ANNUAL REPORT.

MISSION

For the year ended
31 December 2019

The alternative group for **ambitious brands.**

MISSION is a collective of creative Agencies led by entrepreneurs who encourage an independent spirit. Employing 1,150 people in the UK, Europe, Asia and US, the Group combines the expertise of Integrated and Specialist Agencies to bring commercially effective solutions to business challenges.

Contents

The alternative group for **ambitious brands.**

We're not alternative for its own sake, we just believe we've found a better way to help brands thrive.
By collaborating because it does good, not because it looks good.
By being close to our Clients, not the right address. By giving our Agencies freedom, not instructions.
By listening, before we talk.
By creating and sharing innovation not as a means to impress, but for the benefit of brands. And by treating every Client like our first.

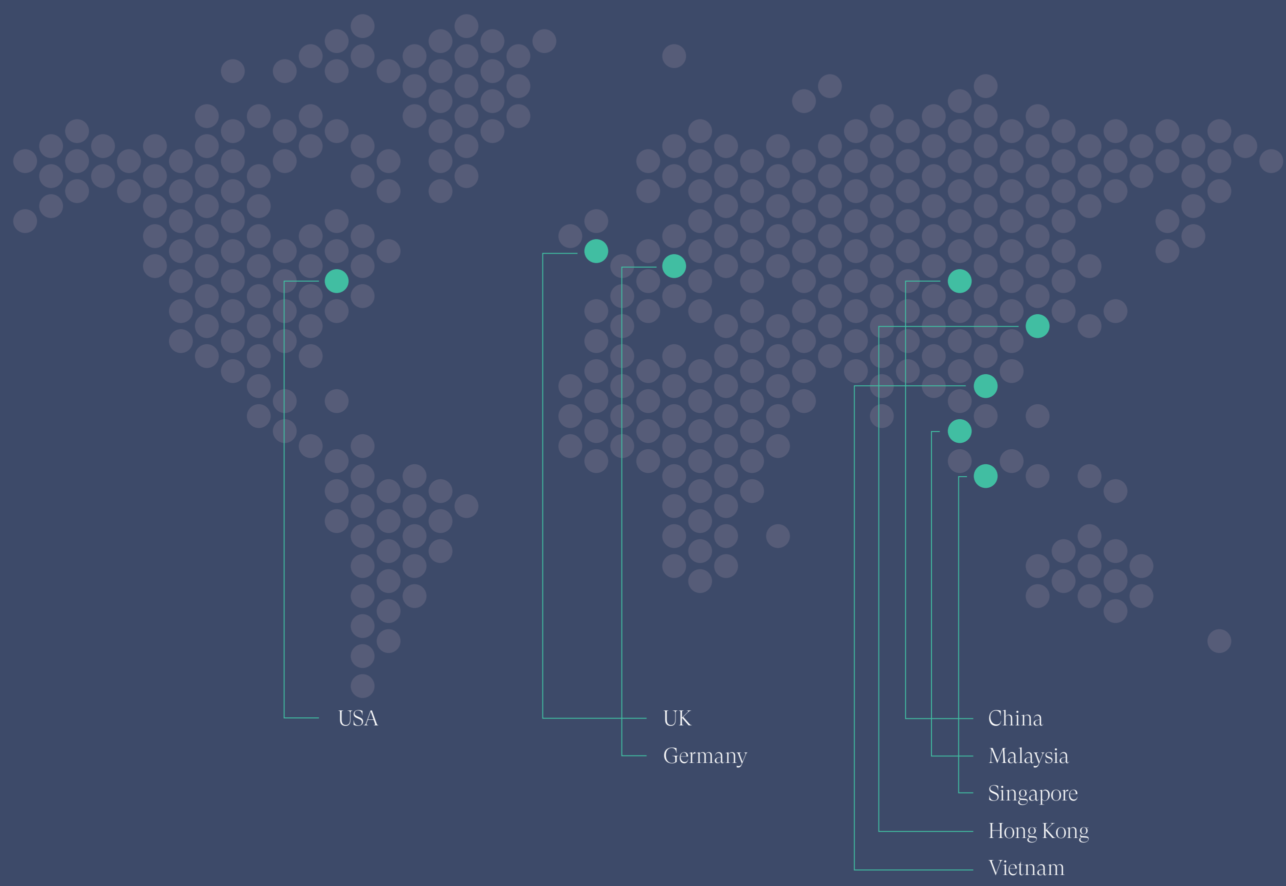
OFFICES IN

China • Germany • Hong Kong • Malaysia
Singapore • UK • USA • Vietnam

31
offices

1,150
people

Alternative Investment Market



HOW WE WORK: COLLECTIVE SPECIALISTS

Collaboration drives everything we do. We curate the best possible expertise from across our Group to deliver tailored talent to meet the needs of every project and Client. To make this process even more effective, we've organised our network into distinct service areas.

MISSION INTEGRATED AGENCIES

offer a full range of creative services across all sectors.

bray leino
A brand-building pioneer, operating from Devon, Bristol, US and Asia.

CHAPTER
Large Agency expertise, small Agency agility. Based in the Midlands.

.krow
A 200-strong full-service creative powerhouse with four UK offices.

'story'
A Northern-based award-winning Agency working with leading consumer brands.

MISSION INDUSTRY AGENCIES

are deep specialists in particular industries.

aprilsix
Supporting leading technology and mobility brands, with an international footprint.

mongoose
A leading sports, leisure and entertainment marketing Agency.

RJW&partners
Providing pricing and market access support to pharma and medical brands.

SOLARIS health
A specialist medical communications Agency.

thinkbdw
The UK's leading integrated property marketing Agency.

MISSION COMMUNICATIONS

delivers expertise in specialist services.

PROMOTIONS & EVENTS

bray leino

mongoose

MEDIA & PR

bray leino

SPEED

thinkbdw

PRODUCTIONS

thinkbdw

MISSION ADVANTAGE

offers expertise that is shared across all parts of the Group.

ETHOLOGY
A Customer Experience consultancy.

fuse
Embracing emerging technologies to create transformative hardware and software products.

MISSION SHARED SERVICES
Providing Finance, HR, IT and Premises support across the Group.

OUR CLIENTS

Home to household names

We're proud to work with some of the most well-known and best-loved international brands. Some have been with us for years, others are new partnerships; but they're all using **MISSION** expertise to grow their businesses and strengthen their presence in the marketplace.

CLIENT RETENTION

Proportion of revenue earned from long-standing Clients.

50% 5 years or more

30% 10 years or more

20% 20 years or more

FINANCIAL HIGHLIGHTS

Revenue (Operating Income) up

4%

to £81.0m (2018: £77.6m)

Headline Operating Margins increased to

13.3%

(2018: 12.8%)

Headline Profit Before Tax up

11%

to £10.2m (2018: £9.2m)

Headline EPS up

9%

to 9.47 pence (2018: 8.67 pence)

10%

DIVIDEND UP

Final dividend under review

ADJUSTED* BANK DEBT LEVERAGE RATIO MAINTAINED BELOW X0.5

* pre-IFRS 16

all from continuing operations (i.e. excluding BroadCare)

OPERATIONAL HIGHLIGHTS

Our dynamic way of working produced some impressive operational highlights in 2019.

Cross-Agency collaboration to grow and strengthen our Client relationships.

Through increased collaboration across our specialist Agencies, we're able to build stronger and more effective Client relationships.

MISSION Agency krow had been working with DFS, Britain's biggest living room furniture retailer, since 2011. To reposition them from a value brand to a name synonymous with quality, they worked with two other **MISSION** Agencies to deliver their powerful campaign across every touchpoint, from broadcast to hyper-targeted cross-platform communications. Successfully changing brand perceptions without dropping a sale.

Developing innovative technology to extend and differentiate our capabilities.

MISSION has a strong track record in embracing emerging technologies and transforming incubator ideas into successful commercial products.

One of our biggest innovations is Pathfindr. Originally conceived in 2015, but separately incorporated in 2019, this system provides Industry 4.0 Asset Tracking products and solutions to some of the most well-known names in global aerospace and manufacturing, including Rolls Royce. Pathfindr continued its strong progress during 2019, almost doubling its turnover.

Streamlining our Agency structure to optimise and improve our processes.

We want our Agencies to do more of what they do best. That's why we have refined our business structure to create a simplified, more effective service.

As part of this, October 2019 saw **MISSION** Agencies, krow and **big**dog seamlessly join forces to create a formidable full-service proposition for high-profile brands, including DFS, Fiat, Sky Vegas, Barclays and Aviva. Keeping the name krow, this creative powerhouse now has a 200-strong multi-discipline workforce across four UK offices.

Whilst the impact of Covid-19 on the global economy will inevitably impact on the Group's performance in the current financial year, the Board is confident that **MISSION** is well placed to continue to serve our Clients' needs and benefit from future opportunities when normal conditions return.

- David Morgan, Chairman

CHAIRMAN'S STATEMENT

RISING TO THE CHALLENGE

Given the well documented UK and sector challenges in 2019, I can only congratulate the people who run and work in our Agencies on a remarkable performance that delivered on forecast revenue and profit growth, thereby maintaining the upward progression that has been the hallmark of the rebirth of our Group for the last ten years.

2019 was undoubtedly a transitional year for the Group. Following the appointment of James Clifton, formerly CEO of our Agency **big**dog, as Group Chief Executive in April, **MISSION** has undergone a repositioning to reflect its coming of age as a real and credible challenger to the established agency networks. Our entrepreneurial spirit, driven culture and diverse offering makes **MISSION** more relevant than ever as brands seek alternatives to the traditional agencies.

MISSION's new identity has put business development at the heart of the Group, driving greater multi-Agency collaboration. At the same time, we have refined our business structure to create a simplified, more effective service offering. This has included mergers of some of our Agencies across the UK, including **big**dog and krow. The new-look **MISSION** celebrates and drives forward the Group's open, collaborative culture whilst aiming to retain the entrepreneurial spirit on which it has been built.

Profitable growth delivered during 2019 once again came from increased mandates from existing Clients, new Client wins and assignments and a continued focus on operating costs and margins. We are also very pleased to see continued good progress from our Pathfindr and wider Fuse initiatives. Giles Lee formally took on the role of Commercial Director at the start of the year, and new centralised initiatives and structures are already protecting and fuelling margin performance.

Board

As well as the appointment of James Clifton as Group CEO in April 2019, we also welcomed Barry Cook, one of the founding directors of krow, to **MISSION**'s Board in June. krow has been a terrific addition to the Group and I have every confidence in our leadership team and their ability to deliver going forward.

Dividend

The Board adopts a progressive dividend policy, aiming to grow dividends each year in line with earnings but always balancing the desire to reward our shareholders via dividends with the need to fund the Group's growth ambitions and maintain a strong balance sheet. When we published our Trading Update in January, it was our intention to pay a final dividend of 1.53 pence per share, bringing the total for the year to 2.3 pence per share, representing an increase of 10% over 2018. The Board has proposed a resolution for a final dividend in its AGM Notice, recognising how important the dividend is to our shareholders. However, in the light of the current economic uncertainty as a result of the impact of Covid-19 on the global economy, we will make a final decision as we approach the AGM on 15 June.

Outlook and Impact of Covid-19

2020 began well for **MISSION** and whilst we have been delighted with the early progress we have made against our plans, the Covid-19 pandemic has resulted in an unprecedented global trading environment to which few businesses are immune.

The health and well-being of our teams is our priority and we have taken decisive steps to protect them, in line with the Government guidance. The majority of our staff are used to working remotely therefore causing minimum disruption for our Client service and day to day operations.

Whilst the impact of Covid-19 on the global economy will inevitably impact on the Group's performance in the current financial year ending 31 December 2020, **MISSION** has a strong balance sheet and a resilient business model servicing a broad range of Clients operating across numerous sectors and geographies. As such, the Board is confident that **MISSION** is well placed to continue to serve our Clients' needs and benefit from future opportunities when normal conditions return.

David Morgan
Chairman
1 April 2020

As we work to develop our vision to be **the alternative group for ambitious brands,** we are placing increasing focus on the additive value that **MISSION** can bring to the entrepreneurial Agencies within our network.

- James Clifton, Group Chief Executive

CHIEF EXECUTIVE'S REVIEW

I am delighted to be leading **MISSION** during this exciting period for our business. Founded as a cooperative of like-minded entrepreneurs, over the last ten years **MISSION** has built an impressive track record. We have grown revenue and profit each year, winning prestigious and progressively bigger business from across our growing, blue-chip Client base and acquired new Agencies with fantastic reputations, strengthening our standing in our sector even further.

2019 has seen us continue to build on this strong momentum to deliver our 9th consecutive year of growth, despite a difficult trading backdrop during which Brexit uncertainty continued to hamper Client decision making and restrict budgets. Over the course of the year we also took stock of the progress that we have achieved to date, refining our growth plans as we look forward to 2020 and beyond.

Strategy

As a group of collaborative specialists, we are no longer purely a marketing communications group, selling our marketing wares. Instead we are a business partner to a broad portfolio of UK and international brands with a range of creative skills to help solve business challenges. In recognition of this, in September 2019 we announced the re-naming of our Group to The **MISSION** Group plc ("**MISSION** ") supported by a launch of the Group's vision, values and beliefs to our Clients, staff and the industry. This vision puts **MISSION** at the heart of both our business model and new business strategy as **the alternative group for ambitious brands.**

We see huge opportunity to grow our Client-partner relationships through increased collaboration across our Agencies and through the adoption of a more strategic approach to leveraging our global footprint.

I'm delighted that we have already seen early progress here, with an excellent example during the period being our work for leading UK sofa retailer DFS, through an integrated campaign led by krow supported by two other **MISSION** Agencies.

As we move forwards fostering a cohesive approach, we have refined our business structure to create a more effective service offering. This has included the merger of **big**dog and krow into a single integrated Agency, retaining the name krow; the expansion of Story into Leeds and Newcastle, taking on our Robson Brown Agency; and the merger of April Six and RLA into a single Agency to leverage both complementary skillsets and the existing April Six international footprint.

This transition has been smooth and we have been very pleased with the initial feedback from these Agencies. Through this simplified structure we now have an even stronger platform from which we can deliver further organic growth and identify the right acquisition opportunities to expand our capabilities and network both in the UK and overseas.

As we work to develop our vision to be **the alternative group for ambitious brands**, we are placing increasing focus on the additive value that **MISSION** can bring to the entrepreneurial Agencies within our network, helping them to unlock new growth opportunities and optimise their business operations. By the close of the year we had successfully completed the onboarding of all of the Agencies in our portfolio onto our shared services platform, giving them access to centralised functions such as Finance, IT and HR. We are also making further investments in our central platform to help underpin better collaboration across our network and expect to see the results of some of these initiatives start to flow through in the new financial year.

We will continue to build on our track record of embracing emerging technologies, providing our Agencies with access to these evolving capabilities through our central innovation hub Fuse. Here we bring together the most curious and creative minds from across our business, collaborating to create new software and hardware products. We have grown many of these incubator ideas into successful commercial products that not only bring value to the **MISSION** family of Agencies, but which in the case of BroadCare we were able to realise market value at sale. Some exciting new initiatives are in development, a couple of which should be ready for launch in 2020.

There is no doubt that within **MISSION** we have created unique skills and processes which enhance what we do for our Clients within an ever-changing marketplace. We truly believe we have found an alternative and better way to help our Clients.

Performance Overview

Despite a challenging trading environment as a result of the heightened level of political uncertainty, we were delighted to deliver a good full year performance.

Revenue increased 4% to £81.0m (2018: £77.6m), representing our ninth consecutive year of growth. Our profit margin (headline operating profit as a percentage of revenue) again improved, to 13.3% (2018: 12.8%), and headline profit improved by 11% to £10.2m (2018: £9.2m), all from our core business.

9TH
consecutive year of growth

Our Agencies performed well, with strong Client retention rates maintained and major new contracts won including Cummins Inc, Docker and Fuji Xerox. The structural refinements to our Agency portfolio were completed over the course of the final quarter of the year and we have been delighted with the smooth integration and the Client and employee feedback to date.

International expansion over the period continued to be Client-led, resulting in expansion into Seattle, Chicago and Beijing. In addition, we have recently opened an office in Munich, the Group's first opening in Mainland Europe.

We are also pleased with the progress of Mongoose Sports and Mongoose Promotions, our start-ups of three years ago, both of which moved into profit far earlier than we expected and continued to grow through the year.

During the course of the year we were particularly pleased with the progress achieved by Pathfindr, our embryonic asset tracking business, which nearly doubled its turnover to £0.9m (2018: £0.5m) as it expanded the installed base for its tracking devices and grew its customer numbers.

The time taken from initial quote and proof of concept to securing invoiced revenue has proven to be different, and longer, than for our Agency businesses, but the prospects for further growth in the coming years remain very strong.

Our People

The collaborative nature and entrepreneurial spirit that **MISSION** fosters is the cornerstone of our culture and we are particularly proud of the focus we place on developing our people, drawing great talent into our business from across the country and offering exciting career paths throughout the Group. Through the introduction of our new Strategic People Plan we have focused on our priority areas of Developing Talent, Supporting Performance, Reward and Recognition, Leadership and Development, Equality, Diversity and Inclusion and Organisational Development.

A particular highlight during 2019 was our new partnership with Creative Access. As part of our focus on promoting diversity within our own business, we recognise that people from BAME backgrounds are under-represented across our industry as a whole. This important initiative is focussed on helping to attract talent from more diverse backgrounds and to actively promote opportunities to join the Group. As part of this programme, senior leaders from across the Group will mentor young people from BAME backgrounds looking to progress in the industry.

With collaboration being a core focus for **MISSION**, we also launched Ignition, a Group-wide competition led by our Fuse business. This competition encourages new and innovative suggestions for tomorrow's products and services. The winning entrant receives backing from the Group to develop their idea into proof of concept, prototype and beyond, and the opportunity to participate personally in its commercial success.

At the time of writing, the world is changing rapidly. But as demonstrated by these results, **MISSION** is a diverse mix of collaborative specialists who work together to deliver real business growth for our Clients. It is exactly this ethos and approach that our Clients will continue to demand, arguably even more so, when the world returns to normality.

James Clifton
Group Chief Executive
1 April 2020

CHIEF FINANCIAL OFFICER'S REPORT

Despite a challenging trading environment as a result of the heightened level of political uncertainty, we were delighted to deliver a good full year performance.

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 retained its long term 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 set a limit for the ratio of net bank debt to EBITDA* of x1.5 and for the ratio of total debt (including both bank debt and deferred acquisition consideration) to EBITDA of x2.0.

*EBITDA is headline operating profit before depreciation and amortisation charges and before the impact of IFRS 16.

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.

Comparisons

The Group's BroadCare business was sold in November 2018 and, as a result, the following financial comparisons and commentary are based on like-for-like trading from continuing operations.

In addition, the Group has implemented IFRS 16: Leases and 2018 comparatives have been restated accordingly. The impact of IFRS 16 on the Group's net profitability is insignificant but the bringing onto the balance sheet of future lease commitments and the reclassification of operating lease costs into depreciation and interest costs affects EBITDA and leverage ratios. The impact of the application of IFRS 16 is included in Note 2 and, where significant, referred to in the following commentary.

TRADING PERFORMANCE

Overview

2019 saw revenue growth on continuing operations of 4%, all organic, an improvement in operating margins to 13.3% and growth in headline profit before tax of 11%. Debt leverage ratios remained comfortably within the Board's limits.

Billings and Revenue

Turnover (billings) was 7% higher than the previous year, at £171.1m (2018: £159.9m), but since billings include pass-through costs (e.g. TV companies' charges for buying airtime), the Board does not consider turnover to be a key performance measure for its Agencies. Instead, the Board views operating income (turnover less third-party costs) as a more meaningful measure of activity levels. The exception to this is Pathfindr, the Group's embryonic asset tracking business, where turnover is a more relevant measure to gauge progress over time and against relevant competitors.

Operating income (referred to as "revenue") increased 4% to £81.0m (2018: £77.6m), representing our ninth consecutive year of growth. 2019 was undoubtedly a challenging year given the considerable political uncertainty, and we were pleased that the mix of businesses in our portfolio was resilient against this backdrop.

All growth in the year came from our core business, since we made no acquisitions during 2019, and all of our different business activities showed year-on-year progress.

Pathfindr showed good progress during the year, nearly doubling its turnover to £0.9m (2018: £0.5m) as it expanded the installed base for its tracking devices and grew its customer numbers.

2019 saw revenue growth of 4%, an improvement in operating margins to 13.3% and growth in headline profit before tax of 11%.

- Peter Fitzwilliam, Chief Financial Officer

The time taken from initial quote and proof of concept to securing invoiced revenue has proven to be different, and longer, than for our Agency businesses, but the prospects for further growth in the coming years remain very strong.

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, acquisition adjustments and losses from start-up activities (as set out in Note 4).

Headline operating profit improved by 8% to £10.8m (2018: £9.9m), all from our core business. Our profit margin for the year (headline operating profit as a percentage of revenue) again improved, to 13.3% (2018: 12.8%). This was the result of several factors, including changes in mix between Agencies and lower central costs.

The bias of profitability towards the second half of the year as a consequence of Clients' spending patterns repeated itself again, with 66% (2018: 65%) of our operating profit generated in this period but, more than ever, Client spending came towards the end of the year.

Headline profit before tax

£10.2M

After £0.1m of profits from joint ventures (2018: £nil) and largely unchanged financing costs of £0.7m, headline profit before tax increased by 11% to £10.2m (2018: £9.2m).

Adjustments to reported profits, detailed further in Note 4, totalled £1.9m (2018: £1.5m), comprising acquisition-related items of £1.3m, up from £1.0m in 2018, reflecting the krow acquisition made during 2018, losses from start-up activities of £0.4m, up from £0.1m in 2018 as we expanded into China and Germany, and investment write-downs of £0.1m (2018: £0.3m). After these adjustments, reported profit before tax was £8.3m (2018: £7.7m).

Taxation

The Group's headline tax rate increased slightly, to 20.5% (2018: 20.1%). Consistent with previous years, the rate was above the statutory rate, mainly as a result of non-deductible trading losses and entertaining expenditure.

On a reported basis, the Group's tax rate was 22.5% (2018: 16.2%). The tax rate is expected to be consistently higher than the statutory rate (of 19.0%, unchanged from 2018) 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 in 2018 was 22.1%.

Earnings Per Share

Headline EPS increased by

9%

to 9.47 pence (2018: 8.67 pence)

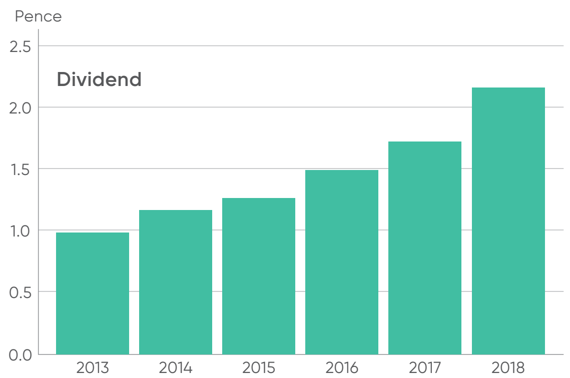
Headline EPS increased by 9% to 9.47 pence (2018: 8.67 pence) and, on a diluted basis, increased by 6% to 9.00 pence (2018: 8.46 pence). Growth in diluted EPS was lower than growth in profits due to the effect of the Growth Share Scheme, for which the performance condition was met during 2019.

After tax, reported profit for the year was £6.4m (2018: £6.0m) and EPS was 7.51 pence (2018: 7.08 pence). On a diluted basis, EPS was 7.14 pence (2018: 6.91 pence).

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 dividend progress in recent years is illustrated in the chart below



A dividend of 0.77 pence per share was paid in December 2019, representing a 10% increase over last year.

10%

The Board has proposed a resolution for a 10% higher final dividend of 1.53 pence per share in its AGM Notice, recognising how important the dividend is to our shareholders, but in the light of the coronavirus pandemic and the considerable uncertainty about both the severity and duration of its impact, will make a final decision in the light of prevailing circumstances as we approach the AGM on 15 June.

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 remained virtually unchanged during the year but in contrast, the level of total debt (combined net bank debt and acquisition obligations) reduced by £2.0m.

The Board undertakes an annual assessment of the value of all goodwill, explained further in Note 12, and at 31 December 2019 again concluded that no impairment in the carrying value was required.

The Group's acquisition obligations at the end of 2019 were £8.9m (2018: £11.8m), to be satisfied by a mix of cash and shares. All of this is dependent on post-acquisition earn-out profits. £3.3m is expected to fall due for payment in cash within 12 months and a further £3.7m in cash in the subsequent 12 months.

CASH FLOW

Net cash inflow from operating activities increased to £9.3m despite the back-ended nature of our trading which resulted in an increase in working capital requirements at the end of the year. This cash flow funded capital expenditure of £1.3m (2018: £1.0m), increased software development investment of £0.8m (2018: £0.4m), the settlement of contingent consideration obligations relating to the profits generated by previous acquisitions, totaling £2.7m (2018: £1.7m), and dividends of £1.8m (2018: £1.7m).

At the end of the year, the Group's net bank debt stood at £4.9m (2018: £4.0m). On an adjusted basis (pre-IFRS 16), the leverage ratio of net bank debt to headline EBITDA remained below x0.5 at 31 December 2019 (2018: x0.5). The Group's adjusted ratio of total debt, including remaining acquisition obligations, to EBITDA at 31 December 2019 remained unchanged at x1.1.

GOING CONCERN

As mentioned in our statement of Principal Risks & Uncertainties, in view of the UK political uncertainty and real possibility of a no-deal Brexit, we undertook a stress test on our banking facilities during the year to ensure that the Group could withstand an economic downturn of the magnitude experienced following the 2008 global financial crisis, when the Group's profits reduced by around 30%. The conclusion of this assessment was that the Group had sufficient facilities to withstand a repeat of similar magnitude.

The potentially more severe impact from the coronavirus pandemic has caused us to revisit that stress testing and to model various scenarios and the Group's ability to adapt and take mitigating actions. The consensus view at the time of writing is that there is likely to be a sharp slowdown in the second quarter of the year, with a recovery in H2. We have modelled downturns of differing severity and duration and concluded that the Group can weather the storm within its committed banking facilities, which have recently been increased to £20m.

Notwithstanding that conclusion, the Board has already taken, and will be taking further, mitigating actions. The Board has placed the final dividend due for payment in July under review and all Board members have voluntarily reduced their salaries.

Capital expenditure has been reduced to a minimum and the Group will seek to defer a proportion of its other commitments. The Group will also look to take advantage of the financial assistance being offered by the Government.

Together, these actions will result in additional headroom against our banking facilities and are considered sufficient to enable the Group to withstand the impact of Covid-19.

Peter Fitzwilliam
Chief Financial Officer
1 April 2020

PRINCIPAL 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. This could be caused by financial, political or, as witnessed in 2020, health crises. The effect of any of these would be likely to result in reduced volumes and profitability across our industry sector, and reduced cash flows.

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.

Political uncertainty

The uncertainty caused by the UK's decision to leave the EU continued throughout 2019, with the very real prospect of a no-deal Brexit. During the year, we undertook a stress test on our banking facilities to ensure that the Group could withstand an economic downturn of the magnitude experienced following the 2008 global financial crisis, when the Group's profits reduced by around 30%. The conclusion of this assessment was that the Group had sufficient facilities to withstand a repeat of similar magnitude.

Covid-19

The coronavirus presents a generic business risk in terms of interrupted supply chains, workforce sustainability and demand. As primarily a provider of services, **MISSION** has no material supply chain. The vast majority of our workforce is able to work effectively from home and maintain social distancing, thereby ensuring we remain open for business and minimise any disruption for our Clients whilst ensuring we take all the appropriate and recommended measures to protect our staff. The most significant risk to **MISSION** is the impact of a reduction in demand. We have recently updated our stress testing to model various scenarios and the Group's ability to adapt and take mitigating actions. This is described further in the Chief Financial Officer's Report. Our conclusion is that **MISSION** has the financial strength to weather the storm.

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 by the efforts of dedicated account teams, who strive to ensure the quality of work we do meets or exceeds our Clients' expectations at all times and who modify our approach when necessary. One measure of our success is that, in 2019, 50% of our revenue was again from Clients that have been with us for 5 years or more and over 20% from Clients of 20 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 was over 35%. 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. One measure of our success is that in some 95% of cases, the core management of our acquired businesses remains in place today.

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 our key business leaders. Another measure of our success is that, when the scheme matures in April 2020, we will have retained all but one of the 17 individuals. The Remuneration Committee is currently reviewing a suitable successor reward and retention scheme.

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.

STAKEHOLDER ENGAGEMENT

The Board takes its Companies Act Section 172 duty to promote the success of the Group very seriously and considers the Group's various stakeholders when making decisions.

SECTION 172 - PRINCIPAL DECISIONS

The principal decisions taken by the Board during the year were the appointment of a Group Chief Executive and the adoption of a new positioning, with associated values and beliefs. These decisions were taken with a view to strengthening and extending our relationships with Clients and staff. We expect our shareholders to benefit from these decisions as a result.

Rationale

After many years of strong collaboration and growth as a business, the Board concluded in 2019 that, in order to move into the next stage of the Group's development, **MISSION**'s structure needed to adapt without forfeiting our core entrepreneurial values.

The decision to appoint James Clifton to the new role of Group CEO established a new way of approaching Clients. Previously, all new business development was carried out by our Agencies, normally in collaboration with sister Agencies. James' appointment supplements this by establishing an explicit **MISSION**-led opportunity to curate focussed solutions to tackle Clients' business challenges from the entire range of **MISSION**-wide expertise. We expect this approach to further strengthen collaboration across the Group, allow us to access new and larger Clients, and provide a rewarding career for employees and increased business for our suppliers.

The decision to reposition the Group, and to drop "marketing" from our company name, came from a realisation that we had become much more than a marketing communications group. With a range of expertise that includes activities as diverse as running events for the Department for International Trade across the world, brokering sponsorship deals and creating sophisticated CGI, we are a business partner with a range of creative skills to help solve a range of different business challenges. We believe that this new positioning gives us a clearer identification in our industry and establishes values and beliefs that make it simpler and easier to work with us and for us. With this new focus, backed up by increased marketing activity on our own behalf, we believe that we will establish a greater awareness which in turn will attract new Clients and new talent.

Engagement

Ahead of James Clifton's appointment, David Morgan, on behalf of the Nomination Committee, took soundings from Board members and the CEOs of the Group's Agencies to confirm their support for his appointment.

At the launch of the new Group positioning, James Clifton held web-based Q&A sessions, open to all staff, to explain further the thinking behind the strategy, values and beliefs and to answer any immediate questions. These initial sessions have been followed up by in-person visits to individual Agencies, providing an opportunity for more substantive employee engagement.

A programme of engagement with shareholders, industry commentators and prospective Clients was launched at the same time. James sought feedback from investors via a post-launch roadshow and has also held one-on-one meetings and interviews with media contacts and a range of Clients and prospects. This engagement has provided positive feedback for the rebranding and re-positioning of the Group.

A "reverse pitch" initiative, offering ambitious brands the chance to win £50,000 of creative time by taking part in an independently-judged competition, is another example of an innovative and alternative way of engaging with prospective Clients and has generated very encouraging levels of interest.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") CONSIDERATIONS

MISSION is a collective of creative Agencies providing a range of marketing, advertising, promotional and consultative services. The Directors believe that the direct and indirect impact of these services on the environment is low. This is borne out by the S&P Global Ratings "Risk Atlas" (published 13 May 2019), which scores environmental and social exposure for different industry sectors on a scale of 1 (low) to 6 (high). The S&P score of 1 for both the media and business and consumer services sectors "reflects the low and indirect use of raw materials and relatively minimal waste output." Despite this relatively low impact, we continue to take action to reduce our environmental impact where viable, for example cycle to work schemes, moving towards only hybrid and electric vehicles, encouraging the use of Skype calls to reduce travel, permitting work-from-home to reduce commuting and environmental impact, encouraging our landlords to adopt carbon-reducing practices in the offices we occupy.

We are a people business and, as such, the more significant ESG consideration for **MISSION** is social. Our employee policies are set out in the following section, including specific focus on Diversity & Inclusion and Wellbeing & Community.

Governance issues are not specific to industry sectors but instead should be considered on a case by case basis. We include a separate Corporate Governance Report on page 32.

Employee Policies and Engagement

The Group has a Strategic People Plan with the aim of delivering professional and enabling People Services, aligned to the strategic priorities of the Group. The 6 strategic themes in the plan are: Talent (recruit and retain the best talent); Performance (encourage and recognise excellence); Reward and Recognition (develop a fair and best in class approach to pay and benefits); Leadership and Development (create a learning culture); Equality, Diversity and Inclusion (create an environment where everyone can thrive); and Organisational Development (support the Group to develop and grow).

Employee experience is at the heart of the plan and we seek to embed the Group values across all People Management deliverables. Individual Agencies held staff surveys and associated action planning. Employee forums were established in 2019 to promote the exchange of ideas and help identify ways that we can improve the employee experience. Two areas arising out of these surveys and forums were a desire to see progressive wellbeing strategies and improved communication and sharing of information.

Further insight into our activities in relation to wellbeing strategies is provided in the Diversity & Inclusion and Community Involvement sections below.

Building on previous years 2019 saw the Group CEO create a direct two-way dialogue with employees for sharing information about the Group via various media. These included videos with key messages about changes to the business, strategic direction and repositioning (see s172 statement for additional details). In addition, he hosted webinars for staff including the opportunity for all staff to be able to ask him questions directly. Face to face roadshows were also part of the offering and the whole approach has brought the Group identity much closer to our teams. In addition, the Board supported the introduction of an internal intranet to share news, and a "People Page" for the **MISSION** website, featuring People stories from around the Group, is under development.

Creating an Inclusive Culture

The Group is committed to promoting an inclusive culture. We go beyond the requirements of the Equality Act and our aim is to create an inclusive environment in which everyone can thrive. James Clifton, Group CEO, is leading this agenda from the front. We recognise that people from BAME backgrounds are under-represented across our industry and within our Group. 2019 saw us partner with Creative Access to promote the value of diversity amongst our teams and look at how we can attract talent from more diverse backgrounds. Via the Creative Access job board, we are actively promoting opportunities to join the Group. We also signed up to their mentoring scheme, whereby senior leaders from across the Group will mentor young people from BAME backgrounds looking to progress in the industry. To truly push this agenda, 36 senior leaders were trained in Inclusive Leadership in 2019, this included a focus on unconscious bias. During 2019 we created a Group Diversity and Inclusion Manifesto outlining commitment from the CEO and a plan of action for the next 3-5 years. A Diversity champion was also appointed at Board level.

A female senior leaders roundtable was established to debate challenges facing females in the industry and how we can ensure opportunity for all across every level of the Group. We recognise the importance of family life and have a range of flexible working opportunities and family-friendly policies that go beyond the legal minimum requirements. An audit in 2019 showed that we have over 140 different flexible working patterns across the Group. This demonstrates our commitment to enabling our People to combine family life with pursuing their careers.

During 2019 we established a robust, fair and inclusive approach to pay. Our methods are transparent and pay and bonuses based on merit and contribution.

Wellbeing and Community

We take a holistic view of supporting our People. Many of our Agencies have developed wellbeing initiatives. During 2019, this included a range of activities during mental health awareness week and the training of 36 mental health first aiders. Physical activity was also encouraged, ranging from gentle lunch time walks and yoga through to more strenuous activities and competitions.

There are many great examples of teams partnering with local charity and community initiatives close to their hearts. We believe in the importance of being good citizens/neighbours. 2019 saw the Group supporting local hospices, environment charities, charities for underprivileged children and homeless charities.

Stakeholder Engagement

As a service business, our very existence is dependent upon our ability to foster strong and mutually beneficial relationships with Clients and, in turn, with our employees who deliver the services our Clients require. These represent our primary stakeholders and our ability to satisfy their requirements ultimately determines our ability to provide attractive financial returns to shareholders. During 2020 we will be establishing formal measurements of Client satisfaction and referral ratings. We already know that our staff retention rate is better than the industry average, but we will be measuring this more actively in 2020 and the coming years.

Roughly 80% of our operating costs are employment-related, with the great majority of others being office and other establishment costs. Whilst we always seek to establish good relationships with our landlords, the decisions made by the management teams of our Agencies and by the PLC Board are predominantly focussed on Clients and employees. The Strategic Report provides more details on the principal decisions made by the Group during the year, their rationale and stakeholder engagement. Further information about employee engagement is set out above.

In addition to these financial metrics, the Group intends to formally start monitoring Client satisfaction and referral ratings, and staff retention ratios. KPIs for these measures will be developed during 2020.

THE BOARD

The following Directors represent the committee responsible for corporate governance compliance:

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 **MISSION** in April 2010. Before founding Bray Leino he worked in a number of London advertising agencies including Dorlands.

PETER FITZWILLIAM
CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Peter is a Chartered Accountant with 30 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 **MISSION** through its refinancing in April 2010 and joined the Board in September 2010.

JULIAN HANSON-SMITH
NON-EXECUTIVE DIRECTOR

Julian is 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 & 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 in August 2018.

Each of our Executive Directors has had a long career in marketing communications:

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 **MISSION** and James was appointed to the Board in October 2012. Recently James has chaired **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 krow and oversees creative output for the Agency. He had built a successful business by the age of 24 and this was used as the bedrock for the launch of Big Communications in 1996 which was acquired by **MISSION** in 2006. Dylan is a multi-award-winning creative and was appointed to the Board in April 2010. He also chairs the group-wide Creative Directors Forum.

BARRY COOK
EXECUTIVE DIRECTOR

Barry is Chairman of krow which he founded alongside John Quarrey, Malcolm White and Nick Hastings in 2005. Immediately prior to that he was Chairman of the London office of Leo Burnett. Previously he was at D'Arcy where he first met and partnered with Nick, as Managing Director and Creative Director respectively. During their tenure the agency won multiple creative awards at Cannes, D&AD, British Television as well as several APG and IPA Effectiveness Awards. krow was acquired by **MISSION** in 2018 and Barry was appointed to the Board on 17 June 2019.

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 **MISSION** in March 2007 and Robert joined the Board in April 2010. He was appointed Deputy Chairman of **MISSION** in 2018.

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 **MISSION** in July 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 **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.

Directors' Report - for the year ended 31 December 2019

The Directors have pleasure in presenting their report and the financial statements of The **MISSION** Group plc ("**MISSION**") for the year ended 31 December 2019. 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 0.77 pence per share, paid in December 2019, and have included a proposal for a final dividend of 1.53 pence per share, payable on 20th July 2020, in the Notice of Annual General Meeting. As referred to in the Chairman's Statement, a final decision on whether to proceed with this resolution, which is subject to approval by shareholders at the Annual General Meeting on 15th June 2020, will be taken in the light of prevailing conditions at the time. If approved, this would bring the total dividend for the year to 2.3 pence per share, representing a 10% increase on the prior year.

Risks and Uncertainties

The Strategic Report sets out the Group's principal operating risks and uncertainties. As an 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 it is appropriate to adopt the going concern basis in preparing the financial statements. Further information concerning the impact of Covid-19 is provided in the Chief Financial Officer's Report.

Directors

The following Directors held office during the year:

Dylan Bogg

James Clifton

Barry Cook – appointed 17 June 2019

Robert Day

Peter Fitzwilliam

Julian Hanson-Smith

Giles Lee

David Morgan

Sue Mullen

Andy Nash

Mike Rose – resigned 17 June 2019

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 2019	31 December 2018 or on appointment
Dylan Bogg	1,512,990	1,486,823
James Clifton	199,524	165,113
Barry Cook	156,667	156,667
Robert Day	5,153,524	5,153,524
Peter Fitzwilliam	712,209	698,461
Giles Lee	769,139	759,825
David Morgan	6,153,104	6,144,724
Sue Mullen	1,091,183	1,084,054
Andy Nash	50,000	50,000
Fiona Shepherd	1,016,857	1,000,073

Growth Share Scheme

A Growth Share Scheme was implemented on 21 February 2017, giving participants the opportunity to subscribe for Ordinary A shares in The Mission Marketing Holdings Limited (the "growth shares") at a nominal value. These could, subject to continued employment, be exchanged for an equivalent number of **MISSION** Ordinary Shares if **MISSION**'s share price were to equal or exceed 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 would 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. The performance condition attached to the scheme was met in June 2019 and, accordingly, holders of growth shares will be able to exchange shares following the announcement of **MISSION**'s 2019 results.

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 2019 and 31 December 2018
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
Fiona Shepherd	572,017

The following unexercised options over shares were held by Directors:

Directors	At 1 January 2019	Exercised in year	At 31 December 2019	Expiry date
Dylan Bogg	43,500	(26,167)	17,333	March 2025
James Clifton	43,500	(26,167)	17,333	March 2025
Robert Day	48,334	(32,778)	15,556	March 2025
Peter Fitzwilliam	25,000	(16,667)	8,333	March 2025
Giles Lee	61,000	(37,000)	24,000	March 2025
David Morgan	25,000	(16,667)	8,333	March 2025
Sue Mullen	15,000	(11,667)	3,333	March 2025
Fiona Shepherd	40,000	(31,667)	13,333	March 2025

All unexercised share options at 31 December 2019 are nil-cost options granted in 2015 under the Company's Long Term Incentive Plan and will vest in equal instalments in April 2020 and April 2021 subject only to continuing employment. Following the introduction of the Growth Share Scheme in February 2017, no nil-cost options have subsequently been awarded to Directors.

Substantial Shareholdings

Other than the Directors' interests disclosed above, as at 1 April 2020, notification had been received of the following interests in 3% or more of the issued share capital of the Company:

	Number of shares	%
Herald Investment Management Ltd	**5,778,239**	**6.8**
BGF Investment Management Limited	**4,713,501**	**5.5**
Objectif Investissement Microcaps FCP	**4,230,477**	**5.0**
Polar Capital Forager Fund Ltd	**3,655,000**	**4.3**

Share Capital

The issued share capital of the Company at the date of this report is 85,295,565 Ordinary shares. The total number of voting rights in the Company is 85,295,565.

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 the 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 Financial Reporting Council has advised that the global pandemic Covid-19 is not an adjusting post-balance sheet event for 31 December 2019 financial statements and the financial statements have accordingly been prepared on this basis. Further comments on the potential impact of Covid-19 and the actions being taken by the Group to mitigate its effect can be found in the Strategic Report.

Stakeholder Engagement

The Company's Section 172 statement and other details of stakeholder and employee engagement are set out in the Stakeholder Engagement report.

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 15 June 2020 at 12 noon is enclosed with this report.

On behalf of the Board
Peter Fitzwilliam
Chief Financial Officer
1 April 2020

Corporate Governance Report

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

MISSION is a collective of creative Agencies led by entrepreneurs who encourage an independent spirit. Our aims and ambitions are set out in the Strategic Report. Unlike many other groups, our Agencies, which have mainly come into the Group via acquisition, retain their original personnel, cultures and business practices. **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. The role of the Board 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 **MISSION** and much of our time as a Board of Directors is devoted to exploring how this collaboration is optimised.

Board of Directors

The Board has a balance of sector, financial and public markets skills and experience. Brief profiles of each member of the Board are set out on pages 26 and 27. 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 Chief Financial Officer 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 and ensuring that a strong independent voice is present during Board discussions. During 2019, we separated the roles of Chair and Chief Executive, with James Clifton taking on the responsibility, as Group Chief Executive, for implementing the Group's strategy, driving growth, building our brand and delivering sustainable shareholder value. As a consequence, my role as Chairman is increasingly a Non-Executive position.

As well as fulfilling the role of Chief Financial Officer, 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.

Formal evaluations of Board effectiveness are held on a biennial basis. The most recent evaluation took place during 2018 and involved a combination of self-evaluation and one-to-one interviews with individual Board members to seek objective feedback on the balance of skills, behaviours and effectiveness of the Board as a whole, the Chair and other Board members. The next evaluation is due to take place during 2020.

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 Chief Financial Officer 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 and are required to seek re-election every three years.

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 which sets out the auditors' proposed audit approach, and the Audit Completion Report, towards the conclusion of the audit fieldwork, which highlights the main matters considered and arising from the audit work.

During the year, the Committee reviewed the monitoring and management of risk throughout the Group and requested that this be formalised though the adoption of a risk register and that a range of risks beyond financial matters be considered. This work is ongoing.

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, a specific matter considered in relation to the 2019 annual report was the impact of IFRS 16: Leases, which applied for the first time to the Group's 2019 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. The nature of this work was again predominantly corporate finance advice and financial due diligence in relation to prospective acquisitions and not related to areas of significant judgement in the accounts. The work was not carried out by the audit team, the value of this work was not significant in relation to the size of the audit fee, the basis for charging was based on hourly involvement and no fees were contingent on outcome. As a consequence, the Committee is satisfied that the auditors' objectivity and independence was not impaired by their non-audit services.

Remuneration Committee

As outlined in the Strategic Report, strong Client relationships and quality of staff are key factors in the success of **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 Andy Nash as Chairman. The Committee determines the remuneration of the Executive Directors and makes recommendations to the Board with regard to remuneration policy and related matters.

The 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. This includes setting the profit targets which trigger annual performance-related cash bonuses and approving the allocation of incentives to individuals. The Committee undertook a detailed review of the Group's incentives during 2018, implementing various changes as a result (as set out in last year's annual report) and no further refinements were considered necessary in 2019. The Remuneration Committee is actively considering an appropriate incentive and retention arrangement to introduce once the 2017 Growth Share Scheme has matured in April 2020.

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 both the Group's financial performance and individual Agency performance, and takes place alongside the finalisation of the annual results.

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's main activity during 2019 was to consider the creation of a new role, Group CEO, and further information was set out in last year's annual report. During 2019, the Committee considered whether the vacancy at the Board table, created by Mike Rose's resignation, should be filled. Given the significance of recently acquired krow to the Group, and Barry Cook's experience of operating in senior roles in large network agency groups, the Committee decided to invite Barry, one of the krow founders, to join the Board.

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	8	n/a	n/a	n/a	n/a
James Clifton	9	9	n/a	n/a	n/a	n/a
Barry Cook	5	3	n/a	n/a	n/a	n/a
Robert Day	9	8	n/a	n/a	n/a	n/a
Peter Fitzwilliam	9	8	n/a	n/a	n/a	n/a
Julian Hanson-Smith	9	7	2	2	3	3
Giles Lee	9	9	n/a	n/a	n/a	n/a
David Morgan	9	8	n/a	n/a	n/a	n/a
Sue Mullen	9	8	n/a	n/a	n/a	n/a
Andy Nash	9	9	2	2	3	3
Mike Rose	4	0	n/a	n/a	n/a	n/a
Fiona Shepherd	9	8	n/a	n/a	n/a	n/a

Shareholder Communication

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 contact information and answers to frequently asked questions.

Formal meetings with institutional fund managers and wealth managers take place throughout the year, but concentrated on the periods following our interim and full year results announcements. 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.

James Clifton, Peter Fitzwilliam and myself are, between us, 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.

Corporate Culture

The repositioning of the Group in 2019 included a statement of corporate values in order to establish clearly for all stakeholders what we stand for and how we behave. These values are: invested, accountable, connected, progressive and human. However, culture is defined as the internal expression of brand purpose. In the same document we stated our brand purpose or Vision as *"the preferred creative partner for real business growth"*. This was supported by a summary of our personality: *"We are a challenger brand. So we try harder. We look for solutions where others see problems. We are connected by the ambition to deliver amazing results for our Clients. We are driven by the entrepreneurial spirit that runs through our veins. We celebrate diversity and treat others how we would wish to be treated ourselves."* This is the culture to which we aspire.

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 informal contact between meetings.

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
1 April 2020

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

Opinion

We have audited the financial statements of The MISSION Group plc (the "Group") for the year ended 31 December 2019, 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 2019 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 and Parent 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.

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.

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.

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 2019, the carrying value of goodwill in the Group balance sheet was £92m (2018: £92m). 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.

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.

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

Materiality Measure	Group
Overall materiality	£511,000
Basis for determination	5% of profit before tax, adjusting for headline items
Misstatements reported to the audit committee	£15,000

Range of materiality at 11 components subject to full scope audits:
£53,000 - £348,000

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 11 to full scope audits, of which 6 were performed by component auditors, and 7 to specific audit procedures. 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 81% of the Group's consolidated operating income and 86% 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 range from 10% to 68% 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 pages 30 and 31, 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

1 April 2020

Consolidated Income Statement
For the year ended 31 December 2019

	Note	Year to 31 December 2019 £'000	Continuing operations 2018 (Restated) £'000	Discontinued operations 2018 £'000	Total Year to 31 December 2018 (Restated) £'000
TURNOVER	3	**171,091**	159,916	1,476	161,392
Cost of sales		**(90,119)**	(82,331)	(221)	(82,552)
OPERATING INCOME	3	**80,972**	77,585	1,255	78,840
Headline operating expenses		**(70,219)**	(67,666)	(776)	(68,442)
HEADLINE OPERATING PROFIT		**10,753**	9,919	479	10,398
Acquisition adjustments	4	**(1,320)**	(1,010)	–	(1,010)
Start-up costs	4	**(431)**	(139)	–	(139)
(Loss) / profit on investments	4	**(109)**	(312)	2,981	2,669
OPERATING PROFIT		**8,893**	8,458	3,460	11,918
Share of results of associates and joint ventures		**69**	(1)	–	(1)
PROFIT BEFORE INTEREST AND TAXATION		**8,962**	8,457	3,460	11,917
Net finance costs	6	**(668)**	(735)	–	(735)
PROFIT BEFORE TAXATION	7	**8,294**	7,722	3,460	11,182
Taxation	9	**(1,868)**	(1,710)	(96)	(1,806)
PROFIT FOR THE YEAR		**6,426**	6,012	3,364	9,376
Attributable to:					
Equity holders of the parent		**6,314**	5,901	3,364	9,265
Non-controlling interests		**112**	111	–	111
		6,426	6,012	3,364	9,376
Basic earnings per share (pence)	11	**7.51**	7.08	4.04	11.12
Diluted earnings per share (pence)	11	**7.14**	6.91	3.94	10.85
Headline basic earnings per share (pence)	11	**9.47**	8.67	0.46	9.13
Headline diluted earnings per share (pence)	11	**9.00**	8.46	0.45	8.90

2018 comparative information has been restated in all primary statements and notes to the financial statements following the adoption of IFRS 16 (see Note 2).

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	Year to 31 December 2019 £'000	Continuing operations 2018 (Restated) £'000	Discontinued operations 2018 £'000	Total Year to 31 December 2018 (Restated) £'000
PROFIT FOR THE YEAR	**6,426**	6,012	3,364	9,376
Other comprehensive income – items that may be reclassified separately to profit or loss:				
Exchange differences on translation of foreign operations	**(50)**	73	–	73
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6,376**	6,085	3,364	9,449
Attributable to:				
Equity holders of the parent	**6,285**	5,933	3,364	9,297
Non-controlling interests	**91**	152	–	152
	6,376	6,085	3,364	9,449

Consolidated Balance Sheet
As at 31 December 2019

	Note	As at 31 December 2019 £'000	As at 31 December 2018 (Restated) £'000
FIXED ASSETS			
Intangible assets	12	95,859	96,121
Property, plant and equipment	14	3,225	3,125
Right of use assets	15	8,135	7,733
Investments in associates and joint ventures	16	177	-
Deferred tax assets		-	23
		107,396	107,002
CURRENT ASSETS			
Stock		1,091	850
Trade and other receivables	17	40,998	39,727
Cash and short term deposits	18	5,028	5,899
		47,117	46,476
CURRENT LIABILITIES			
Trade and other payables	19	(36,015)	(37,060)
Corporation tax payable		(742)	(668)
Acquisition obligations	22	(3,424)	(3,258)
		(40,181)	(40,986)
NET CURRENT ASSETS		6,936	5,490
TOTAL ASSETS LESS CURRENT LIABILITIES		114,332	112,492
NON CURRENT LIABILITIES			
Bank loans	20	(9,927)	(9,886)
Lease liabilities	21	(6,229)	(6,022)
Acquisition obligations	22	(5,458)	(8,537)
Deferred tax liabilities		(417)	(451)
		(22,031)	(24,896)
NET ASSETS		92,301	87,596
CAPITAL AND RESERVES			
Called up share capital	23	8,530	8,436
Share premium account		43,015	42,506
Own shares	24	(659)	(299)
Share-based incentive reserve	25	700	498
Foreign currency translation reserve		88	117
Retained earnings		40,021	35,826
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		91,695	87,084
Non-controlling interests		606	512
TOTAL EQUITY		92,301	87,596

The financial statements were approved and authorised for issue on 1 April 2020 by the Board of Directors. They were signed on its behalf by:

Peter Fitzwilliam, Chief Financial Officer
Company registration number: 05733632

Consolidated Cash Flow Statement
For the year ended 31 December 2019

	Year to 31 December 2019 £'000	Year to 31 December 2018 (Restated) £'000
Operating profit	8,893	11,918
Depreciation and amortisation charges	4,832	4,738
Movements in the fair value of contingent consideration	433	(67)
Profit on disposal of property, plant and equipment	(49)	(5)
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	215	183
Increase in receivables	(1,271)	(2,022)
Increase in stock	(241)	(182)
Decrease in payables	(1,106)	(210)
OPERATING CASH FLOWS	11,706	11,684
Net finance costs paid	(626)	(826)
Tax paid	(1,805)	(1,906)
Net cash inflow from operating activities	9,275	8,952
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	151	30
Purchase of property, plant and equipment	(1,472)	(1,014)
Investment in software development	(848)	(377)
Proceeds from disposal of BroadCare	-	4,099
Acquisition of subsidiaries	-	(2,990)
Acquisition of investments in associates and joint ventures	(108)	-
Payment relating to acquisitions made in prior years	(2,731)	(1,748)
Cash disposed of and costs of disposal of BroadCare	-	(584)
Cash acquired with subsidiaries	-	553
Net cash outflow from investing activities	(5,008)	(2,031)
FINANCING ACTIVITIES		
Dividends paid	(1,831)	(1,546)
Dividends paid to non-controlling interests	-	(149)
Repayment of lease liabilities	(2,579)	(2,446)
Repayment of bank loans	-	(3,125)
Issue of shares to minority interests	3	-
(Purchase) / sale of own shares held in EBT	(681)	311
Net cash outflow from financing activities	(5,088)	(6,955)
Decrease in cash and cash equivalents	(821)	(34)
Exchange differences on translation of foreign subsidiaries	(50)	73
Cash and cash equivalents at beginning of year	5,899	5,860
Cash and cash equivalents at end of year	5,028	5,899

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Own shares £'000	Share-based incentive reserve £'000	Foreign currency translation reserve £'000	Retained earnings (Restated) £'000	Total attributable to equity holders of parent (Restated) £'000	Non-controlling interest £'000	Total equity (Restated) £'000
At 1 January 2018	**8,436**	**42,506**	**(602)**	**341**	**85**	**28,072**	**78,838**	**509**	**79,347**
Profit for the year	–	–	–	–	–	9,265	9,265	111	9,376
Exchange differences on translation of foreign operations	–	–	–	–	32	–	32	41	73
Total comprehensive income for the year	–	–	–	–	32	9,265	9,297	152	9,449
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**	**35,826**	**87,084**	**512**	**87,596**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**6,314**	**6,314**	**112**	**6,426**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**(29)**	**-**	**(29)**	**(21)**	**(50)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(29)**	**6,314**	**6,285**	**91**	**6,376**
New shares issued	**94**	**509**	**-**	**-**	**-**	**-**	**603**	**3**	**606**
Share option charge	**-**	**-**	**-**	**127**	**-**	**-**	**127**	**-**	**127**
Growth share charge	**-**	**-**	**-**	**75**	**-**	**-**	**75**	**-**	**75**
Own shares purchased	**-**	**-**	**(681)**	**-**	**-**	**-**	**(681)**	**-**	**(681)**
Shares awarded and sold from own shares	**-**	**-**	**321**	**-**	**-**	**(288)**	**33**	**-**	**33**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**(1,831)**	**(1,831)**	**-**	**(1,831)**
At 31 December 2019	**8,530**	**43,015**	**(659)**	**700**	**88**	**40,021**	**91,695**	**606**	**92,301**

Notes to the Consolidated Financial Statements

1. Principal Accounting Policies

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.

1. Principal Accounting Policies - *continued*

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.

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 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 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 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.

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.

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 by reference to timesheets in relation 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.

1. Principal Accounting Policies – *continued*

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

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.

Leases

The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

The lease liability is presented as a separate line in the Consolidated Balance Sheet. The lease liability is initially measured at the present value of all future lease payments, discounted at the rate implicit in the lease, or if this rate is not readily determined, the incremental borrowing rate of the Group. Lease payments included in the measurement of the lease liability include:

- fixed and variable lease payments, less any lease incentives;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount by any lease payments made.

The Group remeasures the lease liability and makes a corresponding adjustment to the related right of use asset whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease

in which case the liability is remeasured by discounting the revised lease payments using a revised discount rate. The Group did not make any such adjustments during the periods presented.

The right of use assets are presented as a separate line in the Consolidated Balance Sheet. The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day of the lease and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right of use asset.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset, unless a lease transfers ownership of the underlying asset or the cost of the right of use assets reflects that the Group expects to exercise a purchase option, in which case the right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at commencement 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

The Group has adopted IFRS 16 Leases for the first time. The impact on the financial statements of this new standard is detailed in Note 2.

2. Adoption of IFRS 16 Leases

The Group has applied IFRS 16 Leases for the first time, using the full retrospective approach, with restatement of comparative information. IFRS 16 changes how the Group accounts for leases previously classified off balance sheet as operating leases under IAS 17, by removing the distinction between operating and finance leases and requiring the recognition of a right of use asset and a lease liability at the commencement of all leases except for short term leases and leases of low value assets.

Applying IFRS 16 for all leases (except as noted below), the Group:

- recognises right of use assets and lease liabilities in the Consolidated Balance Sheet, initially measured at present value of future lease payments;
- recognises depreciation on right of use assets and interest on lease liabilities in the Consolidated Income Statement; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Consolidated Cash Flow Statement.

For short term leases (lease term of 12 months or less) and leases of low value assets (such as computer equipment), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within operating expenses in the Consolidated Income Statement.

Financial impact of initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior year.

The impact of IFRS 16 on the Group's profitability is insignificant, with the primary impact being one of reclassification: from operating lease expenses to depreciation and interest costs. The impact on the balance sheet is to recognise the Group's operating lease commitments, most of which relate to Agencies' premises rentals and which were previously reported in the Notes to the financial statements, as assets and liabilities on the face of the balance sheet. The value of these right of use assets and corresponding liabilities will fluctuate over time as lease terms expire and new leases are entered into.

Impact on profit or loss

	Note	Year to 31 December 2019 £'000	Year to 31 December 2018 £'000
Decrease in operating lease expenses	i	**2,766**	2,649
Increase in depreciation expense	i	**(2,396)**	(2,194)
Increase in headline operating profit		**370**	455
Increase in finance costs	i	**(272)**	(266)
Increase in headline PBT, headline PAT and profit for the period		**98**	189

Impact on earnings per share

Impact on earnings per share	Year to 31 December 2019	Year to 31 December 2018
Increase in reported and headline earnings per share:		
Basic earnings per share (pence)	**0.12**	0.23
Diluted earnings per share (pence)	**0.11**	0.22

The above increases apply to both earnings per share from total operations and earnings per share for continuing operations. There is no change in earnings per share from discontinued operations.

Impact on assets, liabilities and equity as at 1 January 2018

	Note	As previously reported £'000	IFRS 16 adjustments £'000	As restated £'000
Property, plant and equipment	ii	3,489	(219)	3,270
Right of use assets	i, ii	-	8,016	8,016
Impact on total assets			7,797	
Other creditors and accruals	iii	(9,845)	(246)	(10,091)
Short term lease liabilities	i	(86)	(2,227)	(2,313)
Long term lease liabilities	i	(129)	(6,131)	(6,260)
Impact on total liabilities			(8,604)	
Retained earnings		28,879	(807)	28,072

Impact on assets, liabilities and equity as at 31 December 2018

	Note	As previously reported £'000	IFRS 16 adjustments £'000	As restated £'000
Goodwill	iv	91,354	398	91,752
Property, plant and equipment	ii	3,250	(125)	3,125
Right of use assets	i, ii	-	7,733	7,733
Impact on total assets			8,006	
Other creditors and accruals	iii	(9,623)	(224)	(9,847)
Short term lease liabilities	i	(90)	(2,417)	(2,507)
Long term lease liabilities	i	(39)	(5,983)	(6,022)
Impact on total liabilities			(8,624)	
Retained earnings		36,444	(618)	35,826

2. Adoption of IFRS 16 Leases - *continued*

Impact on assets, liabilities and equity as at 31 December 2019

	Note	As if IAS 17 still applied £'000	IFRS 16 adjustments £'000	As restated £'000
Goodwill	iv	91,354	398	91,752
Property, plant and equipment	ii	3,294	(69)	3,225
Right of use assets	i, ii	-	8,135	8,135
Prepayments	iii	2,802	(43)	2,759
Impact on total assets			8,421	
Other creditors and accruals	iii	(9,154)	(179)	(9,333)
Short term lease liabilities	i	(42)	(2,533)	(2,575)
Long term lease liabilities	i	-	(6,229)	(6,229)
Impact on total liabilities			(8,941)	
Retained earnings		40,541	(520)	40,021

Notes:

i The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right of use assets and lease liabilities. It also resulted in a decrease in operating leases expenses and an increase in depreciation and interest expenses.

ii Equipment under finance lease arrangements previously presented within property, plant and equipment is now presented within the line item right of use assets. There has been no change in the amount recognised.

iii Amounts previously recorded in prepayments or accruals under IAS 17 as a result of differences between operating lease expenses recognised and amounts paid have been derecognised and the amount factored into the measurement of the lease liability. The recognition of accruals for dilapidation costs has also been adjusted and the amount factored into the measurement of the right of use assets.

iv Goodwill of companies acquired after 1 January 2018 has been impacted as a result of the change in net assets as at acquisition date arising from the application of IFRS 16.

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

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

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

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

As contracts typically have an original expected duration of less than one year, the full amount of the accrued income balance at the beginning of the year is recognised in 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.

3. 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 2019 £'000	Year to 31 December 2018 £'000
From continuing operations		
UK	**72,228**	68,519
USA	**4,618**	4,005
Asia	**4,103**	5,061
Rest of Europe	**23**	-
	80,972	77,585
From discontinued operations		
UK	**-**	1,255
From continuing and discontinued operations		
UK	**72,228**	69,774
USA	**4,618**	4,005
Asia	**4,103**	5,061
Rest of Europe	**23**	-
	80,972	78,840

4. 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: acquisition-related items, start-up costs and profit / loss on investments.

	Year ended 31 December 2019 £'000		Year ended 31 December 2018 (Restated) £'000	
	PBT £'000	**PAT £'000**	PBT £'000	PAT £'000
From continuing operations				
Headline profit	**10,154**	**8,075**	9,183	7,334
Acquisition-related items (Note 5)	**(1,320)**	**(1,200)**	(1,010)	(895)
Start-up costs	**(431)**	**(358)**	(139)	(115)
Write off of investments and associates	**(109)**	**(91)**	(312)	(312)
Reported profit	**8,294**	**6,426**	7,722	6,012
From discontinued operations				
Headline profit	**-**	**-**	479	383
Profit on sale of BroadCare	**-**	**-**	2,981	2,981
Reported profit	**-**	**-**	3,460	3,364
From continuing and discontinued operations				
Headline profit	**10,154**	**8,075**	9,662	7,717
Profit on sale of BroadCare	**-**	**-**	2,981	2,981
Acquisition-related items (Note 5)	**(1,320)**	**(1,200)**	(1,010)	(895)
Start-up costs	**(431)**	**(358)**	(139)	(115)
Write off of investments and associates	**(109)**	**(91)**	(312)	(312)
Reported profit	**8,294**	**6,426**	11,182	9,376

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 2019 relate to the launches of April Six's new venture in Germany and Story's new venture in Leeds, and trading losses at April Six's China operation. Start-up costs in 2018 related to April Six's venture in China and trading losses at Mongoose Promotions (now profitable).

5. Acquisition Adjustments

	Year to 31 December 2019 £'000	Year to 31 December 2018 £'000
Amortisation of other intangibles recognised on acquisitions	(870)	(915)
Movement in fair value of contingent consideration	(433)	67
Acquisition transaction costs expensed	(17)	(162)
	(1,320)	(1,010)

The movement in fair value of contingent consideration relates to a net upward (2018: downward) 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 2019 £'000	Year to 31 December 2018 (Restated) £'000
Interest on bank loans and overdrafts, net of interest on bank deposits	(351)	(394)
Amortisation of bank debt arrangement fees	(41)	(66)
Interest expense on lease liabilities	(276)	(275)
Net finance costs	(668)	(735)

7. Profit Before Taxation

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

	Year to 31 December 2019 £'000	Year to 31 December 2018 (Restated) £'000
Depreciation of owned tangible fixed assets	1,270	1,164
Depreciation expense on right of use assets	2,452	2,228
Amortisation of intangible assets recognised on acquisitions	870	915
Amortisation of other intangible assets	240	371
Expense relating to short term leases	77	108
Expense relating to low value leases	23	40
Income from subleasing right of use assets	(30)	-
Staff costs (see Note 8)	52,931	51,363
Bad debts and net movement in provision for bad debts	(3)	27
Auditors' remuneration	205	271
Loss / (gain) on foreign exchange	160	(114)

Auditors' remuneration may be analysed by:

	Year to 31 December 2019 £'000	Year to 31 December 2018 £'000
Audit of Group's annual report and financial statements	42	41
Audit of subsidiaries	110	133
Audit related assurance services	5	5
Tax advisory services	26	26
Corporate finance	16	61
Other services	6	5
	205	271

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 2019	Year to 31 December 2018
	Number	Number
Advertising & Digital	866	881
Media Buying	44	36
Exhibitions & Learning	82	75
Public Relations	100	96
Central	5	4
	1,097	1,092

The aggregate employee costs of these persons were as follows:

	Year to 31 December 2019	Year to 31 December 2018
	£'000	£'000
Wages and salaries	45,576	44,574
Social security costs	5,003	4,742
Pension costs	2,150	1,890
Share based payment expense	202	157
	52,931	51,363

The Group operates nineteen (2018: seventeen) 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 £150,000 (2018: £142,000).

Directors' Remuneration

Directors' remuneration is derived from their role as either a Board member of 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	Gain on exercise of share options*	Total 2019	Total 2018
As Board Directors							
David Morgan (Chairman)	138	-	12	-	11	161	187
James Clifton (Chief Executive from 9 April 2019)	190	-	5	5	20	220	-
Peter Fitzwilliam (Chief Financial Officer)	170	-	2	-	13	185	189
Giles Lee (Commercial Director)	169	35	5	15	28	252	229
Julian Hanson-Smith (Non-Executive)	45	-	-	-	-	45	45
Chris Morris (Non-Executive to 31 July 2018)	-	-	-	-	-	-	27
Andy Nash (Non-Executive from 1 August 2018)	35	-	-	1	-	36	15
Total	747	35	24	21	72	899	692
As Agency Directors							
Dylan Bogg	144	-	2	16	20	182	153
James Clifton (to 8 April 2019)	40	-	-	7	-	47	206
Robert Day	173	193	8	-	25	399	300
Sue Mullen	147	-	2	13	9	171	168
Barry Cook (from 17 June 2019)	44	-	7	-	-	51	-
Fiona Shepherd	190	-	-	10	24	224	201
Former Directors							
Mike Rose (to 17 June 2019)	20	-	1	-	-	21	75
	1,505	228	44	67	150	1,994	1,795

Notes:

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

9. Taxation

	Year to 31 December 2019 £'000	Year to 31 December 2018 £'000
Current tax:-		
UK corporation tax at 19.00% (2018: 19.00%)	**1,693**	1,752
Adjustment for prior periods	**(64)**	(58)
Foreign tax on profits of the period	**290**	214
	1,919	1,908
Deferred tax:-		
Current year originating temporary differences	**(51)**	(102)
Tax charge for the year	**1,868**	1,806

Factors Affecting the Tax Charge for the Current Year:

The tax assessed for the year is higher (2018: lower) than the standard rate of corporation tax in the UK. The differences are:

	Year to 31 December 2019 £'000	Year to 31 December 2018 (Restated) £'000
Profit before taxation	**8,294**	11,182
Profit on ordinary activities before tax at the standard rate of corporation tax of 19.00% (2018: 19.00%)	**1,576**	2,125
Effect of:		
Non-deductible expenses	**180**	238
Losses not utilised	**157**	54
Non-taxable profit on sale of Broadcare	**-**	(581)
Non-deductible impairment of investments	**19**	60
Adjustments in respect of prior periods	**(43)**	(58)
Other differences	**(21)**	(32)
Actual tax charge for the year	**1,868**	1,806

10. Dividends

	Year to 31 December 2019 £'000	Year to 31 December 2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend of 0.77 pence (2018: 0.7 pence) per share	**648**	585
Prior year final dividend of 1.4 pence (2018: 1.15 pence) per share	**1,183**	961
	1,831	1,546

A final dividend of 1.53 pence per share is to be paid in July 2020 should it be approved by shareholders at the AGM. In accordance with IFRS this final dividend will be recognised in the 2020 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 2019 £'000	Year to 31 December 2018 (Restated) £'000
Earnings		
Reported profit for the year		
From continuing operations	**6,426**	6,012
Attributable to:		
Equity holders of the parent	**6,314**	5,901
Non-controlling interests	**112**	111
	6,426	6,012
From discontinued operations	**-**	3,364
Attributable to:		
Equity holders of the parent	**-**	3,364
Non-controlling interests	**-**	-
	-	3,364
From continuing and discontinued operations	**6,426**	9,376
Attributable to:		
Equity holders of the parent	**6,314**	9,265
Non-controlling interests	**112**	111
	6,426	9,376
Headline earnings (Note 4)		
From continuing operations	**8,075**	7,334
Attributable to:		
Equity holders of the parent	**7,963**	7,223
Non-controlling interests	**112**	111
	8,075	7,334
From discontinued operations	**-**	383
Attributable to:		
Equity holders of the parent	**-**	383
Non-controlling interests	**-**	-
	-	383

11. Earnings Per Share - *continued*

	Year to 31 December 2019 £'000	Year to 31 December 2018 (Restated) £'000
From continuing and discontinued operations	**8,075**	7,717
Attributable to:		
Equity holders of the parent	**7,963**	7,606
Non-controlling interests	**112**	111
	8,075	7,717
Number of shares		
Weighted average number of Ordinary shares for the purpose of basic earnings per share	**84,056,636**	83,338,888
Dilutive effect of securities:		
Employee share options	**4,426,774**	2,081,410
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**88,483,410**	85,420,298
From continuing operations		
Basic earnings per share (pence)	**7.51**	7.08
Diluted earnings per share (pence)	**7.14**	6.91
From discontinued operations		
Basic earnings per share (pence)	**-**	4.04
Diluted earnings per share (pence)	**-**	3.94
From continuing and discontinued operations		
Basic earnings per share (pence)	**7.51**	11.12
Diluted earnings per share (pence)	**7.14**	10.85
Headline basis:		
From continuing operations		
Basic earnings per share (pence)	**9.47**	8.67
Diluted earnings per share (pence)	**9.00**	8.46
From discontinued operations		
Basic earnings per share (pence)	**-**	0.46
Diluted earnings per share (pence)	**-**	0.45
From continuing and discontinued operations		
Basic earnings per share (pence)	**9.47**	9.13
Diluted earnings per share (pence)	**9.00**	8.90

A reconciliation of the profit after tax on a reported basis and the headline basis is given in Note 4.

12. Intangible Assets

	31 December 2019 £'000	31 December 2018 (Restated) £'000
Goodwill	**91,752**	91,752
Other intangible assets	**4,107**	4,369
	95,859	96,121

Goodwill

	Year to 31 December 2019 £'000	Year to 31 December 2018 (Restated) £'000
Cost		
At 1 January	**96,025**	89,064
Recognised on acquisition of subsidiaries	**-**	6,961
At 31 December	**96,025**	96,025
Impairment adjustment		
At 1 January and 31 December	**4,273**	4,273
Net book value at 31 December	**91,752**	91,752

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 and the resulting pre-tax cash flow forecasts were discounted using the Group's estimated pre-tax weighted average cost of capital, which is 8.07% (2018: 8.54%). For all CGUs, the Directors assessed the sensitivity of the impairment test results to changes in key assumptions (including a further 1.0% 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 2019 £'000	31 December 2018 (Restated) £'000
April Six Ltd	**9,411**	9,411
April Six Proof Ltd	**576**	576
Bray Leino Ltd	**27,761**	27,761
Chapter Agency Ltd	**3,440**	3,440
Krow Agency Ltd (formerly Big Dog Agency Ltd)	**11,366**	11,366
Krow Communications Ltd	**6,961**	6,961
Mongoose Sports & Entertainment Ltd	**931**	931
RLA Group Ltd	**4,845**	4,845
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
	91,752	91,752

Other intangible assets

	Software development and licences £'000	Trade names £'000	Customer relationships £'000	Total £'000
Cost				
At 1 January 2018	**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**
Additions	848	-	-	848
Disposals	(122)	-	-	(122)
At 31 December 2019	**2,463**	**1,781**	**5,871**	**10,115**
Amortisation and impairment				
At 1 January 2018	**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**
Charge for the year	240	75	795	1,110
Disposals	(122)	-	-	(122)
At 31 December 2019	**1,183**	**381**	**4,444**	**6,008**
Net book value at 31 December 2019	**1,280**	**1,400**	**1,427**	**4,107**
Net book value at 31 December 2018	**672**	**1,475**	**2,222**	**4,369**

Additions of £848,000 (2018: £377,000) 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 (2018: £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 marketplace 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 £617,000 (2018: £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 8 years (2018: 9 years). Also included is an amount of £1,336,000 (2018: £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 relationship is deemed to by 4 years (2018: 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 Bray Leino Splash Pte. Ltd, which is 70% owned and incorporated in Singapore. A full list of all Group companies at 31 December 2019 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
Bray Leino Ltd	Advertising, media buying, digital marketing, events and training
Chapter Agency Ltd	Marketing communications
Krow Agency Ltd (formerly Big Dog 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
Bray Leino Splash Pte. Ltd (formerly 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

	Property	Fixtures & fittings and office equipment	Computer equipment	Motor vehicles	Total
		(Restated)			(Restated)
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January 2018	**2,209**	**3,829**	**3,290**	**155**	**9,483**
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**	**3,881**	**3,168**	**123**	**9,396**
Additions	463	311	678	20	1,472
Disposals	(418)	(1,088)	(164)	(71)	(1,741)
At 31 December 2019	**2,269**	**3,104**	**3,682**	**72**	**9,127**
Depreciation					
At 1 January 2018	**1,611**	**2,269**	**2,197**	**136**	**6,213**
Charge for the year	153	465	538	8	1,164
Disposals	(85)	(332)	(659)	(30)	(1,106)
At 31 December 2018	**1,679**	**2,402**	**2,076**	**114**	**6,271**
Charge for the year	183	478	602	7	1,270
Disposals	(371)	(1,054)	(145)	(69)	(1,639)
At 31 December 2019	**1,491**	**1,826**	**2,533**	**52**	**5,902**
Net book value at 31 December 2019	**778**	**1,278**	**1,149**	**20**	**3,225**
Net book value at 31 December 2018	**545**	**1,604**	**1,092**	**9**	**3,125**

15. Right of Use Assets

The Group leases several assets including property, office equipment, computer equipment and motor vehicles.

	Property £'000	Fixtures & fittings and office equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Net carrying amount					
At 31 December 2018 (Restated)	6,772	137	17	807	7,733
At 31 December 2019	7,376	80	18	661	8,135
Depreciation expense					
Year to 31 December 2018 (Restated)	1,849	99	1	339	2,288
Year to 31 December 2019	1,978	61	5	408	2,452
Additions					
Year to 31 December 2018 (Restated)	3,208	2	1	162	3,373
Year to 31 December 2019	2,582	3	3	266	2,854

16. Investments in Associates and Joint Ventures

	Year to 31 December 2019 £'000	Year to 31 December 2018 £'000
At 1 January	–	313
Profit / (loss) during the year	69	(1)
Additions	108	–
Write down of investment	–	(312)
At 31 December	177	–

In 2019 the Group transferred its Learning activities into an established company, Fenturi Limited, in exchange for a 25% shareholding in that company. Fenturi is a Bristol-based digital learning agency with historical, positive previous associations with Bray Leino.

In 2018 the activities of Watchable Limited, a film and video content company based in London, substantially ceased. As a consequence, the value of the Group's 25% investment in associate was written down to zero.

17. Trade and Other Receivables

	31 December 2019 £'000	31 December 2018 £'000
Trade receivables	27,451	27,156
Accrued income	9,779	9,788
Prepayments	2,759	2,050
Other receivables	1,009	733
	40,998	39,727

An allowance has been made for estimated irrecoverable amounts from the provision of services of £82,000 (2018: £62,000). 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 Directors consider that the carrying amount of trade and other receivables approximates their fair value.

	31 December 2019 £'000	31 December 2018 £'000
Gross trade receivables	27,533	27,218
Gross accrued income	9,779	9,788
Total trade receivables and accrued income	37,312	37,006
Expected loss rate	0.2%	0.2%
Provision for doubtful debts	82	62

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 two Clients represented more than 3% of total operating income in 2019 (2018: one Client).

18. Cash and Short Term Deposits

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

19. Trade and Other Payables

	31 December 2019 £'000	31 December 2018 (Restated) £'000
Trade creditors	**14,050**	13,645
Other creditors and accruals	**9,333**	9,847
Deferred income	**5,754**	6,755
Other tax and social security payable	**4,303**	4,306
Lease liabilities (see Note 21)	**2,575**	2,507
	36,015	37,060

Deferred income has decreased by £1,001,000 as a result of changes to contractual terms and billings to a few Clients who accounted for a significant portion of the deferred income balance at 31 December 2018.

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

20. Bank Overdrafts, Loans and Net Debt

	31 December 2019 £'000	31 December 2018 £'000
Bank loan outstanding	**10,000**	10,000
Unamortised bank debt arrangement fees	**(73)**	(114)
Carrying value of loan outstanding	**9,927**	9,886
Less: Cash and short term deposits	**(5,028)**	(5,899)
Net bank debt	**4,899**	3,987
The borrowings are repayable as follows:		
Less than one year	**-**	-
In one to two years	**10,000**	-
In more than two years but less than three years	**-**	10,000
	10,000	10,000
Unamortised bank debt arrangement fees	**(73)**	(114)
	9,927	9,866
Less: Amount due for settlement within 12 months (shown under current liabilities)	**-**	-
Amount due for settlement after 12 months	**9,927**	9,886

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.

At 31 December 2019, the Group's committed bank facilities comprised a 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 one year. Interest on the facility is based on LIBOR plus a margin of between 1.25% and 2.00% depending on the Group's debt leverage ratio, payable in cash on loan rollover dates.

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

At 31 December 2019, there was a cross guarantee structure in place with the Group's bankers by means of a fixed and floating charge over all of the assets of the Group companies in favour of Royal Bank of Scotland plc.

All borrowings are in sterling.

21. Lease Liabilities

Obligations under leases are due as follows:

	31 December 2019 £'000	31 December 2018 (Restated) £'000
In one year or less (shown in trade and other payables)	**2,575**	2,507
In more than one year	**6,229**	6,022
	8,804	8,529

The fair values of the Group's lease obligations approximate their carrying amount.

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

22. 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 2019			31 December 2018		
	Cash £'000	**Shares £'000**	**Total £'000**	Cash £'000	Shares £'000	Total £'000
Less than one year	**3,261**	**163**	**3,424**	2,653	605	3,258
Between one and two years	**3,690**	**160**	**3,850**	2,116	75	2,191
In more than two years but less than three years	**-**	**-**	**-**	5,568	295	5,863
In more than three years but less than four years	**1,552**	**56**	**1,608**	483	-	483
	8,503	**379**	**8,882**	10,820	975	11,795

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

	Cash £'000	Shares £'000	Total £'000
At 31 December 2018	10,820	975	11,795
Obligations settled in the period	(2,731)	(615)	(3,346)
Adjustments to estimates of obligations	414	19	433
At 31 December 2019	**8,503**	**379**	**8,882**

23. Share Capital

	31 December 2019 £'000	31 December 2018 £'000
Allotted and called up:		
85,295,565 Ordinary shares of 10p each (2018: 84,357,351 Ordinary shares of 10 p each)	**8,530**	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	1,505,250	-	(104,922)	(510,066)	890,262
Growth Share Scheme	5,720,171	-	(286,009)	-	5,434,162

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, 510,066 options were exercised at an average share price of 76.7p and at the end of the year 70,111 of the outstanding options are exercisable.

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. The performance condition attaching to these growth shares was met during 2019 and the shares can be exchanged for an equivalent number of Ordinary Shares in MISSION during the period up to 60 days from the announcement of the Group's financial results for the year ending 31 December 2019, subject only to continued employment.

24. Own Shares

	No. of shares	£'000
At 31 December 2017	**1,452,367**	**602**
Awarded or sold during the year	**(711,000)**	**(303)**
At 31 December 2018	**741,367**	**299**
Own shares purchased during the year	**623,570**	**681**
Awarded or sold during the year	**(288,194)**	**(321)**
At 31 December 2019	**1,076,743**	**659**

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. No options were issued during the year. The key inputs are:

	2019	2018
Share price	n/a	54.5p
Risk free rate	n/a	0.7%
Dividend yield	n/a	3.7%

The weighted average share price over the three years ending 31 December 2019 was 56.0p and the weighted average remaining contractual life of the share options outstanding at 31 December 2019 was 8.1 years.

The Group recognised an expense of £127,000 in 2019 (2018: £69,000).

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 or 2019. The key inputs for the valuation of the growth shares issued in 2017 are:

Share price at grant	41.0p
Risk free rate	0.1%
Dividend yield	3.7%
Expected volatility	30%

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 2019 was 56.7p and the weighted average remaining contractual life of the growth shares outstanding at 31 December 2019 was 0.4 years.

The Group recognised an expense of £75,000 in 2019 (2018: £88,000).

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 20. 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, of remaining below x1.5 and x2.0 for these ratios respectively (calculated on a pre-IFRS 16 basis).

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 2019	31 December 2018
	£'000	£'000
Cash at bank maturing in less than one year or on demand	5,028	5,889

27. Financial Assets and Liabilities - *continued*

Financial liabilities

	Bank loan and overdraft £'000	Lease liabilities (Restated) £'000	Acquisition obligations £'000	Total £'000
At 31 December 2019				
Interest analysis:				
Subject to floating rates	10,000	–	–	10,000
Subject to fixed rates	–	8,804	8,882	17,686
	10,000	8,804	8,882	27,686
Maturity analysis:				
One year or less, or on demand	–	2,575	3,424	5,999
In one to two years	10,000	1,869	3,850	15,719
In two to three years	–	1,468	–	1,468
In three to four years	–	1,023	1,608	2,631
In four to five years	–	746	–	746
In more than five years	–	1,123	–	1,123
	10,000	8,804	8,882	27,686
At 31 December 2018				
Interest analysis:				
Subject to floating rates	10,000	–	–	10,000
Subject to fixed rates	–	8,529	11,795	20,324
	10,000	8,529	11,795	30,324
Maturity analysis:				
One year or less, or on demand	–	2,507	3,258	5,765
In one to two years	–	2,139	2,191	4,330
In two to three years	10,000	1,429	5,863	17,292
In three to four years	–	1,029	483	1,512
In four to five years	–	678	–	678
In more than five years	–	747	–	747
	10,000	8,529	11,795	30,324

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

The Financial Reporting Council has advised that the global pandemic Covid-19 is not an adjusting post-balance sheet event for 31 December 2019 financial statements. There have been no other 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 2019 £'000	Year to 31 December 2018 £'000
Short-term employee benefits	**1,752**	1,721
Post-employment benefits	**67**	74
Share-based payments	**175**	–
	1,994	1,795

Bray Leino Ltd rents property from entities under the control of David Morgan, Chairman of The MISSION Group plc, and members of his close family. During the year the Company paid annual rental and property fees totalling £75,250 (2018: £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. The rent has been £235,000 per year from 2 May 2017 until its surrender on 30 September 2019 when a new 15 year lease commenced at an initial rent of £375,000. Aggregate rent payable in the year was £328,000 (2018: £235,000).

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 2019 was £15,964 (2018: £15,525).

Krow 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 (2018: £74,000) was paid and no amount was outstanding at the balance sheet date.

During the year Solaris Healthcare Network Ltd made sales of £9,555 (2018: £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 (resigned 17 June 2019) £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 2019 will be circulated to shareholders at least 21 days ahead of the Annual General Meeting ("AGM") on 15 June 2020 and, after approval at the AGM, will be delivered to the Registrar of Companies. Further copies will be available from the Company's registered office and on the Group's website, www.themission.co.uk.

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

Report on the parent company financial statements

Opinion

We have audited the financial statements of The MISSION Group plc (the 'Company') for the year ended 31 December 2019, 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 2019 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.

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 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.

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 or the Directors' Report.

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 or 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 on pages 30 and 31, 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

1 April 2020

Company Balance Sheet
As at 31 December 2019

	Note	As at 31 December 2019 £'000	As at 31 December 2018 £'000
NON-CURRENT ASSETS			
Intangible assets	33	266	49
Investments	34	108,996	106,584
Property, plant and equipment		635	65
		109,897	106,698
CURRENT ASSETS			
Debtors	35	7,135	5,738
		7,135	5,738
CREDITORS: Amounts falling due within one year	36	(13,896)	(5,887)
NET CURRENT LIABILITIES		(6,761)	(149)
TOTAL ASSETS LESS CURRENT LIABILITIES		103,136	106,549
CREDITORS: Amounts falling due after more than one year	37	(14,392)	(15,229)
NET ASSETS		88,744	91,320
CAPITAL AND RESERVES			
Called up share capital	39	8,530	8,436
Share premium account	39	43,015	42,506
Own shares	39	(659)	(299)
Share-based incentive reserve		531	373
Profit and loss account		37,327	40,304
SHAREHOLDER'S FUNDS		88,744	91,320

The financial statements were approved and authorised for issue on 1 April 2020 by the Board of Directors. They were signed on its behalf by:

Peter Fitzwilliam, Chief Financial Officer
Company registration number: 05733632

Company Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Own shares £'000	Share-based incentive reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	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
Profit for the year	-	-	-	-	(850)	(850)
New shares issued	94	509	-	-	-	603
Share option charge	-	-	-	127	-	127
Growth share charge	-	-	-	31	-	31
Own shares purchased	-	-	(681)	-	-	(681)
Shares awarded and sold from own shares	-	-	321	-	(296)	25
Dividend paid	-	-	-	-	(1,831)	(1,831)
At 31 December 2019	8,530	43,015	(659)	531	37,327	88,744

Notes to the Company Financial Statements

32. Principal Accounting Policies

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 Group plc is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on page 94. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 4 to 9.

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 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 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. Further information concerning the impact of Covid-19 is provided in the Chief Financial Officer's Report.

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.

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. Revisions to estimated consideration payable year on year are reflected in the value of the corresponding investment. 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 2018	**-**	**61**	**61**
Additions	43	-	43
At 31 December 2018	**43**	**61**	**104**
Additions	237	-	237
At 31 December 2019	**280**	**61**	**341**
Amortisation and impairment			
At 1 January 2018	**-**	**48**	**48**
Charge for the year	1	6	7
At 31 December 2018	**1**	**54**	**55**
Charge for the year	14	6	20
At 31 December 2019	**15**	**60**	**75**
Net book value at 31 December 2019	**265**	**1**	**266**
Net book value at 31 December 2018	**42**	**7**	**49**

Additions of £237,000 (2018: £43,000) 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.

34. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2018	**105,553**
Additions	9,474
At 31 December 2018	**115,027**
Adjustment to purchase consideration	2,412
At 31 December 2019	**117,439**
Impairment	
At 1 January 2018	**(8,443)**
Impairment	-
At 31 December 2018	**(8,443)**
Impairment	-
At 31 December 2019	**(8,443)**
Net book amount at 31 December 2019	**108,996**
Net book amount at 31 December 2018	**106,584**

A list of the principal trading companies in the Group at 31 December 2019 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 2019 £'000	31 December 2018 £'000
Amounts due from subsidiary undertakings	**5,028**	4,305
Corporation tax	**487**	360
Prepayments	**1,427**	928
Other debtors	**193**	145
	7,135	5,738

36. Creditors: Amounts Falling Due Within One Year

	31 December 2019 £'000	31 December 2018 £'000
Trade creditors	**640**	290
Bank overdraft	**2,413**	2,192
Amounts due to subsidiary undertakings	**6,655**	1,606
Accruals	**588**	546
Acquisition obligations	**3,423**	1,024
Other creditors	**177**	229
	13,896	5,887

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

	31 December 2019 £'000	31 December 2018 £'000
Bank loan (see Note 38)	**9,927**	9,886
Acquisition obligations	**4,380**	5,343
Deferred tax liability	**85**	-
	14,392	15,229

38. Borrowings

	31 December 2019 £'000	31 December 2018 £'000
Bank loan outstanding	**10,000**	10,000
Adjustment to amortised cost	**(73)**	(114)
Carrying value of loan outstanding	**9,927**	9,886
The borrowings are repayable as follows:		
Less than one year	**-**	-
In one to two years	**10,000**	-
In more than two years but less than three years	**-**	10,000
	10,000	10,000
Adjustment to amortised cost	**(73)**	(114)
	9,927	9,886
Less: Amount due for settlement within 12 months (shown under current liabilities)	**-**	-
Amount due for settlement after 12 months	**9,927**	9,886

Details of the Company's borrowing facilities and interest rates are set out in Note 20 and not therefore repeated here. All borrowings are in sterling.

As at 31 December 2019, net assets of the Group were £92,301,000 (2018: £87,596,000) and net borrowings under this Group arrangement amounted to £4,899,000 (2018: £3,987,000).

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 938,214 Ordinary shares of 10p each (2018: nil) and at 31 December 2019, the number of shares in issue was 85,295,565 (2018: 84,357,351).

40. Unrealised Reserves

Included in reserves at 31 December is unrealised profit, which is non-distributable, of £3,165,000 (2018: £3,165,000).

41. Operating Lease Commitments

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

	31 December 2019		31 December 2018	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	140	13	210	24
Between two and five years	94	18	175	24
In more than five years	88	-	-	-
	322	31	385	48

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 indirect interests in Watchable Ltd (25%) and Fenturi Ltd (25%), both treated as associated companies, and indirect interests in European Exhibit Services SRO (60% and incorporated in the Czech Republic), Destination CMS Ltd (50%) and Vivactis Global Health Ltd (50%), all treated as joint ventures. 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		
Krow Communications 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		
Bastin Day Westley Ltd (formerly Gingernut Creative Ltd)		
Big Communications Ltd		
Bray Leino Ltd **		
Bray Leino Productions Ltd **		

43. Group companies - *continued*

Subsidiary undertaking	Country of Incorporation	Registered office
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
Bray Leino Splash Ltd (formerly 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
Bray Leino Splash Pte. Ltd (formerly Splash Interactive Pte. Ltd)	Singapore	51 Tai Seng Ave, #04-04 Pixel Red, Singapore - 533941
Bray Leino Splash Sdn. Bhd. (formerly 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
Chapter Agency Ltd **		
Fox Murphy Ltd		
Fuse Digital Ltd		
Jellyfish Ltd		
Krow Agency Ltd (formerly Big Dog Agency Ltd)		
Mission Marketing Ltd (formerly Quorum Advertising Ltd)		
Mongoose Promotions Ltd (75% owned) **		
Mongoose Sports & Entertainment Ltd **		
Pathfindr Ltd (80% owned) **		
RJW & Partners Ltd **		
RLA Group Ltd **		
Robson Brown Ltd		
Solaris Healthcare Network Ltd **		
Speed Communications Agency Ltd **		
Splash Interactive Ltd *	Vietnam	Floor 5, SAM Building, 152/11B Dien Bien Phu str, Ward 25, Binh Thanh Dist, Ho Chi Minh City, Vietnam
Splash Interactive *	China	Room 1801, Hong Kong Metropolis Building, 733 Fuxing Road East, Huangpu District, Shanghai, China, 200233
Story UK Ltd **		1-4, Atholl Crescent, Edinburgh, Scotland EH3 8HA
The Mission 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 Bray Leino Splash Pte. Ltd, which is 70% owned by The MISSION 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 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 Group plc (the "Company") will be held at 12 noon on Monday 15 June 2020 at the Company's registered office, 36 Percy Street, London, W1T 2DH 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 2019.

Dividend

2. To approve a final dividend of 1.53 pence per share for the year ended 31 December 2019 to shareholders on the register at the close of business on 10 July 2020, payable on 20 July 2020.

Directors

3. To elect Barry Cook as a Director.
4. To re-elect Peter Fitzwilliam as a Director.

Auditors

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

Authority to allot shares

7. THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (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

8. THAT (subject to the passing of the resolution numbered 7 above) the Directors be and are hereby empowered pursuant to Section 570, Section 571 and Section 573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by resolution 7 above as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:
   i. the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date(s) as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date(s), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and
   ii. the allotment (other than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal value of £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 7 above, save that the Company shall be entitled to make an offer or agreement before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired and all unexercised authorities previously granted to the Directors to allot equity securities be and are hereby revoked provided that the resolution shall not affect the right of the Directors to allot equity securities in pursuance of any offer or agreement entered into prior to the date of this resolution.

Authority to purchase own shares

9. THAT pursuant to section 701 of the Act and subject to, and in accordance with the Company's Articles of Association, the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of the Company provided that:
   i. the maximum number of ordinary shares hereby authorised to be acquired is 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 2021 or 18 months from the date of this resolution (whichever is earlier); and
   v. the Company may make any purchase of its ordinary shares pursuant to a contract concluded before the authority hereby conferred expires and which will or may be executed wholly or partly after the expiry of such authority; and
   vi. all ordinary shares purchased pursuant to the authority conferred by this resolution 9 shall be cancelled immediately on completion of the purchase or held in treasury (provided that the aggregate nominal value of shares held as treasury shares shall not at any time exceed 10 per cent of the issued share capital of the Company at any time).

By Order of the Board
Peter Fitzwilliam
1 April 2020

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 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 11 June 2020. 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 6pm on Thursday 11 June 2020 have the right to attend and vote at the meeting.

COMPANY INFORMATION:

Company Registration Number:

05733632

Registered Office:

36 Percy Street,
London
W1T 2DH

Company Secretary:

Peter Fitzwilliam
The **MISSION** Group plc
36 Percy Street,
London
W1T 2DH

ADVISORS:

Nominated Advisor:

Shore Capital and Corporate Limited
Cassini House,
57 St James's Street,
London
SW1A 1LD

Auditors:

PKF Francis Clark
Statutory Auditor
Centenary House,
Peninsula Park,
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