themission

Annual Report 2018

Different

Different is good.

themission

Contents:

Yes, it takes bravery and a sense of adventure to be different. But when you combine stout hearts and curious minds, amazing things happen – for our Clients, our team and our shareholders. That's why we're an Agency network that encourages our Agencies to be different. Diverse talent working together with the same entrepreneurial spirit. It makes everything we do different, including this annual report. Over the next few pages, you'll see some of our Agencies' favourite quotes and thoughts. But don't worry, you'll also still find the facts and figures behind another year of great performance. Not so different after all.

I went to buy some camouflage

trousers

but I couldn't find any.

Tommy Cooper

Campaigns that don't stand out, fall down.
So let the bland lead the bland, because campaigns that wear bold trousers are far more likely to help brands make a leap.

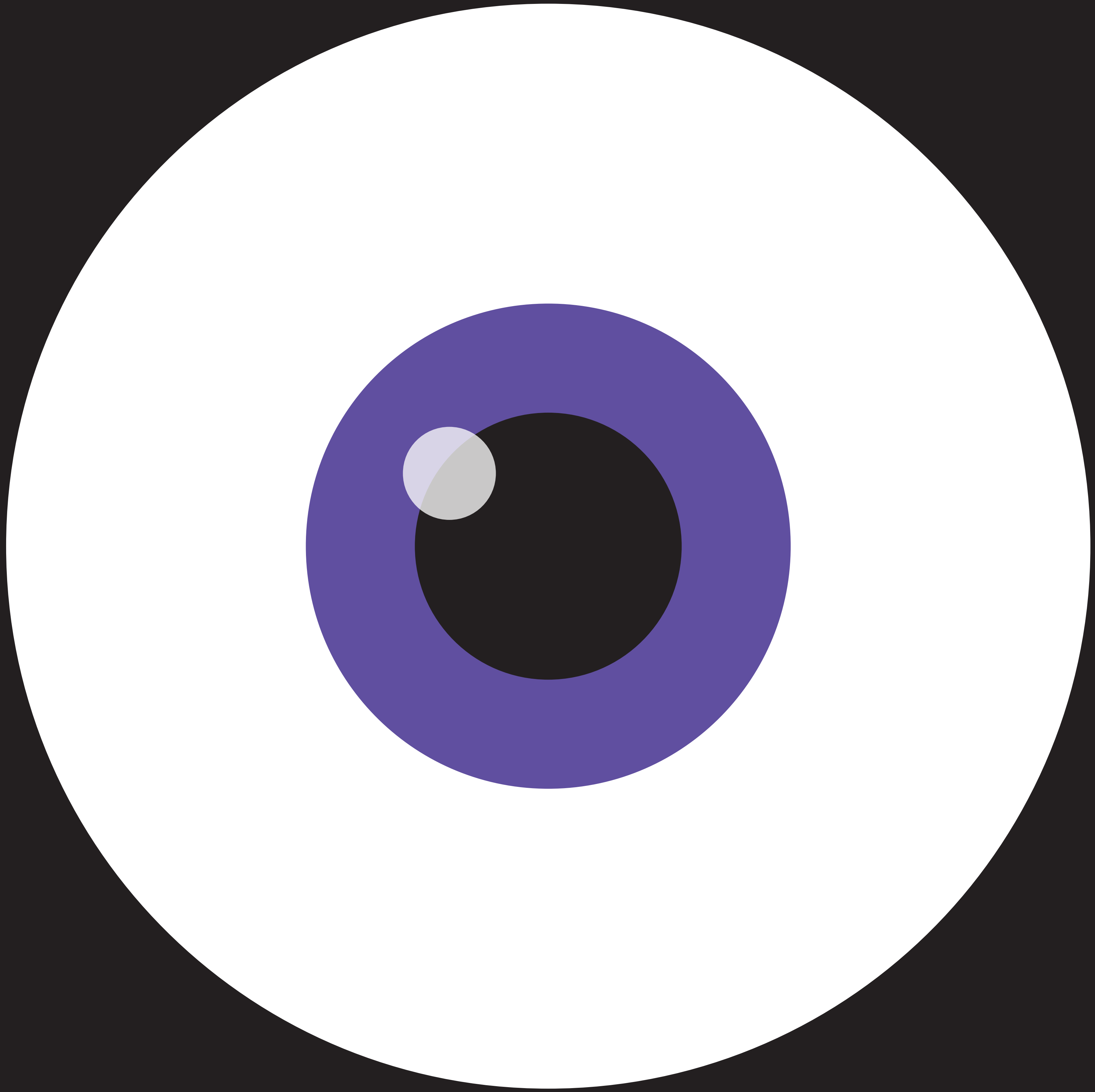
DO NOT STAND IN THE MIDDLE,

GO TO THE RIGHT

OR TO THE LEFT.

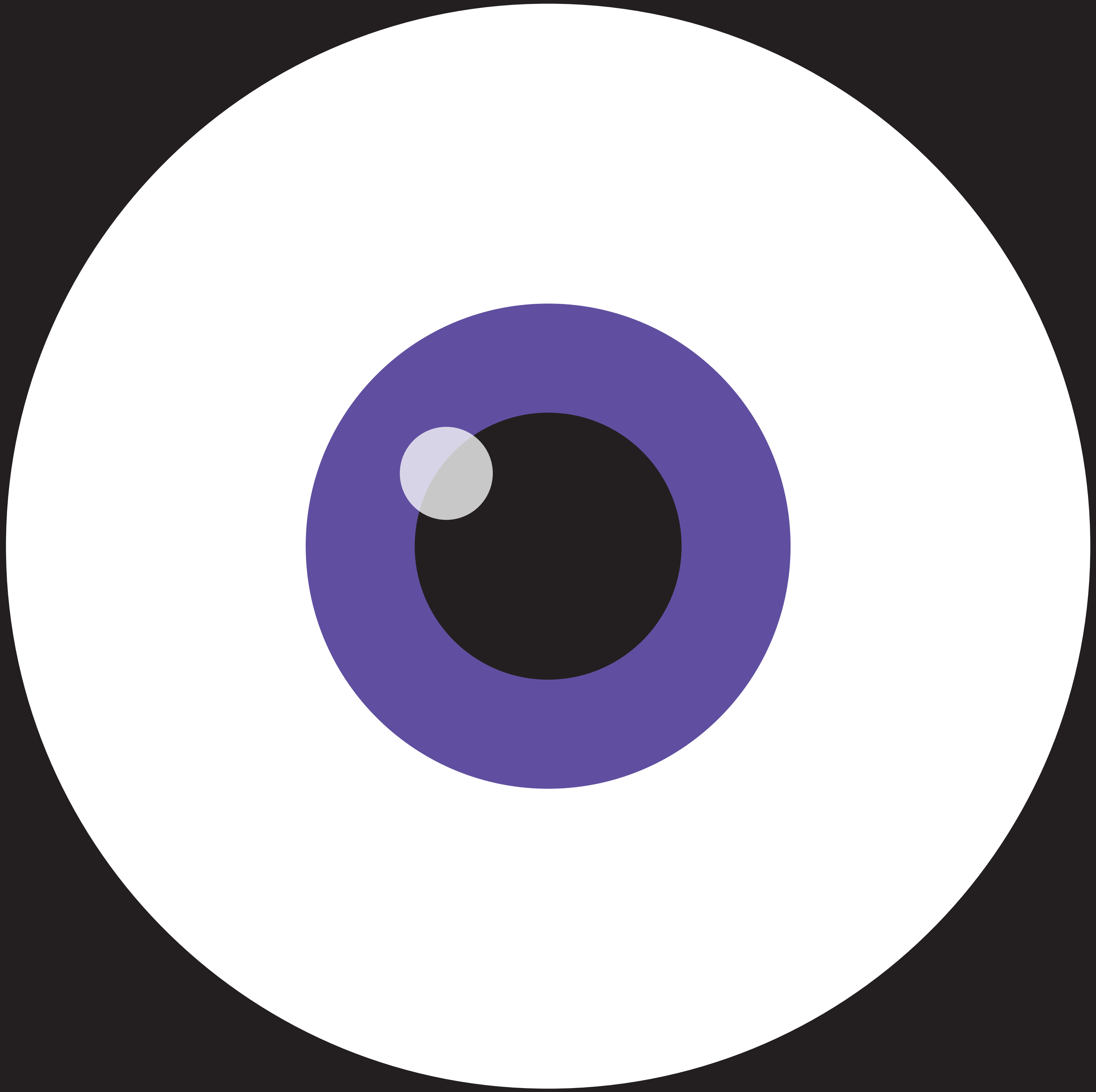
JOHN LYDON

Pleasing everyone is impossible.
Go your own way, give it a twist, have an opinion.
Some will love it, others won't. But everyone will notice.



OPEN YOUR EYES.

IDEAS ARE OUT THERE.



We're never satisfied. That's why we're always on the lookout for fresh inspiration. Amazing ideas come from anywhere and everywhere. Be ready.

Does being different deliver results?

Find out with a review of our Group's performance in 2018.

Over the last year, we've welcomed some exciting new talent, made a smart sale and created some very happy Clients – and we have some impressive results to show for it.

See how we’ve grown.

Quaquaversatility*

it's what it's all about.

***Quaquaversatility** - noun: The ability to cascade from the centre in every direction. Like the way we reach out to talent and ideas from all around the marketing world.

Our Chairman's statement on a year of progress.

Our industry is all about people; understanding what makes them tick, supporting their aspirations and, above all, instilling in them a passion to succeed and a passion to perform for their Clients, their Agency and the**mission.**

I genuinely believe that today we have a group of people at the top of their game, delivering great ideas and practical solutions to complex marketing issues across every discipline. An average day in the**mission** may see a film crew on a remote Scottish island, a build crew delivering a show home and branding for a major property development in London, a complex market assessment for a leading global pharmaceutical company, an exhibition in the far corners of Asia or simply a team managing a sponsorship programme bringing the NFL to London.

In truth, there's no such thing as an average day.

So, it's these people we have to thank for another great year in the**mission.** For the eighth year running we have grown organically, increased our revenues and profit significantly and, as a result, seen our bank debt tumble whilst continuing to increase the reward to our shareholders.

2018 was a strong year and these are just some of the highlights:

- Winning global pitches with some great companies such as Amazon, HP and Petro-Canada Lubricants, closer to home wins from Lindt and Müller and new assignments from Diomed, Barclays and Aviva. Many through multi-Agency participation.
- The acquisition of the top twenty London Agency krow who are already becoming pivotal in our strategy to deliver multi-centre teams and support across our network.
- Industry awards that included a Gold IPA Effectiveness Award for krow with their Client DFS.
- Focus on technology through our fuse initiative which is seeing our Pathfindr asset management system grow dramatically through global contracts with Rolls-Royce, MTU Friedrichshafen GmbH and GKN Aerospace. Pathfindr generated sales of £0.5m in 2018 (2017: minimal) and we estimate sales of £2m in 2019, underpinned by a strong order book.
- Divestment of our NHS BroadCare Software System for £4.4m to CHS Health.
- Extending our global reach through Client demand by opening in Chicago and Beijing to extend our number of offices to 28, of which 8 are now outside the UK. All sharing the same culture of cooperation, creativity and commitment.
- Partnerships with innovative organisations, including specialists in understanding generational differences and prosopography.
- Continued focus on our operational costs through our Shared Services initiative which is gaining real traction.

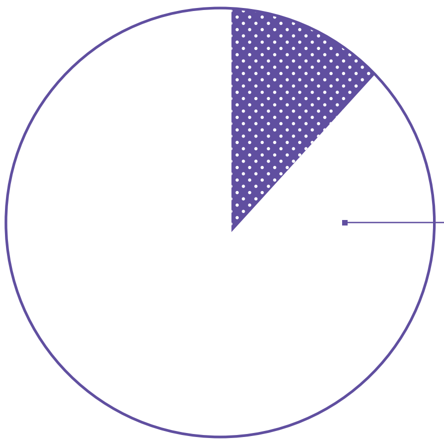
Where I am especially pleased is how, through multi-offices but a shared vision and cooperation, our quaquaversal culture works so well for those Clients that value truly integrated campaigns that break boundaries and make the parts and the sum work equally well.

Looking to the next phase of the Group's development, we need to continue to build on our collaborative approach and develop the**mission** brand as a real alternative to the global groups. To achieve this, our structure needs to adapt without forfeiting our entrepreneurial ethos. Foremost among these changes is the establishment of a full time Group CEO and I am delighted to announce the promotion of bigdog CEO James Clifton into this position with immediate effect.

The Group has come a long way since I took on the role of Executive Chairman nine years ago and there's an energy within the Group that gives me the confidence to believe that 2019 will see this momentum continue. Early as it is, 2019 has already started well and we are confident that we will deliver again against our strategy to be the most regarded UK-centric Agency Group that goes wherever in the world our Clients want us to be without losing that individual Agency entrepreneurship that has made us what we are today.

David Morgan, Chairman
April 2019

Revenue (Operating Income) Up



13%

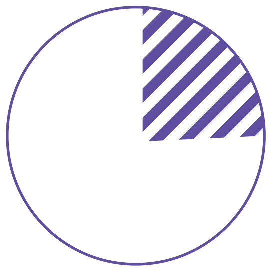
TO £78.8 MILLION

(2017: £70.0m)

Headline Diluted EPS Up

to 8.68 pence (2017: 7.12 pence)

Full Year Dividend Up



24%

to 2.1 pence (2017: 1.7 pence)

Headline Operating Margins Increased to

12.6%

(2017: 11.7%)

Headline Profit (Before Tax) Up

22% ▲

TO £9.5 MILLION

(2017: £7.7m)

Headline Operating Profit Up

21% ▲

to £9.9m (2017: £8.2m)

Bank Debt

REDUCED TO

£4.0 million ▼

(2017: £7.2m)

Bank Debt Leverage Ratio

REDUCED TO

x 0.4

(2017: x0.8)

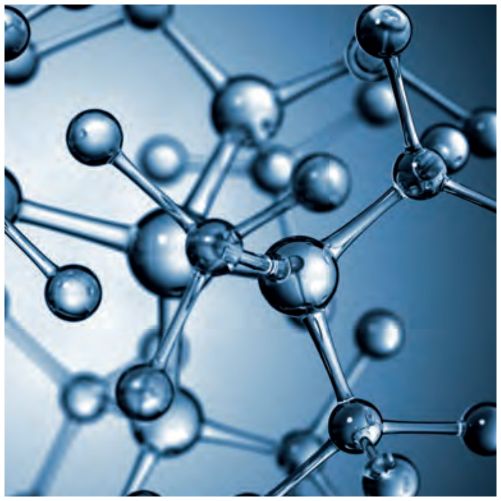
Goodbye

Entrepreneurs recognise good opportunities. And when we sold one of our key technology products in 2018, it opened the door to new investment.

Developed as part of the fuse portfolio, BroadCare is a tracking and reporting system created to manage every aspect of NHS-funded continuing healthcare.

In a sector where the smart use of resources is more important than ever, the technology became widely adopted. But with an audience limited to the healthcare market, the**mission** thought BroadCare would be better suited to a specialist organisation. So in November 2018, it was sold to Carehome Selection Limited, a long-established NHS supplier.

The sale generated £4.4m in gross sales proceeds, with a proportion used to reduce the Group's net debt, and the rest allowing us to reinvest in the next generation of innovations.



Hello

the**mission** thrives on new talent, energy and opportunities. And in April 2018, we welcomed another group of successful entrepreneurs to the fold.

krow

Welcome aboard krow Communications.

Founded in 2005 and listed by Campaign as the UK's 17th largest Agency, the Clerkenwell-based Agency services a Client list that includes Fiat, DFS, Sky Vegas, Wilko, RNLI and Team GB.

With a team of 60 people, krow has produced some of the most effective creative campaigns of recent years. According to Campaign's 2018 Adwatch of the year, krow's Aardman animated campaign for DFS was the top overall performer for the third year in a row.

The acquisition of this award-winning Agency provides the Group with another high-profile presence in London, along with major cross-selling opportunities. At the same time, krow's offering has been enhanced through access to the additional resources, knowledge and services that come from our supporting network.

Helping Clients succeed

What does our entrepreneurial spirit mean for our Agencies' Clients? How does it translate into impressive business performance?

Here's how krow transformed a value brand to a brand that people really value.

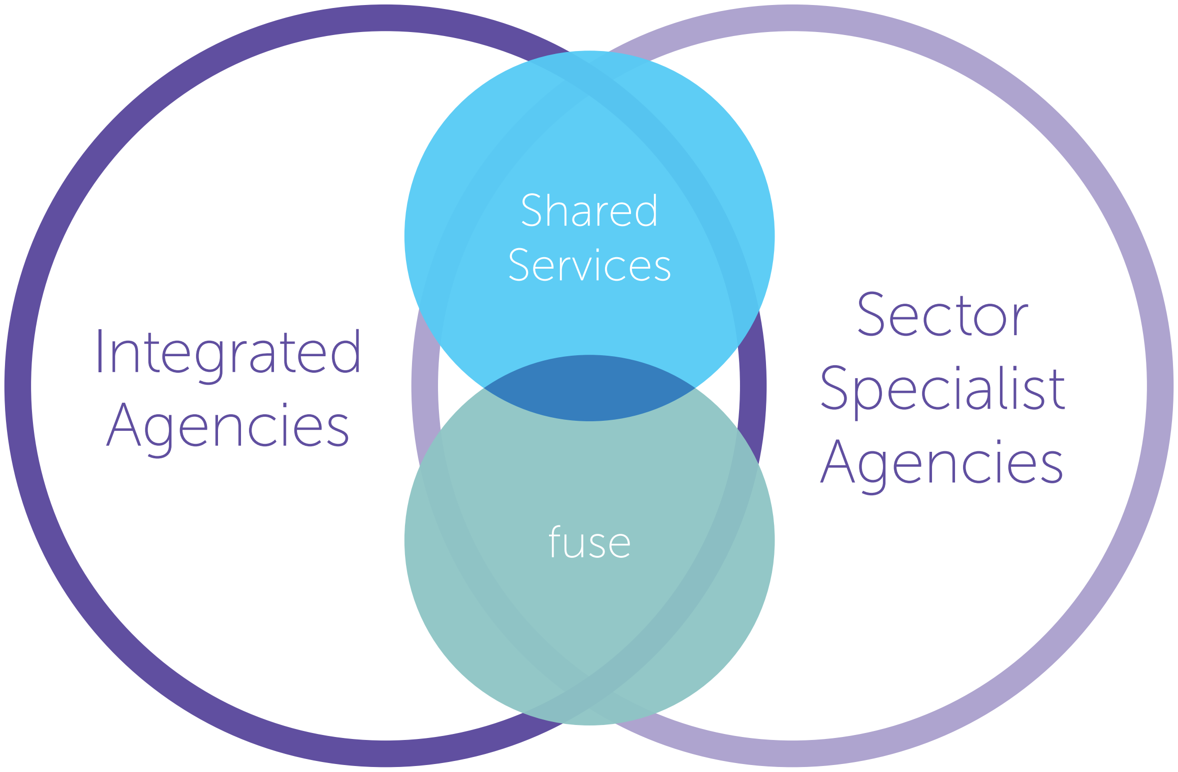
DFS are the UK's biggest living room furniture retailer and over the last seven years krow has been working with them to make them stand for more than discounts and savings. All while maximising the effectiveness and profitability of advertising spend.

Working with DFS, krow changed perceptions by developing a multi-year strategy which positioned DFS as a more realistic, popular and likeable brand, without downplaying the price offers it was famous for. By creating a surprising partnership with Team GB leading up to the 2016 Olympics, krow helped to heighten DFS's reputation as a market-leading British brand. More recent advertising campaigns featuring distinctive Aardman fabric animated characters have celebrated the production and quality of their sofas, while also continuing to make the brand more loved.

As testament to this work, krow won a prestigious Gold at the IPA Effectiveness Awards 2018 and delivered an impressive 64% increase in profit ROI for the Client.

IPA
Incorporated
by Royal Charter

Same…but different



the**mission** is home to two very different Agency groups – but they both share the same entrepreneurial spirit.

On the one side, our Integrated Agencies are a rich and varied mix of talented thinkers and doers, all highly skilled at delivering hugely successful campaigns across every platform.

On the other side, our Sector Specialist Agencies have the in-depth knowledge to develop powerful marketing ideas aimed at highly specialist audiences.

This way, our Agencies are given the space and freedom to do what they do best. That's also why our Shared Services division takes care of payroll, HR, IT and other administrative duties right across the Group. It creates major cost-savings and efficiencies – and it allows our marketing entrepreneurs to concentrate on marketing.

We also share new technology across the Group through fuse, our innovation incubator. Embracing new technology or supporting existing products, fuse collaborates with our Agencies to develop brilliant ideas and create powerful solutions for our Clients.

Born out of fuse, Pathfindr is a technology business that delivers intelligent asset and parts tracking. Pathfindr systems are used by Clients such as Rolls-Royce, MTU Friedrichshafen GmbH and GKN Aerospace.

Integrated Agencies

bigdog

A multi-award winning creative Agency producing compelling, media-neutral ideas that you can't ignore.

bray leino

A pioneer of integrated brand-building, this top twenty Agency works with a wide variety of Clients through every channel across the marketing communications spectrum.

CHAPTER

Delivering the award-winning high standards and expertise of a large creative Agency, with the cost base and agility of a small one. Not bigger and better, but Sharper & Better.

krow

A full service creative communications Agency, with one objective in mind, to help Clients make leaps to provide real momentum for business success.

mongoose

Mongoose is a leading integrated sports, fitness and entertainment marketing Agency delivering expertise for brands, rights holders, charities and governing bodies.

SPEED

An ambitious, creative and commercially-minded PR Agency combining business brains with creative muscle to deliver inspirational and motivational multi-channel campaigns that cut through the noise. Speed's expertise covers consumer & lifestyle, business & corporate, food & hospitality and health & wellbeing.

Splash Interactive

Splash Interactive is a Creative and Technology Agency that helps businesses flourish in a digitally-led world by focussing on user needs to craft great customer experiences that build enduring relationships. Headquartered in Singapore it operates across Asia from offices in Shanghai, Hong Kong, Malaysia and Vietnam.

'story'

Based in Edinburgh, Story is an award-winning integrated Agency working with leading consumer brands and services, including M&S Bank, VELUX and the Scottish Government.

Sector Specialist Agencies

aprilsix

A technology marketing Agency delivering strategic marketing services for some of the world's most respected technology brands, with offices in London, San Francisco, Singapore and Beijing.

AprilSix Proof

The specialist PR division of April Six delivers powerful influencer strategies for Clients at the leading edge of innovation.

RJW&partners

An industry-leading provider of pricing and market access support to pharmaceutical and medical device companies. Operating from a European base but working across all major markets, many emerging markets and in all therapy areas.

RLA

An Agency with unrivalled expertise in automotive communications, delivering proven sales, loyalty and engagement growth.

SOLARIS health

A specialist medical communications Agency that thrives in areas of unmet need or when innovative targeted technologies can make a positive impact. Vivacity, a division of Solaris Health, delivers creative health and wellness brand communications.

thinkbdw

The UK's leading integrated property marketing Agency, working with developers and Housing Associations across all aspects of their sales support programmes, from advertising, digital, touch screen, CGI, PR, VR, signage and show homes to the construction of major multi-height marketing suites. Employing a team of over 200 staff in multiple sites across the UK.

Robson Brown

Part of ThinkBDW, Newcastle-based Robson Brown is regarded as one of the North of England's major advertising agencies, with a host of brands in varied sectors.


thinkbdw
think
themission


SHARPER & BETTER


'story'

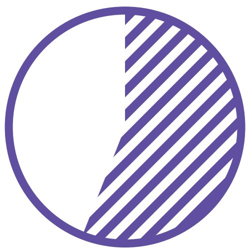
We’re proud to work with some amazing international brands.

There are global names, up-and-comers and others that are loved by those in the know.

Some have been with us longer than others. But they all know the business advantages that can be gained with an agile, entrepreneurial approach.

Client retention

Proportion of revenue earned from long-standing Clients:

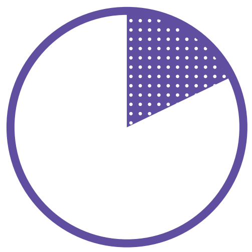


55%

5 years or more

36%

10 years or more



17%

20 years or more*

*Not all our Agencies are 20 years old. For those that are, this statistic is an astonishing 33%.

Recent additions

A selection of existing partnerships

The board behind the spirit

JAMES CLIFTON
GROUP CHIEF EXECUTIVE

Previously CEO of **big**dog, James started out Client-side before working for various agencies, both UK and internationally, within Omnicom and WPP. He created balloon dog in 2008 having led an MBO of Fox Murphy. balloon dog was acquired by the**mission** and James was appointed to the Board in October 2012. Recently James has chaired the**mission**'s Integrated Agencies Business Unit and is CEO of the Group's IIoT Asset Tracking business, Pathfindr. James was promoted to Group Chief Executive in April 2019.

DYLAN BOGG
EXECUTIVE DIRECTOR

Dylan is Chief Creative Officer of **big**dog and oversees all creative output for the Agency across four UK locations. 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 which was acquired by the**mission** in 2006. Dylan was appointed to the Board in April 2010 and also chairs the**mission** Creative Directors Forum.

DAVID MORGAN
CHAIRMAN

David founded Bray Leino, one of the UK's first truly integrated Agencies, 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.

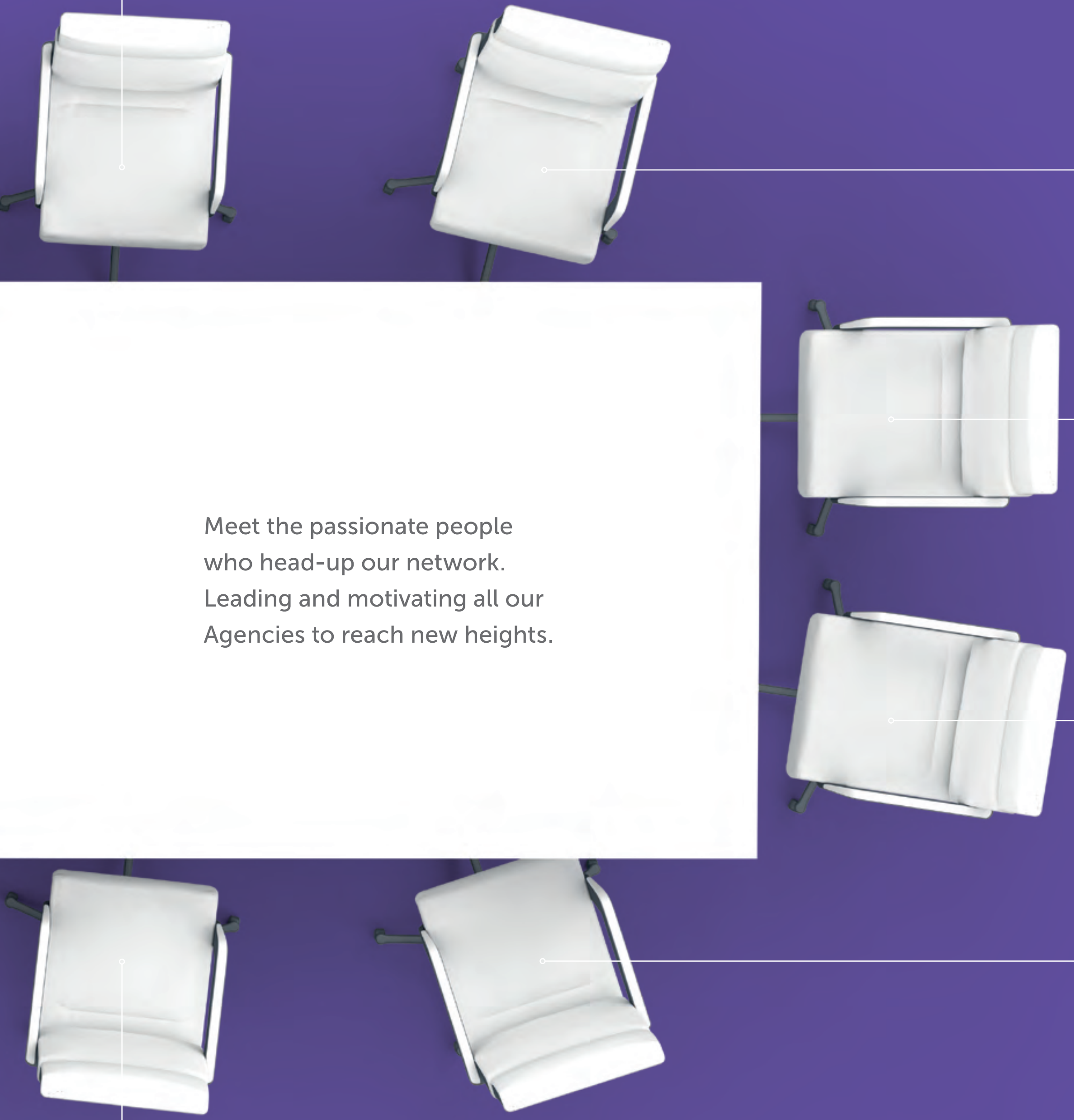
ROBERT DAY
DEPUTY CHAIRMAN

Robert is Executive Chairman 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. He was appointed Deputy Chairman of the**mission** in 2018.

PETER FITZWILLIAM
FINANCE DIRECTOR

Peter is a Chartered Accountant with over 25 years' financial and management advisory experience in private and quoted companies across a range of industry sectors. Finance Director of Business Post Group plc (now UK Mail Group plc) from 1999-2006, he helped take it into the FTSE 250. Peter supported the**mission** through its refinancing in April 2010 and joined the Board in September 2010.

Meet the passionate people who head-up our network. Leading and motivating all our Agencies to reach new heights.



GILES LEE
COMMERCIAL 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 to its acquisition in 2005. Giles was appointed CFO/COO of Bray Leino in 2011 and Executive Chairman in 2013 and has overseen many acquisitions and a number of strategic investments. He was appointed to the Board in March 2013 and became Commercial Director for the**mission** in July 2018.

MIKE ROSE
EXECUTIVE DIRECTOR

After working at some of the best regional agencies in the UK, Mike founded Chapter, along with his two Creative Director partners, in April 2009. The three of them went on to build Chapter into an award-winning, internationally respected creative agency. the**mission** acquired Chapter in November 2015 and Mike was appointed to the Board in January 2016.

JULIAN HANSON-SMITH
NON-EXECUTIVE DIRECTOR

An entrepreneur and PE investor with significant experience in marketing and consulting services. In 1986 Julian co-founded FTI Consulting, one of Europe's largest business communications consultancies and following its sale in 1999, became COO of Lighthouse Global Network. In 2001 he joined US-based PE firm Lake Capital before co-founding Iceni Capital in 2007, investing in UK-based business services companies. He joined the Board in October 2015.

ANDY NASH
NON-EXECUTIVE DIRECTOR

Andy's career began with Cadbury Schweppes plc in marketing, ultimately managing the Typhoo brands. He has extensive board experience of FTSE companies Taunton Cider, Matthew Clark, Merrydown and Photo-Scan. He has UK and international experience with K&L Gates LLP, the global law firm and with PE backed Brand Addition, Tristar Worldwide, History Press and Pureprint Group. He also chairs Vaultex UK Ltd, the UK's leading manager of cash, owned by HSBC and Barclays. He chaired Somerset CCC and has served as a director of the English & Wales Cricket Board. Andy was appointed to the Board on 1 August 2018.

SUE MULLEN
EXECUTIVE DIRECTOR

Sue is Chief Executive of Story and started her advertising career in London before moving to Branns in Cirencester. In 1990 she moved to Edinburgh to head up One Agency. She left in 2002 and, alongside three colleagues, set up Story, an award-winning communications agency. Story was acquired by the**mission** in 2007 and Sue joined the Board in June 2012.

FIONA SHEPHERD
EXECUTIVE DIRECTOR

Fiona is Chief Executive of April Six and AprilSix Proof and has worked in the technology 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 and has managed its success as a well-respected global technology Agency with offices in London, San Francisco, Singapore and Beijing. Fiona joined the Board in April 2010 and now chairs the Sector Specialist Agencies Business Unit.

2018 Strategic Report

When you have a network of strong individuals, it takes careful planning to help them work in the best way possible – for themselves, the**mission** and our Agency Clients.

AIMS AND AMBITION

Whether you simply want people to know what you do, or you want to communicate the ways in which your product or service can provide a personal or business benefit, we believe that marketing communications can deliver transformational results. Our goal remains simple: to grow the**mission** into the UK's leading, most respected Agency group. In a complex and ever-changing marketing environment, we are constantly evolving to help our Clients navigate through every challenge and opportunity. With a wealth of specialisms and skills, as well as impartial advice, we invest and adapt to deliver the right talents in the most effective ways. Across 16 Agencies with 28 offices in the UK, Asia and the US, we're committed to helping our Clients grow and succeed. Fundamental to our continued success is our ability to provide a rewarding, challenging and fun environment for our staff.

We aim to reward the**mission**'s shareholders both through capital growth and dividends. Our focus is first and foremost on organic growth, and in deploying the Group's capital we always aim to support existing management teams who have demonstrated an ability to grow their businesses and to achieve consistently high margins. We constantly strive to enhance our offer with acquisitions that add new disciplines or improved services to our Agencies, and we also target new high-growth market sectors, along with service or technology opportunities, which meet strict return on investment criteria.

As well as acquisitions, we also consider launching new businesses that may require more time to become established but which will have a smaller investment cost/lower risk profile.

Although primarily operating in the UK, we 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 look to maintain a balance of equity and debt financing to give shareholders the advantages of financial leverage but without placing the Group at financial risk.

RISKS AND UNCERTAINTIES

The Group's principal operating risks and uncertainties are set out below.

The management of risk is the responsibility of the Board, assisted where appropriate by the Audit and Remuneration Committees, as described further in the Corporate Governance Report. The Directors have carried out an assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity.

Adverse Economic Conditions

The risk with the greatest potential impact on the Group's financial position is a widespread and dramatic economic downturn, such as a repeat of the 2008 global financial crisis. In such conditions there is a strong likelihood that marketing expenditure would be cut, reducing volumes as well as profitability across our industry sector, and reducing cash flows available to meet acquisition payment and debt repayment obligations. Whilst not being immune to the effects of global trends, we believe that we are less susceptible to the generic effects of the economy due to our structure. Our Agencies, run in most cases by the entrepreneurs who originally founded them, offer strong local and personalised "boutique" Client service backed up by a multi-national infrastructure. By being nimble, we can adapt more quickly to circumstances and exploit the opportunities that inevitably emerge in times of economic challenge. We are also careful not to impact our balance sheet by carrying high levels of debt. The uncertainty caused by the UK's decision in 2016 to leave the EU has not helped business confidence, but we have continued to grow revenues and profits throughout this period. Although predictions of the impact of a no-deal Brexit are strongly negative, the Board does not currently consider this to represent a substantial risk to the Group's financial position.

Loss of Key Clients

The consequence of Client losses is the same as for a general economic downturn, i.e. potential reduction in revenue and profit, but to a lesser degree. The risk of Client loss is mitigated both by our relentless new business activity and also 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.
One measure of our success is that, in 2018, over 50% of our revenue was again from Clients that have been with us for 5 years or more and over 35% from Clients of 10 years or more. Indeed, for those of our Agencies that have been in existence for 20 years or more, the proportion of revenue from Clients that have been with us for 20 years or more is a remarkable 33%, in one case nearly 50%. The risk of Client loss is also mitigated by the Group's broad spread of Clients, with no individual Client representing more than 10% of Group revenue. The spread and relative scale of the Group's Clients is largely unchanged from last year.

Loss of Key Staff

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 packages to retain and motivate our leadership teams. The system of financial rewards is reviewed regularly by the Remuneration Committee and revised where appropriate. An example of this was the introduction in 2017 of a new Growth Share Scheme, designed to provide a powerful retention incentive for key business leaders who will be crucial to the Group's long term ambitions. One measure of our success is that, in some 95% of cases, the core management of our acquired businesses remains in place today. Another is that all of the 17 original participants in the Growth Share Scheme are still with us, over two years after its launch.

Underperformance of Acquired Businesses

Potential acquisitions are carefully considered by the Board as part of its recurring business, and appropriate legal, commercial and financial due diligence is carried out on all acquisitions. The Directors consider that the main risk is overpaying for the level of profits subsequently generated and so, wherever possible, agree payment terms for acquisitions in a way that results in the majority of consideration being conditional on the post-acquisition profitability of the acquired business. In this way, if it underperforms against expectations set at the time of the acquisition, the total amount paid for the acquired business will reduce correspondingly. Illustrations of this approach to risk management can be found in the Group's two most recent acquisitions, RJW & Partners in 2017 and krow Communications in 2018, where the initial outlay in each case was less than one third of the estimated total consideration.

KEY PERFORMANCE INDICATORS

The Group manages its internal operational performance and capital management by monitoring various key performance indicators ("KPIs''). The KPIs are tailored to the level at which they are used and their purpose. The Board has reviewed and refined its financial KPIs, which are quantified and commented on in the Financial Review of the Year below, as follows:

- operating income ("revenue"), which the Group aims to grow by at least 5% per year;
- headline operating profit margins, which the Group is targeting to increase from 11.5% in 2016 to 14% by 2021;
- headline profit before tax, which the Group aims to increase by 10% year-on-year; and
- indebtedness, where the Group has reduced its limit of the ratio of net bank debt to EBITDA* to x1.5 (from x2.0) and the ratio of total debt (including both bank debt and deferred acquisition consideration) to EBITDA to x2.0 (from x2.5).

*EBITDA is headline operating profit before depreciation and amortisation charges.

At the individual Agency level, the Group's financial KPIs comprise revenue and controllable profitability measures, predominantly based on the achievement of the annual budget. More detailed KPIs are applied within individual Agencies.
In addition to financial KPIs, the Board periodically monitors the length of Client relationships, the forward visibility of revenue and the retention of key staff.

BUSINESS AND FINANCIAL REVIEW OF THE YEAR

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

2018 saw all financial key performance indicators again met: for the total Group, revenue grew by 13%, operating margins improved from 11.7% to 12.6%, headline profit before tax increased by 22% and debt leverage ratios remained comfortably within the Board's limits.

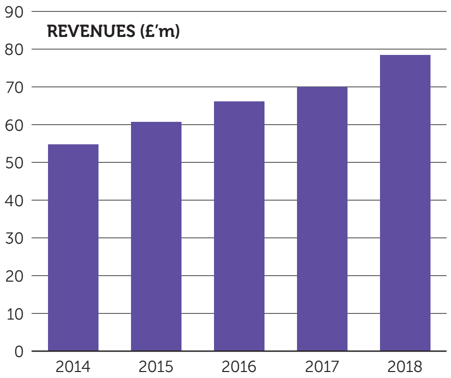
From continuing operations, revenue grew by 13%, operating margins improved from 11.2% to 12.2% and headline profit before tax increased by 25%.

Trading Performance

Billings and revenue

Turnover (billings) was 10% higher than the previous year, at £161.4m (2017: £146.0m), but since billings include pass-through costs (e.g. 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 (referred to as "revenue") increased 13% overall to £78.8m (2017: £70.0m), continuing our track record of consistent revenue growth as illustrated in the chart below.

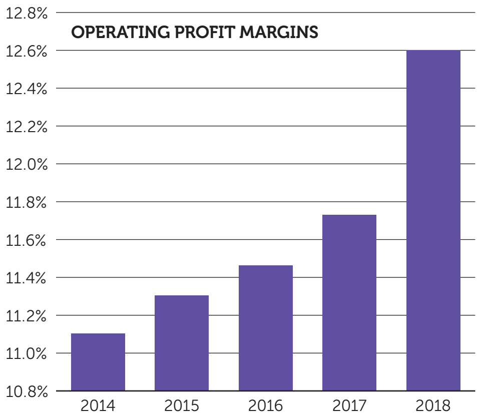


5% of this growth came from our core business, with a further 8% coming from the acquisition of Krow Communications Limited ("krow") in April. Within our core business, Media revenue reduced as we exited a "white-labelling" media-buying contract, but this was more than offset by growth elsewhere, including from our Exhibitions business, which benefitted from the contract with the Department for International Trade won towards to the end of 2017.

Profit and margins

The Directors measure and report the Group's performance primarily by reference to headline results in order to avoid the distortions created by one-off events and non-cash accounting adjustments relating to acquisitions. Headline results are calculated before the profit/loss on investments, exceptional items, acquisition adjustments and losses from start-up activities (as set out in Note 3).

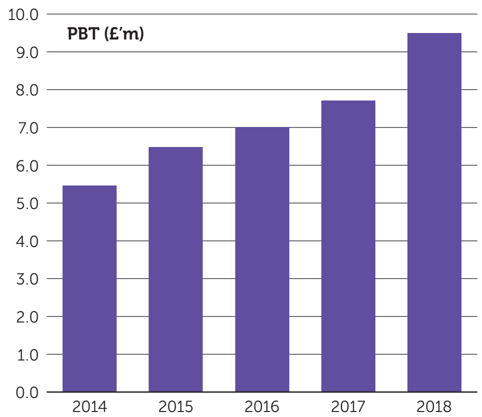
Headline operating profit improved by 21% to £9.9m (2017: £8.2m). This result reflects growth of 10% from our core business and a further 11% from the acquisition of krow. Our profit margin for the year (headline operating profit as a percentage of revenue) showed a marked improvement, to 12.6% (2017: 11.7%). This was the result of several factors, including improved staff cost ratios and the benefits accruing from our Shared Services initiative, commenced in the summer of 2017 but formally implemented from the beginning of 2018. This initiative brings accounting, HR, IT, and facilities management under central control in order both to identify opportunities for efficiency improvements and cost savings and to free up our Agencies to concentrate on revenue generation and resource levels. One notable success during 2018 was the virtually unchanged HR and recruitment costs despite the significant increase in levels of activity. The chart below illustrates our margin progress in recent years.



Looking to the future, we need to be mindful of the impact of the sale of our BroadCare software business, which consistently achieved high profit margins. Excluding BroadCare, our operating profit margin in 2018 was 12.2% (2017: 11.2%). We expect margins to improve further in 2019 but progress will be more modest following the sale of BroadCare and we now expect our profit margin target of 14% to be achieved one year later, in 2021.

The bias of profitability towards the second half of the year as a consequence of Clients' spending patterns moderated slightly in 2018, but 62% (2017: 65%) of our operating profit was again generated in this period and we expect this bias to remain a feature of our results in future years.

After financing costs which were unchanged at £0.5m, headline profit before tax increased by 22% to £9.5m (2016: £7.7m) as illustrated in the chart below.



The sale of BroadCare resulted in a profit of £3.0m, which has been disclosed as a headline adjustment. In addition, we have written down our investment in Watchable, which has struggled to make headway in the London video production market, resulting in an impairment of £0.3m. Other adjustments to reported profits, detailed further in Note 3, totalled £1.1m (2017: £1.9m), comprising acquisition-related items of £1.0m (2017: £0.8m) and losses from start-up activities totalling £0.1m, reduced from £0.4m in 2017. In 2017, we also reported restructuring costs categorised as exceptional items totalling £0.6m. After these adjustments, reported profit before tax was £11.0m (2017: £5.8m).

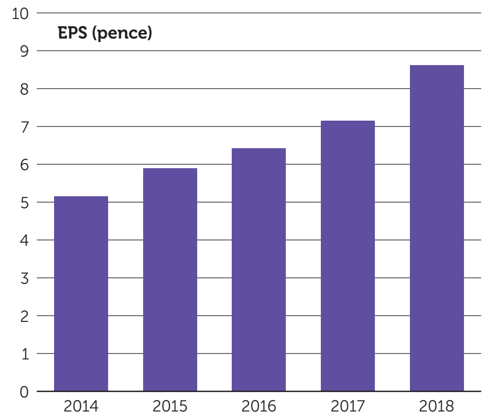
Taxation

The Group's headline tax rate increased slightly, to 20.5% (2017: 20.0%). Consistent with previous years, the rate was above the statutory rate, mainly as a result of non-deductible entertaining expenditure.

On a reported basis, the Group's tax rate was 16.4% (2017: 22.9%). The tax rate is expected to be consistently higher than the statutory rate (of 19.0% in 2018, slightly reduced from 19.25% in 2017) since the amortisation of acquisition-related intangibles is not deductible for tax purposes but, in 2018, the tax rate was significantly reduced by the tax-free profit on the sale of BroadCare. Excluding the BroadCare sale, the reported rate was 22.5%.

Earnings Per Share

Headline EPS increased by 21% to 8.90 pence (2017: 7.34 pence) and, on a diluted basis, increased by 22% to 8.68 pence (2017: 7.12 pence). The following chart illustrates the growth in diluted earnings per share in recent years.



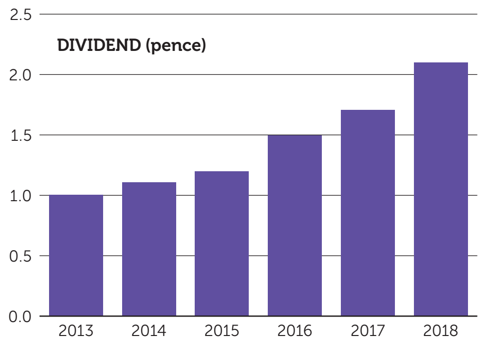
After tax, reported profit for the year was £9.2m (2017: £4.5m) and EPS was 10.89 pence (2017: 5.31 pence). On a diluted basis, EPS was 10.63 pence (2017: 5.15 pence).

Continuing operations

The Consolidated Income Statement separately discloses our trading results from continuing operations and BroadCare, now a discontinued operation. The key components of our continuing operations are: revenue of £77.6m, up 13% from 2017; headline operating profit of £9.5m, up 23%; and operating profit margins of 12.2%, up from 11.2% in 2017. Headline profit before tax from continuing operations in 2018 was £9.0m (2017: £7.2m), up 25% from 2017, and diluted EPS was 8.23 pence, up 24%.

Dividends

The Board adopts a progressive dividend policy, aiming to grow dividends each year in line with earnings but always balancing the desire to reward shareholders via dividends with the need to fund the Group's growth ambitions and maintain a strong balance sheet. The Board recommends a final dividend of 1.4 pence per share, bringing the total for the year to 2.1 pence per share, representing an increase of 24% over 2017. The final dividend will be payable on 22 July 2019 to shareholders on the register at 12 July 2019. The corresponding ex-dividend date is 11 July 2019. The Board will continue to keep under regular review the best use of the Group's cash resources, but it remains the Board's intention to follow a progressive policy provided trading conditions allow.



Balance Sheet

In common with other marketing communications groups, the main features of our balance sheet are the goodwill and other intangible assets resulting from acquisitions made over the years, and the debt taken on in connection with those acquisitions.

The level of intangible assets relating to acquisitions increased by £8.2m during the year as a result of the acquisition of krow in April. In contrast, the level of total debt (combined bank debt and acquisition obligations) increased by only £1.3m.

The Board undertakes an annual assessment of the value of all goodwill, explained further in Note 12, and at 31 December 2018 again concluded that no impairment in the carrying value was required.

The Group's acquisition obligations at the end of 2018 were £11.8m (2017: £7.2m), to be satisfied by a mix of cash and shares. Virtually all of this is dependent on post-acquisition earn-out profits, the majority to the end of 2020. £2.7m is expected to fall due for payment in cash within 12 months and a further £2.1m in cash in the subsequent 12 months. The Directors believe that the strength of the Group's cash generation can comfortably accommodate these obligations alongside the Group's commitments to capital expenditure and dividend payments.

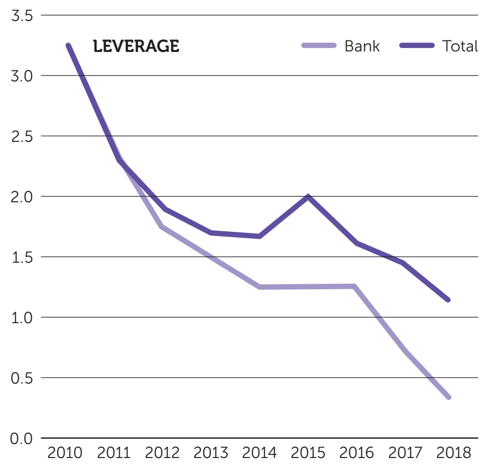
Cash Flow

As expected, the Group's cash flow during 2018 was impacted by some unwinding of the exceptional working capital movements at the end of 2017. Headline profit after tax of £7.5m (2017: £6.2m) converted into £5.6m (2017: £9.0m) of "free cash flow" (defined as net cash inflow from operating activities less tangible capital expenditure).

This free cash flow funded new acquisitions, amounting to £2.4m (2017: £1.3m), the settlement of contingent consideration obligations relating to the profits generated by previous acquisitions, totaling £1.7m (2017: £1.7m), and dividends of £1.7m (2017: £1.3m). In addition, the sale of BroadCare resulted in a net cash inflow of £3.5m.

At the end of the year, the Group's net bank debt stood at £4.0m (2017: £7.2m). The reduction in debt resulted in the leverage ratio of net bank debt to headline EBITDA reducing to below x0.5 at 31 December 2018 (2017: x0.8), triggering a further reduction in the Group's borrowing costs of 0.25%. The Group's ratio of total debt, including remaining acquisition obligations, to EBITDA at 31 December 2018 (calculated by reference to the amount of consideration which would be payable if the acquired business were to maintain its current level of profitability) fell to x1.1 (2017: x1.4).In view of the currently heightened levels of both economic and political uncertainty, the Board has decided to reduce each of its debt-related KPI targets by x0.5. The revised limits for net bank debt leverage and total debt leverage are now x1.5 and x2.0 respectively.

The following chart illustrates the trends in the Group's indebtedness during the period the current management has been in place.



Outlook

We expect 2019 to be another year of growth. The year has started well and prospects for organic growth remain good. We also expect to make further margin improvements and to continue the rapid growth of Pathfindr. We look forward to 2019 with confidence.

On behalf of the Board
Peter Fitzwilliam,
Finance Director
9 April 2019

Report of the Directors for the year ended 31 December 2018

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 2018. The Directors provide a separate Corporate Governance Report, which forms part of this Report of the Directors.

Results and dividends

The Consolidated Income Statement shows the results for the year. The Directors approved a dividend of 0.7 pence per share, paid in December 2018, and recommend a final dividend of 1.4 pence, payable on 22nd July 2019, subject to approval by shareholders at the Annual General Meeting on 17th June 2019.

Risks and uncertainties

The Strategic Report sets out the Group's principal operating risks and uncertainties. As a communications Agency group, the main financial risks that arise from day-to-day activities are credit and currency risk. Further details on the Group's capital and financial risk management are set out in Note 27.

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, it is appropriate to adopt the going concern basis in preparing the financial statements.

Directors

The following Directors held office during the year:

Dylan Bogg
James Clifton
Robert Day
Peter Fitzwilliam
Julian Hanson-Smith
Giles Lee
David Morgan
Christopher Morris – resigned 1 August 2018
Andy Nash – appointed 1 August 2018
Sue Mullen
Mike Rose
Fiona Shepherd

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 2018	31 December 2017 or on appointment
Dylan Bogg	1,486,823	1,486,823
James Clifton	165,113	165,113
Robert Day	5,153,524	6,153,524
Peter Fitzwilliam	693,885	693,129
Giles Lee	755,251	754,499
David Morgan	6,144,724	6,144,127
Sue Mullen	1,084,054	1,084,054
Andy Nash	50,000	-
Mike Rose	153,571	153,571
Fiona Shepherd	1,270,073	1,270,073

The following unexercised options over shares were held by Directors:

Directors	At 1 January 2018 (or on appointment)	Lapsed in year	Exercised in year	Granted in year	At 31 December 2018	Date from which exercisable	Expiry date
Dylan Bogg	52,000	(26,000)	-	-	26,000	April 2019	March 2025
	35,000	(17,500)	-	-	17,500	May 2019	May 2026
James Clifton	52,000	(26,000)	-	-	26,000	April 2019	March 2025
	35,000	(17,500)	-	-	17,500	May 2019	May 2026
Robert Day	46,667	(23,333)	-	-	23,334	April 2019	March 2025
	50,000	(25,000)	-		25,000	May 2019	May 2026
Peter Fitzwilliam	25,000	(12,500)	-	-	12,500	April 2019	March 2025
	25,000	(12,500)	-	-	12,500	May 2019	May 2026
Giles Lee	72,000	(36,000)	-	-	36,000	April 2019	March 2025
	50,000	(25,000)	-		25,000	May 2019	May 2026
David Morgan	25,000	(12,500)	-	-	12,500	April 2019	March 2025
	20,000	(10,000)	-	-	10,000	May 2019	May 2026
Sue Mullen	10,000	(5,000)	-	-	5,000	April 2019	March 2025
	20,000	(10,000)	-	-	10,000	May 2019	May 2026
Fiona Shepherd	40,000	(20,000)	-	-	20,000	April 2019	March 2025
	50,000	(25,000)	-		25,000	May 2019	May 2026

Following the introduction of the Growth Share Scheme in February 2017, details of which are set out below, no nil-cost options have been awarded to Directors. All share options in existence at 31 December 2018 are nil-cost options granted under the Company's Long Term Incentive Plan. Following a review of the effectiveness of the Group's long term incentive arrangements, detailed further in the Corporate Governance report, the Remuneration Committee determined that LTIPs granted in both 2015 and 2016 would vest at 50% of their original levels, subject to individuals remaining in employment. Whilst LTIPs granted in 2016 will vest in line with their original timetable, LTIPs granted in 2015 will vest in three equal annual instalments in April 2019, 2020 and 2021.

Growth Share Scheme

A Growth Share Scheme was implemented on 21 February 2017 and details of the scheme were included in the 2016 annual report. Participants in the scheme were invited to subscribe for Ordinary A shares in The Mission Marketing Holdings Limited (the "growth shares") at a nominal value. These growth shares can be exchanged for an equivalent number of Ordinary Shares in the**mission** if the**mission**'s share price equals or exceeds 75p for at least 15 days during the period from subscription up to 60 days from the announcement of the Group's financial results for the year ending 31 December 2019; if not, they will have no value. At the time the scheme was introduced, achieving the target share price of 75p would have resulted in dilution to existing shareholders of less than 7% but would also have represented an increase in market capitalisation of over 80%. A total of 17 individuals were invited to participate in the scheme, of which 10 were Board members.

Details of growth shares held by the Directors are as follows:

Number of Ordinary A shares in The Mission Marketing Holdings Limited of 0.01p each

	31 December 2018 and 31 December 2017
Dylan Bogg	286,009
James Clifton	572,017
Robert Day	572,017
Peter Fitzwilliam	572,017
Julian Hanson-Smith	171,605
Giles Lee	572,017
David Morgan	572,017
Sue Mullen	286,009
Mike Rose	286,009
Fiona Shepherd	572,017

Substantial Shareholdings

Other than the Directors' interests disclosed above, as at 9 April 2019, notification had been received of the following interests in 3% or more of in the issued share capital of the Company:

	Number of shares	%
Herald Investment Management Ltd	5,778,239	6.9
BGF Investment Management Limited	4,713,501	5.6
Polar Capital Forager Fund Ltd	4,495,000	5.3
Objectif Investissement Microcaps FCP	4,230,477	5.0

Share Capital

The issued share capital of the Company at the date of this report is 84,357,351 Ordinary shares. The total number of voting rights in the Company is 84,357,351.

Directors' Indemnity Insurance

The Company purchases insurance to cover its Directors and Officers against costs they may incur in defending themselves in legal proceedings instigated against them as a direct result of duties carried out on behalf of the Company.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising Financial Reporting Standard FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable IFRSs as adopted by the EU have been followed by the Group and FRS 102 by the parent company, 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 are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group 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.

The Directors consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position, performance, business model and strategy.

Auditors

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

Disclosure of Information to Auditors

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

Events Since the End of the Financial Year

The Directors are not aware of any events since the end of the financial year that have had, or may have, a material impact on the Group's operations or financial position.

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.

Slavery and Human Trafficking Statement

The Group support the aims of The Modern Slavery Act 2015 (“the Act”) and will never knowingly deal with any organisation which is connected to slavery or human trafficking. Given the nature of the services we provide and our high standard of employment practices, we consider that we are at low risk of exposure to slavery and human trafficking. We are not aware of any areas of our operations and supply chain likely to lead to a breach of the Act.

Annual General Meeting

A notice convening the Annual General Meeting to be held on Monday 17 June 2019 at 12 noon is enclosed with this report.

On behalf of the Board

Peter Fitzwilliam, Finance Director

9 April 2019

Corporate Governance

The Board of The Mission Marketing Group plc ("the**mission**") is collectively accountable to the Company's shareholders for good corporate governance, under the Chairmanship of David Morgan. As an AIM-listed company, the**mission** has chosen to apply the Quoted Companies Alliance ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies ("the QCA Code").

the**mission** is a cohesive network of entrepreneurial marketing communications Agencies. Our aims and ambitions are set out in the Strategic Report. Unlike many other marketing services groups, our Agencies, which have mainly come into the Group via acquisition, retain their original personnel, cultures and business practices. the**mission** provides them with the support infrastructure and economies of scale of a multi-national group. We strongly believe that this results in a highly personalised and Client-centric culture which in turn leads to an expanding and loyal Client base. My role as Chair in establishing good corporate governance in the context of this strategy requires making sure not only that individual Agencies are targeted, monitored and supported but, equally importantly, that Agencies cooperate and collaborate with each other to ensure we are providing the best possible range of services to help our Clients succeed. Indeed it is this sense of cooperation and collaboration which defines the culture of the**mission** and much of our time as a Board of Directors, together with time spent in Business Unit meetings, is devoted to exploring how this collaboration is optimised.

Board of Directors

We believe that the Board has a good balance of sector, financial and public markets skills and experience. Brief profiles of each member of the Board are set out on page 28. The CEOs of the Group's Agencies, most of whom are the original founders of those Agencies and who collectively represent a significant equity shareholding, are our primary interface with our Clients and consequently are strongly represented at Board level. Each of our Executive Directors has had a long career in marketing communications, and brings strong and up to date sector experience, with Dylan Bogg adding complementary Creative insight. Giles Lee, who has both an operational and financial background, adds further skills in the role of Commercial Director, with responsibility for Shared Services.

Our Finance Director and two independent Non-Executive Directors provide financial and public market skills and experience and, together with myself, represent the committee responsible for corporate governance compliance. We have separated the roles of Chair and Group Chief Executive, with James Clifton taking on the responsibility for implementing the Group's strategy, driving growth, building our brand and delivering sustainable shareholder value. I will increasingly move into a non-executive role.

As well as fulfilling the role of Finance Director, Peter Fitzwilliam is also the Company Secretary. Whilst the QCA Code recommends that the company secretary in not also an Executive Director, Peter has a strong background in governance and demonstrates an independence of character and judgement; accordingly we see no immediate need to separate the roles. Peter trained in one of the major accounting firms, ran an internal audit team in a FTSE 100 group and acted as Company Secretary to a FTSE 250 business required to comply with the main Code. Peter keeps up to date with developments as a member of the QCA Corporate Governance Expert Group and maintains a close relationship with the Non-Executive Directors.

Our Non-Executive Directors are Julian Hanson-Smith and Andy Nash, both independent by virtue of having no executive responsibilities within the Group. Both Julian and Andy bring a strong independent voice to Board discussions but also with an insight into our sector, having worked in it previously. Julian, who is also the Senior Independent Non-Executive Director, has significant business experience, both in marketing services, having co-founded Financial Dynamics (now FTI Consulting) in 1986, and also as a private equity investor, having co-founded Iceni Capital, specialising in UK-based business services companies. Andy started his professional career with Cadbury Schweppes in their marketing team, ultimately managing the Typhoo tea brand business. He has extensive experience across both public and private companies and currently chairs Vaultex UK, the country's leading manager of cash on behalf of the Bank of England, owned jointly by HSBC and Barclays.

During the year, I undertook our first formal evaluation of the effectiveness of the Board by undertaking one-on-one interviews with each member of the Board. The criteria used in this evaluation included both self-evaluation and objective feedback on the effectiveness of the Board as a whole, the Chair and other Board members. The findings from this review were collated on an anonymous basis and discussed by the Board as a whole. Minor modifications have been implemented as a result of this review but overall the members of the Board considered the Board to operate effectively without the need for radical change. It is my intention to repeat the evaluation process on a biennial basis. The Board does not have any formal succession planning process in place but the feedback from the effectiveness evaluation was an important element of the Nomination Committee's appraisal of James Clifton's suitability for the role of Group CEO.

The Directors are collectively responsible for the strategic direction, investment decisions and effective control of the Group. As part of its recurring business, the Board receives a financial summary of the Group's performance early in the month, comparing revenue and profit for each Agency with the prior year and budgets set at the beginning of the year and any subsequent re-forecasts. This summary is supplemented by written monthly reports from each CEO and a subsequent report from the Finance Director summarising the Group's balance sheet and working capital performance. Separate reports are received in connection with non-recurring matters, including written strategic and financial appraisals of potential acquisition opportunities. 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. Early in 2018, Chris Morris advised the Company of his intention to retire during the year but kindly agreed to stay on, including fulfilling his duties as Chairman of the Remuneration Committee and member of the Audit Committee, until a successor was appointed. Following the appointment of Andy Nash, Chris retired from the Board on 1 August 2018.

The Board has established three formal 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 Julian Hanson-Smith as Chairman. The Committee considers matters relating to the reporting of results, financial controls, and the cost and effectiveness of the audit process. The terms of reference of the Committee can be found in the Governance section of our website. It aims to meet at least twice a year with the Group's external auditors in attendance. Other Directors attend as required. The Committee receives from the Group's auditors and considers two detailed reports: the Audit Planning Report sets out the auditors' proposed audit approach, and the Audit Completion Report, towards the conclusion of the audit fieldwork, highlights the main matters considered and arising from the audit work.

During the year, the Committee considered the cost-effectiveness of the audit and elected to exempt certain subsidiaries from the requirements of the Companies Act 2006 relating to the audit of their individual accounts, by virtue of the**mission** guaranteeing those subsidiaries under Section 479C of the Act. The Committee concluded that this action would not reduce the effectiveness of the audit of the Group's financial statements but would reduce the cost burden of each individual subsidiary being audited to its own level of materiality.

The main meeting of the Committee each year reviews the financial results and disclosures in the annual report. This meeting is held shortly before the annual results are published and considers in detail with the Group's auditors the principal areas of subjective judgement and any other matters brought to the Committee's attention by the Group's auditors. The main matters considered each year are any indications of possible goodwill and/or investment impairment, and the application of the Group's revenue recognition policies. In addition, specific matters considered in relation to the 2018 annual report were the impact of IFRS 9: Financial Instruments and of IFRS 15: Revenue from Contracts with Customers, both of which applied for the first time to the Group's 2018 financial statements.

The Committee is satisfied that the Group's auditors, PKF Francis Clark, 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 value of this work was neither significant in relation to the size of the audit fee nor carried out by the audit team and as a consequence the Committee is satisfied that their objectivity and independence was not impaired by such work.

Remuneration Committee

As outlined in the Strategic Report, strong Client relationships and quality of staff are key factors in the success of the**mission**, and strenuous efforts are made to retain and motivate our leadership teams. The Board maintains a policy of providing executive remuneration packages that will attract, motivate and retain Directors and senior executives of the calibre necessary to deliver the Group's growth strategy and to reward them for enhancing shareholder value. The Remuneration Committee consists of the two independent Non-Executive Directors, with Chris Morris being succeeded as Chairman by

Andy Nash on his appointment. The Committee determines the remuneration of the Executive Directors and makes recommendations to the Board with regard to remuneration policy and related matters. The Committee meets as and when required and its terms of reference can be found in the Governance section of our website. 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 Committee reviews the components of each Executive Director's remuneration package annually. During the year, these packages consisted of three elements:

- basic salary and benefits,
- performance related bonus linked to the delivery of profit targets, and
- share-based incentives.

With regard to remuneration policy, the Committee gives specific consideration each year to the nature and quantum of incentive arrangements to ensure they remain relevant and effective for the retention of key staff, including not just Executive Directors but also senior staff within the Group's Agencies. Inter alia, this includes setting the profit targets which trigger annual performance-related cash bonuses, determining the amount of the Group's share capital to make available for annual share option awards, and approving the allocation of incentives to individuals.

During the year, the Committee undertook a review of the Group's incentives, both short term (annual bonus) and long term (nil cost share options under the Group's Long Term Incentive Plan ("LTIPs")), to establish whether they remained appropriate and effective. In conducting this review, they drew on external professional advice to assess the relative merits of existing and alternative arrangements. The Committee concluded that the annual bonus arrangement remained appropriate, with some refinements, but that the LTIP needed a stronger connection with the performance of individual Agencies, where staff's primary loyalties lie. As a result, bonuses earned by Agencies meeting and exceeding their annual budgets will, from 2019, be paid in an equal mix of cash and equity. The equity component will comprise LTIPs capable of being exercised in equal instalments over three years, with the only condition being continued employment. In recognition of the sense of disconnect between Agencies and overall Group performance, the Committee also took the decision to remove uncertainty over outstanding LTIPs and set the vesting levels for these at 50%.

The Committee reviews annually whether or not profit targets have been met to trigger performance-related bonuses to Directors and the senior management in individual Agencies. This evaluation considers firstly whether the Group's financial performance has met or exceeded City expectations and, secondly, individual Agency performance. In addition, the Committee retains discretion to make modest performance-related payments to Directors and other senior executives where the strict terms of the bonus scheme have not been met but where performance merits reward. This assessment takes place alongside the finalisation of the annual results and the Committee recently approved a number of contractual and discretionary performance-related payments.

Details of Directors' remuneration are included in Note 8.

Nomination Committee

The Nomination Committee consists of me, 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. The Committee met several times during 2018 and early 2019 to consider the creation of a new role, Group CEO, and suitable candidates, both internal and external. The Committee decided that the primary remit of the role was to build on our collaborative approach and develop the**mission** brand as a real alternative to the global groups. To achieve this without unsettling our entrepreneurial ethos, the Committee decided that the promotion of an internal candidate would be preferable and determined that James Clifton demonstrated the required skills and experience.

Shareholder Communications

We engage in a dialogue with our shareholders and prospective shareholders via formal meetings and informal telephone and email contact. In addition, we provide comprehensive information to investors on our website, including answers to frequently asked questions and contact information.

Formal meetings with institutional fund managers and wealth managers take place following our interim and full year results announcements and we receive collated feedback from these meetings via our NOMAD, Shore Capital. In addition, I speak to representatives of our larger institutional investors between these formal set pieces to make sure the dialogue continues and that we understand their expectations. Private investors don't have the benefit of regular formal meetings but we make sure we are available to meet shareholders at our Annual General Meeting and we often continue a dialogue with them via email. The results of proxy votes cast at Annual General Meetings can be found in the Investors section of our website.

I and Peter Fitzwilliam are the first point of contact for any queries raised by shareholders but should we fail to resolve any queries, or where a Non-Executive Director is more appropriate, the Senior Independent Director, Julian Hanson-Smith, is available to meet shareholders. I am encouraged to note that, to date, no such request has been received.

Summary of Directors' Attendance

Executive Directors are expected to make a full time commitment to the Group, whilst Non-Executive Directors are generally expected to be available to participate in person at Board meetings and meetings of the Remuneration, Audit and Nomination Committees. In addition, they are expected to be available to discuss matters between these formal meetings. Where diary clashes or Client commitments conflict with formal meeting dates, the matters to be addressed during meetings are discussed with the relevant Director both before and after the relevant meeting. We estimate that the time commitment required from our Non-Executive Directors is roughly 3 days per month.

	Board Meetings		Remuneration Committee		Audit Committee	
	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended
Dylan Bogg	9	7	n/a	n/a	n/a	n/a
James Clifton	9	9	n/a	n/a	n/a	n/a
Robert Day	9	8	n/a	n/a	n/a	n/a
Peter Fitzwilliam	9	9	n/a	n/a	n/a	n/a
Julian Hanson-Smith	9	6	4	4	3	3
Giles Lee	9	9	n/a	n/a	n/a	n/a
David Morgan	9	9	n/a	n/a	n/a	n/a
Chris Morris	5	0	2	2	2	2
Sue Mullen	9	8	n/a	n/a	n/a	n/a
Andy Nash	4	4	2	2	1	1
Mike Rose	9	5	n/a	n/a	n/a	n/a
Fiona Shepherd	9	9	n/a	n/a	n/a	n/a

Risk Management

Whilst the Directors are collectively responsible for the effective control of the Group, the Audit Committee has primary responsibility for the oversight of risk. The principal risks and uncertainties facing the Group are set out in more detail in the Strategic Report and the Non-Executive Directors periodically consider whether or not this remains up to date.

Clients and staff represent the key resources and relationships on which our business relies. Primary responsibility for maintaining strong Client relationships and retaining key staff lies with the Agency CEOs and this is monitored both via written monthly reports and also Board attendance. Their day to day involvement with Clients provides the Board with strong and up to date feedback from this vital stakeholder group, including lessons to be learnt from unsuccessful new business pitches. Periodically, a new service is developed as a result of this feedback loop. It has also been from Client feedback that we have embarked on our international expansion – going where our Clients want us to be.

Potential acquisitions and changes in incentive and rewards systems, designed to motivate and retain key staff, are considered by the full Board when it meets in person, or via regular telephonic and electronic contact in between meetings. During 2018, an employee engagement survey was undertaken, under the leadership of Board member Sue Mullen, and improvements in internal communication are being introduced to increase awareness of business, social and community activities taking place across our different Agencies and locations and to enhance the sense of belonging to a wider family than any individual Agency. This survey also included topics relating to ethical values and behaviours and provided the Board with an important mechanism to evaluate the health of our corporate culture across our geographically spread Agencies.

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.

All 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 formal matters reserved for the Board include certain key internal controls: 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.

Assurance over risk management is obtained from the establishment of management policies and controls, regular review of individual Agency financial performance, and the external audit process. The Board does not consider it necessary to have a separate internal audit function at the present time; the internal audit of internal financial controls forms part of the responsibilities of the Group's finance function.

On behalf of the Board
David Morgan, Chairman
9 April 2019

Report on the Group financial statements

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

Opinion

We have audited the financial statements of The Mission Marketing Group plc (the "Group") for the year ended 31 December 2018, which comprise the Consolidated Statements of Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of the Group's 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The Group's primary income streams are outlined in the accounting policies section. We identified that the revenue recognition risk relates particularly to the correct treatment of project fees, where the service spans the year end. Assessing the timing of recognition and valuation of such work involves estimates and can be complex.

Work done

Our audit work included:

- Assessing and challenging the revenue recognition policies adopted by the Group to confirm they are appropriate in the context of the business and in accordance with IFRS.
- Reviewing a sample of open jobs at the year end across the Group and checking accuracy, completeness and cut off.
- Reconciling open job reports at the year end to revenue and profit recognised.
- Assessing and challenging on a sample basis whether revenue and profit recognised on open jobs is complete and appropriately valued.
- Evaluating the accuracy of accrued income in the previous year against actual outcomes to determine whether management's estimations have been reliable.
- Assessing the disclosures made and adjustments required in respect of adopting IFRS 15.

As a result of the procedures performed, we are satisfied that revenue has been correctly recorded.

Goodwill impairment

The impairment review of the Group's carrying value of Goodwill arising on consolidation is one of the main areas of estimation. At 31 December 2018, the carrying value of goodwill in the Group balance sheet was £91m (2017: £85m). We identified that the audit risk relates to ensuring that management's impairment review is robust and reliable in identifying potential impairment, and that the assumptions made are reasonable. The key assumptions used by management in preparing such calculations are:

- Budgets and forecasts for the next 3 years.
- The discount rate applied (the Group's weighted average cost of capital - WACC).
- Revised long term growth rate.

Work done

Our audit work included:

- Assessing and challenging the key assumptions and calculations applied by management in their impairment reviews.
- Benchmarking the revised long term growth rate to independent market data to confirm it is appropriate.
- Reviewing the detailed components of the WACC calculation.
- Assessing and challenging management's sensitivity analysis on key assumptions and calculations.
- Performing our own sensitivity analysis on short term growth forecasts and challenging where this results in no or limited headroom on value in use against carrying value.
- Where there is limited headroom, comparing actual results against past forecasts used in impairment reviews to assess the reliability of the forecasts.

As a result of the procedures performed, we are satisfied that the key assumptions used in the impairment model and the resulting conclusions drawn by management are appropriate and that no impairment is required.

Our application of materiality

Misstatements, including omissions, are considered to be material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We use quantitative thresholds of materiality, together with qualitative assessments in planning the scope of our audit, determining the nature, timing and extent of our audit procedures and in evaluating the results of our work.

Report on the Group financial statements

Continued...

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality:	£470,000
Basis for determination:	5% of profit before tax, adjusting for headline items.
Range of materiality at 14 components subject to full scope audits:	£80,000 - £335,000
Misstatements reported to the audit committee:	£14,000
Rationale for the benchmark applied:	We consider headline profit before tax to be the most appropriate measure for materiality as it best reflects the Group's underlying trading profitability and is a key metric used by both management and other stakeholders in assessing the Group's performance.

An overview of the scope of our audit

We planned and performed our audit by obtaining an understanding of the Group and its environment, including the accounting processes and controls, and the industry in which it operates. The Group comprises the following trading companies:

- 15 UK subsidiary companies (14 wholly owned, 1 with a 75% holding);
- 1 wholly owned US based subsidiary;
- 2 wholly owned Asian subsidiaries;
- A 70% owned Asian sub group comprising 6 locally incorporated companies; and
- 2 UK holding companies.

Of the Group's 26 reporting components, we subjected 14 to full scope audits, of which 6 were performed by component auditors, and 2 to specific audit procedures as part of auditing their UK parent company. The remaining components were subject to analytical review procedures, carried out by the Group audit team. Those components subject to audit and specific audit procedures cover 78% of the Group's consolidated operating income and 87% of the Group's consolidated operating profit. Our audit work at the component level is executed at levels of materiality appropriate for such components, which in all instances are capped at 75% of Group materiality.

Subsidiaries where component auditors were used provided 4% and 3% of the Group's consolidated operating income and operating profit respectively. The Group team issued specific instructions to component auditors covering the significant risks identified at Group level, as detailed above, and approved materialities. The Group audit team communicated with the component auditors throughout the audit process and reviewed documentation produced.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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 financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 38, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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 audit 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.

Glenn Nicol (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor, Centenary House, Peninsula Park, Rydon Lane, Exeter EX2 7XE
9 April 2019

Consolidated Income Statement for the year ended 31 December 2018

		Continuing operations 2018	Discontinued operations 2018	Total 2018	Continuing operations 2017*	Discontinued operations 2017	Total 2017*
	Note	£'000	£'000	£'000	£'000	£'000	£'000
TURNOVER	2	159,916	1,476	161,392	144,243	1,830	146,073
Cost of sales		(82,331)	(221)	(82,552)	(75,652)	(381)	(76,033)
OPERATING INCOME	2	77,585	1,255	78,840	68,591	1,449	70,040
Headline operating expenses		(68,121)	(776)	(68,897)	(60,883)	(939)	(61,822)
HEADLINE OPERATING PROFIT		9,464	479	9,943	7,708	510	8,218
(Loss) / profit on investments	3	(312)	2,981	2,669	-	-	-
Exceptional items	3	-	-	-	(642)	-	(642)
Acquisition adjustments	3	(1,010)	-	(1,010)	(804)	-	(804)
Start-up costs	3	(139)	-	(139)	(443)	-	(443)
OPERATING PROFIT		8,003	3,460	11,463	5,819	510	6,329
Share of results of associates and joint ventures		(1)	-	(1)	(11)	-	(11)
PROFIT BEFORE INTEREST AND TAXATION		8,002	3,460	11,462	5,808	510	6,318
Net finance costs	6	(469)	-	(469)	(473)	-	(473)
PROFIT BEFORE TAXATION	7	7,533	3,460	10,993	5,335	510	5,845
Taxation	9	(1,710)	(96)	(1,806)	(1,238)	(102)	(1,340)
PROFIT FOR THE YEAR		5,823	3,364	9,187	4,097	408	4,505
Attributable to:							
Equity holders of the parent		5,712	3,364	9,076	3,994	408	4,402
Non-controlling interests		111	-	111	103	-	103
		5,823	3,364	9,187	4,097	408	4,505
Basic earnings per share (pence)	11	6.85	4.04	10.89	4.82	0.49	5.31
Diluted earnings per share (pence)	11	6.69	3.94	10.63	4.67	0.48	5.15
Headline basic earnings per share (pence)	11	8.44	0.46	8.90	6.85	0.49	7.34
Headline diluted earnings per share (pence)	11	8.23	0.45	8.68	6.64	0.48	7.12

*Prior year figures have been restated for the impact of the adoption of IFRS 15: Revenue from Contracts with Customers, as described in Note 1.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

	Continuing operations 2018	**Discontinued operations 2018**	**Total Year to 31 December 2018**	Continuing operations 2017	Discontinued operations 2017	Total Year to 31 December 2017
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
PROFIT FOR THE YEAR	**5,823**	**3,364**	**9,187**	4,097	408	4,505
Other comprehensive income – items that may be reclassified separately to profit or loss:						
Exchange differences on translation of foreign operations	**73**	**-**	**73**	(112)	-	(112)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,896**	**3,364**	**9,260**	3,985	408	4,393
Attributable to:						
Equity holders of the parent	**5,744**	**3,364**	**9,108**	3,884	408	4,292
Non-controlling interests	**152**	**-**	**152**	101	-	101
	5,896	**3,364**	**9,260**	3,985	408	4,393

Consolidated Balance Sheet as at 31 December 2018

	Note	As at 31 December 2018	As at 31 December 2017
	Note	£'000	£'000
FIXED ASSETS			
Intangible assets	12	95,723	87,951
Property, plant and equipment	14	3,250	3,489
Investments in associates	15	-	313
Deferred tax assets		23	24
		98,996	91,777
CURRENT ASSETS			
Stock		850	668
Trade and other receivables	16	39,727	34,829
Cash and short term deposits	17	5,899	5,860
		46,476	41,357
CURRENT LIABILITIES			
Trade and other payables	18	(34,419)	(31,597)
Corporation tax payable		(668)	(784)
Bank loans	19	-	(2,500)
Acquisition obligations	21.1	(3,258)	(1,810)
		(38,345)	(36,691)
NET CURRENT ASSETS		8,131	4,666
TOTAL ASSETS LESS CURRENT LIABILITIES		107,127	96,443
NON CURRENT LIABILITIES			
Bank loans	19	(9,886)	(10,579)
Obligations under finance leases	20	(39)	(129)
Acquisition obligations	21.1	(8,537)	(5,433)
Deferred tax liabilities		(451)	(148)
		(18,913)	(16,289)
NET ASSETS		88,214	80,154
CAPITAL AND RESERVES			
Called up share capital	23	8,436	8,436
Share premium account		42,506	42,506
Own shares	24	(299)	(602)
Share-based incentive reserve	25	498	341
Foreign currency translation reserve		117	85
Retained earnings		36,444	28,879
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		87,702	79,645
Non-controlling interests		512	509
TOTAL EQUITY		88,214	80,154

The financial statements were approved and authorised for issue on 9 April 2019 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 2018

		Year to 31 December 2018	Year to 31 December 2017
		£'000	£'000
Operating profit		11,463	6,329
Depreciation and amortisation charges		2,544	2,220
Movements in the fair value of contingent consideration		(67)	99
Profit on disposal of property, plant and equipment		(5)	(52)
Loss on disposal of intangible assets		-	1
Loss on write down of investment		312	-
Profit on disposal of BroadCare		(2,981)	-
Non cash charge for share options, growth shares and shares awarded		183	92
Increase in receivables		(2,022)	(1,874)
Increase in stock		(182)	(183)
(Decrease) / increase in payables		(187)	5,343
OPERATING CASH FLOWS		9,058	11,975
Net finance costs paid		(560)	(425)
Tax paid		(1,906)	(1,299)
Net cash inflow from operating activities		6,592	10,251
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		30	88
Purchase of property, plant and equipment		(1,014)	(1,268)
Investment in software development		(377)	(341)
Proceeds from disposal of BroadCare		4,099	-
Acquisition of subsidiaries		(2,990)	(1,879)
Payment relating to acquisitions made in prior years		(1,748)	(1,652)
Cash disposed of and costs of disposal of BroadCare		(584)	-
Cash acquired with subsidiaries		553	610
Net cash outflow from investing activities		(2,031)	(4,442)
FINANCING ACTIVITIES			
Dividends paid		(1,546)	(1,284)
Dividends paid to non-controlling interests		(149)	(49)
Repayment of finance leases		(86)	(84)
(Repayment of) / increase in long term bank loans		(3,125)	750
(Repayment of) / proceeds from other long term loans		-	(76)
Sale / (purchase) of own shares held in EBT		311	(96)
Net cash outflow from financing activities		(4,595)	(839)
(Decrease) / increase in cash and cash equivalents		(34)	4,970
Exchange differences on translation of foreign subsidiaries		73	(112)
Cash and cash equivalents at beginning of year		5,860	1,002
Cash and cash equivalents at end of year		5,899	5,860

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

	Share capital	Share premium	Own shares	Share-based incentive reserve	Foreign currency translation reserve	Retained earnings	Total attributable to equity holders of parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	**8,412**	**42,431**	**(556)**	**249**	**195**	**25,740**	**76,471**	**457**	**76,928**
Profit for the year	-	-	-	-	-	4,402	4,402	103	4,505
Exchange differences on translation of foreign operations	-	-	-	-	(110)	-	(110)	(2)	(112)
Total comprehensive income for the year	-	-	-	-	(110)	4,402	4,292	101	4,393
New shares issued	24	75	-	-	-	-	99	-	99
Share option charge	-	-	-	19	-	-	19	-	19
Growth share charge	-	-	-	73	-	-	73	-	73
Own shares purchased	-	-	(96)	-	-	-	(96)	-	(96)
Shares awarded and sold from own shares	-	-	50	-	-	21	71	-	71
Dividend paid	-	-	-	-	-	(1,284)	(1,284)	(49)	(1,333)
At 31 December 2017	**8,436**	**42,506**	**(602)**	**341**	**85**	**28,879**	**79,645**	**509**	**80,154**
Profit for the year	-	-	-	-	-	9,076	9,076	111	9,187
Exchange differences on translation of foreign operations	-	-	-	-	32	-	32	41	73
Total comprehensive income for the year	-	-	-	-	32	9,076	9,108	152	9,260
Share option charge	-	-	-	69	-	-	69	-	69
Growth share charge	-	-	-	88	-	-	88	-	88
Shares awarded and sold from own shares	-	-	303	-	-	35	338	-	338
Dividend paid	-	-	-	-	-	(1,546)	(1,546)	(149)	(1,695)
At 31 December 2018	**8,436**	**42,506**	**(299)**	**498**	**117**	**36,444**	**87,702**	**512**	**88,214**

1. Principal Accounting Policies

Notes to the Consolidated Financial Statements

Basis of preparation

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. They have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and on the historical cost basis.

Basis of consolidation

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.

Turnover and revenue recognition policy

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

Revenue is recognised when a performance obligation is satisfied, in accordance with the terms of the contractual arrangement. Where there are contracts with a variety of performance obligations that are distinct, an element of the transaction price is allocated to each performance obligation and recognised as revenue as and when that performance obligation is satisfied. Revenue is allocated to each of the performance obligations based on relative standalone selling prices. Typically, performance obligations are satisfied over time as services are rendered. The nature of the work is almost always such that it relates to facts and circumstances that are specific to the Client, with the result that the work performed does not create an asset with alternative use to the Group. Therefore, in accordance with IFRS 15, even if the Client will receive the benefits of the Group's performance only when the Client receives the piece of work, the performance obligation is regarded as being satisfied over time. The Group is generally entitled to payment for work performed to date.

Contracts are typically short-term in nature and do not include any significant financing components. The Group is generally paid in arrears for its services and invoices are typically payable within 30 to 60 days.

Where performance obligations have been satisfied and the recorded turnover exceeds amounts invoiced to Clients, the excess is classified as accrued income (within Trade and other receivables). Accrued income is a contract asset and is transferred to trade receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement. Where amounts invoiced to Clients exceed recorded turnover, because performance obligations have not yet been satisfied, the excess is classified as deferred income (within Trade and other payables). These balances are considered contract liabilities.

The Group has applied the practical expedient permitted by IFRS 15 to not disclose the transaction price allocated to performance obligations unsatisfied or partially unsatisfied as of the end of the reporting period as contracts typically have an original expected duration of a year or less.

The amount of revenue recognised depends on whether the Group acts as principal or agent. Third party costs are included in revenue when the Group acts as principal with respect to the goods or services provided to the Client and are excluded when the Group acts as agent, by reference to whether or not the Group controls the relevant good or service before it is transferred to the Client.

The Group has not recognised any significant costs incurred to obtain or fulfil a Client contract as assets on the balance sheet. Costs to obtain a contract are typically expensed as incurred as the contracts are generally short term in nature.

Turnover represents fees, commissions, rechargeable expenses and sales of materials performed subject to specific contracts.

1. Principal Accounting Policies

Continued...

Further details on revenue recognition are detailed by activity below:

(i) Advertising and ad hoc marketing campaigns

This typically involves fees for strategic planning and creative concepts through to execution and delivery of final campaigns. Revenue may consist of various arrangements, but typically comprises retainer fees or fixed price contracts, both of which are recognised over time. Retainer fees are recognised on a straight-line basis over the term of the contract. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is typically determined based on third party costs incurred to date and actual labour hours devoted to date relative to the total expected costs and labour hours.

(ii) Website, portal or application design and build (Digital)

The Group derives revenue from designing and building websites, portals and applications under fixed price contracts. Revenue is typically recognised over time, determined by applying the hours devoted to date as a percentage of total hours expected.

(iii) Software development (Digital)

This revenue stream involves the supply of software licences and aftersales support. If billed as a single fixed price fee, each of these services is accounted for as a separate performance obligation, the transaction price allocated to each being determined by the labour hours and cost required to supply each service. Revenue attributable to the provision of the software is recognised at a point in time when the software licence is made available for use by the Client. Revenue attributable to the aftersales support is recognised monthly on a straight-line basis over the period that support is to be provided. In some cases, the contract might also cover the provision of data migration and training services, but each of these is separately billed, the revenue being recognised over time, determined by applying the hours devoted to date as a percentage of total hours expected.

(iv) Media buying

Revenue is derived from identifying the Client's media requirements and managing and placing orders for the appropriate media. Revenue is typically recognised at the point in time that the media is aired or on the date of publication.

(v) Exhibitions, events and conferences

Revenue is derived from the design, planning and supply of exhibition stands, events and conferences. Revenue is typically recognised over time based on third party costs incurred to date and actual labour hours devoted to date relative to the total expected costs and labour hours.

(vi) Learning and training

Revenue is in the form of fixed price fees from planning and designing training courses and from performing training courses. Specific training is recognised at a point in time on the date that the training takes place. If the service provided includes planning and designing the training course and material, then revenue would be attributed to this performance obligation and recognised over time based on third party costs incurred to date and actual labour hours devoted to date relative to the total expected costs and labour hours.

(vii) Public Relations

PR revenue is typically derived from retainer fees and fixed price fees for services to be performed subject to specific agreement. Revenue under these arrangements is earned over time, in accordance with the terms of the contractual arrangement. Retainer fee revenue is recognised on a straight-line basis over the period covered by the fee. For ad hoc fixed price projects the Group generally applies the hours devoted to date as a percentage of total hours as the basis for recognising revenue.

1. Principal Accounting Policies

Continued...

Goodwill and other intangible assets

Goodwill

Goodwill arising from the purchase of subsidiary undertakings and trade acquisitions represents the excess of the total cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. The total cost of acquisition represents both the unconditional payments made in cash and shares on acquisition and an estimate of future contingent consideration payments to vendors in respect of earn-outs.

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

Costs associated with the development of identifiable software products where it is probable that the economic benefits will exceed the costs of development are recognised as intangible assets. These assets are carried at cost less accumulated amortisation and are amortised over periods of between 3 and 5 years. Amortisation of software development costs is included within operating expenses.

Other intangible assets separately identified as part of an acquisition are amortised over periods of between 3 and 10 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. Amortisation and impairment charges are excluded from headline profit.

Contingent consideration payments

The Directors manage the financial risk associated with making business acquisitions by structuring the terms of the acquisition, wherever possible, to include an element of the total consideration payable for the business which is contingent on its future profitability (i.e. earn-out). Contingent consideration is initially recognised at its estimated fair value based on a reasonable estimate of the amounts expected to be paid. Changes in the fair value of the contingent consideration that arise from additional information obtained during the first twelve months from the acquisition date, about facts and circumstances that existed at the acquisition date, are adjusted retrospectively, with corresponding adjustments against goodwill. The fair value of contingent consideration is reviewed annually and subsequent changes in the fair value are recognised in profit or loss, but excluded from headline profits.

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, in order of significance:

Potential impairment of goodwill

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.

Contingent payments in respect of acquisitions

Contingent consideration, by definition, depends on uncertain future events. At the time of purchasing a business, the Directors use the financial projections obtained during due diligence as the basis for estimating contingent consideration. Subsequent estimates benefit from the greater insight gained in the post-acquisition period and the business' track record of financial performance.

1. Principal Accounting Policies

Continued...

Revenue recognition policies in respect of contracts which straddle the year end

Estimates of revenue to be recognised on contracts which straddle the year end are typically based on the amount of time so far committed to those contracts compared to the total estimated time to complete them.

Valuation of intangible assets on acquisitions

Determining the separate components of intangible assets acquired on acquisitions is a matter of judgement exercised by the Directors. Brand names, customer relationships and intellectual property rights are the most frequently identified intangible assets. When considering the valuation of intangible assets on acquisitions, a range of methods is undertaken both for identifying intangibles and placing valuations on them. 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. Estimating the length of Client retention is the principal uncertainty and draws on historic experience.

Share-based payment transactions

Equity-settled share-based payments 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.

The fair value of nil-cost share options is measured by use of a Black Scholes model on the grounds that there are no market-related vesting conditions. The fair value of Growth Shares is measured by use of a Monte Carlo simulation model on the grounds that they are subject to market-based conditions (the future share price of the Company).

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 arising from normal trading activities 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.

The income statements of overseas subsidiary undertakings are translated at average exchange rates and the year-end net assets of these companies are translated at year-end exchange rates. Exchange differences arising from retranslation of the opening net assets are reported in the Consolidated Statement of Comprehensive Income.

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.

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.

1. Principal Accounting Policies

Continued...

Lease commitments

Where the Group bears substantially all the risks and rewards related to the ownership of a leased asset, the related asset is recognised at the time of inception of the lease at its fair value or, if lower, the present value of the minimum lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Consolidated Income Statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the Consolidated Income Statement on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

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.

Where material intangible assets are recognised on acquisition which will be amortised over their useful lives, a deferred tax liability is also recognised and released against income over the corresponding period.

New standards, interpretations and amendments to existing standards

Impact of the adoption of IFRS 9: Financial Instruments

The Group adopted IFRS 9 with effect from 1 January 2018. Due to the short term nature of the Group's trade receivables, the credit ratings of the Group's Clients, and credit insurance on certain trade receivables, the requirement under IFRS 9 to use an expected loss method of impairment of financial assets has not had a material effect on the Group's financial statements.

Impact of the adoption of IFRS 15: Revenue from Contracts with Customers

The Group adopted IFRS 15 with effect from 1 January 2018. The new standard establishes a five step model where consideration received or expected to be received is recognised as revenue when contractual performance obligations are satisfied. Adopting IFRS 15 has not had a material impact on the amounts or timing of the Group's revenue recognition. However, for a small proportion of media buying activity, the Group is viewed as an agent because the Group does not have control of the relevant services before they are transferred to the Client. Third party costs are deducted from turnover when the Group acts as agent. As a result, turnover decreases by the amount of these third party costs and there is a corresponding decrease in costs. The operating profit remains unchanged.

In accordance with the transition provisions in IFRS 15, the Group has adopted the new standard retrospectively and has restated comparatives. The following table summarises the impact of adopting IFRS 15 on the Group's Consolidated Income Statement for the year ended 31 December 2017.

	2017 as previously reported £'000	IFRS 15 adjustments £'000	2017 as restated £'000
Turnover	**146,912**	(839)	146,073
Cost of sales	**(76,872)**	839	(76,033)
Operating income	**70,040**	-	70,040

1. Principal Accounting Policies

Continued...

Impact of the adoption of IFRS 16: Leases

IFRS 16: Leases will apply to the Group's 2019 financial statements. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and are replaced by a model where a right-of-use asset and corresponding liability have to be recognised for all leases (i.e. all on balance sheet) except for short term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently at cost less accumulated depreciation, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of £7.1m (see note 22). A preliminary assessment of IFRS 16 indicates that the Group will recognise a right-of-use asset and corresponding liability in respect of a large majority of these leases and that fixed assets and liabilities will accordingly increase by this order of magnitude as a consequence of the adoption of IFRS 16. The impact on the Consolidated Income Statement is not expected to be material as the required adjustment will predominantly involve a reclassification between operating lease expense and depreciation, both of which are included in operating costs. There is expected to be a small increase in operating profit as an element of the lease-related expense is reclassified from operating expenses to interest costs. Interest costs are expected to increase by a similar amount, resulting in a largely unchanged profit before tax.

The classification of cash flows will be affected by the adoption of IFRS 16 because operating lease payments under IAS 17 are presented as operating cash flows whereas, in future, lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

The Directors will complete a detailed assessment of the impact of adopting IFRS 16. No decision has been made about whether to use any of the transitional provisions.

2. Segmental Information

IFRS 15: Revenue from Contracts with Customers requires the disaggregation of revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Board has considered how the Group's revenue might be disaggregated in order to meet the requirements of IFRS 15 and has concluded that the activity and geographical segmentation disclosures set out below represent the most appropriate categories of disaggregation. The Board considers that neither differences between types of Clients, sales channels and markets nor differences between contract duration and the timing of transfer of goods or services are sufficiently significant to require further disaggregation.

For management purposes the Group monitored the performance of fifteen operating units during the year, each of which carries out a range of activities. The performance of these businesses is managed and monitored as a whole by the Board as a single business segment – marketing communications. However, since different activities have different revenue characteristics, the Group's turnover and operating income has been disaggregated below to provide additional benefit to readers of these financial statements.

In previous years, the profitability by activity has been disclosed. However, following the implementation of a Shared Services function from the start of 2018 and the resulting transfer of certain Agency-specific contracts onto centrally-managed arrangements, a significant portion of the total operating costs are now centrally managed and segment information is therefore now only presented down to the operating income level.

Year to 31 December 2018	Advertising & Digital £'000	Media Buying £'000	Exhibitions & Learning £'000	Public Relations £'000	Total £'000
Turnover					
Continuing operations	96,615	36,473	17,488	9,340	159,916
Discontinued operations	1,476	-	-	-	1,476
Total Group	98,091	36,473	17,488	9,340	161,392
Operating Income					
Continuing	61,805	3,469	5,202	7,109	77,585
Discontinued	1,255	-	-	-	1,255
Total Group	63,060	3,469	5,202	7,109	78,840

Year to 31 December 2017	Advertising & Digital £'000	Media Buying £'000	Exhibitions & Learning £'000	Public Relations £'000	Total £'000
Turnover					
Continuing operations	79,769	44,421	12,054	7,999	144,243
Discontinued operations	1,830	-	-	-	1,830
Total Group (restated)	81,599	44,421	12,054	7,999	146,073
Operating Income					
Continuing	54,610	3,720	3,600	6,661	68,591
Discontinued	1,449	-	-	-	1,449
Total Group	56,059	3,720	3,600	6,661	70,040

As contracts typically have an original expected duration of less than one year, the full amount of the deferred income balance at the beginning of the year is released to revenue during the year. All media buying turnover is recognised at a point in time. Virtually all other turnover from continuing operations is recognised over time.

Assets and liabilities are not split between activities.

2. Segmental Information

Continued...

Geographical segmentation

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

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
UK	**69,774**	62,198
Asia	**5,061**	4,481
USA	**4,005**	3,361
	78,840	70,040

3. Reconciliation of Headline Profit to Reported Profit

The Board believes that headline profits, which eliminate certain amounts from the reported figures, provide a better understanding of the underlying trading of the Group. The adjustments to reported profits generally fall into three categories: exceptional items, acquisition-related items and start-up costs. In 2018, the profit / loss on investments (respectively, from the sale of BroadCare and the impairment of Watchable) has also been excluded.

	Year to 31 December 2018		Year to 31 December 2017	
	PBT £'000	PAT £'000	PBT £'000	PAT £'000
From continuing and discontinued operations				
Headline profit	**9,473**	**7,528**	7,734	6,185
Profit on sale of BroadCare (Note 21.3)	**2,981**	**2,981**	-	-
Acquisition adjustments (Note 5)	**(1,010)**	**(895)**	(804)	(802)
Impairment of Watchable (Note 15)	**(312)**	**(312)**	-	-
Exceptional items (Note 4)	**-**	**-**	(642)	(523)
Start-up costs	**(139)**	**(115)**	(443)	(355)
Reported profit	**10,993**	**9,187**	5,845	4,505
From continuing operations				
Headline profit	**8,994**	**7,145**	7,224	5,777
Acquisition adjustments (Note 5)	**(1,010)**	**(895)**	(804)	(802)
Impairment of Watchable (Note 15)	**(312)**	**(312)**	-	-
Exceptional items (Note 4)	**-**	**-**	(642)	(523)
Start-up costs	**(139)**	**(115)**	(443)	(355)
Reported profit	**7,533**	**5,823**	5,335	4,097
From discontinued operations				
Headline profit	**479**	**383**	510	408
Profit on sale of BroadCare (Note 21.3)	**2,981**	**2,981**	-	-
Reported profit	**3,460**	**3,364**	510	408

Start-up costs derive from organically started businesses and comprise the trading losses of such entities until the earlier of two years from commencement or when they show evidence of becoming sustainably profitable. Start-up costs in 2018 relate to the launch of April Six's new venture in China, and trading losses at Mongoose Promotions. Start-up costs in 2017 related to the launches of fuse and Mongoose Promotions.

4. Exceptional Items

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Payments for loss of office and other restructuring costs	-	(642)
	-	(642)

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.

Exceptional costs in 2017 comprised settlement costs to a former Director and also amounts payable for loss of office and other costs incurred relating to the restructuring of certain operations in order to streamline activities and underpin the Board's growth expectations.

5. Acquisition Adjustments

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Movement in fair value of contingent consideration	**67**	(99)
Amortisation of other intangibles recognised on acquisitions	**(915)**	(580)
Acquisition transaction costs expensed	**(162)**	(125)
	(1,010)	(804)

The movement in fair value of contingent consideration relates to a net downward (2017: upward) revision in the estimate payable to vendors of businesses acquired in prior years. Acquisition transaction costs relate to professional fees in connection with acquisitions made or contemplated.

6. Net Finance Costs

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Interest on bank loans and overdrafts, net of interest on bank deposits	**(394)**	(402)
Amortisation of bank debt arrangement fees	**(66)**	(59)
Interest on finance leases	**(9)**	(12)
Net finance costs	**(469)**	(473)

7. Profit before Taxation

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

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Depreciation of owned tangible fixed assets	**1,164**	1,182
Depreciation of tangible fixed assets held under finance leases	**94**	94
Amortisation of intangible assets recognised on acquisitions	**915**	580
Amortisation of other intangible assets	**371**	364
Operating lease rentals – Land and buildings	**2,469**	2,577
Operating lease rentals – Plant and equipment	**143**	70
Operating lease rentals – Other assets	**242**	310
Staff costs (see Note 8)	**51,363**	46,976
Bad debts and net movement in provision for bad debts	**27**	84
Auditors' remuneration	**271**	264
Gain on foreign exchange	**(114)**	(43)

Auditors' remuneration may be analysed by:

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Audit of Group's annual report and financial statements	**41**	41
Audit of subsidiaries	**133**	151
Audit related assurance services	**5**	5
Tax advisory services	**26**	25
Corporate finance	**61**	42
Other services	**5**	-
	271	264

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 2018 Number	Year to 31 December 2017 Number
Advertising & Digital	**881**	823
Media Buying	**36**	30
Exhibitions & Learning	**75**	68
Public Relations	**96**	90
Central	**4**	4
	1,092	1,015

The aggregate employee costs of these persons were as follows:

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Wages and salaries	**44,574**	40,810
Social security costs	**4,742**	4,294
Pension costs	**1,890**	1,780
Share based payment expense	**157**	92
	51,363	46,976

The Group operates seventeen (2017: sixteen) defined contributions pension schemes. The pension cost charge for the year represents contributions payable by the Group to the schemes. At the end of the financial year outstanding contributions amounted to £142,000 (2017: £108,000).

8. Employee Information

Continued...

Directors' Remuneration

Directors' remuneration is derived from their role as either a Board member of the**mission** or as an Executive Director of one of the Group's Agencies. Remuneration for the year was as follows (all amounts in £'000):

	Salary / Fees	Performance -related payments	Benefits	Pension	Total 2018	Total 2017
As Board Directors						
David Morgan (Chairman)	138	20	29	-	187	194
Peter Fitzwilliam (Finance Director)	170	15	4	-	189	214
Giles Lee (Commercial Director)	169	40	5	15	229	244
Julian Hanson-Smith (Non-Executive)	45	-	-	-	45	45
Chris Morris (Non-Executive to 31 July 2018)	23	-	4	-	27	95
Andy Nash (Non-Executive from 1 August 2018)	15	-	-	-	15	-
Total	**560**	**75**	**42**	**15**	**692**	**792**
As Agency Directors						
Dylan Bogg	134	-	9	10	153	166
James Clifton	160	15	3	28	206	207
Robert Day	180	110	10	-	300	264
Sue Mullen	141	10	3	14	168	161
Mike Rose	70	-	5	-	75	92
Fiona Shepherd	190	-	4	7	201	290
Former Directors						
Chris Goodwin (to 31 March 2017)	-	-	-	-	-	169
	1,435	210	76	74	1,795	2,141

Notes:

1. Julian Hanson-Smith was paid £25,000 (2017: £8,750) as a TMMG plc Director during the year. In addition he was paid for his consulting services through a consultancy practice owned by him, HS Consultancy Services.
2. Chris Morris was paid £5,833 (2017: £36,892) as a TMMG plc Director during the year. In addition, he was paid for his consulting services through a consultancy practice owned by him, Morris Marketing Consultancy.

9. Taxation

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Current tax:-		
UK corporation tax at 19.00% (2017: 19.25%)	**1,752**	1,153
Adjustment for prior periods	**(58)**	11
Foreign tax on profits of the period	**214**	202
	1,908	1,366
Deferred tax:-		
Current year originating temporary differences	**(102)**	(20)
Foreign deferred tax on overseas subsidiaries	**-**	(6)
Tax charge for the year	**1,806**	1,340

Factors Affecting the Tax Charge for the Current Year:

The tax assessed for the year is lower (2017: higher) than the standard rate of corporation tax in the UK. The differences are:

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Profit before taxation	**10,993**	5,845
Profit on ordinary activities before tax at the standard rate of corporation tax of 19.00% (2017: 19.25%)	**2,089**	1,125
Effect of:		
Non-deductible expenses/income not taxable	**237**	175
Non-taxable profit on sale of BroadCare	**(581)**	-
Non-deductible impairment of Watchable	**59**	-
Adjustments in respect of prior periods	**(58)**	11
Other differences	**60**	29
Actual tax charge for the year	**1,806**	1,340

10. Dividends

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend of 0.7 pence (2017: 0.55 pence) per share	**585**	456
Prior year final dividend of 1.15 pence (2017: 1.00 pence) per share	**961**	828
	1,546	1,284

A final dividend of 1.4 pence per share is to be paid in July 2019 should it be approved by shareholders at the AGM. In accordance with IFRS this final dividend will be recognised in the 2019 accounts.

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 2018 £'000	Year to 31 December 2017 £'000
Earnings		
Reported profit for the year		
From continuing and discontinued operations	**9,187**	4,505
Attributable to:		
Equity holders of the parent	**9,076**	4,402
Non-controlling interests	**111**	103
	9,187	4,505
From continuing operations	**5,823**	4,097
Attributable to:		
Equity holders of the parent	**5,712**	3,994
Non-controlling interests	**111**	103
	5,823	4,097
From discontinued operations	**3,364**	408
Attributable to:		
Equity holders of the parent	**3,364**	408
Non-controlling interests	**-**	-
	3,364	408
Headline earnings (Note 3)		
From continuing and discontinued operations	**7,528**	6,185
Attributable to:		
Equity holders of the parent	**7,417**	6,082
Non-controlling interests	**111**	103
	7,528	6,185

11. Earnings Per Share

Continued...

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
From continuing operations	**7,145**	5,777
Attributable to:		
Equity holders of the parent	**7,034**	5,674
Non-controlling interests	**111**	103
	7,145	5,777
From discontinued operations	**383**	408
Attributable to:		
Equity holders of the parent	**383**	408
Non-controlling interests	**-**	-
	383	408
Number of shares		
Weighted average number of Ordinary shares for the purpose of basic earnings per share	**83,338,888**	82,874,398
Dilutive effect of securities:		
Employee share options	**2,081,410**	2,565,943
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**85,420,298**	85,440,341
Reported basis:		
From continuing and discontinued operations		
Basic earnings per share (pence)	**10.89**	5.31
Diluted earnings per share (pence)	**10.63**	5.15
From continuing operations		
Basic earnings per share (pence)	**6.85**	4.82
Diluted earnings per share (pence)	**6.69**	4.67
From discontinued operations		
Basic earnings per share (pence)	**4.04**	0.49
Diluted earnings per share (pence)	**3.94**	0.48
Headline basis:		
From continuing and discontinued operations		
Basic earnings per share (pence)	**8.90**	7.34
Diluted earnings per share (pence)	**8.68**	7.12
From continuing operations		
Basic earnings per share (pence)	**8.44**	6.85
Diluted earnings per share (pence)	**8.23**	6.64
From discontinued operations		
Basic earnings per share (pence)	**0.46**	0.49
Diluted earnings per share (pence)	**0.45**	0.48

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 2018 £'000	Year to 31 December 2017 £'000
Cost		
At 1 January	**89,064**	84,052
Recognised on acquisition of subsidiaries	**6,563**	5,012
At 31 December	**95,627**	89,064
Impairment adjustment		
At 1 January	**4,273**	4,273
Impairment during the year	**-**	-
At 31 December	**4,273**	4,273
Net book value at 31 December	**91,354**	84,791

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"). It is the Directors' judgement that each distinct Agency represents a 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 2.0% was assumed for all units (reduced from 2.5% in 2017 due to lower published long term growth forecasts) and the resulting pre-tax cash flow forecasts were discounted using the Group's estimated pre-tax weighted average cost of capital, which is 8.54% (2017: 7.43%). For all CGUs, the Directors assessed the sensitivity of the impairment test results to changes in key assumptions (including a further 0.5% reduction in longer term growth rates) 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:

12. Intangible Assets

Continued...

	31 December 2018 £'000	31 December 2017 £'000
April Six Ltd	**9,411**	9,411
April Six Proof Ltd	**576**	576
Big Dog Agency Ltd*	**11,366**	9,639
Bray Leino Ltd	**27,761**	27,761
Chapter Agency Ltd	**3,440**	3,440
Krow Communications Ltd	**6,563**	-
Mongoose Sports & Entertainment Ltd	**931**	931
RLA Group Ltd*	**4,845**	6,572
RJW & Partners Ltd	**4,962**	4,962
Solaris Healthcare Network Ltd	**1,058**	1,058
Speed Communications Agency Ltd	**3,085**	3,085
Splash Interactive Pte. Ltd	**2,356**	2,356
Story UK Ltd	**7,516**	7,516
ThinkBDW Ltd	**6,283**	6,283
Other smaller acquisitions	**1,201**	1,201
	91,354	84,791

*In 2018, the Belfast based operations of RLA Group Ltd were transferred into Big Dog Agency Ltd. The relevant portion of goodwill of RLA Group Ltd has therefore been transferred into Big Dog Agency Ltd.

12. Intangible Assets

Continued...

Other intangible assets	Software development and licences £'000	Trade names £'000	Customer relationships £'000	Total £'000
Cost				
At 1 January 2017	**2,061**	**899**	**3,651**	**6,611**
Additions	341	134	334	809
Disposals	(210)	-	-	(210)
At 31 December 2017	**2,192**	**1,033**	**3,985**	**7,210**
Additions	377	748	1,886	3,011
Disposals	(832)	-	-	(832)
At 31 December 2018	**1,737**	**1,781**	**5,871**	**9,389**
Amortisation and impairment				
At 1 January 2017	**855**	**97**	**2,363**	**3,315**
Charge for the year	364	77	503	944
Disposals	(209)	-	-	(209)
At 31 December 2017	**1,010**	**174**	**2,866**	**4,050**
Charge for the year	371	132	783	1,286
Disposals	(316)	-	-	(316)
At 31 December 2018	**1,065**	**306**	**3,649**	**5,020**
Net book value at 31 December 2018	**672**	**1,475**	**2,222**	**4,369**
Net book value at 31 December 2017	**1,182**	**859**	**1,119**	**3,160**

Additions of £377,000 (2017: £341,000) in the year include costs associated with the development of identifiable software products that are expected to generate economic benefits in excess of the costs of development.

Included within the value of intangible assets is an amount of £783,000 (2017: £783,000) 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.

Intangible assets include an amount of £692,000 relating to the krow trade name, which has attained recognition in the marketplace and plays a role in attracting and retaining Clients. This value will be amortised over the next 9 years. Also included is an amount of £1,650,000 relating to krow customer relationships. krow has developed a base of customers to whom the Group would expect to continue selling in the future. The remaining useful life of these customer relationships is deemed to be 5 years and the value will be amortised over this period.

13. Subsidiaries

The Group's principal trading subsidiaries are listed below. All subsidiaries are 100% owned and all are incorporated in the United Kingdom, except for Mongoose Promotions Ltd, which is 75% owned, and Splash Interactive Pte. Ltd, which is 70% owned and incorporated in Singapore. A full list of all Group companies at 31 December 2018 can be found in Note 43 to the Company Financial Statements.

Subsidiary undertaking	Nature of business
April Six Ltd	Marketing communications, specialising in the technology sector
April Six Proof Ltd	Public relations, specialising in science, engineering and technology
Big Dog Agency Ltd	Marketing communications
Bray Leino Ltd	Advertising, media buying, digital marketing, events and training
Chapter Agency Ltd	Marketing communications
Krow Communications Ltd	Marketing communications
Mongoose Promotions Ltd	Sales promotion
Mongoose Sports & Entertainment Ltd	Sports, fitness and entertainment marketing
RJW & Partners Ltd	Pricing and market access in the healthcare sector
RLA Group Ltd	Marketing communications, specialising in the automotive sector
Solaris Healthcare Network Ltd	Marketing communications, specialising in the medical sector
Speed Communications Agency Ltd	Public relations
Splash Interactive Pte. Ltd	Digital marketing
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 £'000	Fixtures & fittings and office equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2017	**2,293**	**4,267**	**3,167**	**149**	**9,876**
Acquisition of subsidiaries	-	-	2	-	2
Additions	43	636	573	16	1,268
Disposals	(127)	(604)	(452)	(10)	(1,193)
At 31 December 2017	**2,209**	**4,299**	**3,290**	**155**	**9,953**
Acquisition of subsidiaries	11	5	32	-	48
Additions	96	405	513	-	1,014
Disposals	(92)	(358)	(667)	(32)	(1,149)
At 31 December 2018	**2,224**	**4,351**	**3,168**	**123**	**9,866**
Depreciation					
At 1 January 2017	**1,578**	**2,584**	**2,052**	**131**	**6,345**
Charge for the year	152	540	574	10	1,276
Disposals	(119)	(604)	(429)	(5)	(1,157)
At 31 December 2017	**1,611**	**2,520**	**2,197**	**136**	**6,464**
Charge for the year	153	559	538	8	1,258
Disposals	(85)	(332)	(659)	(30)	(1,106)
At 31 December 2018	**1,679**	**2,747**	**2,076**	**114**	**6,616**
Net book value at 31 December 2018	**545**	**1,604**	**1,092**	**9**	**3,250**
Net book value at 31 December 2017	**598**	**1,779**	**1,093**	**19**	**3,489**

The net book amount includes £124,000 (2017: £219,000) 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 £94,000 (2017: £94,000).

15. Investments in Associates

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
At 1 January	**313**	324
Loss during the year	**(1)**	(11)
Write down of investment	**(312)**	-
At 31 December	**-**	313

The investment in associates represents a 25% shareholding in Watchable Limited, a film and video content company, based in London. The activities of Watchable have substantially ceased and as a consequence the value of the Group's interest has been written down to zero as at 31 December 2018.

16. Trade and Other Receivables

	31 December 2018 £'000	31 December 2017 £'000
Trade receivables	**27,156**	24,424
Accrued income	**9,788**	7,554
Prepayments	**2,050**	2,080
Other receivables	**733**	771
	39,727	34,829

An allowance has been made for estimated irrecoverable amounts from the provision of services of £62,000 (2017: £193,000). The estimated irrecoverable amount is arrived at by considering the historic loss rate and adjusting for current expectations, Client base and economic conditions. Both historic losses and expected future losses being very low, the Directors consider it appropriate to apply a single average rate for expected credit losses to the overall population of trade receivables and accrued income. Accrued income relates to unbilled work in progress and has substantially the same risk characteristics as the trade receivables for the same types of contracts. The difference between the incurred loss method applied in the 2017 annual report and the new lifetime expected loss rate method under IFRS 9 is considered immaterial and comparatives have not been restated. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

16. Trade and Other Receivables

Continued...

	31 December 2018 £'000	31 December 2017 £'000
Gross trade receivables	**27,218**	24,617
Gross accrued income	**9,788**	7,554
Total trade receivables and accrued income	**37,006**	32,171
Expected loss rate	**0.2%**	0.6%
Provision for doubtful debts	**62**	193

Accrued income has increased by £2,234,000 partly as a result of the acquisition of krow (see note 21.2) and partly because of an increase in overall contract activity.

Credit risk

The Group's principal financial assets are trade receivables, accrued income and bank balances, 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 and accrued income. The credit risk on cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The majority of the Group's trade receivables and accrued income is due from large national or multinational companies where the risk of default is considered low. In order to mitigate this risk further, 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.

There can be no assurance that any of the Group's Clients will continue to utilise the Group's services to the same extent, or at all, in the future. The loss of, or a significant reduction in advertising and marketing spending by, the Group's largest Clients, if not replaced by new Client accounts or an increase in business from existing Clients, would adversely affect the Group's prospects, business, financial condition and results of operations. The impact would however be limited as only one Client represented more than 3% of total operating income in both 2017 and 2018.

17. Cash and Short Term Deposits

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

18. Trade and Other Payables

	31 December 2018 £'000	31 December 2017 £'000
Trade creditors	**13,645**	12,379
Other creditors and accruals	**9,623**	9,845
Deferred income	**6,755**	4,865
Other tax and social security payable	**4,306**	4,422
Finance leases	**90**	86
	34,419	31,597

Deferred income has increased by £1,890,000 as a result of the acquisition of krow (see note 21.2).

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

19. Bank Overdrafts, Loans and Net Debt

	31 December 2018 £'000	31 December 2017 £'000
Bank loan outstanding	**10,000**	13,125
Unamortised bank debt arrangement fees	**(114)**	(46)
Carrying value of loan outstanding	**9,886**	13,079
Less: Cash and short term deposits	**(5,899)**	(5,860)
Net bank debt	**3,987**	7,219
The borrowings are repayable as follows:		
Less than one year	**-**	2,500
In one to two years	**-**	10,625
In more than two years but less than three years	**10,000**	-
	10,000	13,125
Unamortised bank debt arrangement fees	**(114)**	(46)
	9,866	13,079
Less: Amount due for settlement within 12 months (shown under current liabilities)	**-**	(2,500)
Amount due for settlement after 12 months	**9,886**	10,579

Bank debt arrangement fees, where they can be amortised over the life of the loan facility, are included in finance costs. The unamortised portion is reported as a reduction in bank loans outstanding.

On 14 September 2018, the Group signed a new 3 year revolving credit facility of £15.0m, expiring on 28 September 2021, with an option to extend the facility by a further £5.0m and an option to extend by 1 year. Interest on the previous facilities was based on LIBOR plus a margin of between 1.75% and 2.75% depending on the Group's debt leverage ratio, payable in cash on loan rollover dates. Interest rate margins on the new facilities are again based on the Group's debt leverage ratio and range from 1.25% to 2.00%.

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

At 31 December 2018, there was a cross guarantee structure in place with the Group's bankers and a fixed and floating charge over all of the assets of the Group companies in favour of National Westminster Bank plc.

All borrowings are in sterling.

20. Obligations under Finance Leases

Obligations under finance leases are as follows:

	31 December 2018 £'000	31 December 2017 £'000
In one year or less	**90**	86
Between two and five years	**39**	129
	129	215

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.

21. Acquisitions and Disposals

21.1 Acquisition Obligations

The terms of an acquisition 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 Directors estimate that the liability for contingent consideration payments is as follows:

	31 December 2018			31 December 2017		
	Cash £'000	**Shares £'000**	**Total £'000**	Cash £'000	Shares £'000	Total £'000
Less than one year	**2,653**	**605**	**3,258**	1,810	-	1,810
Between one and two years	**2,116**	**75**	**2,191**	2,597	105	2,702
In more than two years but less than three years	**5,568**	**295**	**5,863**	503	-	503
In more than three years but less than four years	**483**	**-**	**483**	2,104	124	2,228
	10,820	**975**	**11,795**	7,014	229	7,243

21.2 Acquisition of Krow Communications Ltd

On 10 April 2018, the Group acquired the entire issued share capital of Krow Communications Ltd ("krow"), an award-winning creative agency based in London. The fair value of the consideration given for the acquisition was £9,357,000, comprising initial cash consideration and deferred contingent cash and share consideration. Costs relating to the acquisition amounted to £141,000 and were expensed.

Maximum contingent consideration of £11,750,000 is dependent on krow achieving a profit target over the period 1 January 2018 to 31 December 2020. The Group has provided for contingent consideration of £6,367,000 to date.

The fair value of the net identifiable assets acquired was £608,000 resulting in goodwill and other intangible assets of £9,197,000 and a deferred tax liability on the other intangible assets of £448,000. Goodwill arises on consolidation and is not tax-deductible. 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 krow.

21. Acquisitions and Disposals

Continued...

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired:			
Fixed assets	48	-	48
Trade and other receivables	3,036	-	3,036
Cash and cash equivalents	553	-	553
Trade and other payables	(3,029)	-	(3,029)
	608	-	608
Other intangibles recognised at acquisition	-	2,634	2,634
Deferred tax liability adjustment	-	(448)	(448)
	608	2,186	2,794
Goodwill			6,563
Total consideration			9,357
Satisfied by:			
Cash			2,990
Deferred contingent consideration			6,367
			9,357

krow contributed turnover of £9,639,000, operating income of £5,356,000 and headline operating profit of £945,000 to the results of the Group in 2018.

21.3 Sale of BroadCare

On 12 November 2018, the Group disposed of the BroadCare business. The consideration, assets disposed of and costs of disposal were as follows:

	£'000
Total consideration	**4,400**
Less working capital retained	(301)
Net consideration	4,099
Net assets disposed of:	
Software development and licences	516
Fixed assets	18
Cash	400
	934
Disposal costs	184
Total cost of disposal	**1,118**
Profit on sale of BroadCare	**2,981**

The net inflow of cash in respect of the sale of BroadCare is as follows:

	£'000
Cash consideration received	4,099
Cash transferred on disposal	(400)
Net inflow of cash	**3,699**

21. Acquisitions and Disposals Continued...

21.4 Pro-forma results including acquisitions

The Directors estimate that the turnover, operating income and headline operating profit of the Group would have been approximately £164.8m, £80.4m and £10.2m had the Group consolidated the results of the acquisitions made during the year, from the beginning of the year.

22. Financial Commitments

Operating lease commitments

The total minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2018		31 December 2017	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**2,041**	**298**	1,836	294
Between two and five years	**4,507**	**269**	3,669	242
After more than 5 years	**-**	**-**	602	-
	6,548	**567**	6,107	536

23. Share Capital

	31 December 2018 £'000	31 December 2017 £'000
Allotted and called up:		
84,357,351 Ordinary shares of 10p each (2017: 84,357,351 Ordinary shares of 10p each)	**8,436**	8,436

Share-based incentives

The Group has the following share-based incentives in issue:

	At start of year	**Granted/ acquired**	**Waived/ lapsed**	**Exercised**	**At end of year**
TMMG Long Term Incentive Plan	2,535,000	332,500	(1,362,250)	-	1,505,250
Growth Share Scheme	5,720,171	-	-	-	5,720,171

23. Share Capital

Continued...

The TMMG Long Term Incentive Plan ("LTIP") was created to incentivise senior employees across the Group. Nil-cost options are awarded at the discretion of, and vest based on criteria established by, the Remuneration Committee. During the year, no options were exercised and at the end of the year none of the outstanding options are exercisable. Further commentary on the performance conditions can be found in the Corporate Governance Statement.

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

A Growth Share Scheme was implemented on 21 February 2017. Participants in the scheme subscribed for Ordinary A shares in The Mission Marketing Holdings Limited (the "growth shares") at a nominal value. These growth shares can be exchanged for an equivalent number of Ordinary Shares in the**mission** if the the**mission**'s share price equals or exceeds 75p for at least 15 days during the period up to 60 days from the announcement of the Group's financial results for the year ending 31 December 2019; if not, they will have no value.

24. Own Shares

	No. of shares	£'000
At 31 December 2016	**1,395,930**	**556**
Own shares purchased during the year	233,739	96
Awarded to employees during the year	(177,302)	(50)
At 31 December 2017	**1,452,367**	**602**
Awarded or sold during the year	(711,000)	(303)
At 31 December 2018	**741,367**	**299**

Shares are held in an Employee Benefit Trust to meet certain requirements of the Long Term Incentive Plan.

25. Share-Based Incentive Reserve

The share-based incentive reserve represents charges to the profit or loss required by IFRS 2 to reflect the cost of the nil-cost share options and growth shares issued to the Directors and employees.

26. Share-Based Payments

Nil-cost share options

Details of the relevant option schemes are given in Note 23. 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. The fair value of options issued during the year was 49.4p per option at measurement date. The key inputs are:

	2018	2017
Share price	**54.5p**	42.0p
Risk free rate	**0.7%**	0.1%
Dividend yield	**3.7%**	3.7%

26. Share-Based Payments Continued...

The weighted average share price over the three years ending 31 December 2018 was 44.9p and the weighted average remaining contractual life of the share options outstanding at 31 December 2018 was 8.7 years.

The Group recognised an expense of £69,000 in 2018 (2017: £19,000).

Growth Shares

Details of the Growth Share scheme are given in Note 23. The fair value of growth shares was measured by use of a Monte Carlo simulation model, which uses probability analysis to calculate the value of options. The fair value of the growth shares issued in 2017 was 5.0p per share at measurement date. No growth shares were issued in 2018. The key inputs are:

	2018	2017
Share price at grant	n/a	41.0p
Risk free rate	n/a	0.1%
Dividend yield	n/a	3.7%
Expected volatility	n/a	30.0%

Volatility is based on the historical volatility of the share price over a 3 year trading period. The weighted average share price from inception of the scheme until 31 December 2018 was 46.9p and the weighted average remaining contractual life of the growth shares outstanding at 31 December 2018 was 1.4 years.

The Group recognised an expense of £88,000 in 2018 (2017: £73,000).

27. Financial Assets and Liabilities

Capital management

The Group defines "capital" as being debt plus equity. Net bank debt comprises short and long term borrowings net of cash, cash equivalents and the unamortised balance of bank renegotiation fees as analysed in Note 19. In addition, the Group treats its commitment to future consideration payments under acquisition agreements as another component of debt. 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 measures by which the Directors monitor capital risk are the ratios of net bank debt to EBITDA and total debt (including both net bank debt and estimated acquisition consideration payable) to EBITDA. (Note that, since acquisition consideration is dependent on future levels of profitability in the acquired business, which are inevitably uncertain, the Directors calculate this ratio by reference to the amount of consideration which would be payable if the acquired business were to maintain its current level of profitability.) The Directors have set targets, which have recently been reduced, of remaining below x1.5 and x2.0 for these ratios respectively.

27. Financial Assets and Liabilities

Continued...

Financial risk management

The Group's policy is to eliminate financial 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.

The Group's principal financial instruments comprise cash and various forms of borrowings.

Substantially all the Group's activities continue to take place in the United Kingdom. Where revenue is generated in one currency and costs are incurred in another, the Group aims to agree pricing at the outset of a piece of work and then hedge its foreign currency exposure, if considered significant, through the use of forward exchange contracts. 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 the Group's revolving credit facility is payable by reference to LIBOR, subject to downward or upward ratchets depending on certain ratios of debt to EBITDA on a quarterly basis. The Directors have considered again the relative merits of the use of hedging instruments to limit the exposure to interest rate risk. Since the sensitivity of profits to a 1% change in interest rates is less than £0.1m, they have decided not to enter into any hedging arrangements.

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.

Financial assets	31 December 2018 £'000	31 December 2017 £'000
Cash at bank maturing in less than one year or on demand	5,899	5,860

27. Financial Assets and Liabilities

Continued...

Financial liabilities	Bank loan and overdraft £'000	Finance leases £'000	Acquisition obligations £'000	Total £'000
At 31 December 2018				
Interest analysis:				
Subject to floating rates	10,000	-	-	10,000
Subject to fixed rates	-	129	11,795	11,924
	10,000	129	11,795	21,924
Maturity analysis:				
One year or less, or on demand	-	90	3,258	3,348
In one to two years	-	39	2,191	2,230
In two to three years	10,000	-	5,863	15,863
In three to four years	-	-	483	483
	10,000	129	11,795	21,924
At 31 December 2017				
Interest analysis:				
Subject to floating rates	13,125	-	-	13,125
Subject to fixed rates	-	215	7,243	7,458
	13,125	215	7,243	20,583
Maturity analysis:				
One year or less, or on demand	2,500	86	1,810	4,396
In one to two years	10,625	90	2,702	13,417
In two to three years	-	39	503	542
In three to four years	-	-	2,228	2,228
	13,125	215	7,243	20,583

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. 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.

29. Post Balance Sheet Events

There have been no material post balance sheet events.

30. 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 2018 £'000	Year to 31 December 2017 £'000
Short-term employee benefits	**1,721**	1,684
Post-employment benefits	**74**	100
Share-based payments	**-**	223
Compensation for loss of office	**-**	134
	1,795	2,141

Bray Leino Ltd rents property from entities under the control of David Morgan, Chairman of The Mission Marketing Group plc, and members of his close family. During the year the Company paid annual rental and property fees totalling £158,000 (2017: £158,000). There were no amounts owed at the balance sheet date to these entities.

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). The lease commenced on 2 May 2014. Aggregate rent payable in the year was £235,000 (2017: £221,075) and was set at market value.

In addition, ThinkBDW Ltd purchases energy generated by a photovoltaic array owned by Robert Day Associates Ltd at a discounted commercial rate. The cost to ThinkBDW Ltd of this purchase in 2018 was £15,525 (2017: £18,435).

Big Dog Agency Ltd is contracted to pay annual rent to four individuals, including Dylan Bogg (Executive Director) and Chris Morris (Non-Executive Director until his retirement on 1 August 2018). During the year, total rental of £74,000 (2017: £74,000) was paid and no amount was outstanding at the balance sheet date.

During the year Solaris Healthcare Network Ltd made sales of £13,752 to Viramal Limited, a company in which Peter Fitzwilliam (Executive Director) is a director and shareholder. There were no amounts due as at the beginning or end of the financial year.

During 2017 ten Directors received loans totalling £81,925 in respect of the personal tax payable on a growth share award, as follows: Dylan Bogg £6,667; James Clifton £10,000; Robert Day £10,000; Julian Hanson-Smith £2,174; Peter Fitzwilliam £10,000; Giles Lee £10,000; David Morgan £10,000; Sue Mullen £6,708; Mike Rose £6,376; Fiona Shepherd £10,000. All loans are repayable from the proceeds of the growth share scheme or on termination of employment. No interest is being charged and all loans remain outstanding at the year end.

31. Availability of Annual Report

Copies of the Annual Report for the year ended 31 December 2018 will be circulated to shareholders at least 21 days ahead of the Annual General Meeting ("AGM") on 17 June 2019 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.

Report on the parent company financial statements

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

Opinion

We have audited the financial statements of The Mission Marketing Group plc (the ‘Company’) for the year ended 31 December 2018, which comprise the Company Balance Sheet, Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 December 2018 and of its profit for the year then ended;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company's financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report .

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, 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 38, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Glenn Nicol (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor, Centenary House, Peninsula Park, Rydon Lane, Exeter, EX2 7XE
9 April 2019

Company Balance Sheet as at 31 December 2018

	Note	As at 31 December 2018	As at 31 December 2017
	Note	£'000	£'000
NON-CURRENT ASSETS			
Intangible assets	33	49	13
Investments	34	106,584	97,110
Property, plant and equipment		65	-
		106,698	97,123
CURRENT ASSETS			
Debtors	35	5,738	4,509
		5,738	4,509
CREDITORS: Amounts falling due within one year	36	(5,887)	(8,449)
NET CURRENT LIABILITIES		(149)	(3,940)
TOTAL ASSETS LESS CURRENT LIABILITIES		106,549	93,183
CREDITORS: Amounts falling due after more than one year	37	(15,229)	(10,579)
NET ASSETS		91,320	82,604
CAPITAL AND RESERVES			
Called up share capital	39	8,436	8,436
Share premium account	39	42,506	42,506
Own shares	39	(299)	(602)
Share-based incentive reserve		373	284
Profit and loss account		40,304	31,980
SHAREHOLDER'S FUNDS		91,320	82,604

The financial statements were approved and authorised for issue on 9 April 2019 by the Board of Directors. They were signed on its behalf by:

Peter Fitzwilliam, Finance Director

Company registration number: 05733632

Company Statement of Changes in Equity

for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Own shares £'000	Share-based incentive reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	**8,412**	**42,431**	**(556)**	**249**	**30,083**	**80,619**
Profit for the year	-	-	-	-	3,160	3,160
New shares issued	24	75	-	-	-	99
Share option charge	-	-	-	19	-	19
Growth share charge	-	-	-	16	-	16
Own shares purchased	-	-	(96)	-	-	(96)
Shares awarded and sold from own shares	-	-	50	-	21	71
Dividend paid	-	-	-	-	(1,284)	(1,284)
At 31 December 2017	**8,436**	**42,506**	**(602)**	**284**	**31,980**	**82,604**
Profit for the year	-	-	-	-	9,835	9,835
Share option charge	-	-	-	69	-	69
Growth share charge	-	-	-	20	-	20
Shares awarded and sold from own shares	-	-	303	-	35	338
Dividend paid	-	-	-	-	(1,546)	(1,546)
At 31 December 2018	**8,436**	**42,506**	**(299)**	**373**	**40,304**	**91,320**

32. Principal Accounting Policies

Notes to the Company Financial Statements

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

The Mission Marketing Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 102. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 30 to 34.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Reduced disclosure exemptions

The Mission Marketing Group plc meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to the presentation of a cash flow statement, financial instruments, share-based payment, share capital and remuneration of key management personnel.

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 the balance sheet date.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument.

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 company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as fair value through profit and loss, which are initially measured at fair value.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions to be classified as basic instruments are subsequently measured at amortised cost using the effective interest method.

Basic debt instruments that are classified as payable or receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial liabilities are released to the profit and loss account when the liability is extinguished.

32. Principal Accounting Policies Continued...

Contingent consideration payments

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 and associate undertakings are stated at cost less provision for any impairment in value.

Accounting estimates and judgements

The Company 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, in order of significance:

Potential impairment of investments

The potential impairment of investments 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.

Contingent payments in respect of acquisitions

Contingent consideration, by definition, depends on uncertain future events. At the time of purchasing a business, the Directors use the financial projections obtained during due diligence as the basis for estimating contingent consideration. Subsequent estimates benefit from the greater insight gained in the post-acquisition period and the business' track record of financial performance.

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.

33. Intangible Assets

Other intangible assets	Software development and licences £'000	Customer relationships £'000	Total £'000
Cost			
At 1 January 2017	**-**	**61**	**61**
At 31 December 2017	**-**	**61**	**61**
Additions	43	-	43
At 31 December 2018	**43**	**61**	**104**
Amortisation and impairment			
At 1 January 2017	**-**	**42**	**42**
Charge for the year	-	6	6
At 31 December 2017	**-**	**48**	**48**
Charge for the year	1	6	7
At 31 December 2018	**1**	**54**	**55**
Net book value at 31 December 2018	**42**	**7**	**49**
Net book value at 31 December 2017	**-**	**13**	**13**

Additions of £43,000 (2017: nil) in the year include costs associated with the development of identifiable software products that are expected to generate economic benefits in excess of the costs of development.

34. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2017	**105,437**
Additions	24
Adjustment to purchase consideration	92
At 31 December 2017	**105,553**
Additions	9,474
At 31 December 2018	**115,027**
Impairment	
At 1 January 2017	**(8,443)**
Impairment	-
At 31 December 2017	**(8,443)**
Impairment	-
At 31 December 2018	**(8,443)**
Net book amount at 31 December 2018	**106,584**
Net book amount at 31 December 2017	**97,110**

In 2018, Krow Communications Ltd was acquired. See note 21.2 for more detail.

A list of the principal trading companies in the Group at 31 December 2018 can be found in Note 13 to the Consolidated Financial Statements and a complete list can be found in Note 43.

35. Debtors

	31 December 2018 £'000	31 December 2017 £'000
Amounts due from subsidiary undertakings	**4,305**	3,695
Corporation tax	**360**	495
Prepayments	**928**	304
Other debtors	**145**	15
	5,738	4,509

36. Creditors: Amounts Falling Due Within One Year

	31 December 2018 £'000	31 December 2017 £'000
Trade creditors	**290**	-
Bank overdraft	**2,192**	329
Amounts due to subsidiary undertakings	**1,606**	5,358
Accruals	**546**	192
Acquisition obligations	**1,024**	-
Bank loan (see Note 38)	**-**	2,500
Other creditors	**229**	70
	5,887	8,449

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

	31 December 2018 £'000	31 December 2017 £'000
Bank loan (see Note 38)	**9,886**	10,579
Acquisition obligations	**5,343**	-
	15,229	10,579

38. Borrowings

	31 December 2018 £'000	31 December 2017 £'000
Bank loan outstanding	**10,000**	13,125
Adjustment to amortised cost	**(114)**	(46)
Carrying value of loan outstanding	**9,886**	13,079
The borrowings are repayable as follows:		
Less than one year	**-**	2,500
In one to two years	**-**	10,625
In more than two years but less than three years	**10,000**	-
	10,000	13,125
Adjustment to amortised cost	**(114)**	(46)
	9,886	13,079
Less: Amount due for settlement within 12 months (shown under current liabilities)	**-**	(2,500)
Amount due for settlement after 12 months	**9,886**	10,579

Details of the Company's borrowing facilities and interest rates are set out in Note 19 and not therefore repeated here. All borrowings are in sterling.

As at 31 December 2018, net assets of the Group were £88,214,000 (2017: £80,154,000) and net borrowings under this Group arrangement amounted to £3,987,000 (2017: £7,219,000).

39. Share Capital and Own Shares

The movements on these items are disclosed within the Consolidated Financial Statements.

A description of Own Shares is disclosed in Note 24. During the year, the Company issued no Ordinary shares of 10p each (2017: 237,117) and at 31 December 2018, the number of shares in issue was 84,357,351 (2017: 84,357,351).

40. Unrealised Reserves

Included in reserves at 31 December is unrealised profit, which is non-distributable, of £3,165,000 (2017: £3,165,000).

41. Operating Lease Commitments

The total minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2018		31 December 2017	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**210**	**24**	210	-
Between two and five years	**175**	**24**	385	-
	385	**48**	595	-

42. Related Party Transactions

Details of related party transactions are disclosed in Note 30 of the Consolidated Financial Statements.

43. Group Companies

Below is a list of all companies in the Group. All subsidiaries are 100% owned and all are incorporated in the United Kingdom, unless otherwise indicated. In addition, the Company holds a 25% investment in Watchable Ltd, treated as an associated company, a 60% interest in European Exhibit Services SRO, incorporated in the Czech Republic, treated as a joint venture and also holds indirectly a 50% interest in Vivactis Global Health Ltd, treated as a joint venture. Unless otherwise stated, the registered office of all companies is 36 Percy Street, London, W1T 2DH.

Subsidiary undertaking	Country of Incorporation	Registered office
Held directly:		
The Mission Marketing Holdings Ltd		
Held indirectly:		
April Six Inc.	USA	847 Sansome Street, Suite 100, San Francisco, CA 94111, United States of America
April Six Ltd		
April Six Proof Ltd **		
April Six Pte. Ltd	Singapore	40A Tras Street, Singapore 078979
Balloon Dog Ltd		
Big Communications Ltd		
Big Dog Agency Ltd		
Bray Leino Ltd		
Bray Leino Productions Ltd **		
Bray Leino Sdn. Bhd. *	Malaysia	100.6.047, 129 Offices, Block J, Jaya One. No. 72A, Jalan Universiti 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Bray Leino Singapore Pte. Ltd	Singapore	#73 Ubi Road 1, #07-49/50 Oxley Bizhub, Singapore 408733
Chapter Agency Ltd		
Destination CMS Ltd (50% owned)		45 Queen Street, Exeter, Devon EX4 3SR
Fox Murphy Ltd		
Fuse Digital Ltd		
Gingernut Creative Ltd		
Jellyfish Ltd		
Krow Communications Ltd		
Mongoose Promotions Ltd (75% owned) **		
Mongoose Sports & Entertainment Ltd **		
Quorum Advertising Ltd		
RJW & Partners Ltd **		

43. Group companies

Continued...

Subsidiary undertaking	Country of Incorporation	Registered office
RLA Group Ltd **		
Robson Brown Ltd		
Solaris Healthcare Network Ltd **		
Speed Communications Agency Ltd **		
Splash Interactive Company Ltd *	Vietnam	205 - 12 Mac Dinh Chi Street (Cityview Tower), District 1 Ho Chi Minh City, Vietnam
Splash Interactive Ltd *	China	Room 1801, Hong Kong Metropolis Building, No.489, Henan Road South, Huangpu District, Shanghai, China
Splash Interactive Ltd *	Hong Kong	Unit 1101, 11/F, Tower 1, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Lai Chi Kok, Kowloon, Hong Kong
Splash Interactive Pte. Ltd	Singapore	#73 Ubi Road 1, #07-49/50 Oxley Bizhub, Singapore 408733
Splash Interactive Sdn. Bhd. *	Malaysia	100.6.047, 129 Offices, Block J, Jaya One. No. 72A, Jalan Universiti 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Story UK Ltd **		1-4 Atholl Crescent, Edinburgh, Scotland EH3 8HA
The Mission Ltd (formerly Friars 573 Ltd)		
The Splash Partnership Ltd		
The Weather Digital and Print Communications Ltd		1-4 Atholl Crescent, Edinburgh, Scotland EH3 8HA
ThinkBDW Ltd		

* These subsidiaries are 100% owned by Splash Interactive Pte. Ltd, which is 70% owned by The Mission Marketing Group plc.

** These subsidiaries are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as The Mission Marketing Group plc has guaranteed the subsidiary company under Section 479C of the Act.

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of The Mission Marketing Group plc (the "**Company**") will be held at 12 noon on Monday 17 June 2019 at the offices of its award-winning creative Agency, krow Communications, 80 Goswell Road, London, EC1V 7DB 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 reports of the Directors and the auditors for the year ended 31 December 2018.

Dividend

2. To approve a final dividend of 1.4 pence per share for the year ended 31 December 2018 to shareholders on the register at the close of business on 12 July 2019, payable on 22 July 2019.

Directors

3. To elect Andy Nash as a Director.
4. To re-elect Dylan Bogg as a Director.
5. To re-elect James Clifton as a Director.
6. To re-elect Robert Day as a Director.
7. To re-elect Giles Lee as a Director.
8. To re-elect David Morgan as a Director.
9. To re-elect Sue Mullen as a Director.
10. To re-elect Fiona Shepherd as a Director.

Auditors

11. To re-appoint PKF Francis Clark as auditors of the Company.
12. To authorise the Directors to fix the remuneration of PKF Francis Clark.

Authority to allot shares

13. THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (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 £2,811,911 being one third 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

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

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

ii. the allotment (other than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal value of £843,573.51 being 10% of the issued share capital of the Company.

This power shall expire upon the expiry of the general authority conferred by resolution 13 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

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

i. the maximum number of ordinary shares hereby authorised to be acquired is 12,653,602 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 2020 or 18 months from the date of this resolution (whichever is earlier); and

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

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

By Order of the Board,
Peter Fitzwilliam,
9 April 2019

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. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to different shares. 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 than 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, Steelpark Road, Halesowen, West Midlands B62 8HD. The closing time for lodging proxies is 12 noon on Thursday 13 June 2019. For the purposes of determining which persons are entitled to attend or vote at the meeting, members entered on the Company's register of members at 6p.m. on Thursday 13 June have the right to attend and vote at the meeting.

Being different works. In fact, it's given us eight straight years of growth. So we intend to keep building our business by changing things up, looking for new ideas and doing what nobody's done before. More inspiration, more innovation, more collaboration...

...but never, ever more of the same.

We're always looking for the extraordinary.
Fresh ideas that deliver fantastic results.

Advisors

Company Registration Number:
05733632

Registered Office:
36 Percy Street
London
W1T 2DH

Nominated Advisor and Broker:
Shore Capital Stockbrokers Limited
14 Clifford Street
London
W15 4JU

Auditors:
PKF Francis Clark
Statutory Auditor
Centenary House
Peninsula Park
Rydon Lane
Exeter
EX2 7XE

Registrars:
Neville Registrars
Neville House
Steelpark Road
Halesowen
B62 8HD

Company Secretary:
Peter Fitzwilliam
The Mission Marketing Group plc
36 Percy Street
London
W1T 2DH

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