the mission marketing group plc

annual report and accounts
for the year ended 31 December 2012

the mission(tm)

The Mission Marketing Group plc is a UK network of entrepreneurial communications Agencies spanning 17 offices, and uniting 800 people.

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

Being situated largely outside central London gives **the mission**(tm) Agencies a real competitive advantage. We benefit from lower establishment costs and attract top-flight people who seek an exciting work environment enhanced by improved quality of life.

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

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

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

We intend to increase shareholder value by growing profits and optimising our capital structure. We aim to grow profits by exploiting our competitive advantage to gain market share, and expanding the range and depth of our services via new ventures and selective acquisitions where appropriate.

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

Addiction(tm) — A modern creative Agency with in-house content and production facilities, Addiction delivers effective and innovative communications for a number of major Clients across the globe.

april-six(tm) — The UK's leading technology channel marketing Agency working successfully with global brands on an international basis.

balloon dog(tm) — A multi-channel, full service creative Agency that focuses on brand payback through its unique approach to brand building, CRM techniques and direct marketing.

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

brayleino(tm) — A pioneer of integrated brand-building, a top 20 Agency working with Clients through every channel and across the business spectrum and, in 2012, the No.1 B2B Agency in the UK.

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

Robson Brown(tm) — Regarded as one of the North of England's major advertising brands with proven skills in integrated communications.

'story'(tm) — An award-winning creative and direct communications Agency working with leading consumer brands and services from its Edinburgh base.

thinkbdw(tm) — 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.

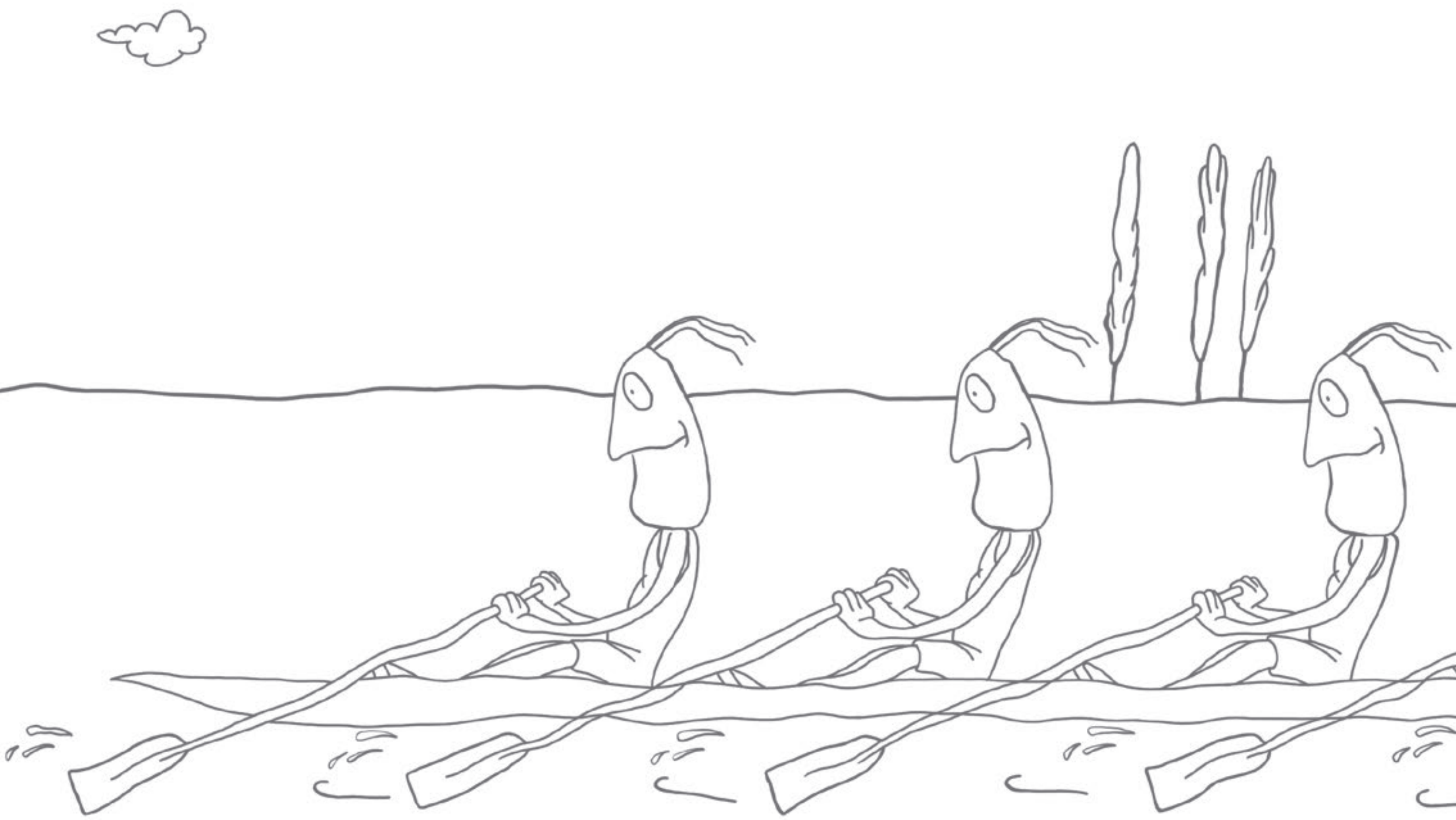
yucca(tm) — A highly creative digital marketing and web development Agency, Yucca is an award-winning Agency with unique digital and online capabilities.

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

The Bigger Picture

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

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



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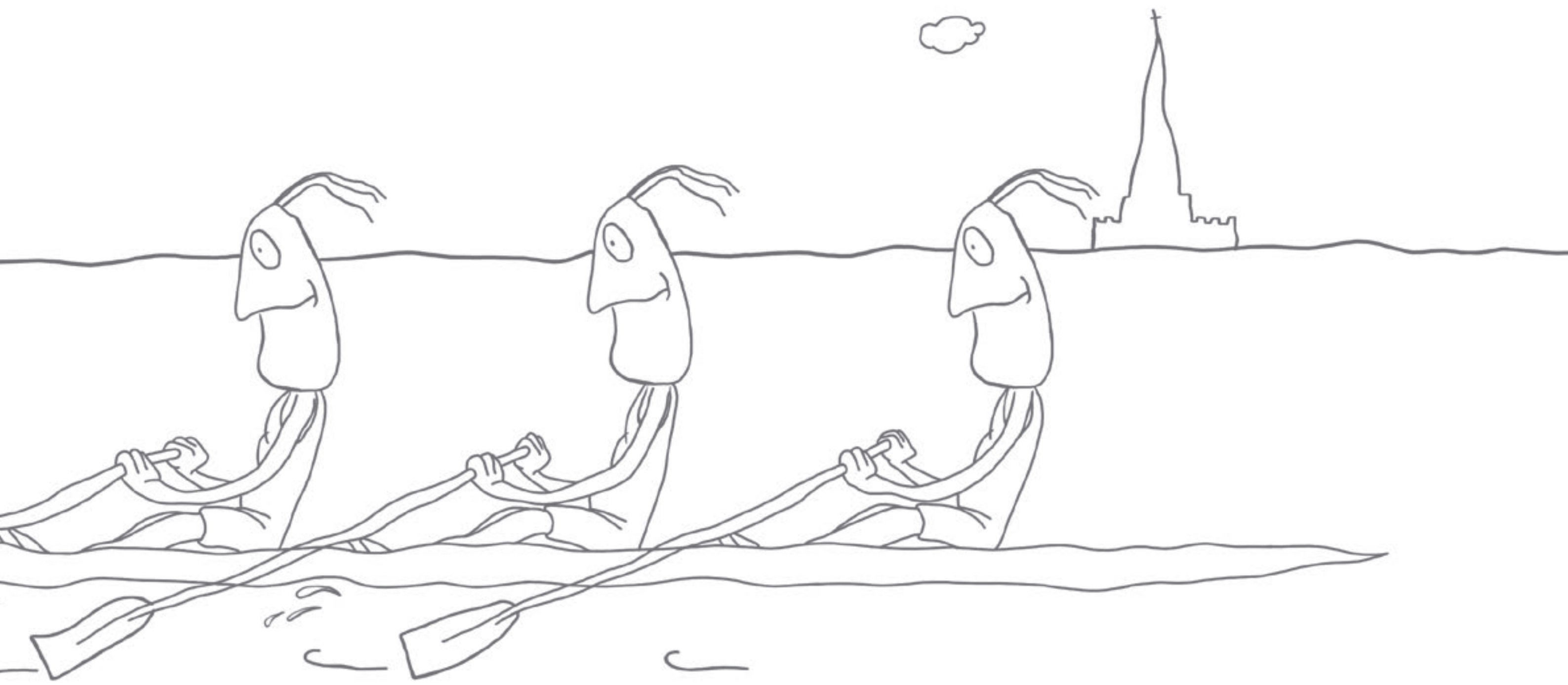
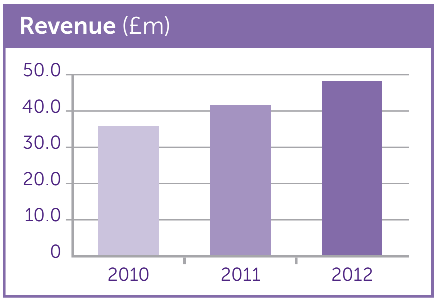
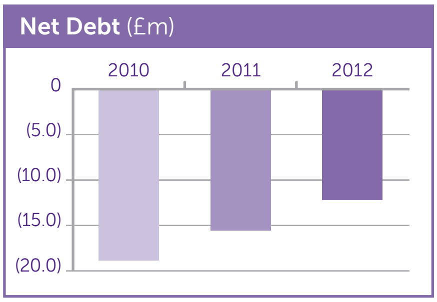


2012 Overview

2012 was another good year for **the mission**®. Further progress has been made in terms of revenue, profit and debt reduction. The Group has achieved further net gains in revenue from organic activities, and its range of services and capabilities has been expanded through new ventures and acquisitions. Looking ahead, the reduction in debt provides the Board with a new range of options, including the payment of dividends, not available since the refinancing in April 2010.





Key 2012 financials:

- Operating income ("revenue") up 15% to £47.5m (2011: £41.5m)
- Headline operating profit up 2% to £6.0m (2011: £5.8m)
- Sharp reduction in interest costs to £1.1m (2011: £1.6m)
- Headline profit before tax up 15% to £4.9m (2011: £4.2m)
- Headline diluted EPS up 8% to 4.5 pence (2011: 4.2 pence)
- Net bank debt reduced by £3.0m to £12.3m

In addition, we have achieved all of our key performance targets:

Key performance measure	Target	Achievement in 2012
Operating income	Grow year-on-year, both via increased business from existing Clients and from new business wins	Growth of 15% achieved despite 2011 benefitting from the Census, our largest ever project. Some great new Clients – e.g. Aviva, M&S Bank and Brittany Ferries – and strong retention and growth from existing Clients – e.g. Axa, BP, Dermal, Legal & General.
Operating profit margins	Achieve levels at least in line with industry averages	Headline operating margins reduced to 13% (2011: 14%) due to impact of new ventures and acquisitions, but still above industry average.
Ratio of net debt to EBITDA	Reduce below x2 by end of 2012	Debt leverage ratio reduced from x2.3 in 2011 to x1.7 in 2012.

Chairman's Statement

Dear shareholder

It's now three years since we restructured **the mission**ⓣⓜ and I am pleased to report that 2012 saw a continuation of our progress in what has been yet another challenging year for our sector.

Our objective going into 2012 was to maintain our progress whilst strengthening the expertise of our Agencies and the Group. We focused on concinnity and our Agencies have never worked better together, providing a cohesion that we and our Clients have benefited from.

Overall the Agencies have performed very well. They have improved their status with their Clients and created great new business wins from the likes of Aviva, Brittany Ferries and M&S Bank. What is even more admirable is that they have retained and built their existing Client bases at a time when competitive activity has never been fiercer. Our progress has come both from our consumer and B2B Agencies as well as our specialist IT, Property and Automotive businesses. They should be justly proud of their achievements in 2012.

We have also sought to strengthen our Group by bringing in new expertise that complements the whole. Both newcomers are already providing new and dynamic options to the rest of the Group thereby enhancing our Client offer.

The Addiction team joined us in September, principally to spearhead our capabilities in Branded Content and to fulfil our desire to create Mission Studios that will provide our Agencies with pre and post film production services from its West One base. Their work for the likes of B&Q and Remington is highly regarded and opens up new channels of opportunity for us.

We acquired balloon dog in Norwich and London in October to strengthen our CRM and data offering and provide us with yet another outstanding and profitable Agency that works with Clients such as Barclays, Pret a Manger and Aviva. The scope to build on the balloon dog business certainly exists within the Group.

But best of all, both of these new additions have brought us some great new colleagues, all of whom chose to be with **the mission**ⓣⓜ because they believe in what we are doing.

So where do we go from here? Our Agencies are in good shape and we expect them to work even closer together going forward. Their Client bases are the envy of the industry and they all have exciting strategies for the future.

2012 was a tough old year but we did what we said we would do. So I guess we did well and it's fair to say we are seeing some positive signs. Green shoots maybe but who knows what this mad economic world has in store for us? That is why we will continue to build cautiously and maintain a reduced risk position. We remain acquisitive but in a measured manner, call us quakebuttocks if you will, but our focus will remain on debt management, expertise enhancement and concinnity.

We remain excited by the potential of our business and look forward to further progress in 2013 and beyond.

David Morgan
Chairman
25 March 2013

Addiction(tm)

Ideas and know-how kick start home improvement.

All DIY and no inspiration have made B&Q dependent on ageing DIY enthusiasts. Our branded content channel on YouTube creates a place for B&Q to inspire consumers before the retail experience.

The latest films feature Kirstie Allsopp sharing ideas for 'upcycling' old furniture. The B&Q 'You Can Do It' Channel has had around 3 million views in the first year and is the branded channel showcase that Google/YouTube use in their presentations.

april-six(tm)

Delivering VMware a real world advantage.

As VMware's lead Agency in EMEA, our 2012 go-to-market strategy was 'Real World Advantage'. This campaign focused on changing the lives of IT Managers in small and medium sized businesses through the benefits of virtualization. The challenge: demonstrating creative excellence while delivering powerful and empathetic conversations in 17 languages, targeting a marketing-averse and technical audience. The results: smashing the 1:20 return on investment industry benchmark and over achieving on the targeted multi-million dollar opportunity pipeline.

balloon dog(tm)

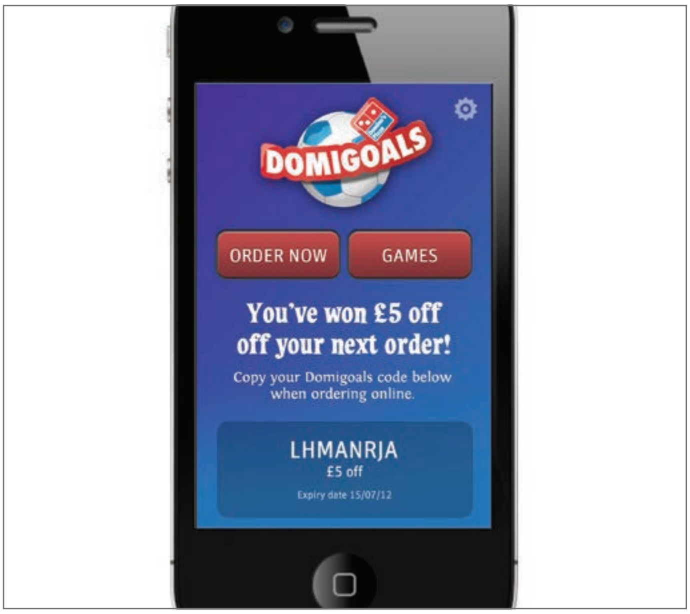
Barclaycard small business strategy.

Around 95% of Barclaycard small business customers are signed up in a Barclays bank branch. This can lead to low levels of activation and usage. We reviewed the entire sales process; channels, materials and touch-points, allowing us to identify the gaps and opportunities in order to drive spend. Our refined strategy is now used to support all small business briefs with several initiatives created as a direct result - including an interactive in-branch awareness campaign.

big(tm)

Back of the net!

Football and pizza go together like...well, football and pizza. So when Domino's needed an app that would allow fans to interact with a summer of soccer, and the chance to win prizes even after the home teams were eliminated, Domigoals was the perfect answer. With thousands of downloads, a raft of new-to-brand customers, nearly 30,000 online transactions and awards and nominations galore, including BIMA, GRAMIA and Fresh, Domigoals is a premier league piece of work.



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

brayleino(tm)

Curiosity. It can lead a brand anywhere.

Brittany Ferries offer a travel experience that provides limitless possibilities. Our stirring campaign, based around the concept of curiosity, took them from a place of rational, product focused comms, to a more emotionally engaging and thought provoking proposition. The project has energised the brand, it's made new audiences excited about Brittany Ferries and as an Agency, it's a piece of work we're immensely proud to stand by.

RLA(tm)

Forget Fernados, take me out in the new Picanto!

Kia launched the new Picanto City wanting to introduce it to new sassy and design-conscious customers. Partnering with the highly-rated Saturday night show was a natural fit. We needed to bring the TV action into UK dealerships with POS, ambient and promotions – where you could end up on the Take Me Out Love Island. We reached 60% of the audience with many 'liking' it online and 90%+ uptake in dealership.

We're still together.

Robson Brown

What price are we really paying for cheap alcohol?

Our Client Balance aims to inspire change to the way North East residents think about and drink alcohol. Our campaign raised awareness of the issues around young people and alcohol, ultimately encouraging sign up to a minimum unit price consultation. Outdoor, leafleting, on-street engagement and digital all combined to drive traffic to an online film and microsite. To date nearly 15,000 signed postcards have been presented to government.

'story'

Full of the joys of Highland Spring.

Highland Spring's business objective was to be No.1 in the UK's highly competitive and increasingly challenging bottled water market. In March 2012, we launched the 'Full of the Joys of Highland Spring' positioning. A fully integrated campaign featuring a feel-good, mischievous mole was developed based on the brand truth that drinking Highland Spring leaves you feeling healthy and hydrated. Highland Spring are well on their way to becoming the UK's No.1 bottled water brand. Joy!

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

thinkbdw(tm)

An Avant-Garde approach to property.

Avant-Garde by Telford Homes was the first new residential development in Shoreditch, East London.

To inspire the public we created a strong brand with dynamic marketing collateral from the design of the foyer, gymnasium and marketing suite to lifestyle DVDs, brochures and microsites. The impact on the overseas market was immediate, with over 120 units sold off plan.

Telford's sales success continues with four more sites in the heart of London.

yucca(tm)

World-class. Worldwide.

To help Clarks reach a global audience of partners and associates, we were briefed to create the most engaging and usable SharePoint intranet ever. Our response was 'Your Connection'; a highly usable and bespoke tool with over 700 users in 14 countries. Our work won Gold at the Digital Impact Awards 2012. We look forward to planning, designing and building the next phase of enhancements.

Financial Review

Summary

A year ago, we said we thought 2012 would see us out-perform our competitors. We believe we have achieved this. Against a continuing difficult backdrop for the sector, we are pleased to report results for the year ended 31 December 2012 which show further progress in terms of revenue, profit and debt reduction.

Trading, Statement of Income and Dividend

Turnover ("billings") was 1% higher than the previous year, at £117.0m (2011: £116.0m), and like-for-like turnover, excluding the acquisition of balloon dog with effect from 30 September 2012, was unchanged, reflecting the significant media spend in 2011 relating to the Census (our largest ever project).

Operating income ("revenue") increased 15% to £47.5m (2011: £41.5m), of which the like-for-like increase was 12%, mainly the result of net new business wins, notably VMware, Norwegian Seafood, Axa, Legal & General, Aviva and M&S Bank, together with the first contributions from Yucca, Bray Leino Healthcare and RLA's expansion in Northern Ireland. As mentioned in the Chairman's Statement, it was a good year for new business wins and Client retention. Net new business revenue gained in the year totalled £5.6m, up from £4.1m last year.

In common with the industry, gross profit margins achieved by our different business activities vary widely, and the overall Group margin can be strongly influenced by the level of media placement activity undertaken by our Clients. The higher overall gross margin in 2012 (41% vs 36% in 2011) reflects the lower proportion of media in the business mix (39% of turnover in 2012 vs 44% in 2011) as explained above and illustrated by the segmental analysis in Note 2.

The Directors measure the Group's performance by reference to headline profits, calculated before the deduction of amortisation of intangibles and professional fees associated with acquisitions and as set out in Note 3. Headline operating profit increased by 2% to £6.0m (2011: £5.8m) including the acquisition of balloon dog, and was unchanged on a like-for-like basis. As expected, the expansion of the Group over the last 18 months, through new ventures, additional talent and in-fill acquisitions, sometimes of financially distressed businesses, has reduced margins (headline operating profit as a percentage of gross profit) in the short term (to 13% from 14% in the prior year) but the Group is stronger as a result of these developments and confident that they will benefit the Group in the years ahead. The most recent addition to the Group – balloon dog – is the first acquisition involving anything other than a modest outlay since the refinancing in April 2010. We are really pleased with the way in which the new Agency has fitted into the culture of the Group and it is performing as anticipated.

Further significant progress was made in 2012 to reduce the Group's interest burden, both through a further reduction in net debt and also the renegotiation of interest rates. As a result, net interest costs reduced by a very pleasing 32% to £1.1m (2011: £1.6m).

After financing costs, headline profit before tax increased by 15% to £4.9m (2011: £4.2m).

Reported profit before tax increased by 14% (to £4.7m) after the deduction of amortisation charges and professional fees totalling £0.2m relating to acquisitions made in 2012. In 2011, £0.1m of exceptional costs were incurred relating to the completion of restructuring commenced in 2010.

The headline diluted EPS increased by 8% to 4.54 pence (2011: 4.20 pence).

The Board does not propose the payment of a dividend at this stage. However, as previously mentioned, the strong reduction in our debt leverage since 2010 provides the Board with greater flexibility when considering the most effective use for the cash generated by the business.

We continue to work on fully integrating our recent acquisitions which we expect to result in profits being more second half biased than in recent years. We will keep a close eye on trading in the first half and, if we continue to make progress, it remains our intention to declare a dividend at the time of our interim results.

Financial Review

Balance Sheet and Cash Flow

The Group's balance sheet has been further strengthened during the year by the equity placing of £1.2m used to fund the acquisitions of balloon dog and Addiction. In addition, beneficial changes to our banking arrangements came into effect in June 2012, with an extension of the facilities and the renegotiation of terms. Loan facilities which were due to expire in mid-2013 were extended to the end of 2015, our annual repayment obligation was reduced from £4m to £2.3m, and interest rates charged on the loans were reduced. These changes reflect the Group's complete rehabilitation in the banking community since the restructuring in April 2010.

After two years of reductions in working capital, a decrease in the proportion of Clients making up-front payments contributed to a net increase in working capital during the year. Despite this, net bank debt reduced by a further £3m, to £12.3m (2011: £15.3m). This compares with £13.9m of committed term facilities, together with an overdraft facility of £2.5m, representing a comfortable level of headroom. Our gearing ratio (net debt to equity) reduced from 26% last year to 20% at 31 December 2012 and the Group's "leverage ratio" (ratio of net bank debt to pre-exceptional EBITDA), which in H1 reduced below x2.0 for the first time since the Company's IPO in 2006, fell further despite the traditionally weaker H2, to x1.7 at 31 December 2012.

During the year, the Group continued to find opportunities to strengthen its services and extend its reach. Including the settlement of various acquired obligations, cash totalling £1.3m was invested in four deals during the year, including Quorum Advertising Limited and Haven Marketing Limited as well as Addiction Worldwide and balloon dog. These deals were funded almost entirely by an equity placing which was over-subscribed and raised £1.1m net of expenses.

At 31 December 2012, the Board undertook its annual assessment of the value of goodwill, explained further in Note 12, and concluded that no impairment in the carrying value was required. Capital expenditure, at £1.2m, was slightly lower than 2011 (£1.5m) and similar to depreciation charges (£1.0m).

Achieving a leverage ratio of x2.0 has been a key target for the Board since the restructuring in April 2010. Until this was achieved in H1 2012, the Board was focused on paying down debt and concentrating on organic growth, with only small in-fill acquisitions being contemplated. With our leverage ratio now well below x2.0, and expected to fall further over the next six months, the Board's options have increased. In addition to the possibility of paying dividends later this year, we will continue to review opportunities to make both strategic and opportunistic acquisitions to accelerate growth, but in a careful and selective way.

Treasury Policy

With the recent and modest exception of a New York presence as a result of the Addiction acquisition, the Group's operations are all based in the UK and substantially all the Group's business is conducted in the UK. Of those Clients based outside the UK, the majority are based in the USA and virtually all invoicing is undertaken in sterling.

The Group's policy is not to use any financial instruments for speculating but to use hedging of interest rates and currencies selectively and only where considered cost-effective. Until recently, management had not sought to use interest rate hedges but, following the renegotiation of banking facilities during 2012, has entered into a modest and inexpensive interest rate cap.

Where turnover is in foreign currencies, natural hedges are used where possible, matching revenues and costs in the same currency. Where this is not possible, appropriate currency hedging is considered.

The Group only draws down sufficient of its term loan facilities to cover its forecast funding requirements over the coming three months, leaving the overdraft facility to accommodate intra-month working capital requirements. The Group operates a virtual cash pooling arrangement where the cash balances of all the Group Agencies are pooled to offset any overdrafts. If there are significant net surplus cash balances at any time, they are placed on short term deposit.

Taxation

The Group's effective tax rate was 27.9% (2011: 25.0%). The Group's effective tax rate is normally above the statutory rate due to non-deductible staff and Client-related expenditure but, in 2011, the Group benefited from the release of over-provisions made in prior years.

Key Performance Indicators

The Group manages its internal operational performance by monitoring various key performance indicators ("KPIs''). The KPIs are tailored to the level at which they are used and their purpose. The Group's current KPIs, which are quantified and commented on above, are: operating income, which the Group aims to increase year-on-year both via increased business from existing Clients and from new business wins; operating profit margins, where the Group aims to achieve levels at least in line with industry averages; and the ratio of net debt to EBITDA, which the Group is aiming to maintain below x2.0.

At the individual Agency level, the Group's KPIs comprise revenue and profitability measures, predominantly the achievement of annual budget. More detailed KPIs are applied within individual Agencies.

Peter Fitzwilliam
Finance Director
25 March 2013

Board of Directors

David Morgan Executive Chairman

David founded Bray Leino, the Group's largest Agency, in 1974 and was its CEO until 2008. He became Non-Executive Chairman of Bray Leino in 2008 and was appointed Chairman of **the mission**™ in April 2010. Before founding Bray Leino he worked in a number of London advertising agencies including Dorlands.

Christopher Morris Non-Executive Deputy Chairman

Chris adds further operational experience to the Board as a founder partner of Big Communications, bought by **the mission**™ in 2005 prior to its AIM listing in 2006. Chris has gained 30 years' industry knowledge having previously been Managing Director of Cogent Elliott, one of the UK's top three regional advertising agencies. Chris was appointed to the Board in December 2009.

Stephen Boyd Senior Independent Non-Executive Director

Stephen is currently Chairman of three AIM-listed companies, Pittards plc, Pure Wafer plc and Swallowfield plc, in addition to owning a number of private companies. Stephen has a broad and extensive base of experience in the UK, Europe, USA and overseas and brings additional depth in corporate finance. Stephen was appointed to the Board in December 2009.

Dylan Bogg Executive Director

Dylan is Chief Executive of Big Communications and was one of the founding partners of the Agency. He had built a successful business by the age of 24 and this was used as the bedrock for the launch of Big Communications in 1996. Formerly Executive Creative Director of Big Communications, he still oversees all creative output. Dylan was appointed to the Board in April 2010.

James Clifton Executive Director

Chief Executive of balloon dog, James started out Client side before working for various Agencies within the Global Networks that are Omnicom and WPP. He created balloon dog in 2008 having led an MBO of Fox Murphy. balloon dog, an award-winning, multi-channel Agency, was acquired by **the mission**™ and James was appointed to the Board on 11 October 2012.

Robert Day Executive Director

Robert is Chief Executive of ThinkBDW, a company he founded as Robert Day Associates in 1987 at the age of 22. Re-branded ThinkBDW in 2004, Robert has led the company to its position as the leading property marketing specialist in the UK. The business was acquired by **the mission**™ in March 2007 and Robert joined the Board in April 2010.

Peter Fitzwillam Finance Director

Peter is a Chartered Accountant and has over 25 years of financial and management advisory experience in both private and quoted companies across a range of industry sectors. He was Finance Director of Business Post Group plc (now UK Mail Group plc) from 1999 to 2006 and helped take it into the FTSE 250. Peter supported **the mission**ⓣⓜ through its refinancing in April 2010 and was appointed to the Board in September 2010.

Christopher Goodwin Executive Director

Chris is Chief Executive of RLA and has over 25 years in the automotive industry at Firestone and then Federal-Mogul, with varied experience in sales, marketing and general management roles, both at regional and global levels. In 2008 he crossed over from the Client side to focus on strategic business development within Bray Leino. He was appointed to the Board in April 2011.

Giles Lee Executive Director

Giles joined Bray Leino in 2005 as Group Finance Director following his successful role in transforming Merrydown plc from its fundamental financial restructure in 2000 up to its acquisition in 2005. Since joining Bray Leino, Giles has overseen eight acquisitions and a number of strategic investments. Giles was appointed CFO/COO of Bray Leino in 2011 and Executive Chairman in 2013, alongside a strong management team. He was appointed to the Board on 5 March 2013.

Sue Mullen Executive Director

Sue is Chief Executive of Story and started her advertising career at Branns in Cirencester before moving to Edinburgh to head up One Agency. She eventually left in 2002 and, alongside three colleagues, set up Story, an award-winning creative and direct communications Agency. Story was acquired by **the mission**ⓣⓜ in 2007 and Sue was appointed to the Board on 18 June 2012.

Fiona Shepherd Executive Director

Fiona is Chief Executive of April-Six and has worked in the technology industry for over 20 years, holding both Client and Agency positions and working with some of the world's largest technology brands. Fiona was a founder partner of April-Six in 2000, founded on a passion for technology and a strong belief in customer centricity. Fiona joined the Board in April 2010.

Report of the Directors for the year ended 31 December 2012

The Directors have pleasure in presenting their report and the financial statements of The Mission Marketing Group plc ("**the mission**™") for the year ended 31 December 2012.

Principal Activities

The principal activities of the Group throughout the year continued to be marketing services, providing national and international Clients with award-winning marketing, advertising and business communications.

Business Review

A review of the business and future developments is provided in the Chairman's Statement and the Financial Review, which form part of this Report of the Directors. Information concerning Key Performance Indicators is included within the Financial Review, and the Group's principal risks and uncertainties are discussed under Risk Management below.

Dividends

The Board does not propose the payment of a dividend at this stage. However, dependent upon the results during the first half of 2013, it is the Board's intention to declare a dividend at the time of the Group's interim results.

Directors

The following Directors held office during the year;

Dylan Bogg	
Stephen Boyd	
James Clifton	appointed 11 October 2012
Robert Day	
Peter Fitzwilliam	
Christopher Goodwin	
Bruce Hutton	
David Morgan	
Christopher Morris	
Sue Mullen	appointed 18 June 2012
Fiona Shepherd	

Bruce Hutton resigned on 28 February 2013 and Giles Lee was appointed on 5 March 2013.

Directors' Interests in Shares and Options

The interests of the Directors and their families in the shares of the Company were as follows:

Number of ordinary shares of 10p each

	31 December 2012	31 December 2011 (or on appointment)
Dylan Bogg	1,358,323	1,167,373
Stephen Boyd	319,918	300,768
James Clifton	90,048	90,048
Robert Day	6,008,138	5,574,929
Peter Fitzwilliam	506,481	432,181
Christopher Goodwin	191,635	172,485
Bruce Hutton	1,725,038	1,699,713
David Morgan	5,939,875	5,844,150
Christopher Morris	951,509	874,909
Sue Mullen	1,065,204	1,065,204
Fiona Shepherd	1,235,273	1,216,123

The following unexercised options over shares were held by Directors:

Directors	1 January 2012 (or on appointment)	Granted	31 December 2012	Date from which exercisable	Expiry date
Dylan Bogg	90,000*	–	90,000	July 2013	July 2019
	60,000	–	60,000	July 2014	July 2021
	–	70,000	70,000	July 2015	July 2022
Robert Day	60,000	–	60,000	July 2013	July 2020
	157,000	–	157,000	July 2014	July 2021
	–	96,667	96,667	July 2015	July 2022
Peter Fitzwilliam	50,000	–	50,000	July 2014	July 2021
	–	40,000	40,000	July 2015	July 2022
Chris Goodwin	20,000	–	20,000	July 2014	July 2021
	–	40,000	40,000	July 2015	July 2022
Bruce Hutton	170,000*	–	170,000	July 2013	July 2019
	53,000	–	53,000	July 2013	July 2020
	200,000	–	200,000	July 2014	July 2021
	–	200,000	200,000	July 2015	July 2022
Chris Morris	55,000*	–	55,000	July 2013	July 2019
	28,000	–	28,000	July 2014	July 2021
	–	40,000	40,000	July 2015	July 2022
David Morgan	50,000	–	50,000	July 2014	July 2021
	–	40,000	40,000	July 2015	July 2022
Sue Mullen	25,000	–	25,000	July 2013	July 2020
	10,000	–	10,000	July 2014	July 2021
	–	20,000	20,000	July 2015	July 2022
Fiona Shepherd	21,000	–	21,000	July 2013	July 2020
	40,000	–	40,000	July 2014	July 2021
	–	40,000	40,000	July 2015	July 2022

All share options in existence at 31 December 2012 are nil-cost options granted under the Company's Long Term Incentive Plan.

*The vesting conditions applying to options granted in 2009 were simplified to make them dependent upon the achievement of profit targets over the three year period ending 31 December 2012, consistent with options granted in 2010. Options granted in 2012 are dependent upon the achievement of profit targets over the three year period ending 31 December 2014.

Substantial Shareholdings

Other than the Directors' interests disclosed above, as at 25 March 2013, notification had been received of the following interests in 3% or more of the issued share capital of the Company:

	Number of Shares	%
Herald Investment Management Ltd	4,500,000	5.84
Polar Capital Forager Fund Ltd	3,995,000	5.19
Nicholas Bacon	2,449,648	3.18

Share Capital

The issued share capital of the Company at the date of this report is 76,990,940 Ordinary shares. The total number of voting rights in the Company is 76,990,940. During the year, the Company issued a total of 4,530,496 shares. Of these, 4,289,144 were placed with existing and new institutional shareholders to raise £1.2m and 241,352 were issued as part of the initial consideration payable for the acquisition of Friars 573 Ltd.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union, and the Company financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the Group and Company and the profit or loss of the Group for that period. In preparing the financial statements of the Company under UK GAAP, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance

The Directors provide a separate Corporate Governance Report, which forms part of this Report of the Directors.

Risk Management

As part of its risk management strategy, the Board has a formal process of delegated authorities throughout the Group and specific risks are reviewed at Board meetings. The Group sets, and keeps under review, key performance indicators to monitor the past and future performance of the Group and each operating unit.

The Group's principal operating risks and uncertainties are associated with the sustainability of its business model, the health of the UK economy and the retention of key customers and staff. We believe that our business model, of being a UK network of entrepreneurial Agencies situated largely outside central London, gives **the mission**(tm) a real competitive advantage. Clients can both access top-flight people who have made a non-London lifestyle choice, and also benefit from our lower establishment costs. Our ability to generate net new business growth year after year suggests that this is a successful business model but we maintain close relationships with our Clients to ensure that we continue to meet their requirements, and keep the structure of the Group under regular review.

The fragile condition of the UK economy is well publicised; there is a risk that a further downturn will have an adverse effect on the Group's performance in the future and delay the Group's growth ambitions. The Group makes efforts to mitigate any adverse impact through strenuous new business activity and by reducing overheads wherever possible, always recognising that there is a level below which overheads cannot be reduced without customer service being affected. The risk of customer loss is mitigated by the efforts of dedicated Client teams and also the Group's broad spread of Clients, which limits its exposure to any individual Client.

In common with all service businesses, the Group is reliant on the quality of its staff. Strenuous efforts are made to provide a rewarding work environment and remuneration package to retain and motivate key individuals. The system of financial rewards is reviewed regularly by the Board.

Details of specific financial risk management objectives and policies of the Group are set out in Notes 1, 15 and 27 to the financial statements. The exposure of the Group to credit risk, liquidity risk, interest rate risk and cash flow risk is also detailed in these Notes, unless insignificant.

The Environment

The business of the Group is delivering marketing and advertising related services to Clients. The direct and indirect impact of these services on the environment is negligible and considered low risk, however we continue to take action to reduce our environmental impact where viable.

Directors' Indemnity Insurance

As permitted by Section 233 of the Companies Act 2006, the Company has purchased insurance cover on behalf of the Directors, indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Post Balance Sheet Events

There were no material post balance sheet events.

Policy on Payments to Creditors

The Group does not have a standard code for dealing specifically with the payment of creditors. The Group negotiates payment terms with its suppliers on an individual basis and settles its accounts in accordance with those terms. Trade creditors at the year end represented 46 days purchases (2011: 37 days).

Employee Policies

It is the Group's policy not to discriminate between employees or potential employees on any grounds. The Group is committed to full and fair consideration of all applications. Selection of employees for recruitment, training, development and promotion are based on their skills, abilities, and relevant requirements for the job.

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Group. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure their employment with the Group continues and that the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Political and Charitable Donations

During the year the Group made charitable donations of £11,400 (2011: £10,744) to help support local worthy causes, along with other regional and national charities. Various parts of the Group have also lent their professional marketing expertise free of charge during the year to help charities raise their profile. The Group did not make any political donations during the year.

Auditors

Francis Clark LLP have indicated their willingness to continue in office and, in accordance with the provisions of the Companies Act 2006, it is proposed that they be re-appointed auditors to the Company for the ensuing year.

Disclosure of Information to Auditors

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware. The Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Going Concern

The Directors are pleased with the progress made since the refinancing and restructuring of the Group in April 2010. Each year has demonstrated a growth in revenue from net new business wins, profits have increased, and the balance sheet has been significantly strengthened by equity placings and a reduction in net debt. Looking to the future, the Directors have confidence that further progress can be made. In addition, they have considered the financial projections for 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 it is appropriate to adopt the financial statements on the basis that the Company and Group have adequate resources for the foreseeable future. Therefore the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

A notice convening the Annual General Meeting to be held on Monday 17 June 2013 at 12 noon is included within this report.

On behalf of the Board
Peter Fitzwilliam
Finance Director
25 March 2013

Corporate Governance

The Board of The Mission Marketing Group plc is collectively accountable to the Company's shareholders for good corporate governance. As an AIM-listed company, **the mission**™ is not required to comply with the UK Corporate Governance Code (June 2010) (the "Code") but complies as far as is practicable and appropriate for a public company of its size and nature.

Board of Directors

At 31 December 2012, the Board consisted of an Executive Chairman, eight Executive Directors and two Non-Executive Directors. Following the refinancing completed in April 2010 and the resultant transition to an operator-led focus, with the emphasis on organic growth and cost reductions, the Board considered it appropriate to appoint the CEOs of each of the Group's principal Agencies, most of whom are the original founders of those Agencies, to the Board and to elect David Morgan, the founder of the Group's largest Agency, as Executive Chairman. The Directors periodically re-consider the structure of the Board in the light of acquisitions and expansion and believe the structure established in 2010 remains appropriate. David Morgan is well regarded both within **the mission**™ and within the industry and the Board continues to believe that, although combining the roles of Chairman and Chief Executive does not meet "best practice" under the Code, his role as Executive Chairman remains appropriate for the circumstances and that introducing a separate Chief Executive would disturb the balance of an entrepreneurial Board, still largely comprising original Vendors.

Stephen Boyd and Chris Morris are Non-Executive Directors and, although Chris provides some consulting services to the Group, which are not significant in financial value, both are considered to be independent of management by virtue of their attitude.

The Directors are collectively responsible for the strategic direction, investment decisions and effective control of the Group. There is a schedule of matters reserved for Board approval which includes, amongst other things, approval of the Group's annual budget, acquisition of new subsidiaries, property leases, significant acquisitions or disposals of fixed assets, and material Client contracts. The Board meets in person at least eleven times each year and has regular telephonic and electronic contact in-between meetings.

The Board is satisfied that it receives information of a quality and to a timetable that permits it to discharge its duties.

All Directors are subject to election by shareholders at the first opportunity after their appointment. They are required to retire every three years and may seek re-appointment.

The Board has established three committees to deal with specific aspects of the Group's affairs.

Audit Committee

The Audit Committee consists of the two independent Non-Executive Directors, with Stephen Boyd as Chairman. The Committee considers matters relating to the reporting of results, financial controls, and the cost and effectiveness of the audit process. It aims to meet at least twice a year with the Group's external auditors in attendance. Other Directors attend as required. The terms of reference of the Committee are available on request.

The Audit Committee is satisfied that the Group's auditors, Francis Clark LLP, have been objective and independent of the Group. The Group's auditors performed non-audit services for the Group as outlined in Note 7 but the Audit Committee is satisfied that their objectivity and independence was not impaired by such work.

Remuneration Committee

The Remuneration Committee consists of the two independent Non-Executive Directors, with Stephen Boyd as Chairman. The Committee determines the remuneration of the Executive Directors and makes recommendations to the Board with regard to remuneration policy and related matters. The Board maintains a policy of providing executive remuneration packages that will attract, motivate and retain Directors of the calibre necessary to deliver the Group's growth strategy and to reward them for enhancing shareholder value.

The Executive Directors' remuneration packages consist of three elements:

- basic salary and benefit package;
- performance related bonus – the Group operates a performance-related bonus scheme, related to the delivery of profit targets; and
- share option incentives – details of share options granted to the Executive Directors at the discretion of the Remuneration Committee are shown in the Directors' report.

Since Peter Fitzwilliam's services as Chief Financial Officer are provided via VPF London Ltd, he is not eligible for benefits, however as a Director he is eligible for share option incentives and VPF London may receive performance-related bonuses. The Remuneration Committee reviews the components of each Executive Director's remuneration package annually. The remuneration and terms and conditions of appointment of the Non-Executive Directors are determined by the Board. No Director is involved in setting his or her own remuneration. The Remuneration Committee meets as and when required. The terms of reference of the Committee are available on request.

Nomination Committee

The Nomination Committee consists of the Group's Executive Chairman, David Morgan, as the Committee Chairman, and the two Non-Executive Directors. The Committee is responsible for reviewing and making proposals to the Board on the appointment of Directors and meets as necessary. The terms of reference of the Committee are available on request.

Summary of Directors' Attendance

	Board Meetings		Remuneration Committee		Audit Committee		Nomination Committee	
	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended
Dylan Bogg	13	12	n/a	n/a	n/a	n/a	n/a	n/a
Stephen Boyd	13	13	3	3	3	3	–	n/a
James Clifton	3	3	n/a	n/a	n/a	n/a	n/a	n/a
Robert Day	13	12	n/a	n/a	n/a	n/a	n/a	n/a
Peter Fitzwilliam	13	13	n/a	n/a	n/a	n/a	n/a	n/a
Chris Goodwin	13	12	n/a	n/a	n/a	n/a	n/a	n/a
Bruce Hutton	13	7	n/a	n/a	n/a	n/a	n/a	n/a
David Morgan	13	12	n/a	n/a	n/a	n/a	–	n/a
Chris Morris	13	12	3	3	3	3	–	n/a
Sue Mullen	9	4	n/a	n/a	n/a	n/a	n/a	n/a
Fiona Shepherd	13	12	n/a	n/a	n/a	n/a	n/a	n/a

Shareholder Communications

The Company believes in good communication with shareholders. The Board encourages shareholders to attend its Annual General Meeting. The Chairman and the Finance Director meet analysts and institutional shareholders periodically in order to ensure that the strategy and performance of the Group are clearly understood, and they provide the first point of contact for any queries raised by shareholders. In the event that these Directors fail to resolve any queries, or where a Non-Executive Director is more appropriate, the Senior Independent Director, Stephen Boyd, is available to meet shareholders.

Internal Financial Control

The Board is responsible for ensuring that the Group maintains a system of internal financial controls. The objective of the system is to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is timely and reliable. Any such system can only provide reasonable, but not absolute, assurance against material loss or misstatement.

The Board does not consider it would be appropriate to have its own internal audit function at the present time, given the Group's size and the nature of its business. At present the internal audit of internal financial controls forms part of the responsibilities of the Group's finance function.

All the day to day operational decisions are taken initially by the Executive Directors, in accordance with the Group's strategy. The Executive Directors are also responsible for initiating commercial transactions and approving payments, save for those relating to their own employment.

The key internal controls include the specific levels of delegated authority and the segregation of duties; the prior approval of all acquisitions; the review of pertinent commercial, financial and other information by the Board on a regular basis; the prior approval of all significant strategic decisions; and maintaining a formal strategy for business activities.

On behalf of the Board
Peter Fitzwilliam
Finance Director
25 March 2013

Independent Auditor's Report to the Members of The Mission Marketing Group plc

We have audited the financial statements of The Mission Marketing Group plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 20 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of The Mission Marketing Group plc for the year ended 31 December 2012.

Christopher Hicks BA FCA (Senior Statutory Auditor)
For and on behalf of Francis Clark LLP, Chartered Accountants and Statutory Auditors
Sigma House, Oak View Close, Edginswell Park, Torquay TQ2 7FF
25 March 2013

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Note	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
TURNOVER	2	**116,970**	116,044
Cost of sales		**(69,446)**	(74,577)
OPERATING INCOME	2	**47,524**	41,467
Operating expenses before exceptional items		**(41,736)**	(35,619)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		**5,788**	5,848
Exceptional items	4	**–**	(100)
OPERATING PROFIT		**5,788**	5,748
Investment income	5	**9**	5
Finance costs	6	**(1,113)**	(1,641)
PROFIT BEFORE TAXATION	7	**4,684**	4,112
Taxation	9	**(1,306)**	(1,026)
PROFIT FOR THE YEAR		**3,378**	3,086
Other comprehensive income		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,378**	3,086
Basic earnings per share (pence)	11	**4.68**	4.35
Diluted earnings per share (pence)	11	**4.33**	4.10
Headline basic earnings per share (pence)	11	**4.91**	4.45
Headline diluted earnings per share (pence)	11	**4.54**	4.20

The earnings per share figures derive from continuing and total operations.

Consolidated Balance Sheet
As at 31 December 2012

	Note	As at 31 December 2012 £'000	As at 31 December 2011 £'000
FIXED ASSETS			
Intangible assets	12	**71,433**	68,443
Property, plant and equipment	14	**3,230**	2,685
		74,663	71,128
CURRENT ASSETS			
Stock and work in progress		**921**	626
Trade and other receivables	15	**24,364**	20,844
Cash and short term deposits	16	**546**	315
		25,831	21,785
CURRENT LIABILITIES			
Trade and other payables	17	**(13,625)**	(10,378)
Accruals		**(7,541)**	(8,117)
Corporation tax payable		**(1,359)**	(820)
Bank loans	18	**(2,286)**	(4,000)
Acquisition obligations	20	**(1,124)**	–
		(25,935)	(23,315)
NET CURRENT LIABILITIES		**(104)**	(1,530)
TOTAL ASSETS LESS CURRENT LIABILITIES		**74,559**	69,598
NON-CURRENT LIABILITIES			
Bank loans	18	**(10,596)**	(11,641)
Obligations under finance leases	19	**(69)**	(40)
Acquisition obligations	20	**(1,210)**	–
Deferred tax liabilities	21	**–**	(1)
		(11,875)	(11,682)
NET ASSETS	2	**62,684**	57,916
CAPITAL AND RESERVES			
Called up share capital	23	**7,699**	7,246
Share premium account		**40,288**	39,542
Own shares	24	**(1,201)**	(1,234)
Share option reserve	25	**441**	263
Retained earnings		**15,457**	12,099
TOTAL EQUITY		**62,684**	57,916

The financial statements were approved and authorised for issue on 25 March 2013 by the Board of Directors. They were signed on its behalf by:

Peter Fitzwilliam
Finance Director

Company registration number: 05733632

Consolidated Cash Flow Statement
For the year ended 31 December 2012

	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
Operating profit	**5,788**	5,748
Depreciation and amortisation charges	**1,081**	762
Loss on disposal of property, plant and equipment	**1**	16
Non cash charge for share options and shares awarded	**178**	129
(Increase)/decrease in receivables	**(2,313)**	1,401
Decrease/(increase) in stock and work in progress	**103**	(137)
Increase/(decrease) in payables	**403**	(726)
OPERATING CASH FLOWS	**5,241**	7,193
Net finance costs	**(884)**	(1,566)
Tax paid	**(1,156)**	(496)
Net cash inflow from operating activities	**3,201**	5,131
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	**2**	69
Purchase of property, plant and equipment	**(1,234)**	(1,552)
Acquisition of subsidiaries	**(728)**	–
Cash acquired with subsidiaries	**741**	–
Acquisition of intangibles	**(5)**	(190)
Net cash outflow from investing activities	**(1,224)**	(1,673)
FINANCING ACTIVITIES		
Movement in finance leases	**109**	(68)
Repayment of long term bank loans	**(2,979)**	(4,513)
Proceeds on issue of ordinary share capital	**1,124**	–
Net cash outflow from financing activities	**(1,746)**	(4,581)
Increase/(decrease) in cash and cash equivalents	**231**	(1,123)
Cash and cash equivalents at beginning of year	**315**	1,438
Cash and cash equivalents at end of year	**546**	315

Consolidated Statement of Changes in Equity
For the year ended 31 December 2012

	Share Capital £'000	Share Premium £'000	Own Shares £'000	Share Option Reserve £'000	Retained Earnings £'000	Total £'000
At 1 January 2011	7,246	39,542	(1,259)	134	9,038	54,701
Credit for share option scheme	–	–	–	129	–	129
Shares awarded to employees from own shares	–	–	25	–	(25)	–
Total Comprehensive Income for the year	–	–	–	–	3,086	3,086
At 31 December 2011	7,246	39,542	(1,234)	263	12,099	57,916
New shares issued	**453**	**746**	**–**	**–**	**–**	**1,199**
Credit for share option scheme	**–**	**–**	**–**	**178**	**–**	**178**
Shares awarded to employees from own shares	**–**	**–**	**33**	**–**	**(20)**	**13**
Total Comprehensive Income for the year	**–**	**–**	**–**	**–**	**3,378**	**3,378**
At 31 December 2012	**7,699**	**40,288**	**(1,201)**	**441**	**15,457**	**62,684**

Notes to the Consolidated Financial Statements

1. Accounting Policies

Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

The financial statements have been prepared on the historical cost basis.

Going concern

The Group's available banking facilities provide comfortable levels of headroom against the Group's projected cash flows and the Directors accordingly consider that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating polices of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Where the fair value of the identifiable net assets acquired exceeds the cost of acquisition, any discount on acquisition is credited to profit or loss in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Revenue and revenue recognition

The Group's operating subsidiaries carry out a range of different activities. The following policies apply consistently across subsidiaries and business segments.

Turnover is in respect of the provision of services including fees, commissions, rechargeable expenses and sales of materials performed subject to specific contracts. Where recorded turnover exceeds amounts invoiced to Clients, the excess is classified as accrued income.

Income is taken on fee income in the period to which it relates. Project income is recognised in the period in which the project is worked on. For projects which straddle the accounting year end, income is recognised to reflect the partial performance of the contractual obligations in accordance with IAS 18 Revenue.

Income is recognised on the following basis:

- Retainer fees are apportioned over the time period to which they relate.
- Project income is recognised by apportioning the fees billed or billable to the time period for which those fees were earned by relationship to the percentage of completeness of the project to which they relate.
- Media commission is recognised when the advertising has been satisfactorily aired or placed.
- Unbilled costs relating to contracts for services are included at rechargeable value in accrued income.

Share-based payment transactions

The Group has applied the requirements of IFRS 2 Share-based Payments. IFRS 2 has been applied to all grants of equity instruments.

Equity-settled share-based payments, such as share options, are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

Fair value is measured by use of a Black Scholes model on the grounds that there are no market related vesting conditions. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Market price on any given day is obtained from external publicly available sources.

Pension costs

Retirement benefits to employees are provided by defined contribution schemes that are funded by the Group and employees. Payments are made to pension trusts that are financially separate from the Group.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are reflected in the profit or loss accordingly.

Goodwill and other intangible assets

Goodwill arising from the purchase of subsidiary undertakings and trade acquisitions represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, and is capitalised in accordance with the requirements of IFRS 3. Future anticipated payments to vendors in respect of earn-outs are based on the Directors' best estimates of these obligations. Earn-outs are dependent on the future performance of the relevant business and are reviewed annually.

Goodwill is not amortised, but is reviewed annually for impairment. Goodwill impairment is assessed by comparing the carrying value of goodwill for each cash-generating unit to the future cash flows, discounted to their net present value using an appropriate discount rate, derived from the relevant underlying assets. Where the net present value of future cash flows is below the carrying value of goodwill, an impairment adjustment is recognised in profit or loss and is not subsequently reversed.

Other intangible assets purchased separately, or separately identified as part of an acquisition, are amortised over periods of between 4 and 20 years, except certain brand names which are considered to have an indefinite useful life. The value of such brand names is not amortised, but rather an annual impairment test is applied and any shortfall in the present value of future cash flows derived from the brand name versus the carrying value is recognised in profit and loss.

Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful economic life, as follows:

Short leasehold property	Period of the lease
Motor vehicles	25% per annum
Fixtures, fittings and office equipment	10-33% per annum
Computer equipment	25-33% per annum

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value and includes the costs of direct materials and purchases, and the costs of direct labour. Net realisable value is based on estimated invoice value less further costs expected to be incurred to completion.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred consideration

The terms of an acquisition may provide that the value of the purchase consideration, which may be payable in cash, shares or other security at a future date, depends on uncertain future events, such as the future performance of the acquired company. Where it is not possible to estimate the amounts payable with any degree of certainty, the amounts recognised in the financial statements represent a reasonable estimate at the balance sheet date of the amounts expected to be paid. The deferred consideration is discounted to a present value. The differences between the present value of the liabilities and the actual amounts payable, where material, are charged to the profit or loss as notional finance costs over the life of the associated liability. The rate used is the risk free rate applicable at the time of acquisition of the relevant entity.

Where it becomes appropriate to increase or decrease a previous estimate of deferred consideration, an adjustment is made to the current year IFRS interest charge, such that the cumulative interest charged to the date of change reflects the amount of interest charge that would have been expensed had the revised estimate of the deferred consideration been made at the date that the liability was first recognised. By so doing, the total interest expensed over the life of the liability is calculated as a function of the latest expectation and is not influenced by any previous estimates whether higher or lower, and fully reflects the intention of IFRS 3.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Issue costs are offset against the proceeds of such instruments. Financial liabilities are released to income when the liability is extinguished.

Liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group has only one class of share in existence.

Finance costs

Finance costs, which include interest, bank charges and the unwinding of the discount on deferred consideration, are recognised in profit or loss in the year in which they are incurred. Bank debt renegotiation fees, where they can be amortised over the life of the loan facility, are included in finance costs.

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;
- revenue recognition policies in respect of contracts which straddle the year end; and
- valuation of intangible assets on acquisitions.

The potential impairment of goodwill is based on estimates of future cash flows derived from the financial projections of each cash-generating unit over an initial three year period and assumptions about growth thereafter, discussed in more detail in Note 12. Estimating these future cash flows is the Group's key source of estimation uncertainty.

Revenue is recognised based on an estimate of the stage of completion of contracts which straddle the year end, typically derived from the amount of time so far committed to those contracts in relation to the total estimated time to complete them.

When considering the valuation of intangible assets on acquisitions, a range of methods is undertaken both for identifying intangibles and placing valuations on them. Brand names, customer relationships, intellectual property rights and goodwill are the most frequently identified intangible assets. The valuation of each element is assessed by reference to commonly used techniques, such as "relief from royalty" and "excess earnings" and to industry leaders and competitors.

New standards, interpretations and amendments to existing standards

There are no material impacts arising from standards and interpretations applicable for the first time to these financial statements, as detailed in the prior year financial statements.

The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Group in preparing these financial statements as they are not as yet effective. The Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early. None of these Standards and Interpretations is anticipated to have a significant impact on the Group.

- IFRS 9, 'Financial instruments', effective 1 January 2015
- IFRS 10, 'Consolidated financial statements' effective 1 January 2013
- IFRS 11, 'Joint arrangements' effective 1 January 2013
- IFRS 12, 'Disclosure of interests in other entities' effective 1 January 2013
- IFRS 13, 'Fair value measurement' effective 1 January 2013

The above standards have not yet been adopted by the European Union and therefore do not form part of IFRS as adopted by the European Union.

A number of revised IFRSs and amendments to IFRSs are also currently in issue which are not relevant for the Group's activities and which have not therefore been adopted in preparing these financial statements.

2. Segmental Information

Business segmentation

For management purposes the Group had seven operating subsidiaries during the period: April-Six Ltd, Big Communications Ltd, Bray Leino Ltd (incorporating Addiction and Yucca), Fox Murphy Ltd (trading as balloon dog), RLA Group Ltd, Story UK Ltd and ThinkBDW Ltd (incorporating Robson Brown), 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; Events and Learning; and Public Relations.

Year to 31 December 2012	Branding, Advertising & Digital £'000	Media £'000	Events & Learning £'000	Public Relations £'000	Group £'000
Turnover	58,291	46,144	9,652	2,883	116,970
Operating income	36,905	4,597	3,565	2,457	47,524
Segmental operating profit	5,771	1,109	139	26	7,045
Unallocated corporate expenses					(1,085)
Headline operating profit					5,960
Investment income					9
Finance costs					(1,113)
Headline profit before tax					4,856
Profit adjustments (Note 3)					(172)
Reported profit before taxation					4,684
Taxation					(1,306)
Profit for period					3,378
Other Information					
Capital expenditure	825	173	164	72	1,234
Unallocated capital expenditure					–
Total capital expenditure					1,234
Depreciation and amortisation	835	57	105	49	1,046
Unallocated depreciation and amortisation					35
Total depreciation and amortisation					1,081
Balance Sheet					
Assets					
Segment assets	26,822	4,484	520	323	32,149
Unallocated corporate assets					68,345
Consolidated total assets					100,494
Liabilities					
Segment Liabilities	14,406	4,582	212	122	19,322
Unallocated corporate liabilities					18,488
Consolidated total liabilities					37,810
Consolidated net assets / (liabilities)	12,416	(98)	308	201	62,684

Unallocated corporate expenses include corporate administration expenses necessary for a quoted company. It is considered impractical to split the debt interest into segments.

The split of assets and liabilities has been estimated, as the businesses are integrated. Unallocated corporate assets and liabilities include unallocated IFRS assets and liabilities, corporate assets and liabilities, Group cash reserves and drawn debt liabilities.

Year to 31 December 2011	Branding, Advertising & Digital £'000	Media £'000	Events & Learning £'000	Public Relations £'000	Group £'000
Turnover	50,150	51,335	11,890	2,669	116,044
Operating income	30,767	4,559	4,045	2,096	41,467
Segmental operating profit	5,027	1,593	302	12	6,934
Unallocated corporate expenses					(1,086)
Headline operating profit					5,848
Investment income					5
Finance costs					(1,641)
Headline profit before tax					4,212
Profit adjustments (Note 3)					(100)
Profit before taxation					4,112
Taxation					(1,026)
Profit for period					3,086
Other Information					
Capital expenditure	1,267	61	103	121	1,552
Unallocated capital expenditure					–
Total capital expenditure					1,552
Depreciation and amortisation	570	48	84	46	748
Unallocated depreciation and amortisation					14
Total depreciation and amortisation					762
Balance Sheet					
Assets					
Segment assets	21,223	5,700	866	401	28,190
Unallocated corporate assets					64,723
Consolidated total assets					92,913
Liabilities					
Segment Liabilities	10,201	5,484	334	145	16,164
Unallocated corporate liabilities					18,833
Consolidated total liabilities					34,997
Consolidated net assets	11,022	216	532	256	57,916

Geographical segmentation

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

3. Reconciliation of Headline Profit to Reported Profit

	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
Headline profit before finance costs, income from investments and taxation	**5,960**	5,848
Net finance costs	**(1,104)**	(1,636)
Headline profit before taxation	**4,856**	4,212
Adjustments		
Exceptional items	**–**	(100)
IFRS amortisation of other intangibles recognised on acquisitions	**(76)**	–
Acquisition transaction costs expensed under IFRS	**(96)**	–
Reported profit before taxation	**4,684**	4,112
Headline profit before taxation	**4,856**	4,212
Headline taxation	**(1,313)**	(1,053)
Headline profit after taxation	**3,543**	3,159
Adjustments		
Other exceptional costs	**–**	(100)
IFRS amortisation of other intangibles recognised on acquisitions	**(76)**	–
Acquisition transaction costs expensed under IFRS	**(96)**	–
Taxation impact	**7**	27
Reported profit after taxation	**3,378**	3,086

4. Exceptional Items

	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
Restructuring costs	**–**	100

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

5. Investment Income

	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
Interest on bank deposits	**9**	5

6. Finance Costs and IFRS Interest Charges

	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
Finance costs		
Interest on bank loans and overdrafts	**(808)**	(1,182)
Amortisation of bank debt renegotiation fees	**(305)**	(459)
	(1,113)	(1,641)

7. Profit on Ordinary Activities before Tax

Profit on ordinary activities before taxation is stated after charging/(crediting):

	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
Depreciation of owned tangible fixed assets	**915**	693
Depreciation of tangible fixed assets held under finance leases	**90**	61
Amortisation of intangible assets	**76**	8
Loss/(profit) on disposal of property, plant and equipment	**1**	16
Operating lease rentals – Land and buildings	**1,066**	1,125
Operating lease rentals – Plant and equipment	**377**	299
Operating lease rentals – Other assets	**175**	166
Staff costs (see Note 8)	**31,256**	26,278
Auditors' remuneration	**201**	164
Loss / (profit) on foreign exchange	**29**	(7)

Auditors' remuneration may be analysed by:

	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
Audit	**110**	99
Taxation	**20**	19
Corporate finance	**58**	38
Other services	**13**	8
	201	164

The increase in audit costs reflects the expansion of the Group through acquisition during the year. Other services include review of the Group's Interim Report, accounting advice on various International Financial Reporting Standards and advice in relation to business issues.

8. Employee Information

The average number of Directors and staff employed by the Group during the year analysed by segment, was as follows:

	Year to 31 December 2012 Number	Year to 31 December 2011 Number
Branding, Advertising & Digital	**578**	469
Media	**41**	39
Events & Learning	**105**	111
Public Relations	**38**	37
Central	**3**	3
	765	659

The aggregate employee costs of these persons were as follows:

	Year to 31 December 2012	Year to 31 December 2011
	£'000	**£'000**
Wages and salaries	**27,232**	22,896
Social security costs	**2,989**	2,500
Pension costs	**920**	753
Share based payment expense	**143**	129
	31,284	26,278

Directors' remuneration

Included in the above are the following amounts (in £) paid to Directors for the periods in each year they were TMMG plc Directors.

	Salary / Fees	Performance-related Payments	Benefits	Pension	Total 31 December 2012	Total 31 December 2011
Current Directors						
Dylan Bogg	150,362	–	2,501	7,313	160,176	151,949
Stephen Boyd (Note 3)	30,000	–	–	–	30,000	29,166
James Clifton (Note 2) (from 11 October 2012)	36,125	–	195	4,813	41,133	–
Robert Day (Note 4)	113,154	63,000	8,983	43,450	228,587	173,046
Peter Fitzwilliam (Note 5)	162,520	15,000	-	–	177,520	165,000
Chris Goodwin (from 27 April 2011)	102,500	16,000	13,504	9,326	141,330	76,085
Bruce Hutton	157,500	–	21,386	10,440	189,326	221,275
David Morgan	125,383	20,000	22,282	6,000	173,665	155,473
Chris Morris (Note 6)	89,050	–	1,814	–	90,864	85,979
Sue Mullen (Note 2) (from 18 June 2012)	59,063	10,000	88	5,906	75,057	–
Fiona Shepherd	143,983	15,000	1,509	–	160,492	125,367
Former Director						
Brian Child (Note 7) (to 30 September 2011)	-	-	-	-	-	21,667
	1,169,640	**139,000**	**72,262**	**87,248**	**1,468,150**	**1,205,007**

Notes:

1. Dylan Bogg, Robert Day, Chris Goodwin, Bruce Hutton, and Fiona Shepherd, were paid £12,500 as TMMG plc Directors, with the balance of their remuneration paid as Directors and employees of subsidiary companies for services rendered there.
2. James Clifton and Sue Mullen were paid £nil as TMMG plc Directors, but were paid as Directors and employees of subsidiary companies for services rendered there.
3. The services of Stephen Boyd as a TMMG plc Director were provided through Stephen Boyd Ltd, a company controlled by him.
4. Robert Day operated a salary sacrifice during the year, whereby an amount of £43,450, including Employer's National Insurance Contributions, was paid into his pension.
5. Peter Fitzwilliam was paid £20,500 as a TMMG plc Director (2011: £4,000 from 1 July 2011). In addition, his services as CFO were provided by VPF London Ltd, a company controlled by him.
6. Chris Morris was paid £42,500 as a TMMG plc Director during the year (2011: £39,667). In addition, he was paid for his consulting services through a consultancy practice owned by him, Morris Marketing Consultancy.
7. The services of Brian Child as a TMMG plc Director were provided through Brain Child Marketing Ltd, a company controlled by him.

9. Taxation

	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
Current tax:		
UK corporation tax at 24.5% (2011: 26.5%)	**1,390**	1,265
Adjustment for prior periods	**(93)**	(288)
	1,297	977
Deferred tax:		
Current year reversing/(originating) temporary differences	**9**	(2)
Adjustment for prior periods	**–**	51
Tax charge for the year	**1,306**	1,026

Factors affecting the tax charge for the current year:
The tax assessed for the year is higher (2011: lower) than the standard rate of corporation tax in the UK. The differences are:

	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
Profit before taxation	**4,684**	4,112
Profit on ordinary activities before tax at the standard rate of corporation tax of 24.5% (2011: 26.5%)	**1,148**	1,090
Effect of:		
Non-deductible expenses	**156**	188
Adjustments to prior periods	**(93)**	(237)
Movement on provisions	**42**	(6)
IFRS charges	**–**	(4)
Other differences	**53**	(5)
Actual tax charge for the year	**1,306**	1,026

10. Dividends

The Board does not propose payment of a dividend at this stage (2011: nil) although it has declared its intention to declare a dividend during 2013 subject to trading in the first half of the year.

11. 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.

	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
Earnings		
Earnings for the purpose of reported earnings per share being net profit attributable to equity holders of the parent	**3,378**	3,086
Earnings for the purpose of headline earnings per share (see Note 3)	**3,543**	3,159
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**72,169,181**	70,944,643
Dilutive effect of securities:		
Employee share options	**3,461,578**	2,007,832
Bank warrants	**2,386,907**	2,333,434
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**78,017,666**	75,285,909
Reported basis		
Basic earnings per share (pence)	**4.68**	4.35
Diluted earnings per share (pence)	**4.33**	4.10
Headline basis		
Basic earnings per share (pence)	**4.91**	4.45
Diluted earnings per share (pence)	**4.54**	4.20

Basic earnings per share includes shares to be issued subject only to time as if they had been issued at the beginning of the period.

A reconciliation of the profit after tax on a reported basis and the headline basis is given in Note 3.

12. Intangible Assets – Goodwill

	Year to 31 December 2012	Year to 31 December 2011
	£'000	£'000
Cost		
At 1 January	**72,186**	72,186
Recognised on acquisition of subsidiaries	**2,113**	–
Adjustment to consideration	**15**	–
At 31 December	**74,314**	72,186
Impairment adjustment		
At 1 January and 31 December	**3,995**	3,995
Net book value at 31 December	**70,319**	68,191

In accordance with the Group's accounting policies, an annual impairment test is applied to the carrying value of goodwill. The review performed assesses whether the carrying value of goodwill is supported by the net present value of projected cash flows derived from the underlying assets for each cash-generating unit ("CGU"). The initial projection period of three years includes the annual budget for each CGU, based on insight into Clients' planned marketing expenditure and targets for net new business growth derived from historical experience, and extrapolations of the budget in subsequent years based on known factors and estimated trends. The key assumptions used by each CGU concern revenue growth and staffing levels, and different assumptions are made by different CGUs based on their individual circumstances. After the initial projection period, an annual growth rate of 2.5% was assumed for all units and the resulting pre-tax cash flow forecasts were discounted using the Group's estimated pre-tax weighted average cost of capital, which is 7.5%. The Directors assessed the sensitivity of the impairment test results to changes in key assumptions and concluded that a reasonably possible change to the key assumptions would not cause the carrying value of goodwill for any CGU to exceed the net present value of its projected cash flows.

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

	31 December 2012	31 December 2011
	£'000	£'000
Addiction Worldwide	**372**	–
April-Six Ltd	**9,411**	9,411
Big Communications Ltd/Fuse Digital Ltd	**8,125**	8,125
Bray Leino Ltd	**30,846**	30,831
Friars 573 Ltd/Fox Murphy Ltd (trading as balloon dog)	**1,514**	–
Haven Marketing Ltd	**127**	–
RLA Group Ltd	**6,572**	6,572
Story UK Ltd	**6,969**	6,969
ThinkBDW Ltd	**6,283**	6,283
Quorum Advertising Ltd	**100**	–
	70,319	68,191

Other intangible assets

	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
Cost		
At 1 January	**271**	81
Additions	**938**	190
At 31 December	**1,209**	271
Amortisation		
At 1 January	**19**	11
Charge for the year	**76**	8
At 31 December	**95**	19
Net book value	**1,114**	252

Additions of £938,000 in the year include Client relationships and trade names acquired relating to balloon dog and Addiction Worldwide of which £163,000 relates to trade names deemed to have an indefinite useful life (2011: £190,000 consists of Client lists and other information acquired relating to FireIMC and Yucca).

13. Subsidiaries

The Group's principal trading subsidiaries are listed below. All subsidiaries are 100% owned and all are incorporated in the United Kingdom.

Subsidiary undertaking	Nature of business
April-Six Ltd	Integrated communications, specialising in the technology sector
Big Communications Ltd	Brand planning and strategic development; new media marketing, including website design and advertising, SMS messaging, digital video and database management
Bray Leino Ltd	Advertising, events and PR
Fox Murphy Ltd (trading as balloon dog)	Marketing communications agency
RLA Group Ltd	Marketing and communications
Story UK Ltd	Brand development and creative direct communication
ThinkBDW Ltd	Property marketing, providing advertising, media, brochures, signage, exhibitions, CGI, animation, intranet and photography

14. Property, Plant and Equipment

	Short Leasehold Property	Fixtures & Fittings and Office Equipment	Computer Equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January 2011	**1,389**	**2,169**	**2,421**	**263**	**6,242**
Additions	204	388	945	15	1,552
Disposals	(3)	(368)	(374)	(39)	(784)
At 31 December 2011	**1,590**	**2,189**	**2,992**	**239**	**7,010**
Acquisition of subsidiaries	24	53	779	27	883
Additions	73	478	631	52	1,234
Disposals	(6)	(34)	(74)	(69)	(183)
At 31 December 2012	**1,681**	**2,686**	**4,328**	**249**	**8,944**
Depreciation					
At 1 January 2011	**928**	**1,477**	**1,686**	**179**	**4,270**
Charge for the year	100	200	409	45	754
Disposals	(3)	(316)	(342)	(38)	(699)
At 31 December 2011	**1,025**	**1,361**	**1,753**	**186**	**4,325**
Acquisition of subsidiaries	7	15	531	12	565
Charge for the year	109	268	589	39	1,005
Disposals	(6)	(34)	(72)	(69)	(181)
At 31 December 2012	**1,135**	**1,610**	**2,801**	**168**	**5,714**
Net book value at 31 December 2012	**546**	**1,076**	**1,527**	**81**	**3,230**
Net book value at 31 December 2011	**565**	**828**	**1,239**	**53**	**2,685**

The net book amount includes £267,000 (2011: £203,000) in respect of assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £90,000 (2011: £61,000).

15. Trade and Other Receivables

	31 December 2012	31 December 2011
	£'000	£'000
Gross trade receivables	**19,119**	17,098
Less: Provision for doubtful debts	**(104)**	(93)
	19,015	17,005
Other receivables	**552**	437
Prepayments	**1,023**	739
Accrued income	**3,774**	2,653
Deferred tax asset	**–**	10
	24,364	20,844

An allowance has been made for estimated irrecoverable amounts from the provision of services of £104,000 (2011: £93,000). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. In order to mitigate this risk, the Group has arranged credit insurance on certain of its trade receivables as deemed appropriate. Where credit insurance is not considered cost effective, the Group monitors credit-worthiness closely and mitigates risk, where appropriate, through payment plans.

The credit risk on cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

16. Cash and Short Term Deposits

Cash and short term deposits comprise cash held by the Group and short term bank deposits.

17. Trade and Other Payables

	31 December 2012	31 December 2011
	£'000	£'000
Trade creditors	**9,271**	7,609
Finance leases	**136**	56
Other creditors	**454**	272
Other tax and social security payable	**3,764**	2,441
	13,625	10,378

Trade and other creditors principally comprise amounts outstanding for trade purchases and on-going costs. The Directors consider that the carrying amount of trade payables approximates their fair value.

18. Bank Overdrafts, Loans and Net Debt

	31 December 2012	31 December 2011
	£'000	£'000
Bank loan outstanding	**13,357**	16,207
Adjustment to amortised cost	**(475)**	(566)
Carrying value of loan outstanding	**12,882**	15,641
Less: Cash and short term deposits	**(546)**	(315)
Net bank debt	**12,336**	15,326
The borrowings are repayable as follows:		
Less than one year	**2,286**	4,000
In one to two years	**2,286**	12,207
In more than two years but less than three years	**8,785**	–
	13,357	16,207
Adjustment to amortised cost	**(475)**	(566)
	12,882	15,641
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(2,286)**	(4,000)
Amount due for settlement after 12 months	**10,596**	11,641

The adjustment to amortised cost relates to the amortisation of bank debt renegotiation fees over the life of the loan facility.

At 31 December 2012, the Group had a term loan facility of £6.9m due for repayment by December 2015 on a quarterly basis, and a revolving credit facility of up to £7.0m, expiring on 27 December 2015.

Interest on both the term loan facility and the revolving credit facility is based on 3 month LIBOR plus 3.5%, payable in cash on loan rollover dates. The gross amount of the revolving credit facility drawn at 31 December 2012 was £6.5m. In addition to its committed facilities, the Group had available an overdraft facility of up to £2.5m with interest payable by reference to National Westminster Bank plc Base Rate plus 3.5%.

At 31 December 2012, there was a cross guarantee structure in place with the Group's bankers by means of a fixed and floating charge over all of the assets of the Group companies in favour of Royal Bank of Scotland plc.

All borrowings are in sterling.

19. Obligations under Finance Leases

Obligations under finance leases are as follows:

	31 December 2012	31 December 2011
	£'000	£'000
In one year or less	**136**	56
Between two and five years	**69**	40
	205	96

Assets held under finance leases consist of office equipment. The fair values of the Group's lease obligations approximate their carrying amount.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

20. Acquisitions

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:

	Initial Consideration	Contingent Consideration Cash	Contingent Consideration Shares	Total
	£'000	£'000	£'000	£'000
Less than one year	49	1,000	75	1,124
Between one and two years	–	339	48	387
In more than two years but less than three years	–	339	48	387
In more than three years but less than four years	–	389	47	436
	49	**2,067**	**218**	**2,334**

Acquisition of Friars 573 Ltd ("balloon dog")

On 11 October 2012, the Group acquired the whole issued share capital of Friars 573 Ltd, the holding company of Fox Murphy Ltd, a company trading as balloon dog ("balloon dog"). The fair value of the consideration given for the acquisition was £2,823,000. Initial consideration was satisfied by a cash payment of £451,000 and the issue of £87,000 of shares. Costs relating to the acquisition amounted to £51,000 and were expensed.

Maximum contingent consideration of £2,496,000 is dependent on balloon dog achieving various profit targets over the period December 2012 to December 2015. The Group has provided for contingent consideration of £2,285,000 to date. This contingent consideration is to be settled by a combination of cash and shares.

The fair value of the net identifiable assets acquired was £578,000 resulting in goodwill and other intangible assets of £2,245,000. Management carried out a review to assess whether any other intangible assets were acquired as part of the transaction. Management concluded that both a brand name and customer relationships were acquired and attributed a value to each of these by applying commonly accepted valuation methodologies. The goodwill arising on the acquisition is attributable to the anticipated profitability of the Company.

	Book Value	Fair Value Adjustments	Fair Value
	£'000	£'000	£'000
Net assets acquired			
Investments and goodwill	242	(242)	–
Fixed assets	238	–	238
Stock and work in progress	398	–	398
Trade and other receivables	1,034	–	1,034
Cash and cash equivalents	676	–	676
Trade and other payables	(1,551)	–	(1,551)
Deferred taxation	(5)	–	(5)
Preference shares	(212)	–	(212)
			578
Other intangibles recognised at acquisition	–	731	731
			1,309
Goodwill			1,514
Total consideration			2,823
Satisfied by:			
Cash			451
Shares			87
Deferred contingent consideration			2,285
			2,823

The majority of the cash and cash equivalents acquired were utilised following acquisition to settle preference shares, corporation tax and other obligations.

balloon dog contributed turnover of £1,394,000, operating income of £1,216,000 and headline operating profit of £137,000 to the results of the Group since acquisition.

Acquisition of Addiction Worldwide ("Addiction")

On 21 September 2012, the Group acquired the trade and assets of Addiction Worldwide from Francis Clark LLP, Administrators. The fair value of the consideration given for the acquisition was £85,000, all settled in cash on completion. There is no deferred or contingent consideration payable. Costs relating to the acquisition amounted to £23,420 and were expensed.

The fair value of the net identifiable liabilities acquired was £489,000 resulting in goodwill and other intangible assets of £574,000. Management carried out a review to assess whether any other intangible assets were acquired as part of the transaction. Management concluded that both a brand name and customer relationships were acquired and attributed a value to each of these by applying commonly accepted valuation methodologies.

The goodwill arising on the acquisition is attributable to the anticipated profitability of the acquired trade and assets and the anticipated future operating synergies from the combination.

	Book Value	Fair Value Adjustments	Fair Value
	£'000	£'000	£'000
Net assets acquired			
Fixed assets	81	–	81
Trade and other receivables	183	–	183
Cash and cash equivalents	65	–	65
Trade and other payables	(337)	(481)	(818)
			(489)
Other intangibles recognised at acquisition	–	202	202
			(287)
Goodwill			372
Total consideration			85
Satisfied by:			
Cash			85
			85

The majority of the net liabilities acquired were settled following acquisition by drawing on the Group's cash resources.

Addiction has been integrated into the Group's activities and consequently it is not possible to determine accurately its contribution to revenue and profit since acquisition. However, the Directors estimate that Addiction's contribution to profit was breakeven.

Pro-forma results including acquisitions

The Directors estimate that the turnover, operating income and headline operating profit of the Group would have been approximately £128.0m, £54.9m and £6.3m had the Group consolidated the results of balloon dog and Addiction from the beginning of the year.

21. Deferred Taxation

The deferred taxation liability of nil (2011: £1,000) recognised in the financial statements is set out below:

	31 December 2012	31 December 2011
	£'000	£'000
Accelerated capital allowances	**–**	–
Other timing differences	**–**	1
	–	1

The movement in the year is analysed as follows:

	Year to 31 December 2012	Year to 31 December 2011
	£'000	£'000
As at 1 January	**1**	2
Credit to profit or loss	**(1)**	(1)
As at 31 December	**–**	1

As shown in Note 15, there is a deferred tax asset of nil (2011: £10,000) relating to accounting adjustments for IFRS.

22. Financial Commitments

Operating lease commitments

As at 31 December the Group had annual commitments under non-cancellable operating leases as follows:

	31 December 2012		31 December 2011	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	**147**	**74**	178	13
Between two and five years	**678**	**467**	326	468
After more than 5 years	**376**	**–**	444	–
	1,201	**541**	948	481

23. Share Capital

	31 December 2012	31 December 2011
	£'000	£'000
Authorised		
85,000,000 ordinary shares of 10p each (2011: 85,000,000 ordinary shares of 10p each)	**8,500**	8,500
Allotted and called up		
76,990,940 ordinary shares of 10p each (2011: 72,460,444 ordinary shares of 10p each)	**7,699**	7,246

On 11 October 2012 241,352 shares with a total nominal value of £24,135 were issued to the vendors of Friars 573 Ltd as part of the consideration for the acquisition at a value of 31.075p each, for a total consideration of £75,000.

In addition, 4,289,144 shares with a total nominal value of £428,914 were issued through a private placing on 11 October 2012, these shares being issued at a value of 28.0p each, for a total consideration of £1,200,960. £77,048 of share issue costs were incurred in connection with this private placing and were written off to share premium.

Options

The Group has the following options in issue:

	At start of year	Granted	Waived/lapsed	Exercised	At end of year
TMMG Long Term Incentive Plan	2,751,000	1,450,000	(178,000)	–	4,023,000
Bank warrants	2,333,434	177,019	–	–	2,510,453

TMMG Long Term Incentive Plan ("LTIP") was created to incentivise certain key employees.

The vesting criterion applicable to the LTIPs in issue at the start of the year, all with a nil exercise price, is that they are dependent upon the achievement of profit targets over the three year periods ending 31 December 2012 and 31 December 2013.

LTIPs issued during the year, also with a nil exercise price, may vest dependent upon the achievement of profit targets over the three year period ending 31 December 2014.

Shares held in an Employee Benefit Trust (see Note 24) will be used to satisfy share options exercised under The Mission Marketing Group Long Term Incentive Plan.

Warrants over 3% of the Group's fully diluted share capital were issued to the Group's loan providers following the refinancing completed in 2010 and are exercisable at any time until 15 April 2017. These outstanding warrants have a 10.0p exercise price.

24. Own Shares

	No. of Shares	£'000
At 1 January 2011	1,531,041	1,259
Awarded to employees during the year	(31,250)	(25)
At 31 December 2011	**1,499,791**	**1,234**
Awarded to employees during the year	**(39,284)**	**(33)**
At 31 December 2012	**1,460,507**	**1,201**

Shares are held in an Employee Benefit Trust to meet certain requirements of The Mission Marketing Group Long Term Incentive Plan.

25. Share Option Reserve

The share option reserve (formerly called the staff remuneration reserve) represents charges to the profit or loss required by IFRS 2 to reflect the cost of the options issued to the Directors and employees and the warrants issued to the loan providers.

26. Share-based Payments

Options

Fair value on grant date is measured by use of a Black Scholes model. The valuation methodology is applied at each year end and the valuation revised to take account of any changes in estimate of the likely number of shares expected to vest. Details of the relevant option schemes are given in Note 23. The key inputs are:

	2012	2011
Share price	**29p**	18p
Risk free rate	**0.3%**	0.6%
Dividend yield	**1.0%**	0.0%

Volatility is based on the historical volatility of the share price over a 3 year trading period although, for nil-cost options issued under the Group's Long Term Incentive Scheme, volatility does not impact the calculation of fair value. The weighted average share price over the three years ending 31 December 2012 was 18.2p.

The Group recognised an expense of £178,000 in 2012 (2011: £129,000).

27. Financial Assets and Liabilities

Capital management

The Group defines "capital" as being net debt plus equity. Net debt comprises short and long term borrowings net of cash, cash equivalents and the unamortised balance of bank renegotiation fees as analysed in Note 18. Equity comprises issued share capital, reserves and retained earnings as disclosed in the balance sheet and in the consolidated statement of changes in equity.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and maintain an appropriate capital structure to balance the needs of the Group to grow, whilst operating with sufficient headroom within its bank covenants. The principal measure by which the Directors monitor capital risk is the ratio of net debt to EBITDA and, at the time of the restructuring in April 2010, set a target to reduce this ratio to below x2 by the end of 2012. Below this level, the Group has a number of options available to optimise the debt/equity balance including, inter alia, dividend payments, returning capital to shareholders or issuing new shares.

Financial risk management

The Group's financial instruments comprise cash and various forms of borrowings. As permitted by IAS 39, short-term debtors and creditors have been excluded.

Substantially all the Group's activities take place in the United Kingdom and no material transactions take place with overseas customers or suppliers in local currency. There was no material foreign currency exposure at the year end.

The main purpose of the Group's use of financial instruments is for day-to-day working capital and as part of the funding for past acquisitions. The Group's financial policy and risk management objective is to achieve the best interest rates available whilst maintaining flexibility and minimising risk. The main risks arising from the Group's use of financial instruments are interest rate risk and liquidity risk.

Interest rate risk

The operations of the Group generate cash and it funds acquisitions through a combination of retained profits, equity issues and borrowings. The Group's financial liabilities comprise floating rate instruments. The bank loan's interest rate is reset from time to time and accordingly is not deemed a fixed rate financial liability.

Interest on both the Group's revolving credit facility and its term loan is payable by reference to 3 month LIBOR plus 3.5%, subject to a downward ratchet on achievement of certain ratios of debt to EBITDA on a quarterly basis. In 2012 the Group resumed its policy of using hedging instruments to limit the exposure to interest rate risk. This policy had been temporarily suspended when various cap and collar instruments matured during 2011, on the basis that they were not considered cost effective in the low interest environment that existed at the time. The interest rate cap taken out in December 2012 limits the Group's exposure to 3 month LIBOR on £8.2m of notional principal to 1.0%. This interest rate cap amortises in three monthly instalments and matures on 30 June 2015. The cap arrangement is considered to be closely related to the host debt contract.

Liquidity risk

The Group's financial instruments include a mixture of short and long-term borrowings. The Group seeks to ensure sufficient liquidity is available to meet working capital needs and the repayment terms of the Group's financial instruments as they mature.

	31 December 2012
Financial assets	**£'000**
Cash at bank maturing in less than one year or on demand	546

	Bank Loan and Overdraft	Finance Leases	Acquisition Obligations	31 December 2012 Total
Financial liabilities	**£'000**	**£'000**	**£'000**	**£'000**
Interest analysis				
Subject to floating rates	13,357	–	–	13,357
Subject to fixed rates	–	205	2,334	2,539
	13,357	205	2,334	15,896
Maturity analysis				
One year or less, or on demand	2,286	136	1,124	3,546
In one to two years	2,286	69	387	2,742
In more than two years	8,785	–	823	9,608
	13,357	205	2,334	15,896

The Group's bank loans and overdraft facility are floating rate borrowings and all facilities are secured by a fixed and floating charge over the assets of all Group companies.

The fair value of the Group's financial assets and liabilities is not considered to be materially different from their book values.

28. Pensions

The Group operates fifteen defined contributions pension schemes. The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £920,000 (2011: £753,000). At the end of the financial year outstanding contributions amounted to £71,000 (2011: £56,000).

29. Leave Pay Accrual

No liability or expense has been recognised relating to untaken leave for any of the periods presented. The Group has a policy of not allowing days to be carried forward from one year to the next, unless in exceptional circumstances. In addition, no payment is made in lieu of untaken leave which is not carried forward. As a result, there is no material liability relating to untaken leave at year end.

30. Post Balance Sheet Events

There are no material post balance sheet events.

31. Related Party Transactions

The Directors consider that the Directors of the Company represent the Group's key management personnel for the purposes of disclosing related party transactions. Directors' remuneration is disclosed in Note 8. The total compensation payable to key management personnel is detailed below.

	Year to 31 December 2012	Year to 31 December 2011
	£'000	**£'000**
Short-term employee benefits	**1,381**	1,159
Post-employment benefits	**87**	46
Share based payments	**59**	32
	1,527	1,237

Parent company

Stephen Boyd receives his Non-Executive Director's remuneration through Stephen Boyd Ltd, an entity of which he is an interested party. In addition, VPF London Ltd, an entity in which Peter Fitzwilliam is an interested party, received £157,020 for the provision of CFO services, and Morris Marketing Consultancy, an entity in which Chris Morris is an interested party, received £42,000 for the provision of consultancy services.

Subsidiary undertakings

During the year, Bray Leino Ltd purchased printing services to the value of £324,562 (2011: £381,199) from Blue Sky Design & Print Ltd, a company in which Bray Leino Ltd had a 50% equity interest. Bray Leino Ltd sold its 50% interest in Blue Sky Design & Print Ltd on 31 December 2012. Blue Sky Design & Print Ltd was treated as an associate in the financial statements of The Mission Marketing Group plc, and the results are not material to the consolidated financial statements of The Mission Marketing Group plc.

Bray Leino Ltd is contracted to pay annual rent of £60,000 (2011: £60,000) to Mrs P H Morgan, the wife of Mr D W Morgan, Chairman of The Mission Marketing Group plc. As at the year end there were no amounts due from or owed to Mrs P H Morgan. Bray Leino Ltd is also contracted to rent premises from Hannele Ltd, in which Mr D W Morgan has a 100% beneficial interest. During the year annual rent of £74,000 (2011: £74,000) and property management fees of £18,000 (2011: nil) were paid to Hannele Ltd. Bray Leino Ltd also rents premises from a partnership, in which Hannele Ltd has a 50% interest, for an annual rent of £60,000 (2011: £60,000). As at the year end there were no amounts due from or owed to Hannele Ltd.

ThinkBDW Ltd is contracted to pay annual rent to Mrs K Day and Mr A Day (wife and brother respectively of Robert Day, Executive Director). The £35,000 annual rental payable (2011: £35,000) was set at market value and at the end of the year £17,500 (2011: nil) was due. ThinkBDW Ltd also purchased used cars during the year with an aggregate value of £24,500 at market value from Mr A Day for use in the business. Robert Day advanced a short term loan of £200,000 to ThinkBDW Ltd during the year. The advance was interest free and was repaid before the year end.

Big Communications Ltd paid rent during the year of £71,000 (2011: £71,000) to four individuals, including Dylan Bogg (Executive Director) and Chris Morris (Non-Executive Director). In addition, Morris Marketing Consultancy, a consultancy practice owned by Chris Morris, invoiced Big Communications Ltd and was paid £5,054 (2011: £44,183) during the year for services rendered. Mr Morris also received a benefit of £1,814 from the company.

32. Availability of Annual Report

Copies of the Annual Report for the year ended 31 December 2012 will be circulated to shareholders at least 21 days ahead of the Annual General Meeting ("AGM") on 17 June 2013 and, after approval at the AGM, will be delivered to the Registrar of Companies. Further copies will be available from the Company's registered office and on the Group's website, www.themission.co.uk

Independent Auditor's Report to the Members of The Mission Marketing Group plc

We have audited the parent company financial statements of The Mission Marketing Group plc for the year ended 31 December 2012 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 20 the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of The Mission Marketing Group plc for the year ended 31 December 2012.

Christopher Hicks BA FCA (Senior Statutory Auditor)
For and on behalf of Francis Clark LLP, Chartered Accountants and Statutory Auditors
Sigma House, Oak View Close, Edginswell Park, Torquay TQ2 7FF
25 March 2013

Company Balance Sheet
As at 31 December 2012

	Note	As at 31 December 2012 £'000	As at 31 December 2011 £'000
NON-CURRENT ASSETS			
Intangible assets	34	43	49
Tangible assets	35	2	4
Investments	36	94,708	91,845
		94,753	91,898
CURRENT ASSETS			
Debtors	37	3,152	2,863
Cash at bank		2	1
		3,154	2,864
CREDITORS: Amounts falling due within one year	38	(9,769)	(11,623)
NET CURRENT LIABILITIES		(6,615)	(8,759)
TOTAL ASSETS LESS CURRENT LIABILITIES		88,138	83,139
CREDITORS: Amounts falling due after more than one year	39	(11,806)	(11,641)
NET ASSETS		76,332	71,498
CAPITAL AND RESERVES			
Called up share capital	42	7,699	7,246
Share premium account	42	40,288	39,542
Share option reserve	43	441	263
Profit and loss account	43	27,904	24,447
SHAREHOLDERS' FUNDS		76,332	71,498

The financial statements were approved and authorised for issue on 25 March 2013 by the Board of Directors. They were signed on its behalf by:

Peter Fitzwilliam
Finance Director

Company registration number: 05733632

Notes to the Company Balance Sheet

33. Principal Accounting Polices

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice). The principal accounting policies of the Company are set out below. The policies have remained unchanged from the previous year.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Going concern

The Company's available banking facilities provide comfortable levels of headroom against the Company's projected cash flows and the Directors accordingly consider that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

Deferred taxation

Deferred taxation is recognised on all timing differences where the transactions or event that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recoverable. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by balance sheet date.

Property, plant and equipment

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful economic life, as follows:

Short leasehold property	Period of the lease
Motor vehicles	25% per annum
Fixtures, fittings and office equipment	10-33% per annum
Computer equipment	25-33% per annum

Deferred consideration

The terms of an acquisition may provide that the value of the purchase consideration, which may be payable in cash or shares at a future date, depends on uncertain future events such as the future performance of the acquired company. The amounts recognised in the financial statements represent a reasonable estimate at the balance sheet date of the amounts expected to be paid and has been classified in the balance sheet in accordance with the substance of the transaction. Where the agreement gives rise to an obligation that may be settled by the delivery of a variable number of shares to meet a defined monetary liability, these amounts are disclosed as debt.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

Lease commitments

Rental costs under operating leases are charged against profits as incurred.

Profit of Parent Company

As permitted under Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these accounts.

34. Intangible Assets

	31 December 2012 £'000	31 December 2011 £'000
Cost	**61**	61
Accumulated amortisation	**(18)**	(12)
Net book value	**43**	49

Intangible assets consist of intellectual property rights which are amortised over 10 years. The amortisation charge for the year was £6,000 (2011: £3,000).

35. Tangible Fixed Assets

	Fixtures & Fittings £'000	Office Equipment £'000	Total £'000
Cost			
At 1 January 2012	**58**	**33**	**91**
Additions	–	–	–
Disposals	–	–	–
At 31 December 2012	**58**	**33**	**91**
Depreciation			
At 1 January 2012	**57**	**30**	**87**
Charge for the year	1	1	2
Disposals	–	–	–
At 31 December 2012	**58**	**31**	**89**
Net book value at 31 December 2012	**–**	**2**	**2**
Net book value at 31 December 2011	**1**	**2**	**4**

36. Investments

	Shares in Subsidiary Undertakings
	£'000
Cost	
At 1 January 2011	**96,242**
Adjustments to consideration	46
At 31 December 2011	**96,288**
Additions	2,863
At 31 December 2012	**99,151**
Impairment	
At 1 January 2011	**–**
Impairment	(4,443)
At 31 December 2011	**(4,443)**
Impairment	–
At 31 December 2012	**(4,443)**
Net book amount at 31 December 2012	**94,708**
Net book amount at 31 December 2011	**91,845**

The adjustments to consideration relate to changes in the deferred consideration of completed acquisitions.

The principal Group companies at 31 December 2012 are set out below. All subsidiaries are 100% owned and all are incorporated in the United Kingdom.

Subsidiary undertaking	Nature of business
April-Six Ltd	Integrated communications, specialising in the technology sector
Big Communications Ltd	Brand planning and strategic development; new media marketing, including website design and advertising, SMS messaging, digital video and database management
Bray Leino Ltd	Advertising, events and PR
Fox Murphy Ltd (trading as balloon dog)	Marketing communications agency
RLA Group Ltd	Marketing and communications
Story UK Ltd	Brand development and creative direct communication
ThinkBDW Ltd	Property marketing, providing advertising, media, brochures, signage, exhibitions, CGI, animation, intranet and photography

The above list excludes details of non-trading dormant subsidiaries.

37. Debtors

	31 December 2012	31 December 2011
	£'000	£'000
Amounts due from subsidiary undertakings	**2,624**	2,840
Corporation tax	**487**	–
Prepayments	**40**	20
Other debtors	**1**	3
	3,152	2,863

38. Creditors: Amounts Falling Due Within One Year

	31 December 2012	31 December 2011
	£'000	**£'000**
Bank overdraft	**1,372**	3,248
Amounts due to subsidiary undertakings	**4,878**	4,161
Social security and other taxes	**–**	5
Accruals	**68**	171
Acquisition obligations (see Note 41)	**1,099**	–
Bank loan (see Note 40)	**2,286**	4,000
Other creditors	**66**	38
	9,769	11,623

39. Creditors: Amounts Falling Due After More Than One Year

	31 December 2012	31 December 2011
	£'000	**£'000**
Acquisition obligations (see Note 41)	**1,210**	–
Bank loan (see Note 40)	**10,596**	11,641
	11,806	11,641

40. Borrowings

	31 December 2012	31 December 2011
	£'000	**£'000**
Bank loan outstanding	**13,357**	16,207
Adjustment to amortised cost	**(475)**	(566)
Carrying value of loan outstanding	**12,882**	15,641
The borrowings are repayable as follows:		
Less than one year	**2,286**	4,000
In one to two years	**2,286**	12,207
In more than two years but less than three years	**8,785**	–
	13,357	16,207
Adjustment to amortised cost	**(475)**	(566)
	12,882	15,641
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(2,286)**	(4,000)
Amount due for settlement after 12 months	**10,596**	11,641

Details of the Company's borrowing facilities and interest rates are set out in Note 18 and not therefore repeated here. All borrowings are in sterling.

As at 31 December 2012, Net Assets of the Group were £62,684,000 (2011: £57,916,000), and net borrowings under this Group arrangement amounted to £12,336,000 (2011: £15,326,000).

41. 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 are as follows:

	Initial Consideration	Contingent Consideration Cash	Contingent Consideration Shares	Total
	£'000	£'000	£'000	£'000
Less than one year	24	1,000	75	1,099
Between one and two years	–	339	48	387
In more than two years but less than three years	–	339	48	387
In more than three years but less than four years	–	389	47	436
	24	**2,067**	**218**	**2,309**

42. Share Capital and Share Premium

The movements on these items are disclosed within the consolidated statement of changes in equity within the consolidated financial statements.

43. Statement of Movements on Reserves

	Share Option Reserve	Profit and Loss Account
	£'000	£'000
At 1 January 2011	134	26,574
Credit for share option scheme	129	–
Loss for the period	–	(2,127)
At 31 December 2011	**263**	**24,447**
Credit for share option scheme	**178**	**–**
Profit for the period	**–**	**3,457**
At 31 December 2012	**441**	**27,904**

44. Operating Lease Commitments

As at 31 December 2012 the Company had no commitments under operating leases (2011: nil).

45. Related Party Transactions

Details of related party transactions are disclosed in Note 31 of the consolidated financial statements.

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of The Mission Marketing Group plc (the "Company") will be held at 12 noon on Monday 17 June 2013 at the offices of finnCap Ltd, 60 New Broad Street, London, EC2M 1JJ to transact the following business:

Ordinary Resolutions

1. To receive the financial statements and the report of the Directors and the auditors for the year ended 31 December 2012.
2. To elect Sue Mullen as a Director.
3. To elect James Clifton as a Director.
4. To elect Giles Lee as a Director.
5. To re-elect Dylan Bogg as a Director.
6. To re-elect Stephen Boyd as a Director.
7. To re-elect Robert Day as a Director.
8. To re-elect David Morgan as a Director.
9. To re-elect Chris Morris as a Director.
10. To re-elect Fiona Shepherd as a Director.
11. To re-appoint Francis Clark LLP as auditors of the Company.
12. To authorise the Directors to fix the remuneration of Francis Clark LLP.

Special Business

To consider and, if thought fit, to pass the following resolutions, as to which resolution 13 shall be proposed as an ordinary resolution and resolutions 14 and 15 shall be proposed as special resolutions:

13. THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 as amended (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal value of £2,540,701 being 33% of the issued share capital of the Company, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company shall be entitled to make an offer or agreement before the expiry of such authority which would or might require shares to be allotted or any such rights to be granted, after such expiry and the Directors shall be entitled to allot shares or grant any such rights pursuant to any such offer or agreement as if this authority had not expired and all unexercised authorities previously granted to the Directors to allot shares or grant any such rights be and are hereby revoked provided that the resolution shall not affect the right of the Directors to allot shares or grant any such rights in pursuance of any offer or agreement entered into prior to the date of this resolution.

Special Resolutions

14. THAT (subject to the passing of the resolution numbered 13 above) the Directors be and are hereby empowered pursuant to Section 570, Section 571 and Section 573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by resolution 13 above as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

    i. the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date(s) as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date(s), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and

    ii. the allotment (other than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal value of £769,909.40 being 10% of the issued share capital of the Company.

    This power shall expire upon the expiry of the general authority conferred by resolution 4 above, save that the Company shall be entitled to make an offer or agreement before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired and all unexercised authorities previously granted to the Directors to allot equity securities be and are hereby revoked provided that the resolution shall not affect the right of the Directors to allot equity securities in pursuance of any offer or agreement entered into prior to the date of this resolution.

15. THAT pursuant to Section 701 of the Act and subject to, and in accordance with the Company's Articles of Association, the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of the Company provided that:

    i. the maximum number of ordinary shares hereby authorised to be acquired is 11,548,641 being 15% of the issued share capital; and

    ii. the minimum price which may be paid for an ordinary share is the nominal value of such share; and

    iii. the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the Company as derived from The London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which such ordinary share is contracted to be purchased; and

    iv. the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company held in 2014 or 18 months from the date of this resolution (whichever is earlier); and

    v. the Company may make any purchase of its ordinary shares pursuant to a contract concluded before the authority hereby conferred expires and which will or may be executed wholly or partly after the expiry of such authority; and

    vi. all ordinary shares purchased pursuant to the authority conferred by this resolution 15 shall be cancelled immediately on completion of the purchase or held in treasury (provided that the aggregate nominal value of shares held as treasury shares shall not at any time exceed 10% of the issued share capital of the Company at any time).

By Order of the Board
Peter Fitzwilliam
25 March 2013

Advisors

Company Registration Number:	05733632
Registered Office:	36 Percy Street London W1T 2DH
Nominated Advisor and Broker:	finnCap Ltd 60 New Broad Street London EC2M 1JJ
Auditors:	Francis Clark LLP Sigma House Oak View Close Edginswell Park Torquay TQ2 7FF
Solicitors:	Lewis Silkin LLP 5 Chancery Lane Clifford's Inn London EC4A 1BL
Registrars:	Neville Registrars Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Company Secretary:	Peter Fitzwilliam The Mission Marketing Group plc 36 Percy Street London W1T 2DH
Bankers:	Royal Bank of Scotland plc Corporate Banking 9th Floor 280 Bishopsgate London EC2M 4RB

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