilsix

The UK's leading technology channel marketing Agency working successfully with global brands on an international basis.

aprilsixproof

A specialist PR Agency, part of April Six, helping science, engineering and technology organisations clearly communicate complex subjects. Clients span multinational technology, world-class science, global engineering and government departments.

bigdog

A multi-award winning, creative Agency producing compelling, media-neutral ideas that you can't ignore.

bray leino

A pioneer of integrated brand-building, this top-20 Agency works with Clients through every channel and across the business spectrum.

CHAPTER

Delivering the award-winning high standards and expertise of a large creative Agency with the cost base and agility of a small one. Not bigger and better, but Sharper & Better.

mongoose

A sports and entertainment marketing Agency, harnessing the power of sponsorship to drive actionable insight and business growth.

RLA

Specialising in automotive whilst offering full-service Agency capabilities. With unrivalled expertise in international channel marketing programmes in the automotive, retail and allied sectors.

Robson Brown

Regarded as one of the North of England's major advertising brands with proven skills in integrated communications.

SOLARIS

A specialist medical, full service global communications Agency thriving in areas of unmet need or when innovative targeted technologies can make a positive impact. Delivering communications that are scientifically robust and creatively engaging.

speed

An ambitious, creative and commercially-driven PR Agency specialising in driving businesses and brands forward. Speed's sector expertise covers Consumer & Lifestyle, Business & Corporate and Sport.

Splash Interactive

Headquartered in Singapore with offices in Shanghai, Hong Kong, Malaysia and Vietnam, a full-service digital Agency helping multinational brands build websites and market their products across all digital channels.

'story'

Based in Edinburgh, Story is an award-winning integrated Agency working with leading consumer brands and services.

thinkbdw

The leading property integrated marketing Agency in the UK, working with developers across all aspects of their sales support programmes from advertising to show homes. ThinkMedia is one of the largest buyers of Estate Agency media in the UK.

Together, we are **the mission**

concinnity

Concinnity is at the heart of everything we do. It means working together in the most powerful way possible. Employing the right blend of skills, experience and disciplines from our network to deliver the best result for each Client.

bigdog CHAPTER 'story'
bray leino Robson Brown

INTEGRATED GENERALISTS

Our integrated generalist Agencies drive business growth through consistent brand messaging and measurable results across all marketing channels.

bray leino broadcare mission studios
bray leino events mongoose
bray leino learning speed
bray leino splash Splash interactive
bray leino yucca

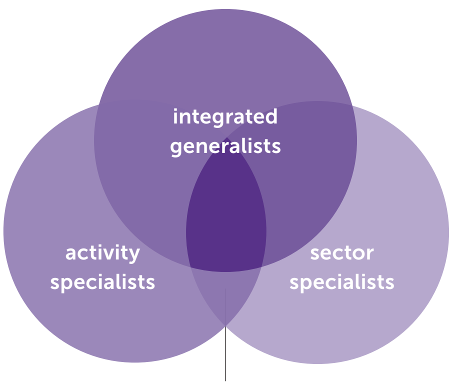
ACTIVITY SPECIALISTS

Our specialist Agencies span digital, social media, branded content, PR, events, learning, film production, ecommerce and sports marketing. All working across a range of sectors to deliver their expertise.

aprilsix RLA thinkbdw
aprilsixproof SOLARIS

SECTOR SPECIALISTS

Across technology, science, engineering, automotive, healthcare and property, our sector specialists offer in-depth knowledge, contacts and working practices - all tailored to their Clients' particular needs.



Bringing together the right skills, for the right Clients, at the right time.

At every step, everything we do is about working together to share our abilities and add value for our Clients. It adds up to a potent mix that can transform a Client's business or even their entire market.

"We're more powerful together."

Highlights

Interim results for the six months to 30 June 2016

The Mission Marketing Group plc ("TMMG" or "**the mission**"), the marketing communications and advertising group, sets out its unaudited interim results for the six months ended 30 June 2016.

Trading

- Some great new business wins in the period, including Fuji Xerox, Golden Wonder, Greene King, Halfords, Mondelez, O2 and Sky Betting & Gaming
- Good progress made upscaling people, systems and technology
- Recent acquisitions trading well and global capabilities strengthened
- Expect to have a strong second-half bias as in previous years and remain confident for full year outlook

Income statement

- Revenue up 10% to £32.4m (2015: £29.5m)
- Headline profit before tax up 10% to £2.6m (2015: £2.3m*)
- Reported profit before tax up 14% to £2.0m (2015: £1.7m*)
- Headline diluted EPS up 15% to 2.33 pence (2015: 2.03 pence*)

Balance sheet and cash flow

- Cash inflows from operating activities of £4.8m (2015: £2.3m)
- Acquisition obligations of £3.0m settled since year-end
- Period-end acquisition obligations reduced to £5.4m, of which only £2.5m due within one year
- Net bank debt reduced by £1.5m in the six months to £9.4m
- Debt levels continue to reduce and are comfortably within the Board's limits

Dividend

- Interim dividend increased by 67% to 0.5p (2015: 0.3p)
- Payable on 2 December 2016 to shareholders on the register at 4 November 2016

*restated as explained in Note 1

Chairman's Statement

A GAME OF TWO HALVES. BOTH LOOKING GOOD

I am delighted to report that the first half of 2016 went very well for us and we continue to progress as we had hoped despite the uncertainties that surrounded the UK market.

It is difficult to assess the actual effect of Brexit on us and, whilst there have been the occasional budget-reducing decisions, our Clients are maintaining investment in their businesses and as a result we remain confident that our Agencies will continue to grow alongside them through the remainder of 2016.

Across our Group we have focused on upscaling our Agencies where increased creativity is being supported by technology-enabled systems that bring a leading marketing edge to our Clients. Our core businesses have continued to progress and our recent acquisitions, Chapter and Echo, have repaid our confidence in them. In-fills in our Mongoose Sports Marketing Agency are helping that business develop and a move into the Sales Promotion arena will be underway shortly. We continue to build.

We also continue to offer best-in-class teams, drawn from across a number of Agencies to support those Clients that require access to our breadth of service and depth of talent. We have strengthened our position in Asia and the USA by adding new resources into our Bray Leino and April Six Agencies there. Earlier this year we launched our April Six Proof PR Agency in San Francisco and early indications are positive.

Our Solaris Healthcare Agency recently finalised agreements with Vivactis and Precision Effect to enable them to operate on a more global scale thereby providing their Pharma Clients with seamless brand activities wherever they operate.

New business wins have continued apace with assignments from the likes of Fuji Xerox, Golden Wonder, Greene King, Halfords, Mondelez, O2 and Sky Betting & Gaming, whilst bolstering our businesses with further development of our Pathfindr and Ethology products into Rolls Royce and Aviva.

In other news, Mike Smith joined our Automotive Agency, RLA as CEO bringing with him a wealth of expertise of the market and we welcome him on board. Greg Delaney has joined the Bray Leino Board as a Non Executive to bring wise counsel on creative matters, and Rob Grahamslaw has been appointed to run our Global Events Agency, joining us from BP.

Our debt continues to reduce and our profits continue to increase. We believe that through new initiatives, very talented management teams that utilise original techniques, continued investment in our Agencies and our entrepreneurial approach, we are well set and anything is possible.

As a management team, we are very much focused on building on our solid platform. We are looking to create ever greater collaboration across the Group which will help drive organic growth and with it increased profitability and cashflow. Margins remain a key focus. Over the last couple of years we have successfully expanded our footprint while further adding to our expertise and reach. We will continue to look for accretive acquisitions that add to our capabilities and enhance our Client offering. Whilst we have a significant pipeline of opportunities, we will focus on those with the potential to deliver greatest shareholder value.

Trading results

Turnover ("billings") for the six months ended 30 June 2016 increased by 11% to £74.2m (2015: £66.6m). Billings include pass-through costs (e.g. TV companies' charges for buying air-time) and thus the Board does not consider turnover to be a key performance measure. Instead, the Board views operating income (turnover less third party costs) as a more meaningful measure of Agency activity levels.

Operating income ("revenue") increased 10% in the six months to £32.4m (2015: £29.5m). Whilst organic growth rates remain modest in a very competitive market, there have been some high quality new business wins and the acquisitions made in 2015 have made very positive contributions.

Headline operating profits increased by 10%, in line with revenue growth, to £2.8m (2015: £2.6m). In a market which continues to apply relentless downward pressure on margins, we are pleased to have maintained margins in the first half at the levels achieved in the equivalent period last year. As previously reported, our Clients' spending cycles tend to result in a second half bias in our financial results, including higher profit margins, and we expect this pattern to be repeated in 2016.

Adjustments to headline profits in 2016 totalled £0.6m (2015: £0.6m), explained further in Note 3. After these adjustments, reported operating profits were £2.2m (2015: £2.0m).

After unchanged financing costs of £0.2m, headline profit before tax increased by 10% to £2.6m (2015: £2.3m), and reported profit before tax increased by 14% to £2.0m (2015: £1.7m).

The Group estimates an effective tax rate on headline profits before tax of 22% (2015: 24%), resulting in a 13% increase in headline earnings of £2.0m for the six months (2015: £1.8m), and reported profit after tax of £1.5m (2015: £1.4m). Fully diluted headline EPS increased 15% to 2.33 pence (2015: 2.03 pence).

Chairman's Statement (cont.)

Balance sheet, cash flow and dividend

Net cash inflows from operating activities were £4.8m in the six months ended June 2016 (2015: £2.3m). Of particular note were working capital inflows of £2.6m compared with £0.4m in the prior period. These strong operating cash flows funded the cash settlement of acquisition obligations totalling £2.7m and also a £1.5m reduction in net debt to £9.4m. At 30 June 2016, the Group had £13.1m of committed facilities and an additional overdraft facility of £3m, providing comfortable headroom to accommodate the normal phasing of working capital requirements which tends to result in an increase in net debt in the second half of the year.

The balance sheet has again strengthened during the period. Bank debt continued to fall and is at a comfortable level in the context of our strong cash generation. In addition, acquisition obligations reduced from £8.2m at year-end to £5.4m, of which only £2.5m falls due within twelve months and, of this, the large majority does not fall due until 2017. To achieve these earn-outs, the acquired Agencies would need to perform very strongly, which would generate much of the cash required to meet these obligations.

The Employee Benefit Trust continued to make periodic share purchases when appropriate and currently holds 1,334,430 Ordinary shares.

The Mission has achieved a great deal over the last six years, with EBITDA, profitability and cashflow all growing strongly since we restructured the Group. The business has added both scale and breadth and I am pleased to report that your Group is in good health. To reflect the increased confidence in the business and its continued growth, the Board has decided to substantially increase the dividend. The Group will continue to follow a progressive dividend policy, whilst being mindful of an appropriate level of dividend cover and considering other uses of cash, such as accretive acquisitions. Accordingly, the Directors have declared an interim dividend of 0.5p, representing a 67% increase over last year, payable on 2 December 2016 to shareholders on the register at 4 November 2016. The ex-dividend date is 3 November 2016.

Current trading and outlook

Without wishing to be seen as a trumbinich, I am pleased to report that we are where we forecasted we would be at half time. We look forward to a positive second half and remain confident in the outturn for the full year, continuing the consistent growth achieved over recent years.

David Morgan
Chairman

Condensed Consolidated Income Statement for the 6 months ended 30 June 2016

	Note	6 months to 30 June 2016 Unaudited	6 months to 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
		£'000	£'000	£'000
TURNOVER	2	**74,162**	66,643	132,246
Cost of sales		**(41,797)**	(37,123)	(71,209)
OPERATING INCOME	2	**32,365**	29,520	61,037
Headline operating expenses		**(29,537)**	(26,945)	(54,107)
HEADLINE OPERATING PROFIT	2	**2,828**	2,575	6,930
Exceptional items	4	**-**	(634)	(873)
Acquisition adjustments	5	**(386)**	192	(108)
Start-up costs		**(212)**	(154)	(343)
OPERATING PROFIT		**2,230**	1,979	5,606
Share of results of associates		**(9)**	-	-
PROFIT BEFORE INTEREST AND TAXATION		**2,221**	1,979	5,606
Net finance costs	6	**(243)**	(242)	(469)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**1,978**	1,737	5,137
Taxation	7	**(518)**	(382)	(1,035)
PROFIT FOR THE PERIOD		**1,460**	1,355	4,102
Attributable to:				
Equity holders of the parent		**1,440**	1,323	4,011
Non-controlling interests		**20**	32	91
		1,460	1,355	4,102
Basic earnings per share (pence)	8	**1.74**	1.60	4.86
Diluted earnings per share (pence)	8	**1.68**	1.54	4.68
Headline basic earnings per share (pence)	8	**2.41**	2.11	6.14
Headline diluted earnings per share (pence)	8	**2.33**	2.03	5.91

Condensed Consolidated Statement of Comprehensive Income for the 6 months ended 30 June 2016

	6 months to 30 June 2016 Unaudited	6 months to 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
	£'000	£'000	£'000
PROFIT FOR THE PERIOD	**1,460**	1,355	4,102
Other comprehensive income – items that may be reclassified separately to profit or loss:			
Exchange differences on translation of foreign operations	**(2)**	4	21
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,458**	1,359	4,123
Attributable to:			
Equity holders of the parent	**1,435**	1,326	4,032
Non-controlling interests	**23**	33	91
	1,458	1,359	4,123

Condensed Consolidated Balance Sheet as at 30 June 2016

	Note	As at 30 June 2016 Unaudited	As at 30 June 2015 Unaudited	As at 31 December 2015 Audited
	Note	£'000	£'000	£'000
FIXED ASSETS				
Intangible assets	9	**81,956**	77,423	82,102
Property, plant and equipment		**4,384**	4,528	4,526
Interests in joint ventures		**7**	4	7
Investments in associates		**341**	-	350
Deferred tax assets		**45**	68	146
		86,733	82,023	87,131
CURRENT ASSETS				
Stock and work in progress		**482**	355	461
Trade and other receivables		**36,268**	30,844	31,347
Cash and short term deposits		**3,610**	2,524	1,784
		40,360	33,723	33,592
CURRENT LIABILITIES				
Trade and other payables		**(32,374)**	(27,432)	(24,865)
Corporation tax payable		**(580)**	(1,187)	(1,064)
Bank loans	10	**(1,750)**	(1,500)	(1,500)
Acquisition obligations	11	**(2,528)**	(2,095)	(3,203)
		(37,232)	(32,214)	(30,632)
NET CURRENT ASSETS		**3,128**	1,509	2,960
TOTAL ASSETS LESS CURRENT LIABILITIES		**89,861**	83,532	90,091
NON CURRENT LIABILITIES				
Bank loans	10	**(11,242)**	(8,931)	(11,210)
Other long term loans		**(76)**	-	-
Obligations under finance leases		**(257)**	(340)	(298)
Acquisition obligations	11	**(2,928)**	(2,400)	(4,954)
Deferred tax liabilities		**(264)**	(27)	(264)
		(14,767)	(11,698)	(16,726)
NET ASSETS		**75,094**	71,834	73,365
CAPITAL AND RESERVES				
Called up share capital		**8,412**	8,361	8,361
Share premium account		**42,431**	42,268	42,268
Own shares		**(548)**	(359)	(455)
Share option reserve		**412**	370	298
Foreign currency translation reserve		**46**	33	51
Retained earnings		**23,890**	20,791	22,414
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**74,643**	71,464	72,937
Non controlling interests		**451**	370	428
TOTAL EQUITY		**75,094**	71,834	73,365

Condensed Consolidated Cash Flow Statement for the 6 months ended 30 June 2016

	6 months to 30 June 2016 Unaudited	6 months to 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
	£'000	£'000	£'000
Operating profit	**2,230**	1,979	5,606
Depreciation and amortisation charges	**1,030**	985	2,122
Movements in the fair value of contingent consideration	**(15)**	(490)	(618)
(Profit) / loss on disposal of property, plant and equipment	**(12)**	2	6
Non cash charge for share options and shares awarded	**118**	106	37
Increase in receivables	**(4,746)**	(4,839)	(3,963)
(Increase) / decrease in stock and work in progress	**(21)**	6	(94)
Increase in payables	**7,334**	5,251	1,256
OPERATING CASH FLOW	**5,918**	3,000	4,352
Net finance costs	**(201)**	(498)	(711)
Tax paid	**(901)**	(155)	(1,233)
Net cash inflow from operating activities	**4,816**	2,347	2,408
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment	**77**	6	74
Purchase of property, plant and equipment	**(613)**	(449)	(1,295)
Acquisition of subsidiaries and joint ventures	**(325)**	(258)	(2,086)
Payment of obligations relating to acquisitions made in prior periods	**(2,382)**	(448)	(871)
Cash acquired with subsidiaries	**147**	253	1,431
Net cash outflow from investing activities	**(3,096)**	(896)	(2,747)
FINANCING ACTIVITIES			
Dividends paid	**-**	-	(948)
Movement in HP creditor and finance leases	**(46)**	(4)	(57)
Redraw / (repayment) of long term bank loans	**250**	(375)	1,875
Proceeds from other long term loans	**76**	-	-
Purchase of own shares held in EBT	**(172)**	(101)	(317)
Net cash inflow / (outflow) from financing activities	**108**	(480)	553
Increase in cash and cash equivalents	**1,828**	971	214
Exchange differences on translation of foreign subsidiaries	**(2)**	4	21
Cash and cash equivalents at beginning of period	**1,784**	1,549	1,549
Cash and cash equivalents at end of period	**3,610**	2,524	1,784

Condensed Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2016

	Share capital	Share premium	Own shares	Share option reserve	Foreign currency translation reserve	Retained earnings	Total attributable to equity holders of parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2015	**8,340**	**42,203**	**(260)**	**264**	**30**	**19,470**	**70,047**	**337**	**70,384**
Profit for the period	-	-	-	-	-	1,323	1,323	32	1,355
Exchange differences on translation of foreign operations	-	-	-	-	3	-	3	1	4
Total comprehensive income for the period	-	-	-	-	3	1,323	1,326	33	1,359
New shares issued	21	65	-	-	-	-	86	-	86
Credit for share option scheme	-	-	-	106	-	-	106	-	106
Own shares purchased by EBT	-	-	(101)	-	-	-	(101)	-	(101)
Shares awarded from own shares	-	-	2	-	-	(2)	-	-	-
At 30 June 2015	**8,361**	**42,268**	**(359)**	**370**	**33**	**20,791**	**71,464**	**370**	**71,834**
Profit for the period	-	-	-	-	-	2,688	2,688	59	2,747
Exchange differences on translation of foreign operations	-	-	-	-	18	-	18	(1)	17
Total comprehensive income for the period	-	-	-	-	18	2,688	2,706	58	2,764
Debit for share option scheme	-	-	-	(72)	-	-	(72)	-	(72)
Own shares purchased by EBT	-	-	(216)	-	-	-	(216)	-	(216)
Shares awarded from own shares	-	-	120	-	-	(117)	3	-	3
Dividend paid	-	-	-	-	-	(948)	(948)	-	(948)
At 31 December 2015	**8,361**	**42,268**	**(455)**	**298**	**51**	**22,414**	**72,937**	**428**	**73,365**
Profit for the period	-	-	-	-	-	1,440	1,440	20	1,460
Exchange differences on translation of foreign operations	-	-	-	-	(5)	-	(5)	3	(2)
Total comprehensive income for the period	-	-	-	-	(5)	1,440	1,435	23	1,458
New shares issued	51	163	-	-	-	-	214	-	214
Credit for share option scheme	-	-	-	114	-	-	114	-	114
Own shares purchased by EBT	-	-	(172)	-	-	-	(172)	-	(172)
Shares awarded from own shares	-	-	79	-	-	36	115	-	115
At 30 June 2016	**8,412**	**42,431**	**(548)**	**412**	**46**	**23,890**	**74,643**	**451**	**75,094**

Notes to the unaudited Interim Report for the 6 months ended 30 June 2016

1. Accounting Policies

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2016 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 2015 on pages 42-44. These are consistent with the accounting policies which the Group expects to adopt in its 2016 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 2016 and 30 June 2015 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 2015 have been extracted from the Group's Annual Report and Accounts 2015, 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 2015 have been filed with the Registrar of Companies.

In the Company's 2015 Annual Report and Accounts, start-up costs were excluded from the calculation of headline profits and, in presenting the results for the six months ended 30 June 2016, comparatives for the equivalent six month period in 2015 have been restated accordingly.

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.

2. Segmental Information

Business segmentation

For management purposes the Group had thirteen operating units during the period, each of which carries out a range of activities. These activities have been divided into four business and operating segments as defined by IFRS 8 which form the basis of the Group's primary reporting segments, namely: Branding, Advertising and Digital; Media; Public Relations; and Events and Learning.

	6 months to 30 June 2016 Unaudited	6 months to 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
	£'000	£'000	£'000
	Turnover		
Business segment			
Branding, Advertising & Digital	**40,096**	36,032	71,728
Media	**25,358**	23,570	45,732
Public Relations	**4,155**	3,830	7,640
Events and Learning	**4,553**	3,211	7,146
	74,162	66,643	132,246
	Operating Income		
Business segment			
Branding, Advertising & Digital	**25,394**	23,179	47,715
Media	**2,209**	1,996	4,210
Public Relations	**3,285**	3,179	6,347
Events and Learning	**1,477**	1,166	2,765
	32,365	29,520	61,037
	Headline Operating Profit		
Business segment			
Branding, Advertising & Digital	**2,878**	2,624	6,228
Media	**663**	442	1,245
Public Relations	**243**	460	768
Events and Learning	**104**	35	265
	3,888	3,561	8,506
Central costs	**(1,060)**	(986)	(1,576)
	2,828	2,575	6,930

Geographical segmentation

Whilst the Group continues to expand geographically, operating income from business based and executed outside the UK remains less than 10% of the total.

3. Reconciliation of Reported Profit to Headline Profit

	6 months to 30 June 2016 Unaudited		6 months to 30 June 2015 Unaudited		Year ended 31 December 2015 Audited	
	PBT	**PAT**	PBT	PAT	PBT	PAT
	£'000	**£'000**	£'000	£'000	£'000	£'000
Headline profit	**2,576**	**2,009**	2,333	1,774	6,461	5,157
Exceptional items (Note 4)	**-**	**-**	(634)	(495)	(873)	(694)
Acquisition-related items (Note 5)	**(386)**	**(383)**	192	199	(108)	(89)
Start-up costs	**(212)**	**(166)**	(154)	(123)	(343)	(272)
Reported profit	**1,978**	**1,460**	1,737	1,355	5,137	4,102

In order to provide a clearer understanding of underlying profitability, headline profits exclude exceptional items, acquisition-related costs and adjustments, 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.

Start-up costs in 2016 relate to the launch of Mongoose Sports & Entertainment and April Six's new ventures in Singapore and the USA. Start-up costs in 2015 related to the launch of Mongoose Sports & Entertainment.

4. Exceptional Items

	6 months to 30 June 2016 Unaudited	6 months to 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
	£'000	£'000	£'000
Restructuring costs	-	634	873

Exceptional items consist of revenue or costs that, either by their size or nature, require separate disclosure in order to give a fuller understanding of the Group's financial performance.

Exceptional costs in 2015 comprised amounts payable for loss of office and other costs incurred relating to the restructuring of certain operations in order to streamline activities and underpin the Board's growth expectations.

5. Acquisition Adjustments

	6 months to 30 June 2016 Unaudited	6 months to 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
	£'000	£'000	£'000
Movement in fair value of contingent consideration	**15**	490	618
Amortisation of other intangible assets recognised on acquisitions	**(340)**	(273)	(574)
Acquisition transaction costs expensed	**(61)**	(25)	(152)
	(386)	192	(108)

The movement in fair value of contingent consideration relates to a net downward revision in the estimate payable to vendors of businesses acquired in prior years. Acquisition transaction costs relate to the acquisitions made during the year.

6. Net Finance Costs

	6 months to 30 June 2016 Unaudited	6 months to 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
	£'000	£'000	£'000
Net interest on bank loans, overdrafts and deposits	**(203)**	(201)	(390)
Amortisation of bank debt arrangement fees	**(33)**	(36)	(65)
Interest on finance leases	**(7)**	(5)	(14)
Net finance costs	**(243)**	(242)	(469)

7. Taxation

The taxation charge for the period ended 30 June 2016 has been based on an estimated effective tax rate on headline profit on ordinary activities of 22% (30 June 2015: 24%).

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".

	6 months to 30 June 2016 Unaudited	6 months to 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
	£'000	£'000	£'000
Earnings			
Reported profit for the year	**1,460**	1,355	4,102
Attributable to:			
Equity holders of the parent	**1,440**	1,323	4,011
Non-controlling interests	**20**	32	91
	1,460	1,355	4,102
Headline earnings (Note 3)	**2,009**	1,774	5,157
Attributable to:			
Equity holders of the parent	**1,989**	1,742	5,066
Non-controlling interests	**20**	32	91
	2,009	1,774	5,157
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	**82,577,286**	82,513,656	82,479,427
Dilutive effect of securities:			
Employee share options	**2,928,569**	3,418,682	3,269,681
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**85,505,855**	85,932,338	85,749,108
Reported basis:			
Basic earnings per share (pence)	**1.74**	1.60	4.86
Diluted earnings per share (pence)	**1.68**	1.54	4.68
Headline basis:			
Basic earnings per share (pence)	**2.41**	2.11	6.14
Diluted earnings per share (pence)	**2.33**	2.03	5.91

Basic earnings per share includes shares to be issued subject only to time as if they had been issued at the beginning of the period.
A reconciliation of the profit after tax on a reported basis and the headline basis is given in Note 3.

9. Intangible Assets

	30 June 2016 Unaudited	30 June 2015 Unaudited	31 December 2015 Audited
	£'000	£'000	£'000
Goodwill	**79,527**	75,573	79,333
Other intangible assets	**2,429**	1,850	2,769
	81,956	77,423	82,102

Goodwill

	6 months to 30 June 2016 Unaudited	6 months to 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
	£'000	£'000	£'000
Cost			
At 1 January	**83,606**	79,326	79,326
Recognised on acquisition of subsidiaries	**197**	555	4,315
Adjustment to consideration	**(3)**	(35)	(35)
At 30 June / 31 December	**83,800**	79,846	83,606
Impairment adjustment			
At beginning and end of period	**4,273**	4,273	4,273
Net book value	**79,527**	75,573	79,333

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 2016.

Other Intangible Assets

	6 months to 30 June 2016 Unaudited	6 months to 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
	£'000	£'000	£'000
Cost			
At 1 January	**4,601**	3,381	3,381
Additions	**-**	-	1,220
At 30 June / 31 December	**4,601**	3,381	4,601
Amortisation and impairment			
At 1 January	**1,832**	1,258	1,258
Amortisation charge for the period	**340**	273	574
At 30 June / 31 December	**2,172**	1,531	1,832
Net book value	**2,429**	1,850	2,769

Other intangible assets consist of intellectual property rights, Client relationships and trade names.

10. Bank Loans and Net Debt

	30 June 2016 Unaudited	30 June 2015 Unaudited	31 December 2015 Audited
	£'000	£'000	£'000
Bank loan outstanding	**13,125**	10,625	12,875
Adjustment to amortised cost	**(133)**	(194)	(165)
Carrying value of loan outstanding	**12,992**	10,431	12,710
Less: Cash and short term deposits	**(3,610)**	(2,524)	(1,784)
Net bank debt	**9,382**	7,907	10,926
The borrowings are repayable as follows:			
Less than one year	**1,750**	1,500	1,500
In one to two years	**2,500**	1,750	2,250
In more than two but less than three years	**8,875**	2,500	2,500
In more than three but less than four years	**-**	4,875	6,625
	13,125	10,625	12,875
Adjustment to amortised cost	**(133)**	(194)	(165)
	12,992	10,431	12,710
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,750)**	(1,500)	(1,500)
Amount due for settlement after 12 months	**11,242**	8,931	11,210

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 2016			
Less than one year	2,528	-	2,528
Between one and two years	1,697	-	1,697
In more than two but less than three years	710	-	710
In more than three but less than four years	521	-	521
	5,456	**-**	**5,456**

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

	Cash	Shares	Total
	£'000	**£'000**	**£'000**
At 31 December 2015	7,856	301	8,157
New obligations created in the period	325	-	325
Obligations settled in the period	(2,707)	(304)	(3,011)
Change to manner of settlement – cash versus shares	(3)	3	-
Adjustments to estimates of obligations	(15)	-	(15)
At 30 June 2016	**5,456**	**-**	**5,456**

12. Contribution of Newly Acquired/Commenced Ventures to the Results of the Group

Generate Sponsorship Ltd was acquired on 1 April 2016 and contributed turnover of £0.2m, operating income of £0.2m and headline operating profit of less than £0.1m to the results of the Group for the six month period ended 30 June 2016.

13. Post Balance Sheet Events

There were no material post balance sheet events.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