

interim report for the six months ended 30 June 2015

2015

the mission<sup>tm</sup>  
own ideas





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# the mission<sup>tm</sup> own ideas

**The Mission Marketing Group plc (the mission<sup>tm</sup>) is a network of entrepreneurial marketing communications Agencies employing over 850 people in the UK, Asia and San Francisco.**

Built from a broad mix of specialist and full service offerings, the Group provides national and international Clients with award-winning marketing, advertising and business communications.

And we have our own ideas on how such a Group should be run.

We are not about imposing doctrine on our Agencies nor are we about making them conform to Group policies. We are about encouraging collaboration, empowering people and allowing our Agencies to flourish in a way that is best for them, their culture, their people and, above all, their Clients.

Unlike other Groups, our Board is comprised of the entrepreneurs who run our Agencies. Talented people with a passion to make our Clients famous and successful. Whatever the discipline.

Each Agency retains its own unique personality and reputation, whilst at the same time benefiting from the skills, tools and resources available from being part of a larger Group.

**We are united by a single purpose – to work together to make our Clients' businesses more valuable and, fuelled by their success, to grow into the nation's most respected and influential creative communications group.**

**Quite simply, that's the mission<sup>tm</sup>**

# the mission<sup>tm</sup>



The <sup>tm</sup> graphic symbolises the shared ambitions, values and goals that unite every Agency in **the mission<sup>tm</sup>** Group.

**aprilsix<sup>tm</sup>**

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

**bigdog<sup>sm</sup>**

A full-service, integrated Agency creating ideas borne from insight across all channels with a focus on brand payback.

**bray leino<sup>sm</sup>**

A pioneer of integrated brand-building, a top 20 Agency working with Clients through every channel and across the business spectrum and, in 2014, again the No.1 B2B Agency in the UK. Bray Leino now includes its newly-integrated Brandon Hill and Yucca businesses.

**mongoose<sup>sm</sup>**

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

**PROOF<sup>sm</sup>**

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

**RLA<sup>sm</sup>**

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

**Robson Brown<sup>sm</sup>**

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

**SOLARIS<sup>sm</sup>**

A specialist full-service medical communications Agency delivering bespoke strategic, scientific and creative solutions to UK, European and global Clients.

**speed<sup>sm</sup>**

An ambitious, creative and commercially driven PR Agency specialising in business and brand transformation. Client portfolio includes both consumer and B2B, with expertise in sport, technology, media, health and wellbeing, food and drink, financial and business services.

**Splash Interactive<sup>sm</sup>**

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'<sup>sm</sup>**

An award-winning integrated Agency working with leading consumer brands and services from its Edinburgh base. Story's business now includes its recently acquired specialist digital Agency, The Weather.

**thinkbdw<sup>sm</sup>**

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<sup>tm</sup>**

## Highlights

### Interim results for the six months to 30 June 2015

The Mission Marketing Group plc ("TMMG" or "the mission<sup>tm</sup>"), the marketing communications and advertising group, sets out its interim results for the six months ended 30 June 2015.

### Trading

- Continued growth, both organic and from acquisitions
- Some great new Client wins in the period, including Ask, Autoline, BMW, Brewin Dolphin, British Airways, Diageo, Muller Wiseman, RAC, Sage, SAS and Siemens
- Full year again expected to have a strong second-half bias – trading remains in line
- Continue to seek suitable acquisitions

### Income statement

- Operating income (Revenue) up 12% to £29.5m (2014: £26.3m)
- Headline operating profit up 15% to £2.4m (2014: £2.1m)
- Headline profit before tax up 20% to £2.2m (2014: £1.8m)
- Headline Diluted EPS up 12% to 1.88 pence (2014: 1.68 pence)

### Balance sheet and cash flow

- Net bank debt reduced by £1.5m in the six months to £7.9m
- Bank debt leverage ratio maintained below x1.25
- Total debt leverage ratio below x1.5

### Dividend

- Significant increase in interim dividend to 0.3p (2014: 0.25p)
- Payable on 4 December 2015 to shareholders on the register at 6 November 2015

## Chairman's Statement

Profits up, debt down and expectations high.

I'm delighted to report that, in the ever changing and challenging sector that we live in, our Agencies have continued to push forward in the first half of this year with growth from new initiatives as well as improvements within our core offerings.

We have seen growth in both our reach and our expertise particularly within digital and data development areas whilst at the same time created new initiatives such as Ethology which sees a harnessing of data with insights and direction in a rather clever way that delivers great responses from consumers. Digital has always been at the heart of what our Agencies do but the pace at which they are exploring and creating new and meaningful techniques is quite astonishing.

But that's not all. Nearly all of our Agencies continue to punch above their weight with new business wins across the board from Ask, Autoline, BMW, Brewin Dolphin, British Airways, Diageo, Muller Wiseman, RAC, Sage, SAS, Siemens and many, many more. We continue to upgrade our talent, expertise and facilities, one example being the recent opening of our new facility for our hugely talented Agency, Story in Edinburgh.

In December last year we launched Speed PR which has gone very well and this year we have bedded in Splash in Asia, acquired late last year, as well as other smaller but perfectly formed Agencies that we absorbed into Story, Bray Leino and April Six. The April Six opening in San Francisco continues to thrive as does our recent merger to create the bigdog Agency with offices now in Leicester, Birmingham, Norwich and London.

Alongside this activity we recently launched Mongoose Sports Marketing by hiring a very talented team from within the Sports Marketing world. Early days, but suffice to say that we are very excited by this initiative. Mongoose is our latest example of how we are striving to build the Group in a way that is seamless and provides our Clients with a breadth of capabilities so that their budgets go further and are utilised wider. Some recent wins at Mongoose are already suggesting that their refreshing approach to Sports Marketing has clear resonance with Corporates, Brands and Events.

Following the announcement that Stephen Boyd will be stepping down from the Board at the end of the year, we are delighted to announce the appointment of Julian Hanson-Smith as a Non-Executive Director with effect from 1 October 2015. Julian was instrumental in setting up the hugely successful financial PR firm Financial Dynamics before pursuing a career in Private Equity so he is highly experienced in our sector.

It may be a cliché but I am a firm believer that to fail to plan is to plan to fail. That is why we have been focusing on our long term strategy and I am confident that we know where we are going and as such we have plotted our future course. We are beginning to see the fruits of this quite meticulous planning and I do feel that our course is now well set to take us into 2016 and beyond.

And no, whilst it's going well for us just now we won't become ultracrepidarian nor are we ready for saturnalia but we do see the Group continue to expand and deliver against our own expectations. We will continue to acquire with consanguinity and expect to make a couple of rather exciting announcements later this year.

Our mission remains simple: to be seen to be the most respected and regarded Agency Group that delivers success and value to its Clients wherever they require us to. At the same time we will continue to manage our business in a risk-averse way as we have done since we restructured five years ago. Our debt continues to reduce and our profitability continues to increase and that's just how we like it.

### Trading results

Turnover ("billings") for the six months ended 30 June 2015 increased by 6% to £66.6m (2014: £62.8m). Billings include pass-through costs (eg 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.

We are pleased to report a strong increase (of 12%) in operating income ("revenue") to £29.5m (2014: £26.3m), aided by the acquisitions made in the second half of 2014.

The Directors measure the Group's profit performance by reference to headline profits, calculated before exceptional items and acquisition adjustments (as set out in Note 3). Accordingly, we are really pleased to report a 15% increase in headline operating profits, to £2.4m (2014: £2.1m).

## Chairman's Statement (cont.)

Profit margins in the first half (headline operating profit as a percentage of revenue) remained at 8% as improved margins in the Group's PR, Media and Events and Learning activities, partly driven by the restructuring undertaken at the start of the year, offset the higher initial running costs of our overseas businesses and the start-up costs of our new Sports Marketing business. Generally speaking, 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 2015.

Adjustments to reported profits in 2015 comprise the previously reported restructuring costs of £0.6m, treated as exceptional items (2014: £nil), offset by acquisition-related items of £0.2m (the net of adjustments in estimated contingent acquisition consideration and the amortisation of intangibles) (2014: £0.4m). After these adjustments, reported operating profits were £2.0m (2014: £2.5m).

After financing costs of £0.2m (2014: £0.3m), headline profit before tax increased by 20%, to £2.2m (2014: £1.8m), and reported profit before tax was £1.7m (2014: £2.2m).

The Group estimates an effective tax rate of 22% (2014: 24%), resulting in profits after tax of £1.4m for the six months (2014: £1.7m), and an increase of 12% in fully diluted headline EPS to 1.88 pence (2014: 1.68 pence).

### Balance sheet, cash flow and dividend

Operating cash flows are traditionally stronger in the first half of the year than the second but the start of 2015 didn't see quite the same sizeable working capital inflow as in prior years. Even so, inflows from operating activities were £2.3m (2014: £5.2m), leading to a £1.5m reduction in net debt to £7.9m at 30 June (30 June 2014: £7.3m). Our "leverage ratio" (ratio of net bank debt to adjusted EBITDA) stayed well below x1.25 and our new performance measure, "total leverage" (ratio of total debt, including both bank debt and deferred contingent acquisition consideration), fell to below x1.5.

Further to the announcement of 16 April, the Employee Benefit Trust continues to make periodic share purchases when appropriate and currently holds 1,119,663 ordinary shares.

At 30 June 2015, the Group had £14.6m of committed facilities, of which £4m was undrawn, and an additional overdraft facility of £3m. 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.

Having held the interim dividend unchanged for two years, at 0.25p, the Directors have declared an increased interim dividend of 0.3p in 2015, payable on 4 December 2015 to shareholders on the register at 6 November 2015. Accordingly the ex-dividend date is 5 November 2015.

### Current trading and outlook

We had a very solid start to the year and continue to drive organic growth across our Agencies whilst adding to our offering with suitable acquisitions. We expect more of the same in the second half and the Board remains confident of meeting expectations for the year.

David Morgan  
Chairman



## Condensed Consolidated Income Statement for the 6 months ended 30 June 2015

		6 months to 30 June 2015 Unaudited	6 months to 30 June 2014 Unaudited	Year ended 31 December 2014 Audited
	Note	£'000	£'000	£'000
<b>TURNOVER</b>	<b>2</b>	<b>66,643</b>	62,826	125,547
Cost of sales		<b>(37,123)</b>	(36,536)	(70,575)
<b>OPERATING INCOME</b>	<b>2</b>	<b>29,520</b>	26,290	54,972
Headline operating expenses		<b>(27,099)</b>	(24,191)	(48,895)
<b>HEADLINE OPERATING PROFIT</b>	<b>2</b>	<b>2,421</b>	2,099	6,077
Exceptional items	<b>4</b>	<b>(634)</b>	-	-
Acquisition adjustments	<b>5</b>	<b>192</b>	417	14
<b>OPERATING PROFIT</b>		<b>1,979</b>	2,516	6,091
Net finance costs	<b>6</b>	<b>(242)</b>	(289)	(670)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,737</b>	2,227	5,421
Taxation	<b>7</b>	<b>(382)</b>	(534)	(1,179)
<b>PROFIT FOR THE PERIOD</b>		<b>1,355</b>	1,693	4,242
<b>Attributable to:</b>				
Equity holders of the parent		<b>1,323</b>	1,693	4,197
Non-controlling interests		<b>32</b>	-	45
		<b>1,355</b>	1,693	4,242
<b>Basic earnings per share (pence)</b>	<b>8</b>	<b>1.60</b>	2.24	5.43
<b>Diluted earnings per share (pence)</b>	<b>8</b>	<b>1.54</b>	2.06	5.06
<b>Headline basic earnings per share (pence)</b>	<b>8</b>	<b>1.96</b>	1.82	5.50
<b>Headline diluted earnings per share (pence)</b>	<b>8</b>	<b>1.88</b>	1.68	5.13

## Condensed Consolidated Statement of Comprehensive Income for the 6 months ended 30 June 2015

<b>PROFIT FOR THE PERIOD</b>		<b>1,355</b>	1,693	4,242
Other comprehensive income – items that may be reclassified separately to profit or loss:				
Exchange differences on translation of foreign operations		<b>4</b>	-	42
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,359</b>	1,693	4,284
<b>Attributable to:</b>				
Equity holders of the parent		<b>1,326</b>	1,693	4,227
Non-controlling interests		<b>33</b>	-	57
		<b>1,359</b>	1,693	4,284

Condensed Consolidated Balance Sheet as at 30 June 2015

		As at 30 June 2015 Unaudited	As at 30 June 2014 Unaudited	As at 31 December 2014 Audited
	Note	£'000	£'000	£'000
<b>FIXED ASSETS</b>				
Intangible assets	9	77,423	72,097	77,176
Property, plant and equipment		4,528	4,147	4,366
Interests in joint ventures		4	-	-
Deferred tax assets		68	-	60
		<b>82,023</b>	<b>76,244</b>	<b>81,602</b>
<b>CURRENT ASSETS</b>				
Stock and work in progress		355	487	361
Trade and other receivables		30,844	26,855	25,859
Cash and short term deposits	10	2,524	2,072	1,549
		<b>33,723</b>	<b>29,414</b>	<b>27,769</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		(16,272)	(15,054)	(12,985)
Accruals		(11,160)	(12,157)	(8,958)
Corporation tax payable		(1,187)	(904)	(895)
Bank loans	10	(1,500)	(2,286)	(11,000)
Acquisition obligations	11	(2,095)	(482)	(1,219)
		<b>(32,214)</b>	<b>(30,883)</b>	<b>(35,057)</b>
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		<b>1,509</b>	<b>(1,469)</b>	<b>(7,288)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>83,532</b>	<b>74,775</b>	<b>74,314</b>
<b>NON CURRENT LIABILITIES</b>				
Bank loans	10	(8,931)	(7,084)	-
Obligations under finance leases		(340)	-	(11)
Acquisition obligations	11	(2,400)	(1,098)	(3,893)
Deferred tax liabilities		(27)	-	(26)
<b>NET ASSETS</b>		<b>71,834</b>	<b>66,593</b>	<b>70,384</b>
<b>CAPITAL AND RESERVES</b>				
Called up share capital		8,361	7,699	8,340
Share premium account		42,268	40,288	42,203
Own shares		(359)	(355)	(260)
Share option reserve		370	717	264
Foreign currency translation reserve		33	-	30
Retained earnings		20,791	18,244	19,470
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>71,464</b>	<b>66,593</b>	<b>70,047</b>
Non controlling interests		370	-	337
<b>TOTAL EQUITY</b>		<b>71,834</b>	<b>66,593</b>	<b>70,384</b>

## Condensed Consolidated Cash Flow Statement for the 6 months ended 30 June 2015

	6 months to 30 June 2015 Unaudited	6 months to 30 June 2014 Unaudited	Year ended 31 December 2014 Audited
	£'000	£'000	£'000
Operating profit	1,979	2,516	6,091
Depreciation and amortisation charges	985	762	1,815
Movements in the fair value of contingent consideration	(490)	(603)	(701)
Loss / (profit) on disposal of property, plant and equipment	2	(3)	2
Non cash charge for share options and shares awarded	106	103	45
Increase in receivables	(4,839)	(6,104)	(2,916)
Decrease / (increase) in stock and work in progress	6	(122)	16
Increase in payables	5,251	9,154	1,825
<b>OPERATING CASH FLOW</b>	<b>3,000</b>	<b>5,703</b>	<b>6,177</b>
Net finance costs	(498)	(216)	(314)
Tax paid	(155)	(256)	(892)
<b>Net cash inflow from operating activities</b>	<b>2,347</b>	<b>5,231</b>	<b>4,971</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds on disposal of property, plant and equipment	6	3	44
Purchase of property, plant and equipment	(449)	(1,265)	(2,186)
Acquisition of subsidiaries and joint ventures	(258)	-	(2,062)
Payment of obligations relating to acquisitions made in prior periods	(448)	(381)	(815)
Cash acquired with subsidiaries	253	-	1,001
<b>Net cash outflow from investing activities</b>	<b>(896)</b>	<b>(1,643)</b>	<b>(4,018)</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid	-	-	(771)
Movement in HP creditor and finance leases	(4)	(35)	(73)
Repayment of long term banks loans	(375)	(2,000)	(571)
Proceeds on issue of ordinary share capital	-	-	2,257
Cash settlement of equity warrants	-	-	(675)
Purchase of own shares held in EBT	(101)	(52)	(184)
<b>Net cash outflow from financing activities</b>	<b>(480)</b>	<b>(2,087)</b>	<b>(17)</b>
<b>Increase in cash and cash equivalents</b>	<b>971</b>	<b>1,501</b>	<b>936</b>
Exchange differences on translation of foreign subsidiaries	4	-	42
<b>Cash and cash equivalents at beginning of period</b>	<b>1,549</b>	<b>571</b>	<b>571</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,524</b>	<b>2,072</b>	<b>1,549</b>

## Condensed Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2015

	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
<b>At 1 January 2014</b>	<b>7,699</b>	<b>40,288</b>	<b>(462)</b>	<b>614</b>	-	<b>16,710</b>	<b>64,849</b>	-	<b>64,849</b>
Total comprehensive income for the period	-	-	-	-	-	1,693	1,693	-	1,693
Credit for share option scheme	-	-	-	103	-	-	103	-	103
Own shares purchased by EBT	-	-	(52)	-	-	-	(52)	-	(52)
Shares awarded from own shares	-	-	159	-	-	(159)	-	-	-
<b>At 30 June 2014</b>	<b>7,699</b>	<b>40,288</b>	<b>(355)</b>	<b>717</b>	-	<b>18,244</b>	<b>66,593</b>	-	<b>66,593</b>
Profit for the period	-	-	-	-	-	2,504	2,504	45	2,549
Exchange differences on translation of foreign operations	-	-	-	-	30	-	30	12	42
Total comprehensive income for the period	-	-	-	-	30	2,504	2,534	57	2,591
Non-controlling interest of new acquisitions	-	-	-	-	-	-	-	280	280
New shares issued	641	1,915	-	-	-	-	2,556	-	2,556
Debit for share option scheme	-	-	-	(58)	-	-	(58)	-	(58)
Own shares purchased by EBT	-	-	(132)	-	-	-	(132)	-	(132)
Shares awarded from own shares	-	-	227	-	-	(227)	-	-	-
Settlement of warrants	-	-	-	-	-	(675)	(675)	-	(675)
Transfer from share option reserve to retained earnings	-	-	-	(395)	-	395	-	-	-
Dividend paid	-	-	-	-	-	(771)	(771)	-	(771)
<b>At 31 December 2014</b>	<b>8,340</b>	<b>42,203</b>	<b>(260)</b>	<b>264</b>	<b>30</b>	<b>19,470</b>	<b>70,047</b>	<b>337</b>	<b>70,384</b>
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)	-	-	-
<b>At 30 June 2015</b>	<b>8,361</b>	<b>42,268</b>	<b>(359)</b>	<b>370</b>	<b>33</b>	<b>20,791</b>	<b>71,464</b>	<b>370</b>	<b>71,834</b>

## Notes to the unaudited Interim Report for the 6 months ended 30 June 2015

### 1. Accounting Policies

#### Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2015 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 2014 on pages 40-42. These are consistent with the accounting policies which the Group expects to adopt in its 2015 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 2015 and 30 June 2014 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 2014 have been extracted from the Group's Annual Report and Accounts 2014, 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 2014 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 and other intangible assets;
- 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 twelve 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 2015 Unaudited	6 months to 30 June 2014 Unaudited	Year ended 31 December 2014 Audited
	£'000	£'000	£'000
<b>Turnover</b>			
<b>Business segment</b>			
Branding, Advertising & Digital	36,032	33,861	68,786
Media	23,570	22,893	44,393
Public Relations	3,830	1,902	5,130
Events and Learning	3,211	4,170	7,238
	<b>66,643</b>	<b>62,826</b>	<b>125,547</b>
<b>Operating Income</b>			
<b>Business segment</b>			
Branding, Advertising & Digital	23,179	21,425	44,036
Media	1,996	1,839	4,036
Public Relations	3,179	1,564	4,131
Events and Learning	1,166	1,462	2,769
	<b>29,520</b>	<b>26,290</b>	<b>54,972</b>
<b>Headline Operating Profit</b>			
<b>Business segment</b>			
Branding, Advertising & Digital	2,470	2,477	6,014
Media	442	342	949
Public Relations	460	100	632
Events and Learning	35	25	89
	<b>3,407</b>	<b>2,944</b>	<b>7,684</b>
Central costs	(986)	(845)	(1,607)
	<b>2,421</b>	<b>2,099</b>	<b>6,077</b>

### Geographical segmentation

With the acquisition of Splash Interactive Pte. Ltd, trading in five territories in Asia, and the growth in April Six's San Francisco operations, the Group's activities outside the UK are broadening, but substantially all the Group's business remains based and executed in the UK, with less than 10% attributed to territories outside of the UK.

### 3. Reconciliation of Reported Profit to Headline Profit

	6 months to 30 June 2015 Unaudited		6 months to 30 June 2014 Unaudited		Year ended 31 December 2014 Audited	
	PBT £'000	PAT £'000	PBT £'000	PAT £'000	PBT £'000	PAT £'000
<b>Headline profit</b>	<b>2,179</b>	<b>1,650</b>	1,810	1,376	5,533	4,301
Exceptional items (Note 4)	<b>(634)</b>	<b>(495)</b>	-	-	(126)	(98)
Acquisition-related items (Note 5)	<b>192</b>	<b>200</b>	417	317	14	39
Reported profit	<b>1,737</b>	<b>1,355</b>	2,227	1,693	5,421	4,242

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

### 4. Exceptional Items

	6 months to 30 June 2015 Unaudited		6 months to 30 June 2014 Unaudited		Year ended 31 December 2014 Audited	
	£'000		£'000		£'000	
Restructuring costs	<b>634</b>		-		-	
<b>Exceptional items affecting reported operating profit</b>	<b>634</b>		-		-	
Accelerated amortisation of debt arrangement fees	-		-		126	
<b>Exceptional items affecting reported profit before tax</b>	<b>634</b>		-		126	

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 comprise 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. In 2014 the exceptional item related to the accelerated write off of arrangement fees attached to banking facilities which were replaced by the signing of new banking facilities.

## 5. Acquisition Adjustments

	6 months to 30 June 2015 Unaudited	6 months to 30 June 2014 Unaudited	Year ended 31 December 2014 Audited
	£'000	£'000	£'000
Movement in fair value of contingent consideration	490	603	701
Amortisation of Other Intangible Assets recognised on acquisitions	(273)	(165)	(436)
Acquisition transaction costs expensed	(25)	(21)	(251)
	<b>192</b>	<b>417</b>	<b>14</b>

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 2015 Unaudited	6 months to 30 June 2014 Unaudited	Year ended 31 December 2014 Audited
	£'000	£'000	£'000
Net interest on bank loans, overdrafts and deposits	(206)	(206)	(385)
Amortisation of bank debt arrangement fees	(36)	(83)	(159)
<b>Headline net finance costs</b>	<b>(242)</b>	<b>(289)</b>	<b>(544)</b>
Accelerated amortisation of bank debt arrangement fees (Note 4)	-	-	(126)
<b>Net finance costs</b>	<b>(242)</b>	<b>(289)</b>	<b>(670)</b>

## 7. Taxation

The taxation charge for the period ended 30 June 2015 has been based on an estimated effective tax rate on profit on ordinary activities of 22% (30 June 2014: 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 2015 Unaudited	6 months to 30 June 2014 Unaudited	Year ended 31 December 2014 Audited
	£'000	£'000	£'000
<b>Earnings</b>			
<b>Reported profit for the year</b>	<b>1,355</b>	1,693	4,242
Attributable to:			
Equity holders of the parent	<b>1,323</b>	1,693	4,197
Non-controlling interests	<b>32</b>	-	45
	<b>1,355</b>	1,693	4,242
<b>Headline earnings (Note 3)</b>			
	<b>1,650</b>	1,376	4,301
Attributable to:			
Equity holders of the parent	<b>1,618</b>	1,376	4,256
Non-controlling interests	<b>32</b>	-	45
	<b>1,650</b>	1,376	4,301
<b>Number of shares</b>			
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>82,513,656</b>	75,746,251	77,333,357
Dilutive effect of securities:			
Employee share options	<b>3,418,682</b>	3,885,718	3,711,804
Bank warrants	-	2,513,185	1,927,758
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>85,932,338</b>	82,145,154	82,972,919
<b>Reported basis:</b>			
Basic earnings per share (pence)	<b>1.60</b>	2.24	5.43
Diluted earnings per share (pence)	<b>1.54</b>	2.06	5.06
<b>Headline basis:</b>			
Basic earnings per share (pence)	<b>1.96</b>	1.82	5.50
Diluted earnings per share (pence)	<b>1.88</b>	1.68	5.13

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 2015 Unaudited	30 June 2014 Unaudited	31 December 2014 Audited
	£'000	£'000	£'000
Goodwill	75,573	71,005	75,053
Other intangible assets	1,850	1,092	2,123
	<b>77,423</b>	<b>72,097</b>	<b>77,176</b>

### Goodwill

	30 June 2015 Unaudited	30 June 2014 Unaudited	31 December 2014 Audited
	£'000	£'000	£'000
<b>Cost</b>			
<b>At 1 January</b>	<b>79,326</b>	75,278	75,278
Recognised on acquisition of subsidiaries	555	-	4,048
Adjustment to consideration	(35)	-	-
<b>At 30 June / 31 December</b>	<b>79,846</b>	<b>75,278</b>	<b>79,326</b>
<b>Impairment adjustment</b>			
<b>At 1 January</b>	<b>4,273</b>	4,273	4,273
Impairment during period	-	-	-
<b>At 30 June / 31 December</b>	<b>4,273</b>	<b>4,273</b>	<b>4,273</b>
<b>Net book value</b>	<b>75,573</b>	<b>71,005</b>	<b>75,053</b>

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

	30 June 2015 Unaudited	30 June 2014 Unaudited	31 December 2014 Audited
	£'000	£'000	£'000
April Six Ltd	9,411	9,411	9,411
Big Communications Ltd*	-	8,125	8,125
Big Dog Agency Ltd*	9,639	-	-
Bray Leino Ltd	27,761	30,846	27,761
Fox Murphy Ltd (trading as balloon dog)*	-	1,514	1,514
Proof Communications Ltd	576	-	576
Speed Communications Agency Ltd	3,686	-	3,686
RLA Group Ltd	6,572	6,572	6,572
Solaris Healthcare Network Ltd	1,058	1,058	1,058
Splash Interactive Pte. Ltd	2,356	-	2,391
Story UK Ltd	6,969	6,969	6,969
The Weather Digital and Print Communications Ltd	555	-	-
ThinkBDW Ltd	6,283	6,283	6,283
Other smaller acquisitions	707	227	707
	<b>75,573</b>	<b>71,005</b>	<b>75,053</b>

\*In 2015, Fox Murphy Ltd was renamed Big Dog Agency Ltd and the business of Big Communications Ltd was transferred across into this entity. The goodwill of both Fox Murphy Ltd and Big Communications Ltd has therefore been combined in Big Dog Agency Ltd.

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 2015.

## Other intangible assets

	6 months to 30 June 2015 Unaudited	6 months to 30 June 2014 Unaudited	Year ended 31 December 2014 Audited
	£'000	£'000	£'000
<b>Cost</b>			
<b>At 1 January</b>	<b>3,381</b>	2,079	2,079
Additions	-	-	1,302
Adjustment to consideration	-	(263)	-
<b>At 30 June / 31 December</b>	<b>3,381</b>	1,816	3,381
<b>Amortisation and impairment</b>			
<b>At 1 January</b>	<b>1,258</b>	559	559
Amortisation charge for the period	<b>273</b>	165	436
Impairment charge for the period	-	-	263
<b>At 30 June / 31 December</b>	<b>1,531</b>	724	1,258
<b>Net book value</b>	<b>1,850</b>	1,092	2,123

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

## 10. Bank Loans and Net Debt

	30 June 2015 Unaudited	30 June 2014 Unaudited	31 December 2014 Audited
	£'000	£'000	£'000
Bank loan outstanding	10,625	9,571	11,000
Adjustment to amortised cost	(194)	(201)	-
Carrying value of loan outstanding	10,431	9,370	11,000
Less: Cash and short term deposits	(2,524)	(2,072)	(1,549)
Net bank debt	7,907	7,298	9,451
The borrowings are repayable as follows:			
Less than one year	1,500	2,286	11,000
In one to two years	1,750	7,285	-
In more than two years but less than three years	2,500	-	-
In more than three years but less than four years	4,875	-	-
	10,625	9,571	11,000
Adjustment to amortised cost	(194)	(201)	-
	10,431	9,370	11,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,500)	(2,286)	(11,000)
Amount due for settlement after 12 months	8,931	7,084	-

## 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
<b>30 June 2014</b>			
Less than one year	482	-	482
Between one and two years	621	40	661
In more than two years but less than three years	437	-	437
	<b>1,540</b>	<b>40</b>	<b>1,580</b>
<b>31 December 2014</b>			
Less than one year	1,219	-	1,219
Between one and two years	1,368	40	1,408
In more than two years but less than three years	1,113	-	1,113
In more than three years but less than four years	277	-	277
In more than four years but less than five years	548	-	548
In more than five years	547	-	547
	<b>5,072</b>	<b>40</b>	<b>5,112</b>
<b>30 June 2015</b>			
Less than one year	1,995	100	2,095
Between one and two years	926	-	926
In more than two years but less than three years	379	-	379
In more than three years but less than four years	548	-	548
In more than four years but less than five years	547	-	547
	<b>4,395</b>	<b>100</b>	<b>4,495</b>

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

Proof Communications Ltd, Splash Interactive Pte. Ltd, Speed Communications Agency Ltd and Brandon Hill Communications Ltd were all acquired in the second half of 2014. In addition, The Weather Print and Digital Communications Ltd was acquired on 13 February 2015 and also in the first half of 2015 the Group commenced pre-launch activities in connection with its new Sports Marketing venture. These entities contributed turnover of £4.0m, operating income of £3.3m and headline operating profit of £0.3m to the results of the Group for the six month period ended 30 June 2015, although it is almost impossible to establish exactly how much of this contribution arose from the entities in their own standalone right and how much arose from new business activity and referrals generated from other Group Agencies as part of our efforts to optimise collaboration and concinnity.

## 13. Post Balance Sheet Events

There were no material post balance sheet events.



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