the mission marketing group plc

interim report 2012

for the six months ended 30 June 2012

the mission(tm)

The Mission Marketing Group plc is a network of entrepreneurial communications Agencies spanning 14 offices, and uniting over 700 people, across the UK.

The Group enables each Agency, its people and its Clients, to access skills, tools and buying power in a collectively advantageous way, while freeing each Agency to express its unique personality.

Our Agencies have proven, long-term ability to help Clients win. They are driven by uncommonly talented people whose creative business thinking and specialist knowledge complement those of their colleagues around the Group. Between them, they have an impressive track record of delivering tangible results for Clients.

We are proud to work with some of the world's leading brands and the UK's biggest names.

Our mission is simple: to work together to make our Clients' brands and businesses more valuable; and fuelled by their success, to grow the mission(tm) into the nation's most respected and influential creative communications group.

The (tm) graphic symbolises the shared ambitions, values and goals that unite every Agency in the mission group.

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

Regarded as one of the UK's top creative Agencies delivering award-winning advertising, promotions and digital solutions for major brands and Clients.

A pioneer in integrated communications. As a top-20 Agency, Bray Leino is retained by major and developing brands and Corporates across the full spectrum of specialisms, from television to training.

A specialist full service communications Agency that also includes unrivalled expertise in international channel marketing programmes across the Automotive, Retail and allied sectors.

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

An award-winning creative and direct communications Agency working with leading consumer brands and services from its Edinburgh base.

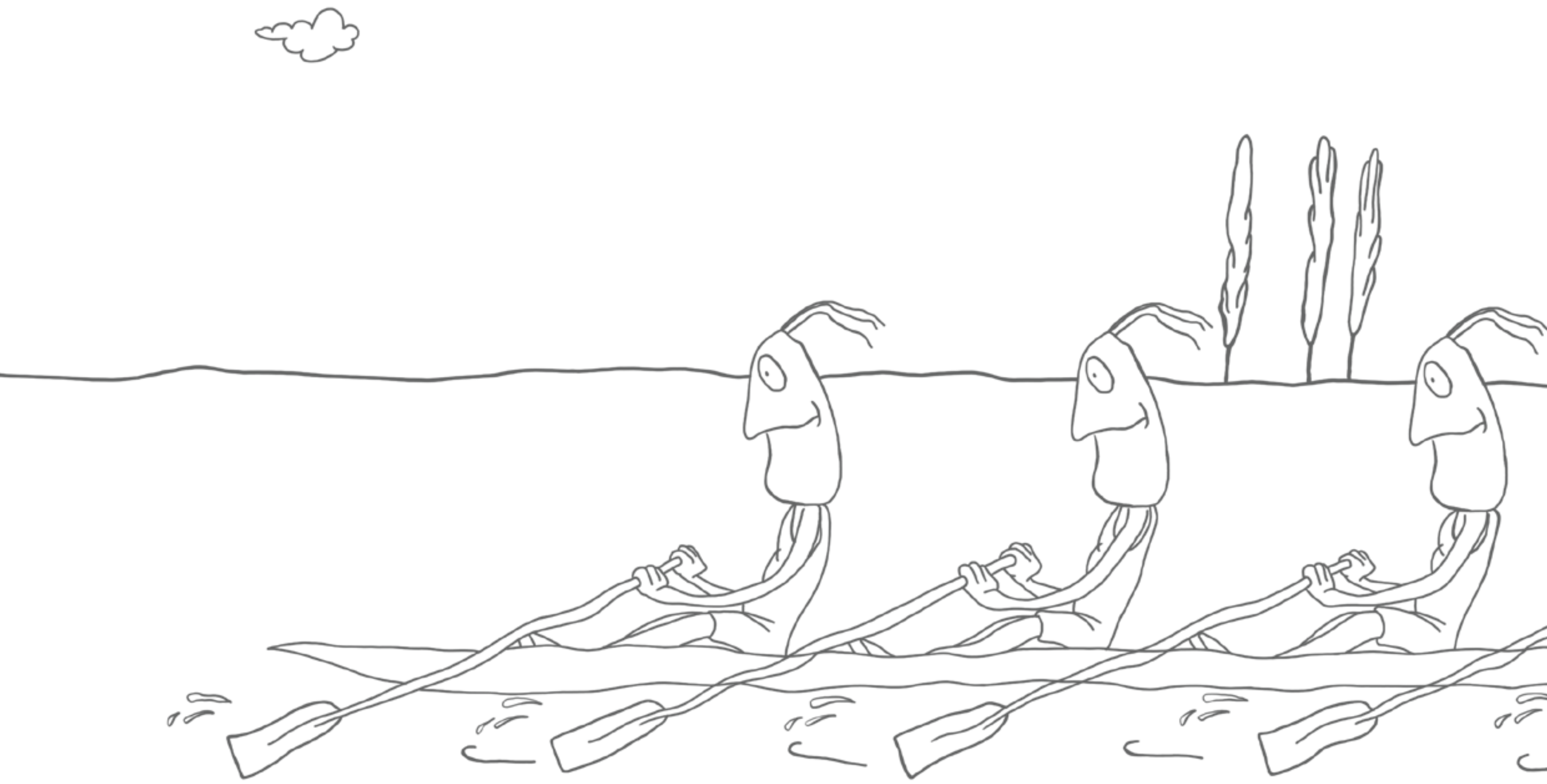
The leading property integrated marketing Agency in the UK, working with developers across all aspects of their sales support programmes from advertising to show homes. ThinkMedia is the largest buyer of Estate Agency media in the UK.

together, we are **the mission**(tm)

The Bigger Picture

There's a host of entrepreneurial, founder led Agencies all around the UK making a name for themselves in the market. We unite the very best of them, bringing strength in numbers.

To get the whole story, watch our short film at themission.co.uk



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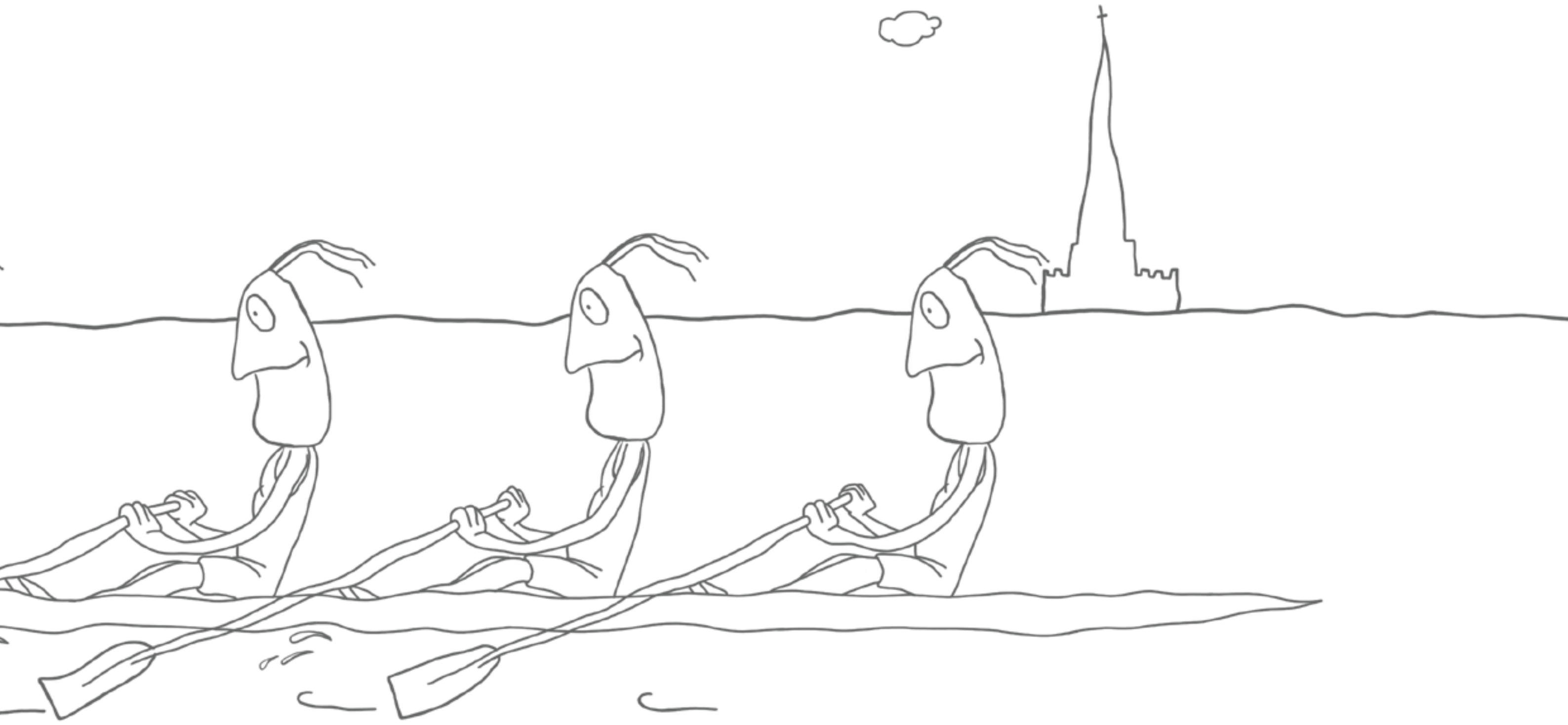

Highlights

Interim results for the six months to 30 June 2012

The Mission Marketing Group plc ("TMMG" or "**the mission**(tm)"), the UK marketing communications group, sets out its unaudited interim results for the six months ended 30 June 2012.

Trading

- Good new business wins in the period, including Aviva, RBS and Brantano
- Strong growth from existing Clients, including VMWare, Legal & General, Axa, M&S Money, BP, Berkeley Homes and Telford Homes
- Net annualised new business of £4.7m operating income won so far

Income statement

- Operating income (Revenue) up 14% to £22.5m (2011: £19.8m)
- Headline operating profit up 4% to £2.8m (2011: £2.7m)
- Net finance costs reduced by almost 30% to £0.6m (2011: £0.9m)
- Profit before tax up 27% to £2.1m (2011: £1.7m)
- Diluted EPS: 2.03 pence (2011: 1.60 pence)
- Results in line with the Board's expectations and again expected to have a second-half bias

Balance sheet and cash flow

- Cash inflow from operating activities of £4.0m (2011: £5.4m)
- Net bank debt reduced by £3.1m in the six months to £12.3m
- Gearing reduced from 26% at 31 December 2011 to 21%
- Debt leverage ratio reduced from x2.3 at 31 December 2011 to x1.8 at 30 June 2012

Chairman's Statement

The difficulties in the sector that have been experienced in recent years have shown no real signs of abating. The market remains discombobulated and somewhat challenging which is all the more reason for me to be truly in awe of the performance of our Agencies in the first half of this year.

Generally our Agencies have hit or exceeded their targets and that is undoubtedly due to their relentless commitment to quality and service in the desire to help their Clients become more successful and their brands more regarded. This passion to succeed, harnessed to our unique structure that ensures that the lead Agency is able to provide the full **mission**ⓣⓜ toolkit as and when required by their Clients, is central to our strategy. It enables our Agencies to provide the best advice locally and the surest delivery, whatever demands and opportunities dictate, thus providing our Clients with an unrivalled breadth of expertise and therefore a significant advantage.

So well done to everyone within the missionⓣⓜ**.**

So far in 2012 we have kept momentum behind our core strategy by increasing profitability, paying down debt and improving our structure. Key Client relationships have been strengthened and new business wins from the likes of RBS, Brantano and Aviva are paving the way for us to hit our full year numbers. These are great Companies for our business to be associated with and our people are committed to justifying the confidence that they have shown in us.

Trading results

Trading for the first half of 2012 was in line with management's expectations. Turnover ("billings") for the six month period was unchanged from the previous year, at £59.9m, reflecting the significance of the 2011 Census (our largest ever project) to last year's numbers. Excluding this, all activities across the Group reported year-on-year increases in billings.

Operating income ("revenue") increased 14% to £22.5m (2011: £19.8m), mainly the result of continued strong growth in ThinkBDW (our property-specialist Agency), and also the first contribution from Yucca, the e-commerce and digital marketing consultancy acquired by Bray Leino in October last year. The challenging UK environment, in which Clients continue to seek more for less, led to a reduction in operating margins to 12.3% (2011: 13.4%) but, despite this, operating profit increased to £2.8m, representing 4% growth over last year (2011: £2.7m).

The continued focus on working capital management and debt reduction resulted in a strong reduction in net finance charges, of almost 30%, to £0.6m (2011: £0.9m), after which headline profits before tax were 20% higher, at £2.1m (2011: £1.8m).

There were no exceptional items during the period but £0.1m of exceptional restructuring cost was incurred in 2011. After this cost, the year-on-year growth in operating profit was 8%, and in pre-tax profit was 27%.

After an estimated effective tax rate of 27% (2011: 28%), profits after tax increased by almost 30% to £1.5m (2011: £1.2m), and fully diluted headline EPS increased by almost 20% to 2.03 pence (2011: 1.70 pence).

Balance sheet, cash flow and dividend

The main change to our balance sheet since we last reported has been the change in profile of our debt obligations. Committed facilities which were due to expire next year have been extended to the end of 2015 and the annual repayment has been reduced from £4m to £2.3m. The Group currently has £15m of committed facilities and an additional overdraft facility of £2m. At the same time as the term of the facilities was extended, the significant progress made by the Group since its restructuring in April 2010 was recognised in a reduction in interest rates being charged on the facilities. These lower rates are expected to result in interest cost savings of around £0.2m over the next 12 months.

Chairman's Statement continued

Operating cash flows are traditionally stronger in the first half of the year than the second and, reflecting this, cash flow from operating activities in the six months was £4.0m (2011: £5.4m), leading to a reduction in net debt to £12.3m (2011: £13.8m) and a further reduction in our gearing ratio (net debt to equity) from 26% at 31 December 2011 to 21% at the end of the period. As predicted, our "leverage ratio" (ratio of net bank debt to pre-exceptional EBITDA) reduced below x2.0 for the first time since the Company's IPO in 2006, from x2.3 at 31 December 2011 to x1.8 at 30 June 2012.

As in prior years, due to the phasing of working capital requirements, an increase in net debt is predicted in the second half of the year. However, we anticipate our year-end leverage ratio to again be below x2.0.

Since the restructuring in April 2010, the Board has been focused on reducing the Group's debt leverage ratio and, accordingly, paying down debt and concentrating on organic growth have been the main priorities. Consequently, only small in-fill acquisitions have so far been made and no dividends have yet been paid. The Board will continue to regularly consider the most effective use for the cash generated by the business, however the strong reduction in debt leverage since 2010 provides greater flexibility and the Board anticipates being able to declare a dividend next year. In addition, the Board will continue to review opportunities to make both strategic and opportunistic acquisitions.

Current trading and outlook

We believe that we are heading in the right direction; our people are committed to delivering success that our Clients thrive on. Our structure and our collective strategy are giving us a distinct competitive edge and the early signs are that it is working for us. We therefore remain, barring undue gallifragging, optimistic for the future and the outturn for this year and beyond.

David Morgan
Chairman

Condensed Consolidated Statement of Comprehensive Income for the 6 months ended 30 June 2012

	Note	**6 months to 30 June 2012**	6 months to 30 June 2011	Year ended 31 December 2011
		Unaudited	Unaudited	Audited
	Note	**£'000**	£'000	£'000
TURNOVER	**2**	**59,878**	59,862	116,044
Cost of sales		**(37,370)**	(40,036)	(74,577)
OPERATING INCOME	**2**	**22,508**	19,826	41,467
Operating expenses before exceptional items		**(19,748)**	(17,162)	(35,619)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	**2**	**2,760**	2,664	5,848
Exceptional items	**4**	**-**	(100)	(100)
OPERATING PROFIT		**2,760**	2,564	5,748
Investment income	**5**	**1**	4	5
Finance costs	**5**	**(647)**	(908)	(1,641)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**2,114**	1,660	4,112
Taxation	**6**	**(571)**	(465)	(1,026)
PROFIT FOR THE PERIOD		**1,543**	1,195	3,086
Other comprehensive income		**-**	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,543**	1,195	3,086
Basic earnings per share (pence)	**7**	**2.17**	1.68	4.35
Diluted earnings per share (pence)	**7**	**2.03**	1.60	4.10
Headline basic earnings per share (pence)	**7**	**2.17**	1.79	4.45
Headline diluted earnings per share (pence)	**7**	**2.03**	1.70	4.20

Condensed Consolidated Balance Sheet as at 30 June 2012

	Note	As at 30 June 2012 Unaudited £'000	As at 30 June 2011 Unaudited £'000	As at 31 December 2011 Audited £'000
FIXED ASSETS				
Intangible assets	8	**68,544**	68,259	68,443
Property, plant and equipment		**2,941**	2,354	2,685
		71,485	70,613	71,128
CURRENT ASSETS				
Stock and work in progress		**1,007**	823	626
Trade and other receivables		**23,245**	20,784	20,844
Cash and short term deposits	9	**180**	3,522	315
		24,432	25,129	21,785
CURRENT LIABILITIES				
Trade and other payables		**(13,123)**	(12,427)	(10,378)
Accruals		**(9,742)**	(9,406)	(8,117)
Corporation tax payable		**(991)**	(587)	(820)
Bank loans	9	**(2,286)**	(4,000)	(4,000)
		(26,142)	(26,420)	(23,315)
NET CURRENT LIABILITIES		**(1,710)**	(1,291)	(1,530)
TOTAL ASSETS LESS CURRENT LIABILITIES		**69,775**	69,322	69,598
NON CURRENT LIABILITIES				
Bank loans	9	**(10,159)**	(13,310)	(11,641)
Obligations under finance leases		**(92)**	(71)	(40)
Deferred tax liabilities		**-**	-	(1)
NET ASSETS		**59,524**	55,941	57,916
CAPITAL AND RESERVES				
Called up share capital		**7,246**	7,246	7,246
Share premium account		**39,542**	39,542	39,542
Own shares		**(1,234)**	(1,259)	(1,234)
Staff remuneration reserve		**328**	179	263
Retained earnings		**13,642**	10,233	12,099
TOTAL EQUITY		**59,524**	55,941	57,916

Condensed Consolidated Cash Flow Statement for the 6 months ended 30 June 2012

	Note	6 months to 30 June 2012 Unaudited £'000	6 months to 30 June 2011 Unaudited £'000	Year ended 31 December 2011 Audited £'000
OPERATING CASH FLOW	**10**	**4,878**	6,827	7,193
Net finance costs		**(507)**	(1,229)	(1,566)
Tax paid		**(400)**	(234)	(496)
Net cash inflow from operating activities		**3,971**	5,364	5,131
INVESTING ACTIVITIES				
Proceeds on disposal of property, plant and equipment		**8**	31	69
Purchase of property, plant and equipment		**(715)**	(772)	(1,552)
Acquisition of intangibles		**(115)**	-	(190)
Net cash outflow from investing activities		**(822)**	(741)	(1,673)
FINANCING ACTIVITIES				
Movement in HP creditor and finance leases		**52**	(39)	(68)
Repayment of long term loans		**(3,336)**	(2,500)	(4,513)
Net cash outflow from financing activities		**(3,284)**	(2,539)	(4,581)
(Decrease)/increase in cash and cash equivalents		**(135)**	2,084	(1,123)
Cash and cash equivalents at beginning of period		**315**	1,438	1,438
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**180**	3,522	315

Condensed Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2012

	Share capital £'000	Share premium £'000	Own shares £'000	Staff remuneration reserve £'000	Retained earnings £'000	Total £'000
Changes in equity						
At 1 January 2011	**7,246**	**39,542**	**(1,259)**	**134**	**9,038**	**54,701**
Credit for share option scheme				45		45
Profit for the period					1,195	1,195
At 30 June 2011	**7,246**	**39,542**	**(1,259)**	**179**	**10,233**	**55,941**
Credit for share option scheme				84		84
Shares awarded to employees from own shares			25		(25)	(25)
Profit for the period					1,891	1,891
At 31 December 2011	**7,246**	**39,542**	**(1,234)**	**263**	**12,099**	**57,916**
Credit for share option scheme				65		65
Profit for the period					1,543	1,543
At 30 June 2012	**7,246**	**39,542**	**(1,234)**	**328**	**13,642**	**59,524**

1. Accounting Policies

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2012 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 2011 on pages 26-29. These are consistent with the accounting policies which the Group expects to adopt in its 2012 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 2012 and 30 June 2011 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 2011 have been extracted from the Group's Annual Report and Accounts 2011, 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 2011 have been filed with the Registrar of Companies.

Going concern

As well as continuing to generate sustained levels of profitability and strong cash conversion, the Group has committed bank facilities available to the end of 2015 and no material acquisition liabilities. The available banking facilities provide comfortable levels of headroom against the Group's projected cash flows and the Directors accordingly consider 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:

- Valuation of goodwill; and
- Revenue recognition policies in respect of contracts which straddle the period end.

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 six operating subsidiaries during the period: April-Six Limited, Big Communications Limited, Bray Leino Limited, RLA Group Limited, Story UK Limited and ThinkBDW Limited. These have been divided into four segments which form the basis of the Group's primary segmentation, namely: Branding, Advertising and Digital; Events and Learning; Media; and Public Relations.

	6 months to 30 June 2012	6 months to 30 June 2011	Year ended 31 December 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
		Turnover	
Business segment			
Branding, Advertising and Digital	**27,248**	24,850	50,150
Events and Learning	**5,428**	5,210	11,890
Media	**25,701**	28,595	51,335
Public Relations	**1,501**	1,207	2,669
	59,878	59,862	116,044
		Operating income	
Business segment			
Branding, Advertising and Digital	**17,074**	14,974	30,767
Events and Learning	**1,963**	1,749	4,045
Media	**2,202**	2,224	4,559
Public Relations	**1,269**	879	2,096
	22,508	19,826	41,467
		Operating profit before exceptional items	
Business segment			
Branding, Advertising and Digital	**2,648**	2,594	5,027
Events and Learning	**107**	67	302
Media	**521**	589	1,593
Public Relations	**49**	1	12
	3,325	3,251	6,934
Central costs	**(565)**	(587)	(1,086)
	2,760	2,664	5,848

Geographical segmentation

The Group's operations are all based in the UK and substantially all the Group's business is executed in the UK.

3. Reconciliation of Headline Profit to Reported Profit

	6 months to 30 June 2012	6 months to 30 June 2011	Year ended 31 December 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Headline profit before finance costs, income from investments and taxation	**2,760**	2,664	5,848
Net finance costs	**(646)**	(904)	(1,636)
Headline profit before taxation	**2,114**	1,760	4,212
Adjustments			
Exceptional items	**-**	(100)	(100)
Reported profit before taxation	**2,114**	1,660	4,112
Headline profit before tax	**2,114**	1,760	4,212
Headline taxation	**(571)**	(493)	(1,053)
Headline profit after taxation	**1,543**	1,267	3,159
Adjustments			
Exceptional items	**-**	(100)	(100)
Taxation impact	**-**	28	27
Reported profit after taxation	**1,543**	1,195	3,086

4. Exceptional Items

Exceptional items represent 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. There were no exceptional items in 2012; exceptional items in 2011 consisted of restructuring costs.

5. Investment Income and Finance Costs

	6 months to 30 June 2012	6 months to 30 June 2011	Year ended 31 December 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Investment income:			
Interest receivable	**1**	4	5
Finance costs:			
On bank loans and overdrafts	**(449)**	(669)	(1,182)
Amortisation of bank debt renegotiation fees	**(198)**	(239)	(459)
	(647)	(908)	(1,641)
Total net finance cost	**(646)**	(904)	(1,636)

Debt arrangement fees arising on the renegotiation, in 2010, and modification, in 2012, of credit facilities are being amortised over the life of the credit agreement.

6. Taxation

The taxation charge for the period ended 30 June 2012 has been based on an estimated effective tax rate on profit on ordinary activities prior to IFRS interest charges of 27% (30 June 2011: 28%).

7. 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 IAS33: "Earnings per Share".

	6 months to 30 June 2012	6 months to 30 June 2011	Year ended 31 December 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Earnings			
Earnings for the purpose of reported earnings per share being net profit attributable to equity holders of the parent	**1,543**	1,195	3,086
Earnings for the purposes of headline earnings per share (see note 3)	**1,543**	1,267	3,159
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share and reported diluted earnings per share	**70,960,653**	70,932,403	70,944,643
Dilutive effect of securities:			
Employee share options	**2,751,000**	1,476,000	2,007,832
Bank warrants	**2,333,434**	2,333,434	2,333,434
Weighted average number of ordinary shares for the purpose of headline diluted earnings per share	**76,045,087**	74,741,837	75,285,909
Reported basis:			
Basic earnings per share (pence)	**2.17**	1.68	4.35
Diluted earnings per share (pence)	**2.03**	1.60	4.10
Headline basis:			
Basic earnings per share (pence)	**2.17**	1.79	4.45
Diluted earnings per share (pence)	**2.03**	1.70	4.20

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.

Options issued are included in diluted earnings per share to the extent that the market price is above the exercise price in accordance with IAS33. Dilutive options are not incorporated into the reported diluted earnings per share calculation if the effect would be to lower the loss per share.

8. Intangible Assets

	30 June 2012 Unaudited £'000	30 June 2011 Unaudited £'000	31 December 2011 Audited £'000
Goodwill	**68,191**	68,191	68,191
Other intangible assets	**353**	68	252
	68,544	68,259	68,443

Goodwill

	£'000
At 1 January 2011, 30 June 2011, 31 December 2011 and 30 June 2012	**68,191**

Goodwill represents original cost of £72,186,000 less an impairment provision of £3,995,000 made in 2009.

In accordance with the Group's accounting policies, an annual impairment test is applied to the carrying value of goodwill and other intangible assets. The next impairment test will be undertaken at 31 December 2012.

Goodwill arose from the acquisition of the following subsidiary companies and is comprised of the following substantial components:

	30 June 2012 Unaudited £'000	30 June 2011 Unaudited £'000	31 December 2011 Audited £'000
April–Six Ltd	**9,411**	9,411	9,411
Big Communications Ltd	**8,125**	8,125	8,125
Bray Leino Ltd	**30,831**	30,831	30,831
RLA Group Ltd	**6,572**	6,572	6,572
Story UK Ltd	**6,969**	6,969	6,969
ThinkBDW Ltd	**6,283**	6,283	6,283
	68,191	68,191	68,191

Other Intangible Assets

Other intangible assets consist of intellectual property rights. The amortisation charge for the period ended 30 June 2012 was £14,000 (2011: £2,000).

9. Bank Loans and Net Debt

	30 June 2012	30 June 2011	31 December 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Bank loan outstanding	**13,000**	17,814	16,207
Accumulated interest	**-**	282	-
Adjustment to amortised cost	**(555)**	(786)	(566)
Carrying value of loan outstanding	**12,445**	17,310	15,641
Less: Cash and short term deposits	**(180)**	(3,522)	(315)
Net bank debt	**12,265**	13,788	15,326
The borrowings are repayable as follows:			
Less than one year	**2,286**	4,000	4,000
In one to two years	**2,286**	10,814	12,207
In more than two years but less than three years	**2,286**	3,000	-
In more than three years but less than four years	**6,142**	-	-
	13,000	17,814	16,207
Accumulated interest	**-**	282	-
Adjustment to amortised cost	**(555)**	(786)	(566)
	12,445	17,310	15,641
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(2,286)**	(4,000)	(4,000)
Amount due for settlement after 12 months	**10,159**	13,310	11,641

10. Reconciliation of Operating Income to Operating Cash Flow

	6 months to 30 June 2012	6 months to 30 June 2011	Year ended 31 December 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Operating profit	**2,760**	2,564	5,748
Depreciation charges	**468**	350	762
Loss on disposal of property, plant and equipment	**-**	11	16
Non cash charge for share options and shares awarded	**65**	45	129
(Increase)/decrease in receivables	**(2,400)**	1,525	1,401
Increase in stock and work in progress	**(381)**	(334)	(137)
Increase/(decrease) in payables	**4,366**	2,666	(726)
Operating cash flow	**4,878**	6,827	7,193

11. Post Balance Sheet Events

There were no material post balance sheet events.

12. Availability of the Interim Report

Copies of the Interim Report are available by writing to the Company Secretary at the Company's Head Office at 8/9 Carlisle Street, London, W1D 3BP and on the Group's website, www.themission.co.uk

Registered Office:	2nd Floor 8/9 Carlisle Street London W1D 3BP
Company Secretary:	Peter Fitzwilliam The Mission Marketing Group plc 2nd Floor 8/9 Carlisle Street London W1D 3BP
Nominated Advisor and Broker:	finnCap Limited 60 New Broad Street London EC2M 1JJ
Auditors:	Francis Clark LLP Sigma House Oak View Close Edginswell Park Torquay Devon TQ2 7FF
Bankers:	The Royal Bank of Scotland plc Corporate Banking 9th Floor 280 Bishopsgate London EC2M 4RB
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Company Registration Number:	05733632
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