the mission
own ideas

annual report and accounts year ended 31 december:

2013

contents

The Mission Marketing Group plc ('the mission tm') is a UK-based communications Agency group built from a broad mix of specialists and full service offerings that comprises:

- Integrated, multi-discipline, multi-sector Agencies
- Specialists in specific marketing and communications activities
- Specialists in particular market sectors

And we are united by a single purpose – to make our Clients' businesses more valuable.

Quite simply, that's the mission tm

own ideas

We have our own ideas of how a communications Agency group should run.

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

Unlike other groups, our Board is comprised of the entrepreneurs who run our Agencies. Talented people with a passion to make our Clients famous and successful. Whatever the discipline. And by being focused on their Agencies yet fully supportive of the group they deliver all the creativity of a boutique with the resource of a multi national.

Despite having eleven Agencies we have one bottom line so that our Clients get the best advice and share in our resources.

11, agencies

18, offices

800, people

1 mission

Addiction(tm) april-six(tm) balloon dog(tm)

big(tm) brayleino(tm) RLA(tm)

Robson Brown(tm) SOLARIS(tm) 'story'(tm)

thinkbdw(tm) yucca(tm)

Our leadership team brings together management depth, business expertise and international agency know-how.

Our unique structure is comprised of the entrepreneurs who run our Agencies. It enables each Agency, its people and its Clients to access skills, tools and buying power in a collectively advantageous way whilst retaining their own distinct personality.

Our Client list is impressive, and we are proud to work with some of the world's leading brands and the UK's biggest names.

Our regional locations let us benefit from lower establishment costs and attract top-flight people who seek an exciting work environment, enhanced by improved quality of life.

Together we are the **the mission**(tm), we work together to make our Clients' brands and businesses more valuable and, fuelled by their success, are growing into the nation's most respected and influential creative communications group.

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

integrated generalists

balloon dog
big
brayleino
Robson Brown
'story'

activity specialists

Addiction
brayleino/broadskill
brayleino/events
brayleino/pr
mission studios
yucca

Integrated Generalists Our integrated generalist Agencies drive business growth through consistent brand messaging and measurable results across all of our Clients' marketing channels.

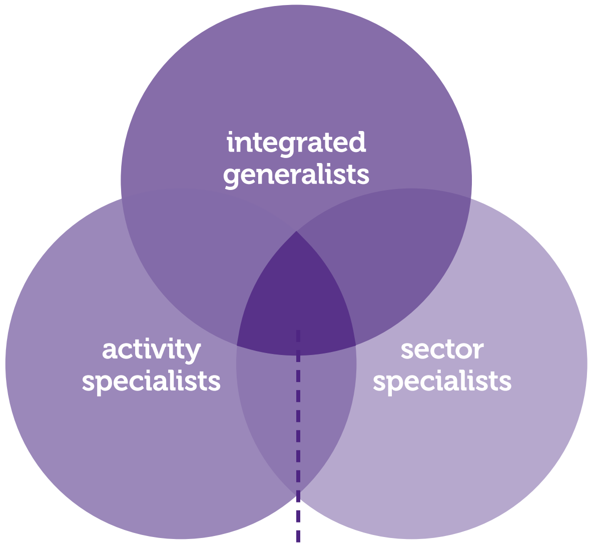
Activity Specialists Bringing together talented people with a dedicated focus, our specialist Agencies span branded content, PR, events, learning, film production and ecommerce. All work across a range of sectors to deliver their expertise.

Sector Specialists Across technology, automotive, healthcare and property, our sector specialists enjoy enviable reputations for their in-depth knowledge, contacts and working practices that are tailored to their Clients' needs.

More Powerful Together At every step, everything we do is about working together to share our abilities and add the maximum value for our Clients. All together it adds up to a potent mix that can transform a Client's business or even their entire market.

april-six RLA

SOLARIS thinkbdw



concinnity [The skillful & harmonious arrangement or fitting together of the different parts of something.] at the heart of everything we do

the agencies

Securing three highly coveted roster places with the Government Procurement Service. Designing the first ever marketing suite and show home to be allowed to be built on the River Thames. Winning 10 awards at the Fresh Creative Awards, 16 awards at the Cream Awards, 4 at the Institute of Promotional Marketing Awards, 2 Rev awards, and gold Digital Impact Award. And getting the No.1 spot for campaign popularity as well as being named PR Agency of the year on the influential Creative Brief Website. The achievements of our Agencies speak for themselves.

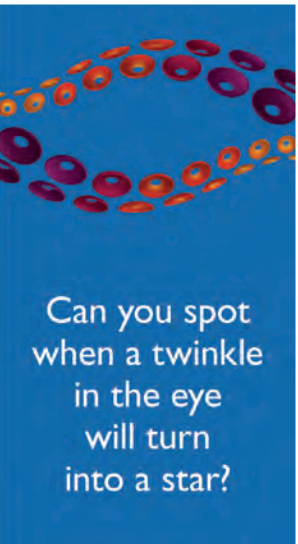
scan here to view our showreel

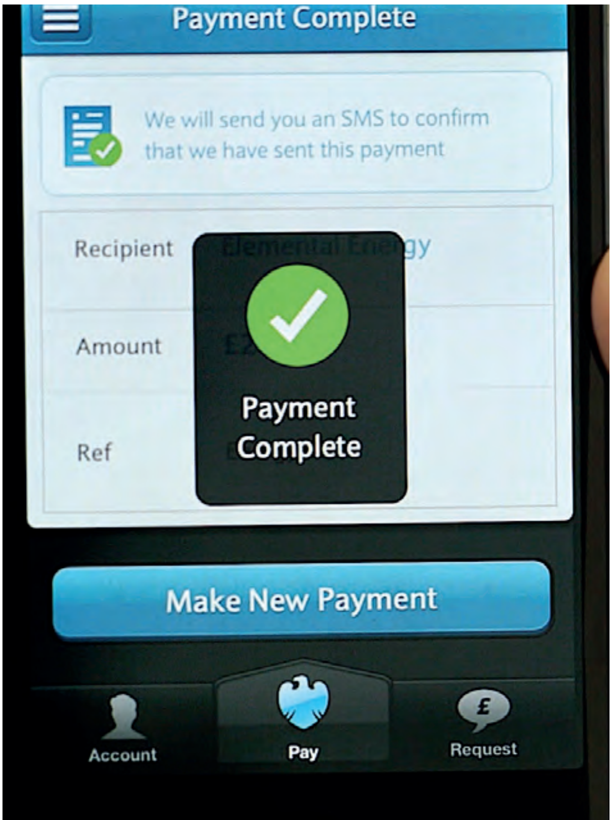
Addiction(tm)	A modern creative Agency with in-house content and production facilities, Addiction delivers effective and innovative communications for a number of major Clients across the globe.
april-six(tm)	The UK's leading technology channel marketing Agency working successfully with global brands 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)	Specialising in automotive, RLA also offers the capabilities of a full service Agency. With unrivalled expertise in international channel marketing programmes in 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.
SOLARIS(tm)	A specialist full service medical communications Agency delivering bespoke strategic, scientific and creative solutions to UK, European and global Clients.
'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.

april-six(tm)

balloon dog(tm)

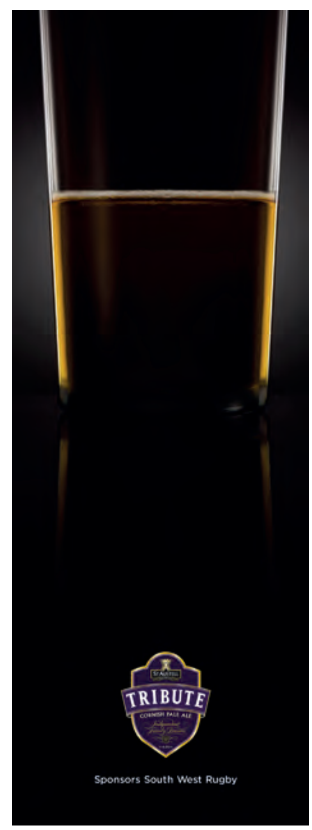
Addiction(tm)

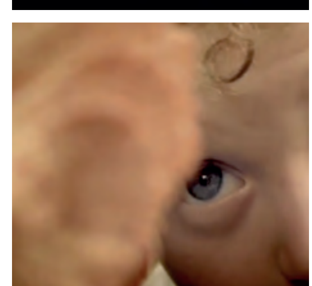




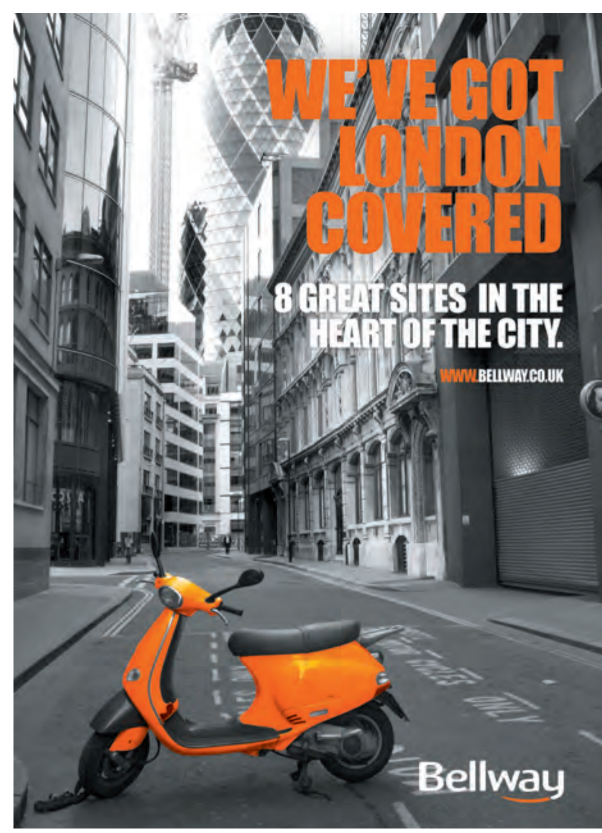
big (tm)

brayleino (tm)





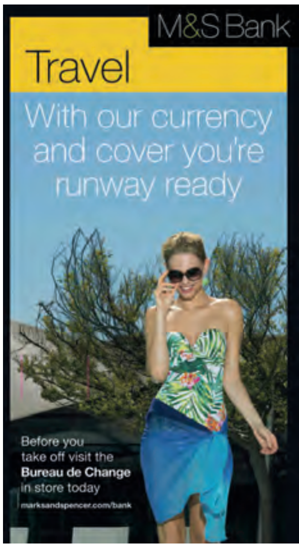
Robson Brown (tm)



RLA (tm)

SOLARIS (tm)

'story'(tm)



thinkbdw(tm)

yucca(tm)

board of directors


1:


2:


3:


4:


5:


6:


7:


8:


9:


10:


11:

1: 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.

2: 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. An award-winning, multi-channel agency, balloon dog was acquired by **the mission**® and James was appointed to the Board in October 2012.

3: 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 the Big Communications Group, he still oversees all creative output. Dylan was appointed to the Board in April 2010.

4: Fiona Shepherd
Executive Director

Fiona is Chief Executive of April-Six and has worked in the IT industry for over 20 years, holding both Client and Agency positions, with some of the world's largest technology brands. Fiona was a founder of April-Six in 2000 and has managed its success as a well respected global technology Agency with offices in London and San Francisco. Fiona joined the Board in April 2010.

5: 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 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 joined the Board in June 2012.

6: 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 over 35 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.

7: Christopher Goodwin
Executive Director

Chris is Chief Executive of RLA and has over 25 years' experience 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.

8: 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-branding as 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.

9: Stephen Boyd
Senior Independent Non-Executive Director

Stephen is currently Chairman of two AIM-listed companies, Pittards plc and Pure Wafer 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.

10: 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 nine 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.

11: Peter Fitzwilliam
Finance Director

Peter is a Chartered Accountant with over 25 years' 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.

Singapore

Richmond

San Francisco

chairman's statement

david morgan

Dear shareholder,

All's well that ends well.

At the outset of the year I had hoped that 2013 would have been a bumper year for **the mission**ⓣⓜ. A lollapalooza indeed. What transpired was a year in which we cleared up a number of issues that affected us in the first half. Having done so, I'm delighted to report that not only did we still hit our numbers, we are now in a far better position to build from.

So, in some respects 2013 was a transitional year, yet we continued to grow our business, improve our balance sheet and strengthen our resources.

Of our eleven operating units, seven hit or exceeded forecast, two fell slightly short and two reduced profitability largely through no fault of their own. Some great Client gains during the year were only eclipsed by increased assignments from existing Clients and the introduction of new skill sets that have added to our resources, thereby further confirming our ability to deliver truly integrated campaigns wherever and for whomever. Whilst our Agencies act like boutiques, they are supported by resources that allow them to compete at any level and, as a group, they work remarkably well together. Through shared and conterminous ambitions.

During the year we brought further clarity to our portfolio by creating three distinct Agency groupings. On the one side are our Integrated Generalist Agencies, which offer a wide range of communications disciplines, all under one roof, with one strategy, consistently delivered by one team. On the other are our Activity and Sector Specialist Agencies, for those occasions on which Clients want specialists. The great thing about having a Group that comprises both is that everyone can have their cake and eat it.

The Healthcare sector has long since been an area of speciality within some of our Agencies and the acquisition of the specialist Richmond-based medical Agency, Solaris towards the back end of the year, will be pivotal to us as we grow our business in this area. Equally, the opening of our April-Six office in San Francisco, to support our technology Clients, is already paying off, as is our most recent venture, to create a Far East office to support our group and, specifically Bray Leino Clients, from Singapore.

We remain committed to building **the mission**ⓣⓜ and to continue that journey by supporting our Agencies in a risk-reduced and streamlined way. In 2013 we were able to return to dividends, albeit modest, whilst making further significant strides to pay down our inherited debt. We have also enhanced our reputation and resources, and attracted like-minded individuals into the group. All of which bodes well for the future.

Early signs for 2014 are, therefore, very positive.

If I were a Client I would use our Agencies simply because they are determined in what they do, refreshingly honest to deal with (no room for lickspittles here) and passionate in their quest to make their Clients famous and successful.

We genuinely do have our 'Own Ideas' on how our Group should operate. We aren't abecedarian in our approach but we do have a shared vision, and whilst we may be quirky, we believe that we are on the right course to make **the mission**ⓣⓜ a clear marketing services leader in the UK and beyond.

David Morgan
Chairman
25 March 2014

operating income ('revenue'):

up 9% to £51.6m

2013 was something of a transitional year for **the mission**™. In the first half of the year, we cleared up a number of tricky issues but by the end of the year we were in a far better position to build from. We continued to grow our business, extend our range of services and improve our balance sheet, whilst at the same time return to dividends after a five-year hiatus.

With the exception of profit margins in the first half of the year, we have again achieved our key performance targets:

Key performance measure	Target	Achieved in 2013?	Achievement in 2013
Operating income	Increase each year, from both organic growth and acquisition	Yes	9% growth achieved, with balloon dog contributing strongly
Operating profit margins	Achieve levels at least in line with industry averages	In part	Margins in the first six months dropped to 8%, which is below average, due to unusual circumstances, but recovered strongly in the second half of the year, to 14%
Headline profits before tax	Grow year-on-year	Yes	Increase of 3% achieved
Ratio of net debt to EBITDA	Maintain below x2	Yes	Debt leverage ratio further reduced, to x1.5 at 31 December 2013

interim dividend of:

0.25p
paid (2012: nil)

final dividend:

0.75p
proposed (2012: nil)

headline diluted eps:

4.5p
(2012: 4.5p)

headline operating profit:

down 4% to £5.7m

headline profit before tax:

up 3% to £5.0m

sharp reduction in interest costs:

£0.7m

(2012: £1.1m)

net bank debt reduced by:

£1.6m

(to £10.7m)

strategic report

Aims and Ambition

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**® into the nation's most respected and influential creative communications group.

We aim to reward shareholders both through capital growth and dividends, and to provide a rewarding and fun environment for our staff. We will grow first and foremost by organic growth but we will add services, expertise and talent where we find it complementary to our objectives and financially affordable. Although primarily operating in the UK, we will continue to develop our international footprint in response to Client demand and where we see strong opportunities to leverage our well-established UK strengths elsewhere in the world. We will maintain a balance of equity and debt financing to give shareholders the advantages of financial leverage but without placing the business at financial risk.

Risks and Uncertainties

The Group's principal operating risks and uncertainties are:

- the sustainability of its business model,
- the health of the UK economy, and
- the retention of key Clients and staff.

We believe that our business model, of being a UK-centric network of entrepreneurial Agencies situated largely outside central London, gives **the mission**® 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 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 we keep the structure of the Group under regular review.

Although recent press commentary suggests that things are improving, the UK economy remains fragile; there is a risk that any recovery is illusory or short-lived, having an adverse effect on the Group's performance in the future and delaying the Group's growth ambitions. The Group makes efforts to mitigate any adverse impact through strenuous new business activity and by minimising overheads wherever possible, always recognising that there is a level below which overheads cannot be reduced without Client service being affected.

There are many reasons why a Client changes its communications agency, several of which are outside our control. The risk of Client loss as a result of something we can control is mitigated by the efforts of dedicated account teams, who strive to ensure the quality of work we do meets or exceeds our Clients' expectations at all times, and who modify our approach when necessary.

The risk of Client loss for reasons beyond our control is mitigated by the Group's broad spread of Clients, which limits its exposure to any individual loss. No Client represents more than 10% of Group operating income.

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 our leadership teams. The system of financial rewards is reviewed regularly by the Board.

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 in the Business and Financial Review of the Year below, are:

- operating income ("revenue"), which the Group aims to increase year-on-year both via organic growth and from acquisitions;
- operating profit margins, where the Group aims to achieve levels at least in line with industry averages;
- headline profits before tax, which the Group aims to increase year-on-year; 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.

Business and Financial Review of the Year

A review of the business and the future developments is provided below and in the Chairman's Statement, which forms part of this Strategic Report.

Although recent economic news is positive, our experience of 2013 was that our sector remained in challenging times. Marketing budgets remained under tight scrutiny, pitches for new business were frequently long and drawn out and all too often resulted in nothing other than an opportunity for companies to test the market and make the incumbent Agency sharpen its prices yet again.

Against this backdrop, we are pleased to report results for the year ended 31 December 2013 which show us making real progress.

To use a footballing analogy, it was a game of two halves. Our initial expectations were that the balance of profits across the year would be largely similar to previous years, with a modest bias towards the second half. The reality has been quite different. The first half was hit hard by B&Q's decision to move its business away from Addiction, and the dramatic reduction in expected revenues from new Client Aviva. This necessitated a costly restructuring of Bray Leino's London activities. In addition, a number of Client delays and deferrals held back our revenues in this period, the combination of which resulted in a year-on-year decline in profits. The second half of the year, in contrast, saw the benefits of the restructuring, some good underlying growth and the benefit of the unblocking of the H1 delays and deferrals, resulting in a strong H2 year-on-year increase in profit.

All in all, it has been a good achievement to deliver headline profits ahead of 2012 and the prospects for 2014 are that we will show further progress.

Trading, Statement of Income and Dividend

Turnover was 6% higher than the previous year, at £124.1m (2012: £117.0m), primarily reflecting the full year effect of the acquisition of balloon dog in September 2012. Turnover is a measure of how much Clients are billed. But since billings include pass-through costs (eg TV companies' charges for buying air-time), the Board does not consider turnover to be a key performance measure. Instead, the Board views operating income (turnover less third party costs) as a more meaningful measure of Agency activity levels.

Operating income ("revenue") increased 9% to £51.6m (2012: £47.5m), achieving the first of our KPIs, driven by the full year contribution from balloon dog and the acquisition of Solaris Healthcare Network Limited ("Solaris") with effect from 30 September 2013. Like-for-like revenue was flat year-on-year, reflecting the net effect of some significant changes in the make up of our Client list. Most notably, the loss of B&Q and the dramatic reduction in expected revenues from Aviva in the first half of the year had a significant negative impact on revenues, as did the decision by two of our Top 20 Clients to switch Agency during the year. In contrast, Harley-Davidson became one of our Top 20 Clients and the second half of the year saw good growth from some existing Clients and a number of encouraging new business wins. As we exited 2013, the prospects for further revenue growth in 2014 looked strong.

The Directors measure the Group's profit performance by reference to headline profits, calculated before exceptional costs and the deduction of amortisation of intangibles and professional fees associated with acquisitions (as set out in Note 3). Headline operating profit decreased by 4% to £5.7m for the year as a whole (2012: £6.0m), but this reflects two very different pictures in H1 and H2. Profit margins in the first half (headline operating profit as a percentage of revenue) fell to 8% (first half 2012: 12%) as a result of the challenges explained above, and resulting in us missing our second KPI, but recovered to 14% in the second half (second half 2012: 13%) as revenues increased and overheads were trimmed back. Some of this improvement is due to the phasing of Client revenues across the year and, to this extent, is unlikely to be sustained into 2014. However, the reduction in overhead costs which resulted from the restructuring which took place in H1 will benefit 2014 and we expect a year-on-year improvement in profit margins in the year ahead.

Generally speaking, our Clients' spending cycles tend to result in a second half bias in our financial results. We expect 2014 to be no different.

Further good progress was made in 2013 to reduce the Group's interest burden, both through a further reduction in net debt and also from the reduction in interest margins which has flowed from the reduction in our leverage ratio (see below for definition). As a result, net interest costs reduced by over a third to £0.7m (2012: £1.1m).

After financing costs, headline profit before tax increased by 3% to £5.0m (2012: £4.9m), achieving the third of our KPIs.

Reported profit before tax decreased by 33% to £3.2m (2012: £4.7m) after the deduction of exceptional items of £1.5m and amortisation charges and professional fees totaling £0.4m relating to acquisitions made in 2013 and prior years. In 2012, £0.2m of headline adjustments were made, for amortisation and professional fees.

Exceptional items in 2013 mainly comprised the costs of restructuring Bray Leino's London operations and the non-cash write-off of intangibles arising on the acquisition of Addiction, offset by a reduction in estimated contingent acquisition consideration.

The headline diluted EPS was 4.45 pence (2012: 4.54 pence).

Having recommenced the payment of dividends in a modest way at the interim stage in 2013, the Board recommends a final dividend of 0.75 pence per share, bringing the total for the year to 1.00 pence per share. The final dividend will be payable on 21 July 2014 to shareholders on the register at 11 July 2014. The Board will continue to keep under regular review the best use of the Group's cash resources but it is the Board's intention to increase both interim and final dividends in future years.

Balance Sheet and Cash Flow

The Group's balance sheet has been further strengthened during the year by a reduction in net debt and a reduction in gearing ratios. Working capital reduced for the third time in the last four years, contributing to a reduction in net bank debt of a further £1.6m, to £10.7m (2012: £12.3m). This compares with £13.9m of committed term facilities, together with an overdraft facility of £3.0m, representing a comfortable level of headroom. Our gearing ratio (net debt to equity) reduced from 20% last year to 17% at 31 December 2013 and the Group's "leverage ratio" (ratio of net bank debt to headline EBITDA) fell further, to x1.5 at 31 December 2013, achieving our fourth KPI.

At 31 December 2013, the Board undertook its annual assessment of the value of goodwill, explained further in Note 12, and concluded that no further impairment in the carrying value was required. Capital expenditure, at £1.2m, was unchanged from 2012 and in line with depreciation.

During the year, the Group explored a number of opportunities to strengthen its services and extend its reach but in the end completed only one deal, the acquisition of Solaris, towards the end of the year. Although modest in initial financial outlay, we are hopeful that the combination of Solaris with our existing healthcare activities will be a 2 plus 2 equals 5 deal.

Taxation

The Group's effective tax rate was 25.5% (2012: 27.9%). The Group's effective tax rate is normally above the statutory rate due to non-deductible staff and Client-related expenditure, and 2013, was no exception.

On behalf of the Board
Peter Fitzwilliam
Finance Director
25 March 2014

report of the directors

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 2013. A number of disclosures previously included in the Directors' Report are now included in the Strategic Report. These include Business Review and Principal Risks and Uncertainties.

Directors

The following Directors held office during the year:

Dylan Bogg
Stephen Boyd
James Clifton
Robert Day
Peter Fitzwilliam
Christopher Goodwin
Bruce Hutton – resigned 28 February 2013
Giles Lee – appointed 5 March 2013
David Morgan
Christopher Morris
Sue Mullen
Fiona Shepherd

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.

Going Concern

The Directors 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, taking account of reasonably possible changes in trading performance, the Company and Group have adequate resources for the foreseeable future and therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

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.

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.

Substantial Shareholdings

Other than the Directors' interests disclosed below, as at 25 March 2014, 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

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 2013	31 December 2012 or on appointment
Dylan Bogg	1,439,323	1,358,323
Stephen Boyd	109,918	319,918
James Clifton	165,113	90,048
Robert Day	6,086,955	6,008,138
Peter Fitzwilliam	619,481	506,481
Christopher Goodwin	373,047	191,635
Giles Lee	701,158	609,358
David Morgan	6,059,875	5,939,875
Christopher Morris	1,001,009	951,509
Sue Mullen	1,078,254	1,065,204
Fiona Shepherd	1,254,173	1,235,273

The following unexercised options over shares were held by Directors:

Directors	At 1 January 2013 (or on appointment)	Lapsed in year	Exercised in year	Granted in year	At 31 December 2013	Date from which exercisable	Expiry date
Dylan Bogg	90,000*	(9,000)	(81,000)	-	-	July 2013	July 2019
	60,000	-	-	-	60,000	July 2014	July 2021
	70,000	-	-	-	70,000	July 2015	July 2022
	-	-	-	30,000	30,000	July 2016	July 2023
James Clifton	-	-	-	56,000	56,000	July 2016	July 2023
Robert Day	60,000	(6,000)	(54,000)	-	-	July 2013	July 2020
	157,000	-	-	-	157,000	July 2014	July 2021
	96,667	-	-	-	96,667	July 2015	July 2022
	-	-	-	110,000	110,000	July 2016	July 2023
Peter Fitzwilliam	50,000	-	-	-	50,000	July 2014	July 2021
	40,000	-	-	-	40,000	July 2015	July 2022
	-	-	-	50,000	50,000	July 2016	July 2023
Chris Goodwin	20,000	-	-	-	20,000	July 2014	July 2021
	40,000	-	-	-	40,000	July 2015	July 2022
	-	-	-	35,000	35,000	July 2016	July 2023
Giles Lee	75,000*	(7,500)	(67,500)	-	-	July 2013	July 2019
	27,000	(2,700)	(24,300)	-	-	July 2013	July 2020
	100,000	-	-	-	100,000	July 2014	July 2021
	100,000	-	-	-	100,000	July 2015	July 2022
	-	-	-	70,000	70,000	July 2016	July 2023
Chris Morris	55,000*	(5,500)	(49,500)	-	-	July 2013	July 2019
	28,000	-	-	-	28,000	July 2014	July 2021
	40,000	-	-	-	40,000	July 2015	July 2022
	-	-	-	50,000	50,000	July 2016	July 2023
David Morgan	50,000	-	-	-	50,000	July 2014	July 2021
	40,000	-	-	-	40,000	July 2015	July 2022
	-	-	-	50,000	50,000	July 2016	July 2023
Sue Mullen	25,000	(2,500)	(22,500)	-	-	July 2013	July 2020
	10,000	-	-	-	10,000	July 2014	July 2021
	20,000	-	-	-	20,000	July 2015	July 2022
	-	-	-	22,500	22,500	July 2016	July 2023
Fiona Shepherd	21,000	(2,100)	(18,900)	-	-	July 2013	July 2020
	40,000	-	-	-	40,000	July 2014	July 2021
	40,000	-	-	-	40,000	July 2015	July 2022
	-	-	-	50,000	50,000	July 2016	July 2023

All share options in existence at 31 December 2013 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 2013 are dependent upon the achievement of profit targets over the three year period ending 31 December 2015. In all cases, the vesting of share options is at the overriding discretion of the independent members of the Remuneration Committee.

Corporate Governance

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

Post Balance Sheet Events

There were no material post balance sheet events.

Future Developments

An indication of likely future developments in the business of the Group is provided in the Chairman's Statement and Strategic Report.

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.

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 is 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 Donations

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 each of the current Directors is aware, there is no information needed by the Group's auditors in connection with the preparation of their audit report of which the Group's auditors are unaware. Each of the Directors has taken all steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Financial Risk Exposure and Management

As a communications Agency group, the main financial risks that arise from day-to-day activities are credit and currency risk. The Group's policy is to eliminate risk where it is cost-effective, including the use of credit insurance and currency hedges, and to mitigate it where not, including close monitoring of credit-worthiness and the use of Client payment plans if possible. The Group's policy is not to use any financial instruments for speculating.

In common with any business, the Group is exposed to cash flow risk if the capital structure is not balanced (relative proportions of debt and equity, and the availability of cash resources). Several years ago, the Group had too much debt and its ability to continue as a going concern was seriously endangered, but has progressively reduced debt, increased equity and secured banking facilities which provide comfortable levels of headroom within the Group's covenants. The Group's policy is to maintain a balance of equity and debt financing to give shareholders the advantages of financial leverage but without placing the business at financial risk.

Dividends

The Group paid a dividend of 0.25 pence per share in December 2013 and the Board recommends the payment of a final dividend of 0.75 pence, subject to approval by shareholders at the Annual General Meeting.

Annual General Meeting

A notice convening the Annual General Meeting to be held on Monday 16 June 2014 at 12 noon is enclosed with this report.

On behalf of the Board
Peter Fitzwilliam
Finance Director
25 March 2014

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 (September 2012) (the "Code") but has regard to it as far as is practicable and appropriate for a public company of its size and nature.

Board of Directors

At 31 December 2013, 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 Christopher 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 most months 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
- 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.

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.

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.

Summary of Directors' Attendance

	Board Meetings		Remuneration Committee		Audit Committee	
	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended
Dylan Bogg	9	8	n/a	n/a	n/a	n/a
Stephen Boyd	9	8	2	2	3	3
James Clifton	9	9	n/a	n/a	n/a	n/a
Robert Day	9	9	n/a	n/a	n/a	n/a
Peter Fitzwilliam	9	9	n/a	n/a	n/a	n/a
Chris Goodwin	9	9	n/a	n/a	n/a	n/a
Bruce Hutton	1	-	n/a	n/a	n/a	n/a
Giles Lee	8	8	n/a	n/a	n/a	n/a
David Morgan	9	7	n/a	n/a	n/a	n/a
Chris Morris	9	9	2	2	3	3
Sue Mullen	9	7	n/a	n/a	n/a	n/a
Fiona Shepherd	9	8	n/a	n/a	n/a	n/a

The appointment of Giles Lee, Executive Chairman of Bray Leino, to the Board was considered by the full Board and, consequently, the Nomination Committee did not meet separately during the year.

On behalf of the Board, Peter Fitzwilliam
Finance Director, 25 March 2014

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 2013 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 21 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 2013 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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 2013.

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 2014

Consolidated Statement of Comprehensive Income for the year ended 31 December 2013

	Note	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
TURNOVER	2	**124,090**	116,970
Cost of sales		**(72,496)**	(69,446)
OPERATING INCOME	2	**51,594**	47,524
Operating expenses before exceptional items		**(46,230)**	(41,736)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		**5,364**	5,788
Exceptional items	4	**(1,512)**	-
OPERATING PROFIT		**3,852**	5,788
Investment income	5	**1**	9
Finance costs	6	**(696)**	(1,113)
PROFIT BEFORE TAXATION	7	**3,157**	4,684
Taxation	9	**(804)**	(1,306)
PROFIT FOR THE YEAR		**2,353**	3,378
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,353**	3,378
Basic earnings per share (pence)	11	**3.11**	4.68
Diluted earnings per share (pence)	11	**2.87**	4.33
Headline basic earnings per share (pence)	11	**4.82**	4.91
Headline diluted earnings per share (pence)	11	**4.45**	4.54

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

Consolidated Balance Sheet as at 31 December 2013

	Note	As at 31 December 2013 £'000	As at 31 December 2012 £'000
FIXED ASSETS			
Intangible assets	12	72,525	71,433
Property, plant and equipment	14	3,479	3,230
		76,004	74,663
CURRENT ASSETS			
Stock and work in progress		365	921
Trade and other receivables	15	20,751	24,364
Cash and short term deposits	16	571	546
		21,687	25,831
CURRENT LIABILITIES			
Trade and other payables	17	(11,067)	(13,625)
Accruals		(7,035)	(7,541)
Corporation tax payable		(627)	(1,359)
Bank loans	18	(1,714)	(2,286)
Acquisition obligations	20.1	(375)	(1,124)
		(20,818)	(25,935)
NET CURRENT ASSETS / (LIABILITIES)		869	(104)
TOTAL ASSETS LESS CURRENT LIABILITIES		76,873	74,559
NON CURRENT LIABILITIES			
Bank loans	18	(9,573)	(10,596)
Obligations under finance leases	19	-	(69)
Acquisition obligations	20.1	(2,451)	(1,210)
Deferred tax liabilities	21	-	-
		(12,024)	(11,875)
NET ASSETS	2	64,849	62,684
CAPITAL AND RESERVES			
Called up share capital	23	7,699	7,699
Share premium account		40,288	40,288
Own shares	24	(462)	(1,201)
Share option reserve	25	614	441
Retained earnings		16,710	15,457
TOTAL EQUITY		64,849	62,684

The financial statements were approved and authorised for issue on 25 March 2014 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 2013

	Year to 31 December 2013	Year to 31 December 2012
	£'000	£'000
Operating profit	3,852	5,788
Depreciation and amortisation charges	1,540	1,081
Goodwill and intangibles impairment charges	442	-
Net gain on remeasurement of contingent consideration	(660)	-
Loss on disposal of property, plant and equipment	1	1
Non cash charge for share options and shares awarded	173	178
Decrease / (increase) in receivables	3,860	(2,313)
Decrease in stock and work in progress	172	103
(Decrease) / increase in payables	(3,194)	403
OPERATING CASH FLOWS	6,186	5,241
Net finance costs	(467)	(884)
Tax paid	(1,556)	(1,156)
Net cash inflow from operating activities	4,163	3,201
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	148	2
Purchase of property, plant and equipment	(1,240)	(1,234)
Acquisition of subsidiaries	(97)	(728)
Adjustment to cost of acquisition of subsidiaries	94	-
Cash acquired with subsidiaries	18	741
Acquisition of intangibles	(65)	(5)
Adjustment to cost of intangibles acquired	(27)	-
Net cash outflow from investing activities	(1,169)	(1,224)
FINANCING ACTIVITIES		
Dividends paid	(192)	-
Movement in finance leases	(136)	109
Payment of acquisition obligations	(550)	-
Repayment of long term bank loans	(1,785)	(2,979)
Proceeds on issue of ordinary share capital	-	1,124
Purchase of own shares held in EBT	(306)	-
Net cash outflow from financing activities	(2,969)	(1,746)
Increase in cash and cash equivalents	25	231
Cash and cash equivalents at beginning of year	546	315
Cash and cash equivalents at end of year	571	546

Consolidated Statement of Changes in Equity for the year ended 31 December 2013

	Share capital	Share premium	Own shares	Share option reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2012	**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**
Credit for share option scheme	**-**	**-**	**-**	**173**	**-**	**173**
Own shares purchased	**-**	**-**	**(306)**	**-**	**-**	**(306)**
Shares awarded to employees and vendors from own shares	**-**	**-**	**1,045**	**-**	**(908)**	**137**
Total Comprehensive Income for the year	**-**	**-**	**-**	**-**	**2,353**	**2,353**
Dividend paid	**-**	**-**	**-**	**-**	**(192)**	**(192)**
At 31 December 2013	**7,699**	**40,288**	**(462)**	**614**	**16,710**	**64,849**

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.

1. Accounting Policies (cont.)

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.

1. Accounting Policies (cont.)

Deferred consideration

When the consideration transferred by the Group in a business combination includes liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates, as appropriate, with the corresponding gain or loss being recognised in profit or loss. 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.

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;
- contingent deferred payments in respect of acquisitions;
- 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.

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.

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.

1. Accounting Policies (cont.)

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.

Annual periods beginning on/after 1 January 2014

- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
- Investment Entities Amendments to:
  - IFRS 10
  - IFRS 12
  - IAS 27
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
- IFRIC 21 Levies*

Annual periods beginning on/after 1 July 2014

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*
- Annual Improvements to IFRSs 2010 – 2012 cycle*
  - IFRS 2 Share-Based Payment
  - IFRS 3 Business Combinations
  - IFRS 8 Operating Segments
  - IFRS 13 Fair Value Measurement
  - IAS 16 Property, Plant and Equipment
  - IAS 24 Related Party Disclosures
  - IAS 38 Intangible Assets
- Annual Improvements to IFRSs 2011 – 2013 cycle*
  - IFRS 1 First-time Adoption of IFRSs
  - IFRS 3 Business Combinations
  - IFRS 13 Fair Value Measurement
  - IAS 40 Investment Property

Annual periods beginning on/after 1 January 2015

- IFRS 9, Financial instruments*

*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.

As the Group has elected to prepare its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism.

2. Segmental Information

Business segmentation

For management purposes the Group had eleven operating units trading through eight 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, Solaris Healthcare Network 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 2013	Branding, Advertising & Digital £'000	Media £'000	Events & Learning £'000	Public Relations £'000	Group £'000
Turnover	64,285	47,931	8,441	3,433	124,090
Operating income	41,515	4,414	3,054	2,611	51,594
Segmental operating profit	5,655	1,147	89	110	7,001
Unallocated corporate expenses					(1,284)
Headline operating profit					5,717
Investment income					1
Finance costs					(696)
Headline profit before tax					5,022
Profit adjustments (Note 3)					(1,865)
Reported profit before taxation					3,157
Taxation					(804)
Profit for period					2,353
Other Information					
Capital expenditure	1,044	33	115	48	1,240
Unallocated capital expenditure					-
Total capital expenditure					1,240
Depreciation and amortisation	1,201	112	185	35	1,533
Unallocated depreciation and amortisation					7
Total depreciation and amortisation					1,540
Balance Sheet					
Assets					
Segment assets	22,132	4,323	304	338	27,097
Unallocated corporate assets					70,594
Consolidated total assets					97,691
Liabilities					
Segment liabilities	9,983	4,573	76	63	14,695
Unallocated corporate liabilities					18,147
Consolidated total liabilities					32,842
Consolidated net assets / (liabilities)	12,149	(250)	228	275	64,849

2. Segmental Information (cont.)

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 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

Geographical segmentation

With the development of April-Six's expansion into San Francisco, and Bray Leino's fledgling presence in Singapore, the Group's operations are starting to broaden outside the UK but substantially all the Group's business remains based and executed in the UK.

3. Reconciliation of Headline Profit to Reported Profit

	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
Headline profit before finance costs, income from investments and taxation	**5,717**	5,960
Net finance costs	**(695)**	(1,104)
Headline profit before taxation	**5,022**	4,856
Adjustments		
Exceptional items	**(1,512)**	-
IFRS amortisation of other intangibles recognised on acquisitions	**(299)**	(76)
Acquisition transaction costs expensed	**(54)**	(96)
Reported profit before taxation	**3,157**	4,684
Headline profit before taxation	**5,022**	4,856
Headline taxation	**(1,373)**	(1,313)
Headline profit after taxation	**3,649**	3,543
Adjustments		
Exceptional items	**(1,512)**	-
IFRS amortisation of other intangibles recognised on acquisitions	**(299)**	(76)
Acquisition transaction costs expensed	**(54)**	(96)
Taxation impact	**569**	7
Reported profit after taxation	**2,353**	3,378

4. Exceptional Items

	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
Restructuring costs	**1,523**	-
Impairment of Addiction goodwill and intangibles	**442**	-
Gain on remeasurement of contingent consideration	**(660)**	-
Loss on legal dispute with supplier	**207**	-
	1,512	-

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.

Restructuring costs comprise amounts payable for loss of office and other costs incurred relating to the restructuring of the operations in Bray Leino's London operations and Addiction Worldwide. This restructuring also resulted in the impairment of Addiction goodwill and other intangibles acquired.

The gain on remeasurement of contingent consideration relates to a net downward revision in the estimate payable to vendors of businesses acquired in prior years.

The loss on legal dispute with supplier relates to prizes on a promotion which were deemed by the courts to be fraudulently won by the customers. This resulted in the costs of these prizes and legal costs being passed from the insurance company engaged to redeem the prizes to the Group.

5. Investment Income

	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
Interest on bank deposits	**1**	9

6. Finance Costs and IFRS Interest Charges

	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
Finance costs:		
Interest on bank loans and overdrafts	**(506)**	(808)
Amortisation of bank debt renegotiation fees	**(190)**	(305)
	(696)	(1,113)

7. Profit on Ordinary Activities before Tax

	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):-		
Depreciation of owned tangible fixed assets	**1,135**	915
Depreciation of tangible fixed assets held under finance leases	**106**	90
Amortisation of intangible assets	**299**	76
Loss on disposal of property, plant and equipment	**1**	1
Operating lease rentals – Land and buildings	**1,386**	1,066
Operating lease rentals – Plant and equipment	**355**	377
Operating lease rentals – Other assets	**192**	175
Staff costs (see Note 8)	**35,057**	31,284
Auditors' remuneration	**167**	201
Loss on foreign exchange	**13**	29
Auditors' remuneration may be analysed by:		
Audit	**113**	110
Taxation	**21**	20
Corporate Finance	**27**	58
Other services	**6**	13
	167	201

Other services include review of the Group's Interim Announcement, 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 2013 £'000	Year to 31 December 2012 £'000
Branding, Advertising & Digital	**649**	578
Media	**40**	41
Events and Learning	**91**	105
Public Relations	**44**	38
Central	**3**	3
	827	765

The aggregate employee costs of these persons were as follows:

	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
Wages and salaries	**30,199**	27,232
Social security costs	**3,461**	2,989
Pension costs	**1,232**	920
Share based payment expense	**165**	143
	35,057	31,284

8. Employee Information (cont.)

Directors' remuneration

Directors' remuneration and other benefits for the year were as follows (all amounts in £s):

	Salary / Fees	Performance -related payments	Benefits	Pension	Gain on exercise of share options*	Total 31 December 2013	Total 31 December 2012
Current directors							
Dylan Bogg	146,300	-	3,358	9,750	20,048	179,456	160,176
Stephen Boyd (Note 2)	37,500	-	-	-	-	37,500	30,000
James Clifton (Note 3) (from 11 October 2012)	145,796	-	1,726	19,250	-	166,772	41,133
Robert Day (Note 4)	17,500	8,000	1,118	121,000	13,365	160,983	228,587
Peter Fitzwilliam (Note 5)	162,505	-	-	-	-	162,505	177,520
Chris Goodwin	120,900	-	14,056	6,767	-	141,723	141,330
Giles Lee (from 5 March 2013)	127,083	-	15,444	17,188	22,721	182,436	-
David Morgan	114,020	-	23,416	-	-	137,436	173,665
Chris Morris (Note 6)	84,500	-	1,801	-	12,251	98,552	90,864
Sue Mullen (from 18 June 2012)	136,250	-	-	22,375	6,188	164,813	75,057
Fiona Shepherd	152,500	-	2,053	-	4,914	159,467	160,492
Former directors							
Bruce Hutton (Note 7) (to 28 February 2013)	115,950	-	5,082	1,250	-	122,282	189,326
	1,360,804	**8,000**	**68,054**	**197,580**	**79,487**	**1,713,925**	**1,468,150**

Notes:

* The gain on exercise of share options is calculated as the difference between the market price of the shares on the date of exercise and the price paid for the shares.

1. Dylan Bogg, Robert Day, Chris Goodwin, Giles Lee, Sue Mullen 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. Prior to 1 June 2013, the services of Stephen Boyd as a TMMG plc Director were provided through Stephen Boyd Ltd, a company controlled by him.
3. James Clifton was paid £nil as a TMMG plc Director, but was paid as a Director and employee of balloon dog for services rendered there.
4. Robert Day operated a salary sacrifice during the year, whereby an amount of £121,000, including Employer's National Insurance Contributions, was paid into his pension.
5. Prior to 1 April 2013, Peter Fitzwilliam's 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 (2012: £42,500). In addition, he was paid for his consulting services through a consultancy practice owned by him, Morris Marketing Consultancy.
7. Included in Bruce Hutton's salary / fees is an amount of £90,950 of compensation for loss of office.

9. Taxation

	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
Current tax:-		
UK corporation tax at 23.25% (2012: 24.5%)	**810**	1,390
Adjustment for prior periods	**(6)**	(93)
	804	1,297
Deferred tax:-		
Current year reversing/(originating) temporary differences	**-**	9
Adjustment for prior periods	**-**	-
Tax charge for the year	**804**	1,306

Factors affecting the tax charge for the current year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are:

	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
Profit before taxation	**3,157**	4,684
Profit on ordinary activities before tax at the standard rate of corporation tax of 23.25% (2012: 24.5%)	**734**	1,148
Effect of:		
Non-deductible expenses/income not taxable	**142**	156
Gain on remeasurement of contingent consideration not taxable	**(153)**	-
Adjustments to prior periods	**(6)**	(93)
Movement on provisions	**(42)**	42
Depreciation in excess of capital allowances	**137**	55
Other differences	**(8)**	(2)
Actual tax charge for the year	**804**	1,306

10. Dividends

	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend of 0.25 pence per share	**192**	-

During the year the Board decided to resume the payment of dividends, previously suspended in order to conserve cash. A final dividend of 0.75 pence is to be paid on 21 July 2014 to those shareholders on the register at 11 July 2014. In accordance with IFRS the final dividend of 0.75p will be recognised in the 2014 accounts, should it be approved by shareholders at the AGM.

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 2013 £'000	Year to 31 December 2012 £'000
Earnings		
Earnings for the purpose of reported earnings per share being net profit attributable to equity holders of the parent	**2,353**	3,378
Earnings for the purpose of headline earnings per share (see Note 3)	**3,649**	3,543
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**75,668,570**	72,169,181
Dilutive effect of securities:		
Employee share options	**3,886,360**	3,461,578
Bank warrants	**2,510,283**	2,386,907
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**82,065,213**	78,017,666
Reported basis:		
Basic earnings per share (pence)	**3.11**	4.68
Diluted earnings per share (pence)	**2.87**	4.33
Headline basis:		
Basic earnings per share (pence)	**4.82**	4.91
Diluted earnings per share (pence)	**4.45**	4.54

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 2013 £'000	Year to 31 December 2012 £'000
Cost		
At 1 January	**74,314**	72,186
Recognised on acquisition of subsidiaries	**1,058**	2,113
Adjustment to consideration	**(94)**	15
At 31 December	**75,278**	74,314
Impairment adjustment		
At 1 January	**3,995**	3,995
Impairment during the year	**278**	-
At 31 December	**4,273**	3,995
Net book value at 31 December	**71,005**	70,319

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 7.4%. As a result of the restructuring of the operations of Addiction Worldwide, the Directors considered it necessary to impair the full value of goodwill relating to this CGU. For all other CGUs, 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 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:

	Year to 31 December 2013 £'000	Year to 31 December 2012 £'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**	30,846
Friars 573 Ltd/Fox Murphy Ltd (trading as balloon dog)	**1,514**	1,514
Haven Marketing Ltd	**127**	127
RLA Group Ltd	**6,572**	6,572
Solaris Healthcare Network Ltd	**1,058**	-
Story UK Ltd	**6,969**	6,969
ThinkBDW Ltd	**6,283**	6,283
Quorum Advertising Ltd	**100**	100
	71,005	70,319

During the year the carrying value of Addiction Worldwide was written off.

12. Intangible Assets (cont.)

Other intangible assets	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
Cost		
At 1 January	**1,209**	271
Additions	**870**	938
At 31 December	**2,079**	1,209
Amortisation and impairment		
At 1 January	**95**	19
Amortisation charge for the year	**299**	76
Impairment charge for the year	**165**	-
At 31 December	**559**	95
Net book value	**1,520**	1,114

Additions of £870,000 in the year include intellectual property rights acquired, product development costs capitalised, and client relationships and trade names acquired relating to Solaris Healthcare, of which £140,000 relates to trade names deemed to have an indefinite useful life (2012: £938,000 includes 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).

The impairment during the year relates to intangible assets acquired in the purchase of Addiction Worldwide. As a result of the restructuring of the operations of Addiction Worldwide, the Directors considered it necessary to impair the full value of intangible assets relating to this cash-generating unit.

Included within the value of intangible assets is an amount of £303,000 (2012: £163,000) relating to trade names of businesses acquired, which are deemed to have indefinite useful lives. These trade names have attained recognition in the market place and the companies acquired will continue to operate under the relevant trade names, which will play a role in developing and sustaining customer relationships for the foreseeable future. As such, it is the Directors' judgement that the useful life of these trade names is considered to be indefinite.

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
Solaris Healthcare Network 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, photography

14. Property, Plant and Equipment

	Short Leasehold Property	Fixtures & Fittings & Office Equipment	Computer Equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January 2012	**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**
Acquisition of subsidiaries	-	19	1	-	20
Additions	18	365	797	60	1,240
Reclassification of hire stock	-	553	-	-	553
Disposals	(25)	(48)	(566)	(69)	(708)
At 31 December 2013	**1,674**	**3,575**	**4,560**	**240**	**10,049**
Depreciation					
At 1 January 2012	**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**
Acquisition of subsidiaries	-	5	-	-	5
Reclassification of hire stock	-	169	-	-	169
Charge for the year	87	377	729	48	1,241
Disposals	(15)	(37)	(432)	(75)	(559)
At 31 December 2013	**1,207**	**2,124**	**3,098**	**141**	**6,570**
Net book value at 31 December 2013	**467**	**1,451**	**1,462**	**99**	**3,479**
Net book value at 31 December 2012	**546**	**1,076**	**1,527**	**81**	**3,230**

The net book amount includes £143,000 (2012: £267,000) 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 £106,000 (2012: £90,000).

15. Trade and Other Receivables

	31 December 2013 £'000	31 December 2012 £'000
Gross trade receivables	**15,451**	19,119
Less: Provision for doubtful debts	**(61)**	(104)
	15,390	19,015
Other receivables	**573**	552
Prepayments	**1,088**	1,023
Accrued income	**3,700**	3,774
	20,751	24,364

An allowance has been made for estimated irrecoverable amounts from the provision of services of £61,000 (2012: £104,000). 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 2013 £'000	31 December 2012 £'000
Trade creditors	**7,589**	9,271
Finance leases	**69**	136
Other creditors	**355**	454
Other tax and social security payable	**3,054**	3,764
	11,067	13,625

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 2013 £'000	31 December 2012 £'000
Bank loan outstanding	**11,572**	13,357
Adjustment to amortised cost	**(285)**	(475)
Carrying value of loan outstanding	**11,287**	12,882
Less: Cash and short term deposits	**(571)**	(546)
Net bank debt	**10,716**	12,336
The borrowings are repayable as follows:		
Less than one year	**1,714**	2,286
In one to two years	**9,858**	2,286
In more than two years but less than three years	**-**	8,785
	11,572	13,357
Adjustment to amortised cost	**(285)**	(475)
	11,287	12,882
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,714)**	(2,286)
Amount due for settlement after 12 months	**9,573**	10,596

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

At 31 December 2013, the Group had a term loan facility of £4.6m 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 2.75%, payable in cash on loan rollover dates. The gross amount of the revolving credit facility drawn at 31 December 2013 was £7.0m. In addition to its committed facilities, the Group had available an overdraft facility of up to £3.0m with interest payable by reference to National Westminster Bank plc Base Rate plus 3.5%.

At 31 December 2013, 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 2013 £'000	31 December 2012 £'000
In one year or less	**69**	136
Between two and five years	**-**	69
	69	205

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

20.1 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 contingent consideration payments that may be due is as follows:

	31 December 2013			**31 December 2012**		
	Cash £'000	**Shares £'000**	**Total £'000**	Cash £'000	Shares £'000	Total £'000
Less than one year	375	-	375	1,049	75	1,124
Between one and two years	913	48	961	339	48	387
In more than two years but less than three years	869	47	916	339	48	387
In more than three years but less than four years	574	-	574	389	47	436
	2,731	**95**	**2,826**	**2,116**	**218**	**2,334**

20.2 Acquisition of Solaris Healthcare Network Ltd

On 30 September 2013, the Group acquired the whole issued share capital of Solaris Healthcare Network Ltd. The fair value of the consideration given for the acquisition was £1,900,000, comprising initial cash consideration and deferred contingent cash consideration. Costs relating to the acquisition amounted to £30,000 and were expensed.

Maximum contingent consideration of £1,905,000 is dependent on Solaris achieving various profit targets over the period October 2013 to December 2016. The Group has provided for contingent consideration of £1,803,000 to date.

The fair value of the net identifiable assets acquired was £108,000 resulting in goodwill and other intangible assets of £1,792,000. 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.

20. Acquisitions (cont.)

	Book Value £'000	Fair Value Adjustments £'000	Fair Value £'000
Net assets acquired:			
Fixed assets	15	-	15
Trade and other receivables	247	-	247
Cash and cash equivalents	18	-	18
Trade and other payables	(172)	-	(172)
			108
Other intangibles recognised at acquisition	-	734	734
			842
Goodwill			1,058
Total consideration			1,900
Satisfied by:			
Initial cash and deferred contingent cash consideration			1,900
			1,900

Solaris contributed turnover of £292,000, operating income of £257,000 and headline operating profit of £97,000 to the results of the Group since acquisition.

20.3 Pro-forma results including acquisitions

The Directors estimate that the turnover, operating income and headline operating profit of the Group would have been approximately £124.7m, £52.1m and £5.7m respectively had the Group consolidated the results of Solaris from the beginning of the year.

21. Deferred Taxation

The Group has no timing differences on which deferred tax needs to be provided.

22. Financial Commitments

Operating lease commitments

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

	31 December 2013		31 December 2012	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	**129**	**60**	147	74
Between two and five years	**824**	**455**	678	467
After more than 5 years	**414**	**-**	376	-
	1,367	**515**	1,201	541

23. Share Capital

	31 December 2013 £'000	31 December 2012 £'000
Authorised:		
85,000,000 ordinary shares of 10p each (2012: 85,000,000 ordinary shares of 10p each)	**8,500**	8,500
Allotted and called up:		
76,990,940 ordinary shares of 10p each (2012: 76,990,940 ordinary shares of 10p each)	**7,699**	7,699

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	4,023,000	1,540,000	(660,200)	(856,300)	4,046,500
Bank warrants	2,510,453	5,568	-	-	2,516,021

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, 31 December 2013 and 31 December 2014.

During the period 856,300 of these options were exercised at a weighted average share price of 25.5p and at the end of the year 256,500 of the outstanding options are exercisable.

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 2015.

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 2012	1,499,791	1,234
Awarded to employees during the year	(39,284)	(33)
At 31 December 2012	**1,460,507**	**1,201**
Own shares purchased during the year	**1,125,752**	**306**
Awarded to employees during the year	**(471,663)**	**(388)**
Awarded to vendors as purchase consideration	**(799,001)**	**(657)**
At 31 December 2013	**1,315,595**	**462**

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 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

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:

	2013	2012
Share price	27p	29p
Risk free rate	0.7%	0.3%
Dividend yield	1.0%	1.0%

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 2013 was 24.2p.

The Group recognised an expense of £173,000 in 2013 (2012: £178,000).

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 2.75%, subject to downward or upward ratchets depending on 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 to 1.0% on £5.3m of notional principal as at 31 December 2013. 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 2013 £'000
Financial assets	
Cash at bank maturing in less than one year or on demand	571

27. Financial Assets and Liabilities (cont.)

	Bank Loan and Overdraft £'000	Finance Leases £'000	Acquisition Obligations £'000	Interest Rate Cap £'000	31 December 2013 Total £'000
Financial liabilities					
Interest analysis:					
Subject to floating rates	11,572	-	-	-	11,572
Subject to fixed rates	-	69	2,826	10	2,905
	11,572	69	2,826	10	14,477
Maturity analysis:					
One year or less, or on demand	1,714	69	375	-	2,158
In one to two years	9,858	-	961	10	10,829
In two to three years	-	-	916	-	916
In more than three years	-	-	574	-	574
	11,572	69	2,826	10	14,477

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 nineteen defined contributions pension schemes. The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £1,232,000 (2012: £920,000). At the end of the financial year outstanding contributions amounted to £100,000 (2012: £71,000).

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 detail in Note 8. The total compensation payable to key management personnel is detailed below.

	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
Short-term employee benefits	**1,437**	1,381
Post-employment benefits	**198**	87
Share based payments	**79**	-
	1,714	1,468

There has been a change in presentation with regards the share based payment element this year. In the 2012 Annual Report the amount disclosed reflected the portion of the share option charge during the period relating to the options held by directors. In 2013 the decision was taken that it is more appropriate to disclose the gain made on options exercised during the period. As a result of this change, the numbers disclosed in this note now tie into the detailed numbers disclosed in the Directors' remuneration note (Note 8).

Parent company

Stephen Boyd Ltd, an entity of which Stephen Boyd is an interested party, received £33,125 (2012: £30,000) for the provision of his advisory services. In addition, VPF London Ltd, an entity in which Peter Fitzwilliam is an interested party, received £35,505 (2012: £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 (2012: £42,000) for the provision of consultancy services.

Subsidiary undertakings

Bray Leino Ltd is contracted to pay annual rent of £60,000 (2012: £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 (2012: £74,000) and property management fees of £18,000 (2012: £18,000) 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 (2012: £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 Robert Day Associates Ltd, a company controlled by Mrs K Day (wife of Robert Day, Executive Director) and Mrs A Day (wife of Mr A Day, brother of Robert Day, Executive Director). The annual rental payable of £35,000 (2012: £35,000) was set at market value. An additional lease contract for a second business premise commenced on 2 May 2013 under which annual rental of £124,000 is payable to Robert Day Associates Ltd.

Big Communications Ltd paid rent during the year of £72,962 (2012: £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 £58 (2012: £5,054) during the year for services rendered. Mr Morris also received a benefit of £1,801 (2012: £1,814) from the company.

32. Availability of Annual Report

Copies of the Annual Report for the year ended 31 December 2013 will be circulated to shareholders at least 21 days ahead of the Annual General Meeting ("AGM") on 16 June 2014 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 2013 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 21 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 2013;
- 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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 2013.

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 2014

Company Balance Sheet as at 31 December 2013

	Note	As at 31 December 2013 £'000	As at 31 December 2012 £'000
NON-CURRENT ASSETS			
Intangible assets	34	**36**	43
Tangible assets	35	**1**	2
Investments	36	**95,951**	94,708
		95,988	94,753
CURRENT ASSETS			
Debtors	37	**2,867**	3,152
Cash at bank		**3**	2
		2,870	3,154
CREDITORS: Amounts falling due within one year	38	**(8,099)**	(9,769)
NET CURRENT LIABILITIES		**(5,229)**	(6,615)
TOTAL ASSETS LESS CURRENT LIABILITIES		**90,759**	88,138
CREDITORS: Amounts falling due after more than one year	39	**(12,024)**	(11,806)
NET ASSETS		**78,735**	76,332
CAPITAL AND RESERVES			
Called up share capital	42	**7,699**	7,699
Share premium account	42	**40,288**	40,288
Share option reserve	43	**614**	441
Profit and loss account	43	**30,134**	27,904
SHAREHOLDER'S FUNDS		**78,735**	76,332

The financial statements were approved and authorised for issue on 25 March 2014 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 Policies

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 2013 £'000	31 December 2012 £'000
Cost	61	61
Accumulated amortisation	(25)	(18)
Net book value	36	43

Intangible assets consist of intellectual property rights which are amortised over 10 years. The amortisation charge for the year was £6,000 (2012: 6,000).

35. Tangible Fixed Assets

	Fixtures & Fittings £'000	**Office Equipment £'000**	**Total £'000**
Cost			
At 1 January 2013	**58**	**33**	**91**
Additions	-	-	-
Disposals	-	-	-
At 31 December 2013	**58**	**33**	**91**
Depreciation			
At 1 January 2013	**58**	**31**	**89**
Charge for the year	-	1	1
Disposals	-	-	-
At 31 December 2013	**58**	**32**	**90**
Net book value at 31 December 2013	-	**1**	**1**
Net book value at 31 December 2012	-	**2**	**2**

36. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2012	**96,288**
Additions	2,863
At 31 December 2012	**99,151**
Additions	1,930
Adjustment to purchase consideration	(687)
At 31 December 2013	**100,394**
Impairment	
At 1 January 2012	**(4,443)**
Impairment	-
At 31 December 2012	**(4,443)**
Impairment	-
At 31 December 2013	**(4,443)**
Net book amount at 31 December 2013	**95,951**
Net book amount at 31 December 2012	**94,708**

The principal Group companies at 31 December 2013 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
Solaris Healthcare Network 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, photography

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

37. Debtors

	31 December 2013 £'000	31 December 2012 £'000
Amounts due from subsidiary undertakings	**2,324**	2,624
Corporation tax	**502**	487
Prepayments	**41**	40
Other debtors	**-**	1
	2,867	3,152

38. Creditors: Amounts Falling Due Within One Year

	31 December 2013 £'000	31 December 2012 £'000
Bank overdraft	**499**	1,372
Amounts due to subsidiary undertakings	**5,237**	4,878
Accruals	**242**	68
Acquisition obligations (see Note 41)	**375**	1,099
Bank loan (see Note 40)	**1,714**	2,286
Other creditors	**32**	66
	8,099	9,769

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

	31 December 2013 £'000	31 December 2012 £'000
Acquisition obligations (see Note 41)	**2,451**	1,210
Bank loan (see Note 40)	**9,573**	10,596
	12,024	11,806

40. Borrowings

	31 December 2013 £'000	31 December 2012 £'000
Bank loan outstanding	**11,572**	13,357
Adjustment to amortised cost	**(285)**	(475)
Carrying value of loan outstanding	**11,287**	12,882
The borrowings are repayable as follows:		
Less than one year	**1,714**	2,286
In one to two years	**9,858**	2,286
In more than two years but less than three years	**-**	8,785
	11,572	13,357
Adjustment to amortised cost	**(285)**	(475)
	11,287	12,882
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,714)**	(2,286)
Amount due for settlement after 12 months	**9,573**	10,596

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 2013, Net Assets of the Group were £64,849,000 (2012: £62,684,000), and net borrowings under this Group arrangement amounted to £10,716,000 (2012: £12,336,000).

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 £'000	Contingent Consideration Cash £'000	Contingent Consideration Shares £'000	Total £'000
Less than one year	-	375	-	375
Between one and two years	-	913	48	961
In more than two years but less than three years	-	869	47	916
In more than three years but less than four years	-	574	-	574
	-	**2,731**	**95**	**2,826**

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 £'000	Profit and Loss Account £'000
At 1 January 2012	263	24,447
Credit for share option scheme	178	-
Profit for the period	-	3,457
At 31 December 2012	**441**	**27,904**
Credit for share option scheme	**173**	**-**
Exercise of share options	**-**	**(218)**
Profit for the period	**-**	**2,448**
At 31 December 2013	**614**	**30,134**

44. Operating Lease Commitments

As at 31 December 2013 the Company had no commitments under operating leases (2012: 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 16 June 2014 at the offices of finnCap Limited, 60 New Broad Street, London, EC2M 1JJ to transact the following business:

The following resolutions will be proposed as ordinary resolutions:

Report and accounts

1. To receive the financial statements and the report of the Directors and the auditors for the year ended 31 December 2013.

Dividend

2. To approve a final dividend of 0.75 pence per share.

Directors

3. To re-elect Peter Fitzwilliam as a Director.

4. To re-elect Chris Goodwin as a Director.

Auditors

5. To re-appoint Francis Clark LLP as auditors of the Company.

6. To authorise the Directors to fix the remuneration of Francis Clark LLP.

Authority to allot shares

7. 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.

The following resolutions will be proposed as special resolutions:

Authority to dis-apply pre-emption rights

8. THAT (subject to the passing of the resolution numbered 7 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 7 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.

notice of annual general meeting

This power shall expire upon the expiry of the general authority conferred by resolution 7 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.

Authority to purchase own shares

9. 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 2015 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 9 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 per cent of the issued share capital of the Company at any time).

By Order of the Board
Peter Fitzwilliam
25 March 2014

Note to the Notice of Annual General Meeting.

A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies (who need not be a member of the Company) to attend, speak and vote on his or her behalf. To appoint as your proxy a person other than the chairman of the meeting, insert their full name in the box on the Form of Proxy accompanying the annual report. If you sign and return the proxy form with no name inserted in the box, the chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any commitments on your behalf, you will need to appoint someone other the chairman, and give them relevant instructions directly. In order to be valid an appointment of proxy must be completed, signed and returned in hard copy form by post, by courier or by hand to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA.

advisors

Company Registration Number:	05733632
Registered Office:	36 Percy Street London W1T 2DH
Nominated Advisor and Broker:	finnCap Limited 60 New Broad Street London EC2M 1JJ
Auditors:	Francis Clark LLP Sigma House Oak View Close Edginswell Park Torquay 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

the missionⓣⓜ marketing group plc

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