

23 September 2020

THE MISSION GROUP plc
("MISSION", "THE GROUP")

INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2020

MISSION (AIM: TMG), the alternative group for ambitious brands, today announces interim results for the six months ended 30 June 2020.

FINANCIAL HIGHLIGHTS

Six months ended 30 June	2020	2019
· Revenue	£29.1m	£39.2m
· Operating (Loss)/Profit*	£(1.8)m	£3.6m
· Headline (Loss)/Profit Before Tax*	£(2.2)m	£3.4m
· Reported (Loss)/Profit Before Tax	£(2.3)m	£2.4m
· Earnings Per Share*	(1.92)p	3.20p
· Diluted Earnings Per Share*	(1.92)p	3.12p
· Cash conservation measures resulted in a reduction in the Group's net debt position at 30 June to £0.9m (2019: £5.1m).		
· Bank debt leverage ratio reduced to 0.1x (2019: 0.4x).		

*Headline results are calculated before acquisition adjustments, start-up costs and profit/loss on investments.

BUSINESS HIGHLIGHTS

- Robust trading performance in challenging market conditions, ahead of initial projections at the outset of the pandemic.
- Strong Client retention throughout period with teams successfully focused on delivering new, innovative solutions for Clients.
- Continued to win new Clients and assignments.
- Diversity of Client portfolio ensured Group has been at forefront of activity in more robust sectors with strong performances in healthcare and technology.
- Continuing to embrace 'New Ways of Working' with office portfolio restructuring now completed.
- Impending launch of centralised 24/7 Digital Production and Innovation studio **MISSION MADE**.
- Completed acquisition of Innovationbubble, the psychological insights and behavioural solutions consultancy with integration progressing well.

OUTLOOK

- Second half of the financial year has started well under the current trading circumstances, with the impact of COVID-19 on revenues easing.
- Further significant Client wins include Bray Leino being awarded a significant contract with global chemical company INEOS and a large digital programme in China for Croda Trading, both for delivery in the second half.
- Board's expectations to report a profit for the full year remain unchanged.

Commenting on the results, David Morgan, Chairman of The MISSION Group plc, said: "I would like to congratulate our team on this robust performance, in the face of incredibly challenging market conditions. COVID-19 has accelerated certain structural shifts across our industry which the Group is well positioned to capitalise on. I am confident that the proactive and entrepreneurial decisions that we have taken during this period will ensure we can emerge from this pandemic as an even stronger business, better positioned to make further progress against our long-term plans."

ENQUIRIES

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NOTES TO EDITORS

MISSION is a collective of Creative and MarTech Agencies led by entrepreneurs who encourage an independent spirit. Employing over 1,000 people across 31 locations and 3 continents, the Group successfully combines its diverse expertise to bring about commercially effective solutions for some of the world's biggest Clients.

www.themission.co.uk

OVERVIEW

Whilst the first six months of 2020 have undoubtedly brought unique challenges, we have been continually impressed and proud of the response of the entire **MISSION** Group. Our entrepreneurial culture has seen us not only take swift and proactive measures to protect the business but also make innovative decisions to ensure we can emerge from this pandemic as an even stronger business, better positioned to make further progress against our long-term plans.

The strength and depth of our Client partnerships has been evidenced by our ability to retain Clients throughout this difficult period delivering seamless and exemplary Client service and continuing to innovate with new, creative solutions and technologies to address their rapidly evolving business needs. As an example, Pathfinder, our embryonic IIoT asset tracking business (originally developed by our innovation and technology division Fuse), successfully launched a new Safe Distancing Assistant, a wearable device designed to support businesses, soon after the onset of the pandemic. We have been pleased with its performance and over 15,000 units have been sold to date to over 200 unique customers with a strong forward order book in place for H2.

Whilst demand has inevitably been affected, with the most significantly impacted sectors being property (ThinkBDW), events (Bray Leino Events) and cinema-related sales promotions (Mongoose), experiencing a peak drop in revenues of c80% compared to the prior year, the diversity of our Client portfolio has ensured that we have been at the forefront of activity in more resilient sectors such as healthcare and technology. April Six, our specialist technology and mobility Agency, has performed particularly well during the period, with impressive revenue growth of 8% in Q1 driven by new Client wins including European Space Agency, Scania Europe and Rimini Street. We have also continued to expand our presence in the healthcare market with strong revenue growth from our specialist Agency RJW, which was up 20% in the first half of the year.

COVID-19 has had a huge impact on our industry, our Agencies and the way we work. We are a learning organisation and so have been quick to explore the clear benefits of these new and remote ways of working. The restructuring of our London office portfolio, from four offices within the M25 down to just two, is now largely complete and will drive expected annualised cost savings of c£0.7m.

In addition, we have assessed where our business model could be further enhanced and replication removed, whilst increasing quality of offer. As such, we are pleased to announce the launch of **MISSION MADE**, our new centralised 24/7 Digital Production and Innovation studio. It goes live on 1 October and will initially support four Agencies within the Group with full roll-out anticipated over the next 18 months. Two Hubs have been created in Norwich and Ho Chi Minh City providing access to a range of digital production services including; Web and Mobile Development, Motion Graphics, Digital Design and Technical Management.

Finally, **MISSION** has a strong track record of integrating earnings-accretive acquisitions and in July we were delighted to announce the acquisition of the international psychological insights and behavioural solutions consultancy Innovationbubble. The acquisition extends the expertise and capabilities that we provide to our global network of Agencies through the '**MISSION Advantage**.' The consultancy provides expert research and advice to a growing portfolio of Clients from blue-chips including Asda, Aviva, HSBC and a number of leading pharmaceutical businesses, to high profile brands such as Diesel and SpaceNK, helping them better understand what drives the behaviour of their customers and ultimately how to improve marketing activity. We have been delighted at how quickly the Innovationbubble team have integrated themselves into the Group, already working closely with a number of the Agencies, and we have been particularly pleased by the positive responses from our Clients, Group wide, to this valuable extended capability.

FINANCIAL PERFORMANCE

The Group came into the COVID-19 pandemic in strong financial health and remains well financed.

The year began well, ahead of our internal budget, but the impact of COVID-19 started to be felt in February and accelerated over the subsequent quarter, with its biggest impact being felt in May, when year-on-year revenues were down by over 40%. Although levels of activity have progressively improved since then, turnover ("billings") for the first half of the year was 29% lower than the prior period and operating income ("revenue") decreased by 26% to £29.1m (2019: £39.2m).

The Group was swift to implement a series of proactive measures to conserve cash including shortening the working week and implementing the Government's furlough scheme in those businesses adversely impacted by the pandemic, with voluntary 20% salary reductions accepted across the Group. For the six months, the Group reported a headline operating loss of £1.8m (2019: profit of £3.6m) and a headline loss before tax of £2.2m (2019: profit of £3.4m).

Financing costs increased to £0.5m (2019: £0.3m) mainly due to the IFRS 16 effects of a property lease renewal. Bank interest was marginally higher year on year.

Adjustments to headline profits in 2020 were nil (2019: negative £1.0m), lower mainly because of reduced estimates of contingent acquisition consideration due to the impact of COVID-19. After these adjustments, the reported loss before tax was £2.3m (2019: profit of £2.4m).

The Group estimates an effective tax rate on headline profits/losses before tax of 20% (2019: 20%), resulting in headline loss for the period of £1.8m (2019: profit of £2.7m), and reported loss after tax of £1.8m (2019: profit of £1.8m). Fully diluted headline EPS was a loss of 1.92 pence (2019: profit of 3.12 pence).

We anticipate a much-reduced revenue impact from COVID-19 in the second half of the year. We have taken stock of the required cost base in each of our Agencies going forward and mitigating actions have been taken. We do not anticipate the need for any further restructuring when the furlough scheme finishes at the end of October. These cost management actions, coupled with our traditional trading bias towards the second half of the year, lead us to expect to report a profit for the full year.

Looking further into the future, we are implementing other cost management measures which will enhance profits beyond 2020. These include the previously announced withdrawal from two of our offices within the M25, saving an estimated £0.7m on an annualised basis.

Balance sheet and cash flow

The key balance sheet ratio measured and monitored by the Board is the ratio of debt to headline EBITDA ("leverage ratio"). The Group started the year in a strong financial position, with a bank debt leverage ratio of less than x0.5 and committed bank facilities of £15m. As a precautionary measure, these facilities were increased to £20m in Q1 and, as the impact of the pandemic started to be felt, a series of cash-conservation measures were implemented.

As well as the salary reduction and furlough actions mentioned above, all non-essential capital expenditure was put on hold, advantage was taken of the Government's Time To Pay scheme and agreement was reached with vendors of acquired businesses for delayed payment terms. As a result of these decisive actions, the Group's net debt position at 30 June 2020 had reduced to £0.9m (2019: £5.1m) and the leverage ratio had fallen to x0.1.

A total of £1.6m of acquisition obligations from prior years were settled in the first half of the year, of which £1.5m was in cash (2019: £3.2m, of which £2.6m was settled in cash) and after adjustments to estimated future contingent consideration payments, the total estimated acquisition liability at 30 June 2020 totaled £6.8m (30 June 2019: £9.1m). Of this, £0.6m is due for payment in the second half of 2020.

A number of scenarios have been modelled for the possible impact of COVID-19 on the Group, depending on its severity and duration. The Group is currently trading ahead of its central scenario, against which the above cash conservation actions were taken. Notwithstanding this encouraging position, we have shared our downside scenario with our bankers, NatWest, and have received commitments to the relaxation of covenants and any additional liquidity that might be required under this downside scenario. Accordingly, the Board is confident that the Group has the strength and support from its bankers to withstand the continued impact of COVID-19.

DIVIDEND

Whilst we have a good understanding of how COVID-19 is currently affecting our business and visibility of future cash flows, there clearly remains some uncertainty on the impact on the UK economy from COVID-19, so our decision as to recommending the payment of an interim dividend remains deferred and will be reviewed regularly. The Board is committed to reinstating a dividend as soon as it is appropriate to do so.

OUTLOOK

The second half of the financial year has started well under the current trading circumstances, with the impact of COVID-19 on revenues easing. We have seen further Client wins, including Bray Leino being awarded a significant contract with global chemical company INEOS and a large digital programme in China for Croda Trading, both for delivery in the second half.

Whilst the outlook for the rest of the year is dependent on the pace and shape of the economic recovery, the Board's expectations to report a profit for the full year remain unchanged. We would like to thank the entire team for their continued hard work during this unique period and their support as we continue to deliver against our strategic targets.

Condensed Consolidated Income Statement for the six months ended 30 June 2020

		Six months to 30 June 2020 Unaudited £'000	Six months to 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
TURNOVER	2	58,116	82,300	171,091
Cost of sales		(29,036)	(43,140)	(90,119)
OPERATING INCOME	2	29,080	39,160	80,972
Headline operating expenses		(30,862)	(35,545)	(70,219)
HEADLINE OPERATING (LOSS) / PROFIT		(1,782)	3,615	10,753
Acquisition adjustments	4	166	(925)	(1,320)
Start-up costs		(212)	(74)	(431)
Loss on investments		-	-	(109)
OPERATING (LOSS) / PROFIT		(1,828)	2,616	8,893
Share of results of associates and joint ventures		16	69	69
(LOSS) / PROFIT BEFORE INTEREST AND TAXATION		(1,812)	2,685	8,962
Net finance costs	5	(458)	(289)	(668)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,270)	2,396	8,294
Taxation	6	508	(608)	(1,868)
(LOSS) / PROFIT FOR THE PERIOD		(1,762)	1,788	6,426
Attributable to:				
Equity holders of the parent		(1,606)	1,757	6,314
Non-controlling interests		(156)	31	112
		(1,762)	1,788	6,426
Basic earnings per share (pence)	7	(1.89)	2.10	7.51
Diluted earnings per share (pence)	7	(1.89)	2.04	7.14
Headline basic earnings per share (pence)	7	(1.92)	3.20	9.47
Headline diluted earnings per share (pence)	7	(1.92)	3.12	9.00

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2020

Six months to 30 June 2020	Six months to 30 June 2019	Year ended 31 December 2019
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	Unaudited £'000	Unaudited £'000	Audited £'000
(LOSS) / PROFIT FOR THE PERIOD	(1,762)	1,788	6,426
Other comprehensive income - items that may be reclassified separately to profit or loss:			
Exchange differences on translation of foreign operations	132	226	(50)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(1,630)	2,014	6,376
Attributable to:			
Equity holders of the parent	(1,466)	1,926	6,285
Non-controlling interests	(164)	88	91
	(1,630)	2,014	6,376

Condensed Consolidated Balance Sheet as at 30 June 2020

	As at 30 June 2020 Unaudited Note	As at 30 June 2019 Unaudited	As at 31 December 2019 Audited
	£'000	£'000	£'000
FIXED ASSETS			
Intangible assets	8	95,629	95,859
Property, plant and equipment	2,826	3,100	3,225
Right of use assets	9	6,875	8,135
Investments in associates and joint ventures	265	69	177
Investments	-	100	-
Deferred tax assets	19	20	-
	110,581	105,793	107,396
CURRENT ASSETS			
Stock	1,406	1,062	1,091
Trade and other receivables	30,177	44,985	40,998
Cash and short term deposits	4,011	2,811	5,028
	35,594	48,858	47,117
CURRENT LIABILITIES			
Trade and other payables	(32,798)	(41,057)	(36,015)
Corporation tax payable	(62)	(1,110)	(742)
Acquisition obligations	11	(2,398)	(3,424)
	(39,347)	(44,565)	(40,181)
NET CURRENT (LIABILITIES) / ASSETS	(3,753)	4,293	6,936
TOTAL ASSETS LESS CURRENT LIABILITIES	106,828	110,086	114,332
NON CURRENT LIABILITIES			
Bank loans	10	(7,906)	(9,927)
Lease liabilities	9	(5,163)	(6,229)
Acquisition obligations	11	(6,707)	(5,458)
Deferred tax liabilities	(384)	(393)	(417)
	(15,906)	(20,169)	(22,031)
NET ASSETS	90,922	89,917	92,301
CAPITAL AND RESERVES			
Called up share capital	9,102	8,530	8,530
Share premium account	45,928	43,015	43,015
Own shares	(646)	(419)	(659)
Share-based incentive reserve	528	607	700
Foreign currency translation reserve	228	286	88
Retained earnings	35,340	37,295	40,021
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	90,480	89,314	91,695
Non-controlling interests	442	603	606

TOTAL EQUITY	90,922	89,917	92,301
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Condensed Consolidated Cash Flow Statement for the six months ended 30 June 2020

	Six months to 30 June 2020	Six months to 30 June 2019	Year ended 31 December 2019
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Operating (loss) / profit	(1,828)	2,616	8,893
Depreciation and amortisation charges	2,453	2,329	4,832
Movements in the fair value of contingent consideration	(469)	479	433
Profit on disposal of fixed assets	-	(73)	(49)
Non cash charge for share options, growth shares and shares awarded	101	122	215
Decrease / (increase) in receivables	10,821	(5,258)	(1,271)
Increase in stock	(315)	(212)	(241)
(Decrease) / increase in payables	(2,902)	4,075	(1,106)
OPERATING CASH FLOW	7,861	4,078	11,706
Net finance costs	(424)	(266)	(626)
Tax paid	(224)	(221)	(1,805)
Net cash inflow from operating activities	7,213	3,591	9,275
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment	2	150	151
Purchase of property, plant and equipment	(230)	(640)	(1,472)
Investment in software development	(109)	(85)	(848)
Acquisition of investments in associates and joint ventures	(72)	(100)	(108)
Payment of obligations relating to acquisitions made in prior periods	(1,463)	(2,555)	(2,731)
Net cash outflow from investing activities	(1,872)	(3,230)	(5,008)
FINANCING ACTIVITIES			
Dividends paid	-	-	(1,831)
Repayment of lease liabilities	(1,477)	(1,244)	(2,579)
Repayment of bank loans	(5,000)	(2,000)	-
Issue of shares to minority interests	-	3	3
Purchase of own shares held in EBT	(13)	(434)	(681)
Net cash outflow from financing activities	(6,490)	(3,675)	(5,088)
Decrease in cash/equivalents	(1,149)	(3,314)	(821)
Exchange differences on translation of foreign subsidiaries	132	226	(50)
Cash/cash equivalents at beginning of period	5,028	5,899	5,899
Cash and cash equivalents at end of period	4,011	2,811	5,028

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2020

	Share Capital	Share premium	Own shares	Share-based incentive 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 2019	8,436	42,506	(299)	498	117	35,826	87,084	512	87,596

Profit for period	-	-	-	-	-	1,757	1,757	31	1,788
Exchange differences on translation of foreign operations	-	-	-	-	169	-	169	57	226
Total comprehensive income for period	-	-	-	-	169	1,757	1,926	88	2,014
New shares issued	94	509	-	-	-	-	603	3	606
Share option charge	-	-	-	65	-	-	65	-	65
Growth share charge	-	-	-	44	-	-	44	-	44
Own shares purchased by EBT	-	-	(434)	-	-	-	(434)	-	(434)
Shares awarded and sold from own shares	-	-	314	-	-	(288)	26	-	26
At 30 June 2019	8,530	43,015	(419)	607	286	37,295	89,314	603	89,917
Profit for period	-	-	-	-	-	4,557	4,557	81	4,638
Exchange differences on translation of foreign operations	-	-	-	-	(198)	-	(198)	(78)	(276)
Total comprehensive income for period	-	-	-	-	(198)	4,557	4,359	3	4,362
Share option charge	-	-	-	62	-	-	62	-	62
Growth share charge	-	-	-	31	-	-	31	-	31
Own shares purchased by EBT	-	-	(247)	-	-	-	(247)	-	(247)
Shares awarded and sold from own shares	-	-	7	-	-	-	7	-	7
Dividend paid	-	-	-	-	-	(1,831)	(1,831)	-	(1,831)
At 31 December 2019	8,530	43,015	(659)	700	88	40,021	91,695	606	92,301
Loss for period	-	-	-	-	-	(1,606)	(1,606)	(156)	(1,762)
Exchange differences on translation of foreign operations	-	-	-	-	140	-	140	(8)	132
Total comprehensive income for period	-	-	-	-	140	(1,606)	(1,466)	(164)	(1,630)
New shares issued	572	2,913	-	-	-	-	3,485	-	3,485
Share option charge	-	-	-	64	-	-	64	-	64
Growth share charge	-	-	-	35	-	-	35	-	35
Settlement of growth shares	-	-	-	(271)	-	(3,051)	(3,322)	-	(3,322)
Own shares purchased by EBT	-	-	(13)	-	-	-	(13)	-	(13)
Shares awarded and sold from own shares	-	-	26	-	-	(24)	2	-	2
At 30 June 2020	9,102	45,928	(646)	528	228	35,340	90,480	442	90,922

Notes to the unaudited Interim Report for the six months ended 30 June 2020

1. Accounting Policies

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2020 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 2019 on pages 47-51. These are consistent with the accounting policies which the Group expects to adopt in its 2020 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 2020 and 30 June 2019 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 2019 have been extracted from the Group's Annual Report and Accounts 2019, 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 2019 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 interim financial statements and concluded that the main areas of judgement are:

- Potential impairment of goodwill and other assets as a result of the impact of COVID-19;
- Contingent deferred payments in respect of acquisitions; and
- Revenue recognition policies in respect of contracts which straddle the period end

2. Segmental Information

Business segmentation

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

Following the implementation of a Shared Services function from the start of 2018 and the resulting transfer of certain Agency-specific contracts onto centrally-managed arrangements, a significant portion of the total operating costs are now centrally managed and segment information is therefore now only presented down to the operating income level.

	Advertising & Digital	Media Buying	Exhibitions & Learning	Public Relations	Group
	£'000	£'000	£'000	£'000	£'000
Six months to 30 June 2020					
Turnover	35,604	12,517	5,933	4,062	58,116
Operating income	22,933	1,475	1,839	2,833	29,080

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

	Advertising & Digital	Media Buying	Exhibitions & Learning	Public Relations	Total
	£'000	£'000	£'000	£'000	£'000
Year to 31 December 2019					
Turnover	109,421	30,855	20,162	10,653	171,091
Operating income	64,510	3,694	5,226	7,542	80,972

Geographical segmentation

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

	Six months to 30 June 2020 Unaudited £'000	Six months to 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
UK	24,977	34,544	72,228
USA	3,090	2,491	4,618
Asia	961	2,125	4,103
Rest of Europe	52	-	23
	29,080	39,160	80,972

3. Reconciliation of Reported (Loss) / Profit to Headline (Loss) / Profit

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

	Six months to 30 June 2020 Unaudited		Six months to 30 June 2019 Unaudited		Year ended 31 December 2019 Audited	
	PBT	PAT	PBT	PAT	PBT	PAT
	£'000	£'000	£'000	£'000	£'000	£'000
Headline (loss) / profit	(2,224)	(1,789)	3,395	2,716	10,154	8,075
Acquisition-related items (Note 4)	166	203	(925)	(867)	(1,320)	(1,200)
Start-up costs	(212)	(176)	(74)	(61)	(431)	(358)
Write-off of investments/associates	-	-	-	-	(109)	(91)
Reported (loss) / profit	(2,270)	(1,762)	2,396	1,788	8,294	6,426

Start-up costs in 2020 relate to the launch of Story's new venture in Leeds and April Six's new venture in Germany Start-up costs in 2019 related to April Six's new ventures in China and Germany.

4. Acquisition Adjustments

	Six months to 30 June 2020 Unaudited	Six months to 30 June 2019 Unaudited	Year ended 31 December 2019 Audited
	£'000	£'000	£'000
Amortisation of intangible assets recognised on acquisitions	(278)	(446)	(870)
Movement in fair value of contingent consideration	469	(479)	(433)
Acquisition transaction costs expensed	(25)	-	(17)
	166	(925)	(1,320)

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

5. Net Finance Costs

	Six months to 30 June 2020 Unaudited	Six months to 30 June 2019 Unaudited	Year ended 31 December 2019 Audited
	£'000	£'000	£'000
Net interest on bank loans, overdrafts and deposits	(185)	(140)	(351)
Amortisation of bank debt arrangement fees	(21)	(23)	(41)
Interest expense on leases liabilities	(252)	(126)	(276)
Net finance costs	(458)	(289)	(668)

The increase in net finance costs in the period primarily relates to the increase in Right of Use Assets and Lease Liabilities following the renewal of property lease terms as referred to in Note 9.

6. Taxation

The taxation charge for the period ended 30 June 2020 has been based on an estimated effective tax rate on headline profit on ordinary activities of 20% (30 June 2019: 20%).

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 IAS 33: "Earnings per Share".

Six months to 30 June 2020 Unaudited	Six months to 30 June 2019 Unaudited	Year to 31 December 2019 Audited
£'000	£'000	£'000

Earnings

Reported profit for the year	(1,762)	1,788	6,426
Attributable to:			
Equity holders of the parent	(1,606)	1,757	6,314
Non-controlling interests	(156)	31	112
	(1,762)	1,788	6,426

Headline earnings (Note 3)	(1,789)	2,716	8,075
Attributable to:			
Equity holders of the parent	(1,633)	2,685	7,963
Non-controlling interests	(156)	31	112
	(1,789)	2,716	8,075

Number of shares

Weighted average number of Ordinary shares for the purpose of basic earnings per share	84,943,138	83,820,494	84,056,636
Dilutive effect of securities:			
Employee share options	4,085,346	2,177,252	4,426,774
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	89,028,484	85,997,746	88,483,410

Reported basis:

Basic earnings per share (pence)	(1.89)	2.10	7.51
Diluted earnings per share (pence)	(1.89)	2.04	7.14

Headline basis:

Basic earnings per share (pence)	(1.92)	3.20	9.47
Diluted earnings per share (pence)	(1.92)	3.12	9.00

A reconciliation of the profit after tax on a reported basis and the headline basis is given in Note 3. There are share options outstanding which could potentially have a dilutive impact but were anti-dilutive in the period to 30 June 2020.

8. Intangible Assets

	30 June 2020	30 June 2019	31 December 2019
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Goodwill	91,752	91,752	91,752
Other intangible assets	3,714	3,877	4,107
	95,466	95,629	95,859

Goodwill

	Six months to 30 June 2020	Six months to 30 June 2019	Year ended 31 December 2019
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Cost			
At beginning and end of period	96,025	96,025	96,025
Impairment adjustment			
At beginning and end of period	4,273	4,273	4,273
Net book value	91,752	91,752	91,752

In accordance with the Group's accounting policies, an annual impairment test is applied to the carrying value of goodwill, unless there is an indication that one of the cash generating units has become impaired during the year, in which case an impairment test is applied to the relevant asset. Whilst COVID-19 has reduced profitability across the Group during the period, management considers that the impact on the carrying values of goodwill and intangible assets is of a temporary rather than permanent nature. Accordingly, no impairment has been identified at the half year. The next impairment test will be undertaken at 31 December 2020.

Other Intangible Assets

Six months to Six months

	30 June 2020	to 30 June 2019	Year ended 31 December 2019
	Unaudited £'000	Unaudited £'000	Audited £'000
Cost			
At 1 January	10,115	9,389	9,389
Additions	109	85	848
Disposals	(202)	-	(122)
At 30 June / 31 December	10,022	9,474	10,115
Amortisation and impairment			
At 1 January	6,008	5,020	5,020
Amortisation charge for the period	502	577	1,110
Disposals	(202)	-	(122)
At 30 June / 31 December	6,308	5,597	6,008
Net book value	3,714	3,877	4,107

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

9. Right of Use Assets and Lease Liabilities

The Group leases several assets, the overwhelming majority of which are the office premises from which it operates. Under IFRS 16, the Group recognises Right of Use Assets and Lease Liabilities in relation to these leases. Assets and liabilities reduce over the period of the lease and increase when a lease is renewed, or a new lease entered into. The increase in Right of Use Assets and Lease Liabilities in the period primarily relates to the finalisation of lease renewal terms for ThinkBDW's office and warehouse facility.

10. Bank Loans and Net Bank Debt

	30 June 2020	30 June 2019	31 December 2019
	Unaudited £'000	Unaudited £'000	Audited £'000
Bank loan outstanding	5,000	8,000	10,000
Adjustment to amortised cost	(52)	(94)	(73)
Carrying value of loan outstanding	4,948	7,906	9,927
Less: Cash and short term deposits	(4,011)	(2,811)	(5,028)
Net bank debt	937	5,095	4,899

The borrowings are repayable as follows:

Less than one year	-	-	-
In one to two years	5,000	-	10,000
In more than two years but less than three years	-	8,000	-
	5,000	8,000	10,000
Adjustment to amortised cost	(52)	(94)	(73)
	4,948	7,906	9,927
Less: Amount due for settlement within 12 months (shown under current liabilities)	-	-	-
Amount due for settlement after 12 months	4,948	7,906	9,927

At 30 June 2020, the Group's committed bank facilities comprised a revolving credit facility of £20.0m, expiring on 28 September 2021, with an option to extend the facility by one year. Interest on the facility is based on LIBOR plus a margin of between 1.25% and 2.00% depending on the Group's debt leverage ratio, payable in cash on loan rollover dates.

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

11. Acquisition Obligations

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

Cash	Shares	Total
£'000	£'000	£'000

30 June 2020

Less than one year	6,286	201	6,487
In more than three but less than four years	300	-	300
	6,586	201	6,787

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

	Cash	Shares	Total
	£'000	£'000	£'000
At 31 December 2019	8,503	379	8,882
Obligations settled in the period	(1,463)	(163)	(1,626)
Adjustments to estimates of obligations	(454)	(15)	(469)
At 30 June 2020	6,586	201	6,787

12. Post balance sheet events

There have been no material post balance sheet events.

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