Motivcom
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MOTIVCOM PLC

Interim financial statements

For the period ended
30 June 2009

Company number: 4665490

Financial Highlights

Unaudited Interim Results for the period ended 30 June 2009

- Gross profit decreased by 8% to £11,210,000 (2008: £12,247,000)
- Headline operating profit* decreased by 12% to £1,794,000 (2008: £2,049,000) in line with market expectations
- Operating profit decreased by 5% to £1,574,000 (2008: £1,661,000)
- Headline profit before tax† decreased by 8% to £1,617,000 (2008: £1,767,000)
- Profit before tax increased by 1% to £1,397,000 (2008: £1,379,000)
- Headline basic earnings per share‡ decreased by 2% to 4.01 pence (2008: 4.09 pence)
- Basic earnings per share increased by 9% to 3.45 pence (2008: 3.17 pence)
- Interim dividend maintained at 0.80 pence (2008: 0.80 pence)
- Ongoing successful new product development

* Operating profit of £1,574,000 (2008: £1,661,000) plus amortisation of intangibles of £220,000 (2008: £388,000)
† Profit before tax of £1,397,000 (2008: £1,379,000) plus amortisation of intangibles of £220,000 (2008: £388,000)
‡ See reconciliation in note 5

I am pleased to report that the interim results for Motivcom plc for the six-month period to June 2009 are in line with market expectations. This reflects a combination of organic growth and consolidation which currently characterises the sector, together with the success of new products recently developed and launched by Motivcom as announced on 1 July 2009.

Trading update

The impact of the financial downturn was felt by Motivcom in late October 2008 when we saw clients reducing the scale of activity, deferring projects or changing offerings. The procurement process in much of our client base has placed additional margin pressures on the Group and this has been significantly offset by both passing these same pressures down our supply chain and the realisation of operational efficiencies through technology investment.

In the context of this tough trading environment, the Group is performing well. The relative scale, financial status and reputation of the Group has allowed it to benefit from these turbulent market conditions in certain areas and the business strategy deployed over the last few years has provided a resilient platform from which adjustments can be made to meet these challenging conditions.

The Group does have flexibility over its own cost base and changes have been made in terms of resource cost reduction and reallocations. I am pleased that the management teams have responded positively to the market conditions and at the same time adjusted our existing products, launched new products and invested in technology which will place the Group in an excellent position when an upturn takes hold. For the Group to be able to meet financial expectations in the market in these conditions is a credit to their skills and dedication and bodes well for the future.

Financial update

As expected, the results for the six month period show that headline operating profit has decreased by 12% to £1,794,000 (2008: £2,049,000) on gross profit that has decreased by 8% to £11,210,000 (2008: £12,247,000). Headline profit before tax decreased by 8% to £1,617,000 (2008: £1,767,000) and headline basic earnings per share decreased by 2% to 4.01 pence (2008: 4.09 pence).

Financial update (continued)

Net assets increased to £16,897,000 from £16,235,000 at 31 December 2008, providing the Group with continued scope to make appropriate investments to further its development. The Group had net debt at 30 June 2009 of £202,000.

The year on year comparison reflects a timing difference of certain key projects in the Events and Promotions businesses between H1 and H2 and does not change our view on the full year outcome.

The Board has approved an interim dividend of 0.80 pence per ordinary share (2008: 0.80 pence per share). This will be paid on 6 November 2009 to all shareholders on the register at close of business on 9 October 2009. This provides us with the flexibility to maintain our progressive dividend policy when the board has better visibility of recovery in the broader UK economy.

Divisional Reports

Motivation
The overall picture has been one of a reduction in spend from existing clients and a high level of new client wins. The net result is a positive one and with a substantial increase in our client base the division is well positioned for the upturn in the market. A reduction in employee sales incentive programmes has been offset by an increase in employee recognition and customer retention initiatives. Our voucher business has held up well and whilst average spend per customer is down the Group has benefited from significant consolidation in this area. The Spree Card (a prepaid debit card) has performed exceptionally well – we have seen in excess of a five fold increase in loaded value over 2008.

Events
Against a backdrop of the sharpest and most severe recession the events industry has ever seen, our events business has responded well overall and expects to maintain profitability over the full year. The market would now appear to have stabilised compared to the early part of the year and whilst we are not forecasting significant growth, we appear to be entering a period of relative normality.

Promotions
Sales Promotion
Activity levels in the Sales Promotion division have remained high although clients remain cautious about committing budget. Both Fotorama and Filmology have significantly outperformed last year. The division has noticed an increase in consumer participation on promotions which had some impact in the first half. This has required some adjustment to our fixed fee models to ensure full year objectives are met, however this also provides a good platform for increased corporate activity in this area.

Employee Benefits & Communications
Our Employee Benefits business is on track for a record year resulting from excellent client retention and new client acquisition. We are also pleased to report a strong pipeline. In addition to the growing client base the division is also benefiting from increased take up of existing programmes as employees of our clients enrol in growing numbers in salary sacrifice products (greentravel2work, childcare vouchers and cycles to work). Understandably employees are seeking out the tax concessions provided by these products.

Outlook

The broad spectrum of blue chip clients across the Group means that future prospects are very much aligned with the broader UK economy. Whilst we are seeing some positive indications of increased activity and intent amongst our clients it is sensible to continue to take a cautious outlook for the prospects of the Group as a whole until there is greater visibility.

Colin Lloyd
Chairman

MOTIVCOM PLC

CONSOLIDATED INTERIM INCOME STATEMENT (UNAUDITED)

FOR THE PERIOD ENDED 30 JUNE 2009

	Note	6 months ended 30 June 2009 £000	6 months ended 30 June 2008 £000	12 months ended 31 December 2008 £000
Revenue	3	48,979	55,874	110,491
Cost of sales		(37,769)	(43,627)	(87,118)
Gross profit		11,210	12,247	23,373
Administrative expenses		(9,416)	(10,198)	(20,030)
Amortisation of intangibles		(220)	(388)	(776)
Operating profit		1,574	1,661	2,567
Finance costs – net		(177)	(282)	(474)
Profit before income tax	3	1,397	1,379	2,093
Income tax expense	4	(391)	(399)	(582)
Profit for the period		1,006	980	1,511
Attributable to:				
Equity holders of the Company		1,006	980	1,511
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in pence)				
- basic	5	3.45	3.17	5.02
- diluted	5	3.41	3.12	4.95

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE PERIOD ENDED 30 JUNE 2009

	6 months ended 30 June 2009 £000	6 months ended 30 June 2008 £000	12 months ended 31 December 2008 £000
Profit for the period	1,006	980	1,511
Other comprehensive income:			
Cash flow hedging:			
- current year gains/(losses)	105	-	(162)
- reclassification to profit or loss	(35)	-	(2)
Other comprehensive income, net of tax	70	-	(164)
Total comprehensive income for the period	1,076	980	1,347
Attributable to:			
Equity holders of the Company	1,076	980	1,347

All activities are classed as continuing

The accompanying accounting policies and notes form part of these financial statements.

MOTIVCOM PLC

CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)

AT 30 JUNE 2009

	Note	At 30 June 2009 £000	At 30 June 2008 £000	At 31 December 2008 £000
ASSETS				
Non-current assets				
Property, plant and equipment		5,124	4,341	4,379
Intangible assets		21,506	21,615	21,724
Deferred income tax assets		28	28	-
		26,658	25,984	26,103
Current assets				
Inventories		605	1,059	670
Trade and other receivables		17,881	21,600	19,405
Cash and cash equivalents		7,374	6,562	8,201
		25,860	29,221	28,276
Non-current assets classified as held for sale				
Property, plant and equipment	7	-	800	800
Total assets		52,518	56,005	55,179
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital		155	155	155
Share premium account		9,920	9,900	9,920
Own shares		(1,225)	-	(1,225)
Other reserves		75	75	75
Hedging reserve		(94)	-	(164)
Retained earnings		8,066	7,207	7,474
Total equity		16,897	17,337	16,235
LIABILITIES				
Non-current liabilities				
Borrowings		6,704	7,535	7,094
Deferred income tax liabilities		526	657	554
Provisions		400	-	400
		7,630	8,192	8,048
Current liabilities				
Trade and other payables		26,655	28,963	29,662
Current income tax liabilities		436	573	184
Obligations under finance leases		-	3	-
Derivative financial instruments		94	-	164
Borrowings		806	937	886
		27,991	30,476	30,896
Total liabilities		35,621	38,668	38,944
Total equity and liabilities		52,518	56,005	55,179

The accompanying accounting policies and notes form part of these financial statements.

MOTIVCOM PLC

CONSOLIDATED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE PERIOD ENDED 30 JUNE 2009

	6 months ended 30 June 2009 £000	6 months ended 30 June 2008 £000	12 months ended 31 December 2008 £000
Cash flows from operating activities			
Cash generated from operations	643	1,052	5,812
Interest paid	(196)	(346)	(621)
Income tax paid	(184)	(502)	(1,185)
Net cash generated from operating activities	263	204	4,006
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired and dividends due to former shareholders	-	(25)	(27)
Purchases of property, plant and equipment (PPE)	(217)	(186)	(497)
Proceeds from sale of PPE	17	11	12
Interest received	27	100	194
Net cash used in investing activities	(173)	(100)	(318)
Cash flows from financing activities			
Proceeds from issue of shares	-	132	156
Payments to acquire own shares	-	-	(1,229)
Repayments of borrowings	(480)	(505)	(1,012)
Dividends paid	(437)	(463)	(696)
Net cash used in financing activities	(917)	(836)	(2,781)
Net (decrease)/increase in cash	(827)	(732)	907
Cash at beginning of period	8,201	7,294	7,294
Cash at end of period	7,374	6,562	8,201

Cash generated from operations

	6 months ended 30 June 2009 £000	6 months ended 30 June 2008 £000	12 months ended 31 December 2008 £000
Profit before income tax	1,397	1,379	2,093
Adjustments for:			
- depreciation	249	263	534
- net interest payable	177	282	474
- share based payments	15	17	33
- loss on disposal of PPE	7	1	2
- amortisation of intangibles	220	388	776
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
- inventories	65	(123)	267
- trade and other receivables	1,525	(324)	1,871
- trade and other payables	(3,012)	(831)	(238)
Cash generated from operations	643	1,052	5,812

The accompanying accounting policies and notes form part of these financial statements.

MOTIVCOM PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE PERIOD ENDED 30 JUNE 2009

	Share capital £000	Share premium £000	Own shares £000	Other reserves £000	Hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2008	**154**	**9,769**	**-**	**75**	**-**	**6,709**	**16,707**
Dividends paid	-	-	-	-	-	(463)	(463)
Share based payments	-	-	-	-	-	17	17
Deferred tax on equity share based payments	-	-	-	-	-	(36)	(36)
Issue of shares	1	131	-	-	-	-	132
Transactions with owners	**1**	**131**	**-**	**-**	**-**	**(482)**	**(350)**
Profit for the period	-	-	-	-	-	980	980
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**980**	**980**
At 30 June 2008	**155**	**9,900**	**-**	**75**	**-**	**7,207**	**17,337**
Dividends paid	-	-	-	-	-	(233)	(233)
Share based payments	-	-	-	-	-	16	16
Deferred tax on equity share based payments	-	-	-	-	-	(49)	(49)
Disposed of on exercise of options	-	-	5	-	-	-	5
Deferred tax on property	-	-	-	-	-	2	2
Issue of shares	-	20	-	-	-	-	20
Purchase of own shares	-	-	(1,230)	-	-	-	(1,230)
Transactions with owners	**-**	**20**	**(1,225)**	**-**	**-**	**(264)**	**(1,469)**
Profit for the period	-	-	-	-	-	531	531
Other comprehensive income:							
Cash flow hedge:							
- current year losses	-	-	-	-	(162)	-	(162)
- reclassification to profit or loss	-	-	-	-	(2)	-	(2)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(164)**	**531**	**367**
Balance at 31 December 2008	**155**	**9,920**	**(1,225)**	**75**	**(164)**	**7,474**	**16,235**
Dividends paid	-	-	-	-	-	(437)	(437)
Share based payments	-	-	-	-	-	15	15
Deferred tax on equity share based payments	-	-	-	-	-	8	8
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**(414)**	**(414)**
Profit for the period	-	-	-	-	-	1,006	1,006
Other comprehensive income:							
Cash flow hedge:							
- current year gains	-	-	-	-	105	-	105
- reclassification to profit or loss	-	-	-	-	(35)	-	(35)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**70**	**1,006**	**1,076**
At 30 June 2009	**155**	**9,920**	**(1,225)**	**75**	**(94)**	**8,066**	**16,897**

1 General information

Motivcom plc ("the Company") and its subsidiaries (together "Motivcom plc" or "the Group") are involved in (1) the development and administration of third party motivation and incentive programmes (2) the provision of incentive travel, live events and venue finding and (3) the provision of trade and consumer sales promotions and employee benefits products.

The Company is a limited liability company incorporated and domiciled in England. The address of its registered office is Rockingham Drive, Linford Wood, Milton Keynes MK14 6LY.

The Company has its primary and only listing on the AIM market of London Stock Exchange plc.

These consolidated interim financial statements have been approved for issue by the Board of Directors on 25 September 2009.

2 Basis of preparation

These unaudited condensed consolidated interim financial statements of Motivcom plc are for the six months ended 30 June 2009. They have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008. The financial information for the year ended 31 December 2008 set out in these interim consolidated financial statements does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31 December 2008 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 237(2) or Section 237(3) of the Companies Act 1985.

These interim consolidated financial statements have been prepared on the basis of the Group's accounting policies. These are set out in its Annual Report and Accounts for the year ended 31 December 2008 which is available on the Group's website (www.motivcom.com). As of 1 January 2009 the following new standards and interpretations apply to financial statements prepared in accordance with IFRS:

(a) IAS 1 Presentation of Financial Statements (Revised 2007);
(b) Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations; and
(c) IFRS 8 Operating Segments.

The adoption of IAS1 (Revised 2007) does not affect the financial position or profits of the Group, but does give rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however some items that were recognised direct in equity are now recognised in other comprehensive income, for example cash-flow hedges. IAS1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of Comprehensive Income'. In accordance with the new standard the entity does not present a 'Statement of Recognised Income and Expenses (SORIE)' as was presented in the 2008 consolidated financial statements. Further, a 'Statement of Changes in Equity' is presented as a primary statement. The adoption of the amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations results in re-measurement of the grant date fair value of options including non-vesting conditions and changes to the income statement charge arising from cancellation of options but has not made any material difference. The adoption of IFRS 8 Operating Segments increases the amount of disclosure required. The operating segments remain the same as the previously disclosed business segments.

3 Segment Information

At 30 June 2009, the Group is organised into three main operating segments – (1) development and administration of third party motivation and incentive programmes ("Motivation") – (2) the provision of incentive travel, live events and venue finding ("Events") – (3) trade and consumer sales promotions and employee benefit products ("Promotions"). Unallocated costs represent corporate and share-based payment expenses plus net interest charges. The tables below are before any IFRS adjustment for amortisation of intangible assets of £220,000, £388,000 and £776,000 for each of the periods in question.

The segment results for the six months ended 30 June 2009 are as follows:

	Motivation £000	Events £000	Promotions £000	Unallocated £000	Group £000
Revenue from external clients	15,918	20,764	12,297	-	48,979
Inter-segment revenues	3,043	122	18	(3,183)	-
Profit before tax	510	1,279	108	(280)	1,617

The segment results for the six months ended 30 June 2008 are as follows:

	Motivation £000	Events £000	Promotions £000	Unallocated £000	Group £000
Revenue from external clients	17,968	26,829	11,077	-	55,874
Inter-segment revenues	3,233	70	58	(3,361)	-
Profit before tax	250	1,483	460	(426)	1,767

The segment results for the year ended 31 December 2008 are as follows:

	Motivation £000	Events £000	Promotions £000	Unallocated £000	Group £000
Revenue from external clients	41,846	44,358	24,287	-	110,491
Inter-segment revenues	7,260	1	87	(7,348)	-
Profit before tax	732	1,728	1,136	(727)	2,869

4 Income tax expenses

	6 months ended 30 June 2009 £000	6 months ended 30 June 2008 £000	12 months ended 31 December 2008 £000
Current tax	469	527	853
Overprovision of tax for prior year	(32)	-	(20)
Deferred tax	(46)	(128)	(251)
	391	399	582

5 Earnings per share and dividends

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	6 months ended 30 June 2009 £000	6 months ended 30 June 2008 £000	12 months ended 31 December 2008 £000
Profit attributable to equity holders of the Company	1,006	980	1,511
Weighted average number of ordinary shares in issue (thousands)	29,132	30,872	30,107
Basic earnings per share in pence	3.45	3.17	5.02

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all contracted dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares, share options.

The calculation is performed for the share options to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and taking account of the yet unexpensed share based payment charge relating to those options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Tranches two to four of the options granted to C T Lloyd have been excluded from this calculation as all the conditions attaching to the proposed options had not been met at 30 June 2009.

	6 months ended 30 June 2009 £000	6 months ended 30 June 2008 £000	12 months ended 31 December 2008 £000
Profit attributable to equity holders of the Company	1,006	980	1,511
Weighted average number of ordinary shares in issue (thousands)	29,132	30,872	30,107
Adjustment for share options (thousands)	403	527	439
Weighted average number of ordinary shares for diluted earnings per share (thousands)	29,535	31,399	30,546
Diluted earnings per share in pence	3.41	3.12	4.95

Headline basic

Headline basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company plus the amortisation of intangible assets by the weighted average number of ordinary shares in issue during the period.

5 Earnings per share and dividends (continued)

	6 months ended 30 June 2009 £000	6 months ended 30 June 2008 £000	12 months ended 31 December 2008 £000
Profit attributable to equity holders of the Company	1,006	980	1,511
Amortisation of intangibles (after deduction of tax)	161	282	564
Headline profit attributable to equity holders of the Company	1,167	1,262	2,075
Weighted average number of ordinary shares in issue (thousands)	29,132	30,872	30,107
Headline basic earnings per share in pence	4.01	4.09	6.89

Dividends

During the first six months of 2009, Motivcom plc paid a final dividend of £437,000 to its equity shareholders (2008: £463,000). This represents a payment of 1.50 pence per share (2008: 1.50 pence).

6 Share-based payments

The Group has eight contracted share option schemes, comprising those disclosed in the Group's most recent financial statements, a CSOP for senior employees introduced on 23 January 2009 and a Sharesave Scheme introduced on 7 May 2009. The following options have been valued in accordance with the provisions of IFRS 2.

Scheme	Date of original grant	Number of options	Option price	Vesting conditions	Life of option	Fair Value
EMI Option Scheme	29/03/2004	150,000	£0.04285	2 years from 25/08/2004	10 Years	£0.01
EMI Option Scheme	21/11/2005	111,111	£0.945	3 Years	10 Years	£0.11
Sharesave Scheme 2	07/06/2006	44,044	£0.815	3 Years	3 Years	£0.10
Sharesave Scheme 3	04/06/2007	13,272	£1.125	3 Years	3 Years	£0.23
Sharesave Scheme 4	03/06/2008	160,924	£0.685	3 Years	3 Years	£0.16
Sharesave Scheme 5	07/05/2009	917,134	£0.27	3 Years	3 Years	£0.09
CSOP	23/01/2009	405,000	£0.33	3 Years	10 Years	£0.11
C T Lloyd Option Scheme	21/06/2007	768,588	£0.005	Each £20m growth in market value	10 Years	£0.12

The fair value of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The estimate of fair value of the services received is measured based on a binomial lattice model for the EMI, CSOP and Sharesave Schemes and a Monte Carlo model for the C T Lloyd Option Scheme. The vesting period is used as an input to those models.

6 Share-based payments (continued)

The following additional assumptions were used for all schemes except for the CSOP and Sharesave Schemes 3, 4 and 5:

- Expected volatility of 24% based on the average volatility of the Company since flotation in August 2004
- A dividend yield of 1.20%
- Risk free interest rate of 5.31%

The following additional assumptions were used for Sharesave Scheme 3:
- Expected volatility of 22% based on the average volatility of the Company since flotation in August 2004
- A dividend yield of 1%
- Risk free interest rate of 5.50%

The following additional assumptions were used for Sharesave Scheme 4:
- Expected volatility of 34% based on the average volatility of the Company since flotation in August 2004
- A dividend yield of 2.35%
- Risk free interest rate of 4.92%

The following additional assumptions were used for CSOP and Sharesave Scheme 5:
- Expected volatility of 62% based on the average volatility of the Company since flotation in August 2004
- A dividend yield of 4.79%
- Risk free interest rate of 2.49%

7 Property, plant & equipment classified as held for sale

The property owned by the Group, previously classified as held for sale within current assets, is now shown in property, plant & equipment within non-current assets.