JAYWING

JAYWING PLC
(FORMERLY WEARE 2020 PLC)

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2013

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PERFORMANCE HIGHLIGHTS

Gross profit
£30.08m
(2012: £29.75m)

EBITDA* before other income
£3.01m
(2012: £3.60m)

Profit before tax ("PBT")
£1.03m
(2012: £1.27m)

Profit after tax
£0.63m
(2012: £1.12m)

Operating cash flow before changes in working capital
£3.38m
(2012: £4.16m)

Corporation Tax paid
£0.98m
(2012: £0.43m)

Net debt
£2.32m
(2012: £3.17m): undrawn banking facilities of £2.48m

Adjusted** basic earnings per share
2.47p
(2012: 3.30p)

Adjusted** diluted earnings per share
2.38p
(2012: 3.13p)

* Excludes share based payment charges, impairment, exceptional items and acquisition related costs
** Adjusted means before amortisation, share based charges, impairment and exceptional items

CHAIRMAN'S STATEMENT

This is my second Chairman's statement.

For the year ended 31 March 2013, the plc reported an operating profit before interest, tax, depreciation, amortisation, share based payment charges, impairment, exceptional items, acquisition related costs and other income of £3.0 million (2012: £3.6 million). Revenue fell slightly from £37.3 million to £36.3 million but gross profit rose from £29.7 million to £30.1 million.

This is the second consecutive year in which profits have fallen. We do not expect this decline to be repeated in 2013/14.

Last year we announced the consolidation of our external brand strategy under the name 2020. In December 2012, an owner of some relevant 2020 trademarks decided to challenge the rights of others in the market to use the name. Rather than enter into a dispute that would have cost shareholders money, we agreed to stop using that brand. We are now called Jaywing plc, a name and brand that we own completely, including the relevant trademarks. Technology has been renamed Tryzens and forms part of our Consulting service line.

In 2012 the new management team instituted a number of changes that have begun to bear fruit.

The Jaywing business is working together in a collaborative style, under a single brand name and with a joined up relationship management approach. We help clients create competitive advantage by developing and expressing their customer understanding across multiple channels in a time of increasingly demanding consumers and proliferating channels.

We've organised our range of specialist resources for the best possible leadership and in a manner that allows us to draw from those resources to provide clients with the best possible team. Jaywing is unique in its ability to offer expert resources and/or services in both single discipline specialisms and holistic marketing services that provide the sophisticated technical and analytical mechanics behind the scenes and exceptional creative and communications execution to demonstrate real understanding at an individual level.

In October 2012 we strengthened Agency Services through the purchase of Iris. We will consider further acquisitions if they will move us forward in an area where we have demand for the service from clients.

Disclosed under other income are distributions received from the administrator of a previous client. These receipts increased slightly to £0.7 million from £0.6 million received in the year to 31 March 2012. It is not anticipated that further dividends will be received of any significance.

Our net debt at the year end was £2.3 million down from £3.2 million last year. We have again been cash generative from operations through the year and continued to reduce the Group's indebtedness. During the year we increased our borrowing to acquire Iris. Without this, net debt on a pro-forma basis would have stood at c £1.2 million at the year end.

Trading in 2012/13 was not as tough as in the two previous years but we are still not doing as well as we want to nor do we yet feel we are performing as well as we can. The appointments of Martin Boddy and Andy Gardner take us firmly in the right direction. They have given Jaywing a clear view of what it offers its customers and the standards that we must consistently achieve to retain those customers. I am confident that their management can lead to improved profits and hence an improvement in our share price.

Nothing comes easy and the turnaround of Jaywing has and will continue to be done slowly and steadily. There is no magic formula other than employing good people and delivering excellent service that leads to repeat business and recommendations. I would like to thank all of our colleagues – or as we call them 'Jaywingers' – for rising to the challenges of a difficult market with humour and professionalism.

Board Changes

Kate McIntyre resigned as Finance Director in March 2013 and was replaced as Company Secretary by Michael Sprot. Kate's financial responsibilities have been assumed by a reorganisation of the Finance Team reporting to Andy Gardner.

Outlook

The start of the year has been in line with budget.

Andrew Wilson
Chairman
8 July 2013

BUSINESS REVIEW

Jaywing plc reported a statutory profit before tax of £1.0 million (2012: £1.3 million). The adjusted operating performance line, before interest, tax, depreciation, amortisation, share based payment charges, impairment, exceptional items and acquisition related costs, shows profits of £3.8 million (2012: £4.2 million).

During the year, the Group benefited from the receipt of £0.7 million (2012: £0.6 million) from the administrator of a client where a contractual obligation existed. Based on communication from the administrator, the Board believes there will be further distributions but the quantum will reduce.

Removing the benefit of these receipts from the above adjusted numbers results in an operating performance for the year of £3.0 million compared with £3.6 million for the year ended 31 March 2012.

The segmental performance of our business in the two practice areas of Agency Services and Consulting is shown in Note 1 to the Consolidated Financial Statements, together with the comparative performance from the previous year.

Gross profits for the year were up marginally to £30.1 million (2012: £29.7 million). A small reduction in gross profit for Agency Services of £0.6 million was compensated for by an increase in Consulting gross profit of £0.8 million. Operating expenses rose by £1.0 million. Some restructuring of operations took place during the year and the H2 (Oct-12 to Mar-13) costs run rate is flat, despite acquiring Iris Associates Limited in October 2012.

Following some delays to and cancellations of client projects, which adversely affected H1 (Apr-12 to Sep-12) performance, the H2 adjusted profit before other income recovered to £1.7 million with non-Iris business showing a similar contribution to H2 2012.

Consulting remained strong despite some carry over from 2012 of problems within the Technology operation which also impacted contribution in H1. This area of the business has recovered well in H2.

The table below shows the adjusted operating profit analysed between the two half years and adjustments made against the reported numbers:

	Six months to 30 September 2012 £'000	Six months to 31 March 2013 £'000	**Full year to 31 March 2013 £'000**
Reported profit before tax	565	467	**1,032**
Interest	130	69	**199**
Amortisation	852	919	**1,771**
Depreciation	179	214	**393**
Share based payment charge	146	(154)	**(8)**
Acquisition related costs	-	367	**367**
Adjusted operating profit	1,872	1,882	**3,754**
Other income	(567)	(173)	**(740)**
Adjusted operating profit before other income	1,305	1,709	**3,014**

Including other income the Group produced £1.9 million adjusted operating profit after interest in the six months to 31 March 2013 and £1.9 million in the first half.

Liquidity review

The Group's facilities comprise an amortising revolving credit facility for an initial £6.3 million and a bank overdraft of £2.0 million. The revolving credit facility amortises over its duration to £1.4 million in October 2013.

The consolidated cash flow statement shows the Group to have generated cash from operating activities of £3.4 million (2012: £4.2 million) before changes in working capital.

We paid £1.0 million in tax (2012: £0.4 million). There were no repayments of term loans (2012: £1.1 million) but the revolving credit facility was reduced by £1.5 million (2012: £1.2 million) while the overdraft was increased by £1.0 million (2012: £nil).

As at 31 March 2013, the Group had net debt of £2.3 million (2012: £3.2 million).

Impairment

As required by IAS 36, we have carried out an impairment review of the carrying value of our intangible assets and goodwill. We calculate our weighted average cost of capital with reference to long term market costs of debt and equity and the Company's own cost of debt and equity, adjusted for the size of the business and risk premiums. Based on this calculation, a rate of 11% (2012:11%) has been derived. This is applied to cash flows for each of the business units using growth rates in perpetuity of 2% from 2017/18. As a result of these calculations the Board has concluded that the carrying value of intangible assets and goodwill on the Group's balance sheet does not need to be impaired and therefore no charge has been made (2012: £nil).

Contingent payments

The estimate of payments to be made for past acquisitions is £0.1 million (2012: £0.1 million). £125,000 is due for the purchase of DMG London and is subject to performance criteria being met. This amount is provided in deferred consideration.

Key performance indicators

Our stated aims for the year were to get the different parts of the business back onto a firm footing, restating our propositions and improving operating margins.

We have rebranded the company during the past year following a challenge to the use of our old name. This change has been positively received by our clients and our people and has helped reinforce our objective to consolidate the business into a single company with a unified culture and set of values, best placed to provide services for any client requirements.

In addition, our H2 performance shows evidence that the underlying business has started to recover well from some of the problems experienced towards the later stages of the last financial year and into H1 of 2012-13.

We have developed and retained existing client relationships as well as adding a range of new clients to our mix.

Our focus will be to continue to reinforce our new identity both internally and externally while promoting the full range of services we offer under the Jaywing name. We will concentrate on improving our contribution margins within our propositions while delivering more efficient and effective support from centralised operations.

BOARD OF DIRECTORS AND ADVISERS

BOARD OF DIRECTORS

Andrew Wilson
Chairman (aged 53)

Andrew is the Chairman of Impellam Group plc and a Non-Executive Director of Restore plc, Dods plc, TLA plc, Shellproof Limited and Shellshock Limited. He is also a Non-Executive Director of a number of private companies, including Artefact Partners Limited, SUSD Limited, Local World Limited, LT Pub Management plc and Pluto Capital Limited. He was appointed to the Board in 2006.

Martin Boddy
Chief Executive Officer (aged 48)

Martin was previously Marketing Director of Guardian Royal Exchange Group and a member of the senior marketing team that launched First Direct. He went on to spend a number of years consulting on customer marketing in the UK and Internationally before founding data analytics consultancy Alphanumeric Limited, now part of Jaywing plc, in 1999.

Andy Gardner
Chief Operating Officer (aged 50)

Andy began his career in Operational Research before moving into financial services. Before co-founding Alphanumeric Limited with Martin, he was a member of the First Direct senior management team and has also been both Credit Director and Customer Information Director for Egg.

Stephen Davidson
Non-Executive Director (aged 57)

Stephen is Chief Executive of Mecom Group plc, Chairman of Datatec Limited and a Non-Executive Director of Inmarsat plc. Stephen has held various positions in Investment Banking, ultimately at WestLB Panmure Gordon where he was Vice Chairman of Investment Banking. From 1993 to 1998 he was Finance Director, then CEO of Telewest Communications plc. From 1996 to 1998, he was also the Chairman of the Cable Communications Association.

Charles Buddery
Non-Executive Director (aged 60)

Charles embarked upon his agency career in 1981, buying Dig For Fire in 1983. It grew to become the largest and most profitable independently owned direct marketing agency outside London, before it was acquired by Jaywing plc in 2006. Since then Charles has held a number of senior leadership positions across Jaywing plc. He is also a director of Kaizen IT Solutions Limited and Kaizen Telecom Limited, and is a partner in Players House LLP.

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Registered number: 05935923

Country of incorporation: England

PRINCIPAL RISKS AND UNCERTAINTIES

General economic and business conditions

The sector in which the Group operates is sensitive both to general economic and business conditions and has been affected, along with others, by the performance of specific sectors such as financial services, automotive and retail.

People

The operations of the Group are dependent upon the continuing employment of a number of senior management personnel. The future of the Group could depend upon the efforts and expertise of such individuals. The loss of the service of any key management personnel could have a material adverse effect on the business of the Group.

As the Group operates in a specialised sector, it is dependent on its ability to recruit personnel with adequate experience and technical expertise. However, as the supply of such personnel is limited, the Group encounters significant competition for the recruitment of suitably experienced and skilled personnel. The future results of the Group could depend significantly upon the recruitment of such personnel and a failure to do so could have a material adverse effect on the business of the Group.

To mitigate this risk the Group's management team continues to move toward a cohesive culture, driven by its desire to remain a place where people want to work. In addition, Martin Boddy and Andy Gardner retain a significant percentage of their original consideration in shares in Jaywing plc. Furthermore, the key managers in our business participate in the Performance Share Plan share options programme and the Annual Bonus Programme, both of which reward performance and loyalty to the Group (see Directors' Remuneration Report).

Clients

The Group companies have, historically, derived a substantial amount of their revenue from contracts with a limited number of clients and these contracts are generally terminable upon three months' notice by the client. However, the Group has a proven track record of retaining customers. The loss of one or more contracts with the Group's clients, especially one of our largest contracts, or a significant decrease in revenue derived from such contracts, could have an adverse impact on the Group's financial condition and results of operations. Clients are given structured account management, with regular senior team input.

Competition

The Group faces competition from other entities operating within the sector.

In particular these entities may have greater resources and may operate in international markets which could make them attractive to those clients seeking global campaigns or global consolidation of their marketing efforts. Each of the businesses within the Group has, however, been competing successfully against international networks for several years, and has in many cases won international projects from blue-chip multinational brands.

Suitable acquisitions and access to capital

The Group's plans for continued expansion are primarily based on organic growth. In addition however, the Group has a selective and strategic acquisition policy. The availability of debt or equity finance to fund future acquisitions may be limited or difficult to obtain.

Execution

The ability of the Group to deliver incremental revenues through co-ordinated new business activity is dependent on the availability of key senior personnel to help convert leads and cross-refer business. The new business team has been centralised and the Jaywing business is working together in a collaborative style, under a single brand name and with a joined up relationship management approach.

Products and services

The marketing industry is characterised by rapidly changing technology, evolving industry standards, frequent product and service introductions and evolving web publisher and advertiser demands. These uncertainties are exacerbated by the emerging nature of internet use and advertising. The Group's future success will depend on its ability to modify its products and services to respond in a timely and cost-effective manner to new technologies and changing web publisher and advertiser demands.

If the Group is unable to adapt to these pressures or to develop products and services to address new and converging technologies, it may be unable to compete successfully. The Group intends to continue to develop its own tools and products from within its existing resources to ensure it responds in a timely and cost effective manner to these changes.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 March 2013.

Principal activity

The principal activity of the Company, and Group, during the year under review is that of digital marketing services.

Business review

The information that fulfils the Companies Act 2006 requirements of the business review is included in the Business Review on pages 4 to 5. This includes a review of the development of the business of the Group during the year, of its position at the end of the year and of likely future developments in its business. Details of the principal risks and uncertainties facing the Group are set out on page 7.

Results and dividend

The Group's profit before taxation for the year ended 31 March 2013 was £1.0 million (2012: £1.3 million). The Directors do not propose to pay a dividend.

Future developments

The future developments of the Group are referred to in the Chairman's Statement on page 3 and the Business Review on pages 4 to 5.

Going concern

The Directors have reviewed the forecasts for the years ending 31 March 2014 and 31 March 2015 which have been adjusted to take account of the current trading environment. The Directors consider the forecasts to be prudent and have assessed the impact of them on the Group's cash flow, facilities and headroom within its banking covenants. Furthermore, the Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. Based on this work, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Political and charitable donations

No political donations were made during the year (2012: £nil). No charitable donations were made during the year (2012: £1,500).

Directors' interests

The present membership of the Board, together with biographies on each, is set out on page 6. All those Directors served throughout the year or from appointment along with Kate McIntyre who resigned on 11 March 2013, Ian Robinson and Keith Sadler who resigned on 31 July 2012, and Barry Jenner who resigned on 31 May 2012. The Directors' interests in shares in the Company are set out in the Directors' remuneration report on pages 11-15.

Directors' third party indemnity provisions

The Group maintains appropriate insurance to cover Directors' and Officers' liability. The Group provides an indemnity in respect of all the Group's Directors. Neither the insurance nor the indemnity provides cover where the Director has acted fraudulently or dishonestly.

Employees

The Group is an Equal Opportunities Employer and no job applicant or employee receives less favourable treatment on the grounds of age, sex, marital status, sexual orientation, race, colour, religion or belief.

It is the policy of the Group that individuals with disabilities, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining.

Employees of the Group and its subsidiaries are regularly consulted by local managers and kept informed of matters affecting them and the overall development of the Group.

The Group is committed to maintaining high standards of health and safety for its employees, customers, visitors, contractors and anyone affected by its business activities. Health and safety is on the agenda for all regularly scheduled Board meetings.

Policy and practice on payment of creditors

It is the Group's policy and practice to settle its supplier accounts on due dates according to agreed terms of credit. The average creditor days across the Group for the year were 62 days (2012: 59 days). The Company had £111,000 of trade creditors at 31 March 2013 (2012: £6,000).

Financial instruments

Details of the financial risk management objectives and policies of the Group, including hedging policies, are given in note 35 to the consolidated financial statements.

Share capital

Details of the Company's share capital including rights and obligations attached to each class of share are set out in note 23 of the financial statements.

There are no restrictions on the transfer of ordinary shares in the capital of the Company other than customary restrictions contained within the Company's Articles of Association and certain restrictions which may be required from time to time by law, for example, insider trading law. In accordance with the Model Code which forms part of the Listing Rules of the Financial Services Authority certain Directors and employees are required to seek the prior approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights. The Company's Articles of Association contain limited restrictions on the exercise of voting rights.

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders. The Company is not aware of any significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company following a takeover.

Major interests in shares

As at 1 July 2013 the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as shareholder of the Company:

	Number of voting rights	**2013 %**	2012 %
Mayfair Limited	18,052,512	**24.2**	24.2
Henderson Global Investors	14,939,943	**20.0**	19.3
J & K Riddell	5,372,638	**7.2**	7.2
A Gardner	4,987,470	**6.7**	6.4
M Boddy	4,916,667	**6.6**	6.6
C Buddery	3,906,615	**5.2**	5.3
H Stevens	3,508,772	**4.7**	4.7

Corporate social responsibility

The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to take account of the interests of the Group's stakeholders, including its investors, employees, suppliers and business partners when operating the business.

Annual General Meeting

Your attention is drawn to the Notice of Meeting enclosed with this Annual Report, which sets out the resolutions to be proposed at the forthcoming Annual General Meeting.

Auditor

Each of the Directors at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Due to numerous changes at Board level it was considered appropriate to request that the rotation period of the Audit Partner be extended to provide continuity through these changes.

The auditor, Grant Thornton UK LLP, has indicated its willingness to remain in office, and a resolution that it be re-appointed will be proposed at the Annual General Meeting.

By Order of the Board

Andy Gardner
Director
8 July 2013

DIRECTORS' REMUNERATION REPORT

This report is prepared voluntarily by the Board.

The Remuneration Committee

The Remuneration Committee comprises:

Charles Buddery (Chairman)

Stephen Davidson

Andrew Wilson

The UK Corporate Governance Code ("the Code") recommends that a remuneration committee should be composed of entirely independent Non-Executive Directors. Messrs. Davidson (ex-Chairman of the Board), Buddery and Wilson (who is affiliated with a major shareholder) are not regarded as independent under the Code. The Board does consider them to act independently with respect to remuneration issues.

The Committee met twice during the year. All meetings were attended by all serving members of the Committee.

The Committee seeks input from the Company Secretary. The Committee makes reference to external evidence of pay and employment conditions in other companies and is free to seek advice from external advisers.

Remuneration policy

The Group's policy on remuneration for the current year and, so far as is practicable, for subsequent years is set out below. However, the Remuneration Committee believes that it should retain the flexibility to adjust the remuneration policy in accordance with the changing needs of the business. Any changes in policy in subsequent years will be detailed in future reports on remuneration. The Group must ensure that its remuneration arrangements attract and retain people of the right calibre in order to ensure corporate success and to enhance shareholder value. Its overall approach is to attract, develop, motivate and retain talented people at all levels, by paying competitive salaries and benefits to all its staff and encouraging its staff to hold shares in the Group.

Pay levels are set to take account of contribution and individual performance, wage levels elsewhere in the Group and with reference to relevant market information. The Group seeks to reward its employees fairly and give them the opportunity to increase their earnings by linking pay to achieving business and individual performance targets. The Board believes that share ownership is an effective way of strengthening employees' involvement in the development of the business and bringing together their interests and those of shareholders. Executive Directors are rewarded on the basis of individual responsibility, competence and contribution and salary increases also take into account pay awards made elsewhere in the Group as well as external market benchmarking.

During the year to 31 March 2013 there were four Executive Directors on the Board:

Keith Sadler (Chief Operating Officer, Finance Director and Company Secretary) (resigned 31 July 2012)

Martin Boddy (Chief Executive)

Andy Gardner (Chief Operating Officer) (appointed 6 April 2012)

Kate McIntrye (Finance Director and Company Secretary) (appointed 1 June 2012, resigned 11 March 2013)

The Executive Directors, with the exception of Martin Boddy, do not participate in a pension scheme or any healthcare arrangements.

Performance-related elements form a substantial part of the total remuneration packages and are designed to align Directors' interests with those of shareholders. In line with best practice and to bring Directors' and shareholders' interests further into line, Executive Directors and the management team are encouraged to maintain a holding of ordinary shares in the Company.

Non-Executive Directors' fees

Fees for Non-Executive Directors are determined by the Board annually, taking advice as appropriate and reflecting the time commitment and responsibilities of the role. Non-Executive Directors' fees currently comprise a basic fee of £25,000 per annum. The Chairman received a fee of £50,000.

Non-Executive Directors do not participate in the annual bonus plan, pension scheme or healthcare arrangements. They were issued awards as described below under the Performance Share Plan (PSP), which have now vested or lapsed and will no longer participate in the PSP scheme. The Company reimburses the reasonable expenses they incur in carrying out their duties as Directors.

Remuneration components – Executive Directors

A significant proportion of each Executive Director's remuneration is performance related. The main components of the remuneration package for Executive Directors are:

i. Basic salary

ii. Annual bonus plan

iii. Share options

Basic salary

Basic salary is set by the Remuneration Committee by taking into account the responsibilities, individual performance and experience of the Executive Directors, as well as the market practice for executives in a similar position. Basic salary is reviewed (but not necessarily increased) annually by the Remuneration Committee.

Annual bonus plan

The Executive Directors are eligible to participate in the annual bonus plan. The range of award is based on annual salary.

The performance requirements, for the ability to earn a bonus, are set by the Committee annually and are quantitative related measures based on stretching profit before tax targets.

Share options

The Committee believes that the award of share options aligns the interests of participants and shareholders. Awards are made to the Executive Directors with demanding performance criteria.

Directors' remuneration

The total amounts of the remuneration of the Directors of the Company for the years ended 31 March 2013 and 2012 are shown below:

31 March	**2013** **£**	2012 £
Aggregate emoluments	**623,796**	251,667
Sums paid to third parties for Directors' services	**15,000**	30,000
	638,796	281,667

The emoluments of the Directors are shown below:

31 March	2013 Fees and salary £	2013 Benefits in kind £	2013 Bonus £	**2013 Total £**	2012 Total £	**2013 Gain on exercise of share options £**	2012 Gain on exercise of share options £	**2013 Pension contri-butions £**	2012 Pension contri-butions £
Martin Boddy	150,000	-	-	**150,000**	12,500	**-**	-	**30,000**	2,500
Andy Gardner*	176,769	-	-	**176,769**	-	**-**	-	**-**	-
Keith Sadler#	25,000	-	40,000	**65,000**	177,500	**-**	-	**-**	-
Charles Buddery	25,000	-	40,000	**65,000**	6,667	**-**	-	**-**	-
Kate McIntyre**	108,277	-	-	**108,277**	-	**-**	-	**-**	-
Stephen Davidson	25,000	-	-	**25,000**	40,000	**-**	-	**-**	-
Barry Jenner***	3,750	-	-	**3,750**	15,000	**-**	-	**-**	-
Ian Robinson#~	5,000	-	-	**5,000**	15,000	**-**	-	**-**	-
Andrew Wilson~~	40,000	-	-	**40,000**	15,000	**-**	11,579	**10,000**	-
Total	**558,796**	-	**80,000**	**638,796**	281,667	**-**	11,579	**40,000**	2,500

* appointed 6 April 2012
# resigned 31 July 2012
** appointed 1 June 2012, resigned 11 March 2013
*** resigned 31 May 2012

~ Paid to a third party for the Directors' services
~~ £30,000 paid through payroll, £10,000 paid to a third party for the Directors' services

Directors' service agreements and letters of appointment

Contracts of service are negotiated on an individual basis as part of the overall remuneration package. The contracts of service are not for a fixed period. Details of these service contracts are set out below:

	Date of contract	Notice period	Company with whom contracted
Martin Boddy	1 March 2012	3 months	Jaywing plc
Andy Gardner (appointed 6 April 2012)	6 April 2012	3 months	Jaywing plc

In the event of termination of their contracts, each Director is entitled to compensation equal to their basic salary and bonus for their notice period.

Non-Executive Directors have letters of appointment, the details of which are as follows:

	Date of contract	Notice period	Company with whom contracted
Stephen Davidson	1 March 2012	3 months	Jaywing plc
Anne Street Partners Limited*	2 October 2006	3 months	Jaywing plc
Charles Buddery	1 March 2012	3 months	Jaywing plc
Andrew Wilson	1 March 2012	3 months	Jaywing plc

* For the provision of services supplied by Ian Robinson (resigned 31 July 2012) and Andrew Wilson.

Directors' interests in shares

The Directors' interests in the share capital of the Company are set out below:

31 March	**2013 Number of shares**	2012 Number of shares
Andy Gardner (appointed 6 April 2012)	**4,987,470**	4,987,470
Martin Boddy	**4,916,667**	4,916,667
Charles Buddery	**3,906,615**	3,906,615
Stephen Davidson	**789,342**	789,342
Ian Robinson (resigned 31 July 2012)	**314,711**	314,711
Keith Sadler (resigned 31 July 2012)	**283,333**	283,333
Andrew Wilson	**146,145**	146,145
Barry Jenner (resigned 31 May 2012)	**113,125**	113,125

The table below sets out options granted under the PSP scheme:

	At 31 March 2012	Granted during year	Exercised during year	Lapsed during year	**At 31 March 2013**	Exercise price	Normal date from which exercisable	Expiry date
Keith Sadler	1,400,000	-	-	(1,400,000)	**-**	Nil	28-Jan-2013	28-Jan-2015
Stephen Davidson	1,754,386[1]	-	-	-	**1,754,386**	Nil	25-Jan-2011	25-Jan-2015
Andrew Wilson	-	-	-	-	**-**	Nil	25-Jan-2011	25-Jan-2012

1. These options have vested but remain unexercised.

Pensions

The Group operates a stakeholder pension scheme for staff. No Director, with the exception of Martin Boddy and Andrew Wilson, receives any contribution to a pension scheme.

Non-Executive directorships

The Company allows its Executive Directors to take a limited number of outside directorships. Individuals retain the payments received from such services since these appointments are not expected to impinge on their principal employment. Martin Boddy currently has outside directorships.

Other related party transactions

No Director, except for Martin Boddy and Charles Buddery, of the Group has, or had, a disclosable interest in any contract of significance subsisting during or at the end of the year.

Disclosable transactions by the Company under IAS 24, Related Party Disclosures, are set out in note 33. There have been no other disclosable transactions by the Company and its subsidiaries with Directors of the Company or any of the subsidiary companies and with substantial shareholders since the publication of the last Annual Report.

Share price performance

The share price performance from 26 October 2006, the date of the initial public offering, is shown in the following table:

By Order of the Board

Charles Buddery
Chairman, Remuneration Committee
8 July 2013

CORPORATE GOVERNANCE

This report is prepared voluntarily by the Board and describes how the principles of corporate governance are applied.

The Board

The Board currently comprises the Chairman Andrew Wilson, Chief Executive Officer Martin Boddy, Chief Operating Officer Andy Gardner, and two Non-Executive Directors Stephen Davidson and Charles Buddery. Short biographical details of each of the Directors are set out on page 6. The Board is responsible to the shareholders for the proper management of the Group and meets at least five times a year to set the overall direction and strategy of the Group. All strategic operational and investment decisions are subject to Board approval.

The roles of Chief Executive Officer and Chairman are separate and there is a clear division of their responsibilities. All Directors are subject to re-election at least every three years.

Board committees

Remuneration Committee

The Remuneration Committee comprises Charles Buddery (Chair), Stephen Davidson and Andrew Wilson. The Remuneration Committee, on behalf of the Board, meets as and when necessary to review and approve as appropriate the contract terms, remuneration and other benefits of the Executive Directors and senior management and major remuneration plans for the Group as a whole.

The Code recommends that a remuneration committee should be composed of entirely independent Non-Executive Directors. Messrs. Davidson (ex-Chairman of the Board), Buddery and Wilson (who is affiliated with a major shareholder) are not regarded as independent under the Code. The Board does consider them to act independently with respect to remuneration issues.

The Remuneration Committee approves the setting of objectives for all of the Executive Directors and authorises their annual bonus payments for achievement of objectives.

The Remuneration Committee approves remuneration packages sufficient to attract, retain and motivate Executive Directors required to run the Group successfully, but does not pay more than is necessary for this service.

The Remuneration Committee is empowered to recommend the grant of share options under the existing share option plan and to make awards under the long-term incentive plans. The Remuneration Committee considers there to be an appropriate balance between fixed and variable remuneration and between short-term and long-term variable components of remuneration. All the decisions of the Remuneration Committee on remuneration matters in the year ended 31 March 2013 were reported to and endorsed by the Board.

Further details of the Group's policies on remuneration and service contracts are given in the Directors' Remuneration Report on pages 11 - 15.

Audit Committee

The Audit Committee comprises Stephen Davidson (Chair), Charles Buddery and Andrew Wilson. By invitation, the meetings of the Audit Committee may be attended by the other Directors and the auditor. The Committee meets not less than twice annually. The Audit Committee oversees the monitoring of the adequacy and effectiveness of the Group's internal controls, accounting policies and financial reporting and provides a forum for reporting by the Group's external auditor. Its duties include keeping under review the scope and results of the audit and its cost effectiveness, consideration of management's response to any major audit recommendations and the independence and objectivity of the auditor.

Nomination Committee

The Nomination Committee comprises a majority of Non-Executive Directors. It did not meet during the year. It is responsible for nominating to the Board candidates for appointment as Directors, having regard for the balance and structure of the Board.

The terms of reference for all committees are available on the Group's website.

Company Secretary

The Company Secretary is responsible for advising the Board through the Chairman on all governance issues. All Directors have access to the advice and services of the Secretary.

Attendance at Board and Committee meetings

The Directors attended the following Board and Committee meetings during the year ended 31 March 2013.

	Board	Remuneration	Audit	Nomination
Total meetings held	6	2	2	-
Stephen Davidson	6	2	2	-
Andy Gardner (appointed 6 April 2012)	6	-	-	-
Martin Boddy (appointed 1 March 2012)	6	-	-	-
Keith Sadler (resigned 31 July 2012)	1	-	-	-
Charles Buddery (appointed 1 March 2012)	5	2	1	-
Barry Jenner (resigned 31 May 2012)	-	-	-	-
Ian Robinson	-	-	1	-
Andrew Wilson	6	2	2	-
Kate McIntyre (appointed 1 June 2012, resigned 11 March 2013)	5	-	2	-

Board performance and evaluation

In addition to the re-election of Directors every three years, the Board has a process for evaluation of its own performance, that of its committees and individual Directors, including the Chairman.

Relationships with shareholders

The Board recognises the importance of effective communication with the Company's shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders. The Company communicates with investors through Interim Statements, audited Annual Reports, press releases and the Company's website www.jaywingplc.com. Shareholders are welcome at the Company's AGM, (notice of which is provided with this Report), where they will have an opportunity to meet the Board. The Company obtains feedback from its broker on the views of institutional investors on a non-attributed and attributed basis and any concerns of major shareholders would be communicated to the Board.

Internal controls

The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls and will continue to ensure that management keeps these processes under regular review and improves them where appropriate.

Management structure

There is a clearly defined organisational structure throughout the Group with established lines of reporting and delegation of authority based on job responsibilities and experience.

Financial reporting

Monthly management accounts provide relevant, reliable, up-to-date financial and non-financial information to management and the Board. Annual plans, forecasts and performance targets allow management to monitor the key business and financial activities and the progress towards achieving the financial objectives. The annual budget is approved by the Board.

Monitoring of controls

It is intended that the Audit Committee receives regular reports from the auditor and assures itself that the internal control environment of the Group is operating effectively. There are formal policies and procedures in place to ensure the integrity and accuracy of the accounting records and to safeguard the Group's assets. Significant capital projects and acquisitions and disposals require Board approval.

Corporate social responsibility

The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to take into account the interests of the Group's stakeholders, including its investors, employees, suppliers and business partners when operating the business.

Employment

At a subsidiary level, each individual company has established policies which address key corporate objectives in the management of employee relations, communication and employee involvement, training and personal development and equal opportunity. The Board recognises its legal responsibility to ensure the wellbeing, safety and welfare of its employees and to maintain a safe and healthy working environment for them and for its visitors. Health and Safety is on the agenda for regularly scheduled plc Board and Operations Board meetings.

Environment

By their nature the Group's regular operations are judged to have a low environmental impact and are not expected to give rise to any significant inherent environmental risks over the next 12 months.

By Order of the Board

Andy Gardner
8 July 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' 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 European Union and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 state of affairs and profit or loss of the Company and 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 UK Accounting Standards/IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

By Order of the Board

Andy Gardner
8 July 2013

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF JAYWING PLC (FORMERLY WEARE 2020 PLC)

We have audited the financial statements of Jaywing plc (formerly WEARE 2020 plc) for the year ended 31 March 2013 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, the principal accounting policies, and the related notes to the financial statements, the company profit and loss account, the company balance sheet and the notes to the company financial statements. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2013 and of the group's profit and the parent company's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Michael Redfern
Senior Statutory Auditor for and on behalf of
Grant Thornton UK LLP, Statutory Auditor,
Chartered Accountants, Sheffield
8 July 2013

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

For the year ended 31 March Continuing operations	Note	2013 £'000	2012 £'000 Before impairment of non-current assets and exceptional costs	2012 £'000 Impairment of non-current assets and exceptional costs	2012 £'000 Total
Revenue	1	**36,318**	37,265	-	37,265
Direct costs		**(6,240)**	(7,520)	-	(7,520)
Gross profit		**30,078**	29,745	-	29,745
Other operating income	2	**740**	567	-	567
Amortisation	15	**(1,771)**	(1,801)	-	(1,801)
Operating expenses	3	**(27,816)**	(26,520)	(248)	(26,768)
Operating profit/(loss)		**1,231**	1,991	(248)	1,743
Finance income	4	**6**	2	-	2
Finance costs	5	**(205)**	(479)	-	(479)
Net financing costs		**(199)**	(477)	-	(477)
Profit/(loss) before tax		**1,032**	1,514	(248)	1,266
Tax (expense)/credit	6	**(399)**	(208)	64	(144)
Profit/(loss) for the year attributable to equity holders of the parent	29	**633**	1,306	(184)	1,122
Other comprehensive income:					
Cash flow hedging	25	**52**	197	-	197
Total comprehensive income for the period attributable to equity holders of the parent		**685**	1,503	(184)	1,319
Earnings per share	7				
From continuing operations					
- basic		**0.85p**			1.50p
- diluted		**0.82p**			1.43p

The accompanying notes form part of these consolidated financial statements.

Consolidated balance sheet

As at 31 March	Note	**2013 £'000**	2012 £'000	2011 £'000
Non-current assets				
Property, plant and equipment	12	**713**	1,172	1,586
Goodwill	14	**29,753**	29,753	29,777
Other intangible assets	15	**8,984**	9,473	11,273
		39,450	40,398	42,636
Current assets				
Inventories	16	**-**	81	143
Trade and other receivables	17	**10,851**	9,505	10,425
Cash at bank and in hand		**1**	61	9,307
		10,852	9,647	19,875
Total assets		**50,302**	50,045	62,511
Current liabilities				
Bank overdraft	18	**816**	233	8,159
Other interest-bearing loans and borrowings	18	**1,500**	3,000	5,311
Financial derivatives	19	**-**	52	244
Trade and other payables	20	**6,731**	5,845	9,148
Current tax liabilities		**742**	729	286
Provisions	21	**-**	116	123
		9,789	9,975	23,271
Non-current liabilities				
Deferred tax liabilities	22	**2,060**	2,326	3,119
		2,060	2,326	3,119
Total liabilities		**11,849**	12,301	26,390
Net assets		**38,453**	37,744	36,121
Equity attributable to owners of the parent				
Share capital	23	**34,051**	34,051	34,051
Share premium	24	**6,608**	6,608	6,608
Hedging reserve	25	**-**	(52)	(244)
Capital redemption reserve	27	**125**	125	125
Shares purchased for treasury	26	**(25)**	(25)	(42)
Share option reserve	28	**137**	207	329
Retained earnings	29	**(2,443)**	(3,170)	(4,706)
Total equity		**38,453**	37,744	36,121

These financial statements were approved by the Board of Directors on 8 July 2013 and were signed on its behalf by:

Andy Gardner
Director
Company number: 05935923

The accompanying notes form part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 March	Note	2013 £'000	2012 £'000
Cash flow from operating activities			
Profit after tax		**633**	1,122
Adjustments for:			
Depreciation, amortisation and impairment		**2,164**	2,368
Loss on disposal of property, plant and equipment		**4**	-
Movement in provision		**(11)**	41
Financial income		**(6)**	(2)
Financial expenses		**205**	479
Share-based payment (credit) / expense	11	**(8)**	11
Taxation		**399**	144
Operating cash flow before changes in working capital		**3,380**	4,163
(Increase) / decrease in trade and other receivables		**(1,000)**	860
Decrease in inventories		**81**	62
Increase / (decrease) in trade and other payables		**518**	(482)
Cash generated from operations		**2,979**	4,603
Interest received		**6**	2
Interest paid		**(203)**	(469)
Tax paid		**(976)**	(425)
Net cash flow from operating activities		**1,806**	3,711
Cash flow from investing activities			
Payment of contingent consideration for prior year acquisitions		**-**	(2,375)
Proceeds from sale of assets		**677**	-
Acquisition of subsidiary Iris Associates net of cash acquired	13	**(1,080)**	(1)
Acquisition of property, plant and equipment	12	**(546)**	(278)
Net cash outflow from investing activities		**(949)**	(2,654)
Cash flows from financing activities			
Repayment of borrowings		**(1,500)**	(2,311)
Cash settlement of equity share options		**-**	(66)
Net cash outflow from financing activities		**(1,500)**	(2,377)
Net decrease in cash and cash equivalents		**(643)**	(1,320)
Cash and cash equivalents at beginning of year		**(172)**	1,148
Cash and cash equivalents at end of year		**(815)**	(172)
Cash and cash equivalents comprise:			
Cash at bank and in hand		**1**	61
Bank overdrafts	18	**(816)**	(233)
Cash and cash equivalents at end of year		**(815)**	(172)

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Hedging reserve £'000	Capital redemption reserve £'000	Treasury shares £'000	Share option reserve £'000	Retained earnings £'000	Total attributed to the owners of the parent £'000
At 1 April 2011	**34,051**	**6,608**	**(244)**	**125**	**(42)**	**329**	**(4,706)**	**36,121**
Allotment of shares from Treasury on the exercise of options	-	-	-	-	17	-	**(17)**	**-**
Credit in respect of share-based payments	-	-	-	-	-	-	**370**	**370**
Transfer from share option reserve	-	-	-	-	-	(122)	**122**	**-**
Cash settled share options	-	-	-	-	-	-	**(66)**	**(66)**
Transactions with owners	-	-	-	-	17	(122)	**409**	**304**
Profit for the year	-	-	-	-	-	-	**1,122**	**1,122**
Other comprehensive income:								
Cash flow hedges	-	-	197	-	-	-	**-**	**197**
Transfer from Hedging reserve	-	-	(5)	-	-	-	**5**	**-**
Total comprehensive income for the year	-	-	192	-	-	-	**1,127**	**1,319**
At 31 March 2012	**34,051**	**6,608**	**(52)**	**125**	**(25)**	**207**	**(3,170)**	**37,744**
Credit in respect of share-based payments	-	-	-	-	-	-	**24**	**24**
Transfer from share option reserve	-	-	-	-	-	(70)	**70**	**-**
Transactions with owners	-	-	-	-	-	(70)	**94**	**24**
Profit for the year	-	-	-	-	-	-	**633**	**633**
Other comprehensive income:								
Cash flow hedges	-	-	52	-	-	-	**-**	**52**
Total comprehensive income for the year	-	-	52	-	-	-	**633**	**685**
At 31 March 2013	**34,051**	**6,608**	**-**	**125**	**(25)**	**137**	**(2,443)**	**38,453**

The accompanying notes form part of these consolidated financial statements.

PRINCIPAL ACCOUNTING POLICIES

Jaywing plc (formerly WEARE 2020 plc) is a Company incorporated in the UK and is AIM listed.

The consolidated financial statements consolidate those of Jaywing plc and its subsidiaries (together referred to as the 'Group').

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs). The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are held at fair value.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the consolidated financial statements together with estimates with a significant risk of material adjustment in the next year are discussed in note 34.

Going concern

The Directors have reviewed the forecasts for 2013/14 and 2014/15 which have been adjusted to take account of the current trading environment. The Directors consider the forecasts to be prudent and have assessed the impact of them on the Group's cash flow, facilities and headroom within its banking covenants. Further, the Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. Based on this work, the Directors are satisfied that the Group has adequate resources to continue in operational existence for 12 months from the date of these accounts. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions between subsidiary companies are eliminated on consolidation.

Revenue

Revenue for all business activities other than media planning and buying is recognised when performance criteria have been met in accordance with the terms of the contracts. Revenue is recognised on long-term contracts if their final outcome can be assessed with reasonable certainty, by including in profit or loss revenue and related costs as contract activity progresses. For contracts where the final outcome cannot be assessed with reasonable certainly, revenue is recognised to the extent of expenses recognised that are recoverable.

Media planning and buying

Revenue comprises gross billings to customers relating to media placements and fees for advertising services. Revenue may consist of various arrangements involving commissions, fees, incentive-based revenue or a combination of the three, as agreed upon with each client.

Revenue is recognised when the service is performed, in accordance with the terms of the contractual arrangement. Incentive-based revenue typically comprises both quantitative and qualitative elements; on the element related to quantitative targets, revenue is recognised when the quantitative targets have been achieved; on elements related to qualitative targets, revenue is recognised when the incentive is receivable.

Revenue is recognised in accordance with the stage of completion of contractual obligations to the customer. The stage of completion is ascertained by assessing the fair value of the services provided to the balance sheet date as a proportion of the total fair value of the contract. Losses on contracts are recognised in the period in which the loss first becomes foreseeable.

Foreign currency

Transactions in foreign currencies are translated into the entity's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

Classification of instruments issued by the Group

Instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the items are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	-	40 years
Leasehold improvements	-	over period of lease
Motor vehicles	-	4 years
Office equipment	-	3 - 5 years

It has been assumed that all assets will be used until the end of their economic life.

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal or contractual rights regardless of whether those rights are separable, and are initially recognised at fair value. Development costs incurred in the year which meet the criteria of IAS 38 are capitalised and amortised on a straight line basis over their economic life.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

Customer relationships	-	8 to 12 years
Development costs	-	3 to 4 years

Impairment

For goodwill that has an indefinite useful life, the recoverable amount is estimated annually. For other assets, the recoverable amount is only estimated when there is an indication that an impairment may have occurred. The recoverable amount is the higher of fair value less costs to sell and value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Inventories

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity on a first in first out basis. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

Share-based payment transactions

The fair value at the date of grant of share based remuneration is calculated using a Black-Scholes model and charged to profit or loss over the vesting period of the award. The charge to profit or loss takes account of the estimated number of shares that will vest. All share based remuneration is equity settled. Provision is made for National Insurance when the Group is committed to settle this liability. The charge to profit or loss takes account of the options expected to vest, is deemed to arise over the vesting period and is discounted.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Expenses

Operating lease payments

Operating leases are leases in which substantially all the risks and rewards of ownership related to the asset are not transferred to the Group.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Net financing costs

Net financing costs comprise interest payable and interest receivable on funds invested. Interest income and interest payable are recognised in profit or loss as they accrue using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except to the extent that it arises on:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination;
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank borrowings that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Trade and other receivables

Trade and other receivables are initially recorded at fair value and thereafter are measured at amortised cost using the effective interest rate. A provision for impairment is made where there is objective evidence (including customers with financial difficulties or in default on payments) that amounts will not be recovered in accordance with the original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in profit or loss.

Financial derivatives

The Group uses derivative financial instruments to hedge its exposure to risks arising from operational, financing and investment activities. In accordance with treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. To qualify for cash flow hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. To the extent that the hedge is effective, the gain or loss on re-measurement to fair value is reflected in other comprehensive income within the hedging reserve. At the time the hedged item affects the profit or loss, any gain previously recognised in equity is reclassified from equity to profit or loss. If the hedging becomes ineffective, any related gain or loss recognised in equity is immediately transferred to profit or loss. Any ineffectiveness in the hedge relationship is charged immediately to profit or loss.

Financial liabilities

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Trade payables are initially recorded at fair value and thereafter at amortised cost using the effective interest rate method.

Segmental reporting

The Group now reports its business activities in two areas: Agency Services and Consulting, its two primary business activities.

The Group derives its revenue from the provision of digital marketing services.

Standards and interpretations in issue at 31 March 2013 but not yet effective

The following standards and interpretations of relevance to the Group have been issued but are not yet effective and have not been adopted by the Group:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)

These standards and interpretations are not expected to have any significant impact on the Group's financial statements.

Other standards and interpretations in issue but not yet effective are not considered to have any relevance to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Segmental analysis

The Group reports its business activities in two areas: Agency Services and Consulting, its two primary business activities. Unallocated represents the Group's head office function, along with intragroup transactions.

The Group primarily derives its revenue from the provision of marketing services in the UK to customers all of which are based in the UK. During the year one customer included within the Consulting segment accounted for greater than 10% of the Group's revenue. This customer accounted for £6,791,000 (2012: £4,211,000) of Group revenue.

For the year ended 31 March 2013	**Agency Services £'000**	**Consulting £'000**	**Unallocated £'000**	**Total £'000**
Revenue	17,303	19,742	(727)	**36,318**
Direct costs	(4,128)	(2,968)	856	**(6,240)**
Gross profit	13,175	16,774	129	**30,078**
Other operating income	665	75	-	**740**
Operating expenses excluding depreciation, amortisation and charges for share based payments	(11,691)	(13,370)	(2,003)	**(27,064)**
Operating profit before depreciation, amortisation and charges for share based payments	2,149	3,479	(1,874)	**3,754**
Depreciation	(218)	(168)	(7)	**(393)**
Amortisation	(862)	(909)	-	**(1,771)**
Acquisition related costs	(367)	-	-	**(367)**
Credit for share based payments	-	-	8	**8**
Operating profit/(loss)	**702**	**2,402**	**(1,873)**	**1,231**
Finance income				**6**
Finance costs				**(205)**
Profit before tax				**1,032**
Taxation				**(399)**
Profit for the period from continuing operations				**633**

For the year ended 31 March 2012	Agency Services £'000	Consulting £'000	Unallocated £'000	Total £'000
Revenue	19,764	18,203	(702)	**37,265**
Direct costs	(5,979)	(2,243)	702	**(7,520)**
Gross profit	13,785	15,960	-	**29,745**
Other operating income	512	55	-	**567**
Operating expenses excluding depreciation, amortisation and charges for share based payments	(12,172)	(13,179)	(798)	**(26,149)**
Operating profit before depreciation, amortisation and charges for share based payments	2,125	2,836	(798)	**4,163**
Depreciation	(231)	(128)	(1)	**(360)**
Amortisation	(799)	(1,002)	-	**(1,801)**
Impairment and exceptional charges	(248)	-	-	**(248)**
(Charge)/credit for share based payments	(6)	(10)	5	**(11)**
Operating profit/(loss)	**841**	**1,696**	**(794)**	**1,743**
Finance income				**2**
Finance costs				**(479)**
Profit before tax				**1,266**
Taxation				**(144)**
Profit for the period from continuing operations				**1,122**

Year ended 31 March 2013	Agency Services £'000	Consulting £'000	Unallocated £'000	Total £'000
Assets	**25,965**	**24,307**	**30**	**50,302**
Liabilities	**(3,345)**	**(1,940)**	**(6,564)**	**(11,849)**
Capital employed	**22,620**	**22,367**	**(6,534)**	**38,453**

Year ended 31 March 2012	Agency Services £'000	Consulting £'000	Unallocated £'000	Total £'000
Assets	23,223	24,748	2,074	50,045
Liabilities	(2,828)	(2,803)	(6,670)	(12,301)
Capital employed	20,395	21,945	(4,596)	37,744

Unallocated assets and liabilities consist predominantly of cash, external borrowings and deferred tax liabilities on intangible assets which have not been allocated to the business segments. All of the Group's assets are based in the UK.

Capital additions; Property, plant and equipment

	Agency Services £'000	Consulting £'000	Unallocated £'000	Total £'000
Year ended 31 March 2013	**197**	**343**	**6**	**546**
Year ended 31 March 2012	158	107	13	278

2. Other operating income

	2013 £'000	2012 £'000
Other operating income	**740**	567

During the years to 31 March 2012 and 31 March 2013 the Group received part settlement from the administrator of a client for a contractual obligation to perform services on their behalf. During the year we received a further distribution of £0.7 million. It is anticipated there may be further distributions in the future but the Board is unaware of the quantum or timing of these potential receipts.

3. Other operating expenses

	2013 £'000	2012 £'000
Wages and salaries	**20,018**	17,721
Share based payments	**(8)**	11
Administration	**7,806**	8,788
	27,816	26,520
Impairment of the carrying value of property, plant and equipment	**-**	332
Adjustment to deferred consideration	**-**	(125)
Exceptional costs	**-**	41
	-	248
	27,816	26,768

There were no exceptional costs in the year (2012: £41,000 represents compensation for loss of office in respect of a director and the costs of closure of an operating site).

Wages and salaries include £291,000 (2012: £Nil) of post acquisition employment costs relating to the purchase of Iris Associates Limited.

4. Finance income

	2013 £'000	2012 £'000
Interest income	**6**	2

5. Finance costs

	2013 £'000	2012 £'000
Interest expense	**205**	479

6. Tax expense

	2013 £'000	2012 £'000
Recognised in the consolidated statement of comprehensive income:		
Current year tax	**958**	868
Origination and reversal of temporary differences	**(559)**	(724)
Total tax charge	**399**	144
Reconciliation of total tax charge:		
Profit before tax	**1,032**	1,266
Taxation using the UK Corporation Tax rate of 24% (2012: 26%)	**248**	329
Effects of:		
Non deductible expenses	**20**	10
Share based payment charges	**2**	96
Depreciation in excess of capital allowances	**(38)**	-
Capital allowances in excess of depreciation	**-**	33
Schedule 23 deductions	**-**	(3)
Other	**132**	(16)
Prior year adjustment	**35**	(305)
Total tax charge	**399**	144

7. Earnings per share

	2013 Pence per share	2012 Pence per share
Basic	**0.85p**	1.50p
Diluted	**0.82p**	1.43p

Earnings per share has been calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

The calculations of basic and diluted earnings per share are:

	2013 £'000	2012 £'000
Profit for the year attributable to shareholders	**633**	1,122

Weighted average number of ordinary shares in issue:

	2013 Number	2012 Number
Basic	**74,505,377**	74,505,377
Adjustment for share options	**2,736,610**	4,136,609
Diluted	**77,241,987**	78,641,986

Adjusted earnings per share	**2013 Pence per share**	2012 Pence per share
From continuing and discontinued operations:		
Basic adjusted earnings per share	**2.47p**	3.30p
Diluted adjusted earnings per share	**2.38p**	3.12p

Adjusted earnings per share have been calculated by dividing the profit attributable to shareholders before amortisation and charges for share options by the weighted average number of ordinary shares in issue during the year. The numbers used in calculating the basic and diluted adjusted earnings per share are reconciled below:

	2013 £'000	2012 £'000
Profit before tax	**1,032**	1,266
Amortisation	**1,771**	1,801
Impairment of carrying value of goodwill, other intangible assets, tangible assets and exceptional charges	**-**	248
Charges for share options	**(8)**	11
Adjusted profit attributable to shareholders	**2,795**	3,326
Current year tax charge	**(958)**	(868)
	1,837	2,458

8. Expenses and auditor's remuneration

	2013 £'000	2012 £'000
The following are included in profit before tax:		
Depreciation of property, plant and equipment	**393**	360
Amortisation of other intangible assets	**1,771**	1,801
Impairment of the carrying value of tangible assets	-	332
Adjustment to deferred consideration	**-**	(125)
Exceptional costs	**-**	41
Employee emoluments	**20,018**	17,721
Auditor's remuneration:		
Audit of the financial statements	**25**	23
Other amounts payable to the auditor and its associates in respect of:		
Audits of financial statements of subsidiaries pursuant to legislation	**80**	72
Fees for taxation services	**20**	31
Other services pursuant to legislation	**36**	26

Amounts paid to the Group's auditor in respect of services to the Group, other than the audit of the Group's financial statements, have not been disclosed separately as the information is required instead to be disclosed on a consolidated basis.

9. Key management personnel compensation

Key management of the Group is considered to be the Board of Directors and the Operations Board.

	2013 £'000	2012 £'000
Short term benefits:		
Salaries including bonuses	**1,010**	1,114
Social security costs	**130**	142
Healthcare	-	6
Other benefits in kind	**-**	7
Total short term benefits	**1,140**	1,269
Long term benefits:		
Share based payment charges	**-**	220
Post-employment benefits:		
Defined contribution pension plan	**51**	59
Total remuneration	**1,191**	1,548

Further information in respect of Directors is given in the Directors' Remuneration table on page 13.

10. Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2013 Number	2012 Number
Management and administration	**77**	77
Call centre operatives	**159**	143
Account management and production	**235**	171
Information strategists	**40**	44
Media planning and buying	**-**	13
	511	448

The aggregate payroll costs of these persons were as follows:	**2013 £'000**	2012 £'000
Wages and salaries	**17,782**	15,647
Social security costs	**1,909**	1,706
Other pension costs	**335**	357
Share option charges – PSP Options (see note 11)	**24**	370
Share option charges – Employers NI (see note 11)	**(32)**	(359)
	20,018	17,721

11. Employee benefits

The Company grants share options under the Digital Marketing Group Performance Share Plan, more details of which are given in the Directors' Remuneration Report.

Details of the share options granted during and outstanding at the end of the year are as follows:

	2013 Number of share options	**2013 Weighted average exercise price**	2012 Number of share options	2012 Weighted average exercise price
At 1 April	**4,367,114**	**2.0p**	7,877,376	6.4p
Granted during the year	**-**	**-**	150,000	24.0p
Lapsed during the year	**(1,456,306)**	**1.4p**	(3,178,076)	16.8p
Exercised during the year	-	-	(482,186)	-
At 31 March	**2,910,808**	**2.0p**	4,367,114	2.0p
Exercisable at end of year	**2,910,808**	**-**	1,754,383	-

Share options outstanding at the end of the year have a range of exercise prices from a nominal £1 per tranche exercised to £0.37 per share and a weighted average remaining exercise period of 1.8 years. Awards of share options are made on an individual basis with particular performance criteria relevant to the participant. Options are usually granted for a maximum of 5 years, in one case this has been extended by three years.

Share options outstanding at the year end were as follows:

As at 31 March 2013		**Period of exercise**	
Number	**Exercise price**	**From**	**To**
1,754,383	Nil	31/03/2010	26/01/2015
982,225	Nil	05/02/2013	05/02/2015
174,200	37.0p	31/03/2012	31/03/2014
2,910,808			

As at 31 March 2012		**Period of exercise**	
Number	**Exercise price**	**From**	**To**
1,754,383	nil	31/03/2010	26/01/2015
2,382,224	nil	05/02/2013	05/02/2015
230,507	37.0p	31/03/2011	31/03/2015
4,367,114			

Charge to the statement of comprehensive income

Under IFRS 2 the Group is required to recognise an expense in the relevant company's financial statements. The expense is apportioned over the vesting period based upon the number of options which are expected to vest and the fair value of those options at the date of grant.

For awards made prior to 31 March 2009 the Group commissioned an independent valuation from American Appraisal UK Limited, using a trinomial valuation model, and adopted their findings. For awards made since that date the Group has used the Black-Scholes valuation model, a total charge of £24,000 (2012: £370,000) has been made in these financial statements.

The weighted average fair value of the options outstanding at 31 March 2013 is 54.9p (2012: 51.3p).

The weighted average fair value was calculated using the Black-Scholes model with the following inputs:

	2013	2012
Share price range at date of grant	**37.0p – 62.0p**	37.0p – 62.0p
Exercise price	**0p – 37.0p**	0p – 37.0p
Expected volatility	**69.7%**	69.7%
Dividend yield	0%	0%
Risk free rate	**3.36% - 3.57%**	3.48% - 3.79%
Option life	**1-3 years**	1-3 years

Expected volatility was determined by calculating the standard deviation of the share price multiplied by the square root of the relevant time period of the option grant to give an indication of the share price volatility. The risk free rate was calculated using the yield on long dated UK Government Treasury Gilts at each date of grant.

The financial statements include the following amounts:

	2013 £'000	2012 £'000
Share based payment charge	**24**	370
Related National Insurance credit	**(32)**	(359)
	(8)	11

The National Insurance credit is due to the large number of options lapsing in the year and the accrual being based on market value rather than fair value.

12. Property, plant and equipment

	Freehold land and buildings £'000	**Leasehold improvements £'000**	**Motor vehicles £'000**	**Office equipment £'000**	**Total £'000**
Cost					
At 1 April 2011	1,150	216	12	2,246	**3,624**
Additions	-	6	-	272	**278**
Disposals	-	(32)	-	(270)	**(302)**
At 31 March 2012	1,150	190	12	2,248	**3,600**
Additions	-	256	-	290	**546**
Acquisition of subsidiaries	-	-	-	275	**275**
Disposals	(1,150)	-	-	(53)	**(1,203)**
At 31 March 2013	**-**	**446**	**12**	**2,760**	**3,218**
Depreciation					
At 1 April 2011	108	151	3	1,776	**2,038**
Depreciation charge for the year	29	29	2	300	**360**
Impairment charge	332	-	-	-	**332**
Depreciation on disposals	-	(32)	-	(270)	**(302)**
At 31 March 2012	469	148	5	1,806	**2,428**
Depreciation charge for the year	-	70	2	321	**393**
Acquisition of subsidiaries	-	-	-	206	**206**
Depreciation on disposals	(469)	-	-	(53)	**(522)**
At 31 March 2013	**-**	**218**	**7**	**2,280**	**2,505**
Net book value					
At 31 March 2013	**-**	**228**	**5**	**480**	**713**
At 31 March 2012	681	42	7	442	1,172
At 1 April 2011	1,042	65	9	470	1,586

The assets are covered by a fixed charge in favour of the Group's lenders.

13. Acquisition of subsidiaries

During the year the Group made one acquisition. On 4 October 2012 Scope Creative Marketing Limited acquired all the ordinary shares in Iris Associates Limited for cash consideration of £1,127,000 (excluding legal and professional fees of £76,000 which have been expensed through the profit and loss account in administration expenses in the year). Additional consideration is payable, separate to the acquisition costs, for the continuing employment and future services provided by the former owners of Iris. The amount recognised in the profit and loss account as an expense during the year is £291,000, which represents the total amount earned as at 31 March 2013. This amount has been provided for within accruals and deferred income. Further amounts are payable as they are earned up to a maximum amount of £1,273,000, including the £291,000 recognised during the year, up until October 2015.

The primary reason for the acquisition was to strengthen the Group's Creative and Business Development capability through the integration with its existing Sheffield operations. In the period since acquisition the subsidiary contributed £1,257,000 to Group revenues and £251,000 to the consolidated profit attributable to shareholders for the year ended 31 March 2013. The assets and liabilities acquired were as follows:

	Book value £'000	**Fair value adjustments £'000**	**Fair value £'000**
Intangible assets	-	1,282	1,282
Property, plant & equipment	69	-	69
Trade and other receivables	396	-	396
Cash and cash equivalents	(47)	-	(47)
Trade and other payables	(325)	-	(325)
Deferred tax	-	(295)	(295)
Net identifiable assets and liabilities	**93**	**967**	**1,080**
Goodwill on acquisition			-
			1,080

Summary of net cash outflow from acquisitions:	
Cash paid	1,127
Cash acquired	(47)
Net cash outflow	**1,080**

The fair value of trade and other receivables are equal to the gross contractual amounts receivable and at the acquisition date all amounts were expected to be collected.

The results for the Group had the acquisition during the year been at the beginning of the year can be analysed as follows:

	Agency Services £'000	Consulting £'000	Unallocated £'000	Total £'000
Revenue	18,282	19,742	(727)	**37,297**
Direct costs	(4,453)	(2,968)	856	**(6,565)**
Gross profit	13,829	16,774	129	**30,732**
Other operating income	665	75	-	**740**
Operating expenses excluding depreciation, amortisation and charges for share based payments	(12,151)	(13,370)	(2,003)	**(27,524)**
Operating profit before depreciation, amortisation and charges for share based payments	2,343	3,479	(1,874)	**3,948**
Depreciation	(262)	(168)	(7)	**(437)**
Amortisation	(862)	(909)	-	**(1,771)**
Acquisition related costs	(367)	-	-	**(367)**
Credit for share based payments	-	-	8	**8**
Operating profit/(loss)	**852**	**2,402**	**(1,873)**	**1,381**
Finance income				**6**
Finance costs				**(205)**
Profit before tax				**1,182**
Taxation				**(399)**
Profit for the period from continuing operations				**783**

Notes: This information is based on the management accounts for Iris Associates Limited.

14. Goodwill

	Goodwill £'000
Cost and net book value	
At 1 April 2011	29,777
Reduction in goodwill in Tryzens (previously 20:20 Technology)	(24)
At 31 March 2012 and at 31 March 2013	**29,753**

Goodwill is attributed to the following cash generating units:

	2013 £'000	2012 £'000	2011 £'000
Agency Services			
Digital Media & Analytics	**438**	438	438
Scope (Including Iris)	**5,550**	5,550	5,550
Jaywing Central	**5,817**	5,817	5,817
HSM	**3,201**	3,201	3,201
Gasbox	**273**	273	273
Consulting			
Tryzens	**5,132**	5,132	5,156
Alphanumeric	**9,342**	9,342	9,342
	29,753	29,753	29,777

Goodwill and other intangible assets have been tested for impairment by assessing the value in use of the relevant cash generating units. The value in use calculations were based on projected cash flows in perpetuity. Budgeted cash flows for 2013/14 were used. Subsequent years were based on reducing rates of growth declining to a 2% growth rate by 2017/18.

The average year on year growth in earnings before interest, tax, depreciation and amortisation (EBITDA) which has been used as the basis for forecasting cash flows for each of the cash generating units when testing for impairment were:

	Year on year growth
2014/15	**5.0% - 10%**
2015/16	**5.0% - 10%**
2016/17	**2.5% - 10%**
Perpetuity	**2.0%**

These growth rates are based on past experience and market conditions and discount rates are consistent with external information.The growth rates shown are the average applied to the cash flows of the individual cash generating units and do not form a basis for estimating the consolidated profits of the Group in the future.

The discount rate used to test the cash generating units was the Group's pre-tax Weighted Average Cost of Capital ("WACC") of 11% (2012:11%). The individual cash generating units were assessed for risk variances from the WACC, but in the absence of geographical risk, currency risk and any significant price risk variations, the same WACC was used for all the cash generating units.

As a result of these tests no impairment was considered necessary (2012: £Nil).

The Directors have performed a sensitivity analysis in relation to the WACC used, which showed that an impairment would be required for WACCs of 16% and above. At a discount rate of 16% a charge of £1,053,000 would be required.

The Directors have also performed a sensitivity analysis in relation to the year on year growth in EBITDA. If the growth rates were to be reduced by 1% in each CGU no impairment charge would be required.

15. Other intangible assets

	Customer relationships £'000	Development costs £'000	Total £'000
Cost			
At 1 April 2011	20,339	151	**20,490**
Additions during the year	-	1	**1**
At 31 March 2012	20,339	152	**20,491**
Additions during the year	1,282	-	**1,282**
At 31 March 2013	**21,621**	**152**	**21,773**
Amortisation			
At 1 April 2011	9,217	-	**9,217**
Amortisation charge for the year	1,694	107	**1,801**
At 31 March 2012	10,911	107	**11,018**
Amortisation charge for the year	1,756	15	**1,771**
At 31 March 2013	**12,667**	**122**	**12,789**
Net book amount			
At 31 March 2013	**8,954**	**30**	**8,984**
At 1 April 2012	9,428	45	9,473
At 1 April 2011	11,122	151	11,273

The cost of customer relationships was determined as at the date of acquisition of the subsidiaries by professional valuers. The valuations used the discounted cash flow method, assuming rates of customer attrition at 10% and sales growth at 2% each year. The discount rate applied at that time to the future cash flows were specific to each subsidiary and were all in the range 14.6% to 15.5%.

Goodwill and other intangible assets have been tested for impairment. The method, key assumptions and results of the impairment review are detailed in note 14. On the basis of this review, it has been concluded that there is no need to impair the carrying value of these intangible assets (2012: £nil).

Iris was acquired during the year and therefore the goodwill and other intangible assets are required to be tested for impairment during the year. Following the acquisition, Iris' trade and assets were sold to Scope and the business has been integrated into one CGU. The Scope CGU is the smallest CGU that can be identified. This has been tested for impairment as detailed in note 14.

16. Inventories

	2013 £'000	2012 £'000	2011 £'000
Work in progress	**-**	81	143

There was no charge resulting from the write down of inventories (2012: £nil). No reversal of previous write downs was recognised as a reduction of expense in either 2013 or 2012. None of the inventories are pledged as security for liabilities.

17. Trade and other receivables

	2013 £'000	2012 £'000	2011 £'000
Trade receivables	**8,669**	7,229	8,605
Prepayments and accrued income	**1,773**	1,871	1,375
Deferred tax	**171**	174	243
Other receivables	**238**	231	202
	10,851	9,505	10,425

The carrying amount of trade and other receivables approximates to their fair value.

Trade and other receivables comprising financial assets are classified as loans and receivables.

All trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired so a provision of £146,000 (2012: £204,000; 2011: £303,000) has been recorded accordingly. Trade and other receivables which are not impaired or past due are considered by the Group to be of good credit quality.

The movement in the allowance for estimated irrecoverable amounts can be reconciled as follows:

	2013 £'000	2012 £'000
Balance at 1 April	**204**	303
Amounts written off (uncollectible)	**(64)**	(247)
Impairment loss	**(47)**	(67)
Impairment loss reversed	**53**	215
Balance at 31 March	**146**	204

In addition some of the unimpaired trade receivables are past due as at the reporting date.
The age of financial assets past due but not impaired is as follows:

	2013 £'000	2012 £'000	2011 £'000
Not more than three months	**233**	1,229	2,267
More than three months but not more than six months	**672**	26	91
More than six months but not more than one year	**-**	50	363
More than one year	**11**	7	107
	916	1,312	2,828

18. Bank and overdraft, loans and borrowings

	2013 £'000	2012 £'000	2011 £'000
Summary			
Bank overdraft	**816**	233	8,159
Borrowings	**1,500**	3,000	5,311
	2,316	3,233	13,470
Borrowings are repayable as follows:			
Within one year			
Bank overdraft	**816**	233	8,159
Borrowings	**1,500**	3,000	5,374
Total payments due within one year	**2,316**	3,233	13,533
Less future interest	**-**	-	(63)
Total due within one year	**2,316**	3,233	13,470

No amounts are due in more than one year.

Average interest rates at the balance sheet date were:	**£'000**	**%**	%	%
Overdraft	**816**	**3.35**	2.75	2.75
Term loan	**-**	**-**	2.13	1.96
Term loan	**-**	**-**	2.63	2.46
Revolver loan	**1,500**	**3.35**	2.39	2.33

As the loans are at variable market rates their carrying amount is equivalent to their fair value.

In 2007 the Group purchased an interest rate swap of 6.19% for the period June 2007 to June 2012 for £4,000,000 of its borrowings.

The borrowing facilities available to the Group at 31 March 2013 was £4.8 million (2012: £7.1 million) and, taking into account cash balances within the Group companies, there was £2.5 million (2012: £3.8 million) of available borrowing facilities.

A Composite Accounting System is set up with the Group's bankers, which allows debit balances on overdraft to be offset across the Group with credit balances.

Reconciliation of net debt	**1 April 2012 £'000**	**Cash flow £'000**	**Non-cash items £'000**	**31 March 2013 £'000**
Cash and cash equivalents	61	(60)	-	**1**
Overdraft	(233)	(583)	-	**(816)**
	(172)	(643)	-	**(815)**
Borrowings	(3,000)	1,500	-	**(1,500)**
Net debt	(3,172)	857	-	**(2,315)**

19. Financial derivatives

	2013 £'000	2012 £'000	2011 £'000
Interest rate swap	**-**	52	244

In 2007 the Group purchased an interest rate swap of 6.19% for the period 2007 to 2012 for £4,000,000 of its borrowings.

This swap is designated a hedge of the interest expense relating to the Group loans. At 31 March 2013 the swap had expired and therefore had a fair value liability of £Nil (2012: £52,000). The fair value was determined using level 2 determination techniques as per IFRS 7, in that all inputs are based on observable market prices such as long-term interest rates. An amount of £52,000 has been reclassified from equity to profit or loss as a result (2012: £192,000).

The interest rate swap's contractual maturity is summarised below:

	2013 £'000	2012 £'000	2011 £'000
Current			
Within six months	**-**	52	124
In six to twelve months	**-**	-	124
Non-current			
One to five years	**-**	-	62

The above contractual maturities reflect the estimated gross cash flows, which differ from the carrying value at the balance sheet date.

20. Trade and other payables

	2013 £'000	2012 £'000	2011 £'000
Trade payables	**1,317**	1,428	1,382
Tax and social security	**1,943**	1,647	2,009
Other payables, accruals and deferred income	**3,471**	2,770	5,757
	6,731	5,845	9,148

The carrying amount of trade and other payables approximates to their fair values. All amounts are short term.

21. Provisions

	2013 £'000	2012 £'000	2011 £'000
At 1 April	**116**	123	187
Additional provisions for closure of site	**-**	116	123
Utilised during the year	**(105)**	(123)	(187)
Unused amounts reversed during the year	**(11)**	-	-
At 31 March	**-**	116	123
Total provisions are analysed as follows:			
Current	**-**	116	123
	-	116	123

22. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities:

	2013 £'000	2012 £'000	2011 £'000
Accelerated capital allowances on property, plant and equipment:			
At start of year	**(108)**	-	(21)
Adjustment in relation to prior year classification	**-**	(37)	-
Prior year adjustment	**29**	28	(5)
Origination and reversal of temporary differences	**(70)**	(99)	26
At end of year	**(149)**	(108)	-
Other temporary differences:			
At start of year	**2,260**	2,876	3,946
Adjustment in relation to prior year classification	**(5)**	37	-
Prior year adjustment	**(94)**	(276)	(4)
Origination and reversal of temporary differences	**(123)**	(377)	(1,066)
At end of year	**2,038**	2,260	2,876
Total deferred tax:			
At start of year	**2,152**	2,876	3,925
Adjustment in relation to prior year classification	**(5)**	-	-
Prior year adjustment	**(65)**	(248)	(9)
Origination and reversal of temporary differences (note 6)	**(193)**	(476)	(1,040)
At end of year	**1,889**	2,152	2,876
Deferred tax is included within:			
Deferred tax liability	**2,060**	2,326	3,119
Deferred tax asset	**(171)**	(174)	(243)
	1,889	2,152	2,876

The majority of the other temporary differences relates to the liability arising on the valuation of intangible assets on acquisition.

There are no deductible differences or losses carried forward for which no deferred tax asset is recognised. There are no temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised.

23. Share capital

Authorised	45p deferred shares £'000	5p ordinary shares £'000
Authorised share capital at 31 March 2012 and at 31 March 2013	**45,000**	**10,000**

Allotted, issued and fully paid:	45p deferred shares Number	5p ordinary shares Number	£'000
At 31 March 2013 and 2012	**67,378,520**	**74,604,999**	**34,051**

The 5 pence ordinary shares have the same rights (including voting and dividend rights and rights on a return of capital) as the previous 50 pence ordinary shares. Holders of the 45 pence deferred shares do not have any right to receive notice of any general meeting of the Company or any right to attend, speak or vote at any such meeting. The deferred share holders are not entitled to receive any dividend or other distribution and shall, on a return of assets in a winding up of the Company, entitle the holders only to the repayment of the amounts paid up on the shares, after the amount paid to the holders of the new ordinary shares exceeds £1,000,000 per new ordinary share. The deferred shares will also be incapable of transfer and no share certificates will be issued in respect of them.

24. Share premium

	2013 £'000	2012 £'000
At start and end of year	**6,608**	6,608

25. Hedging reserve

	2013 £'000	2012 £'000
At start of year	**(52)**	(244)
Loss on cash flow hedges	**(52)**	(211)
Transfer to profit or loss	**52**	211
Amortisation of ineffective hedge reserve	**-**	(5)
Change in fair value of cash flow hedge	**52**	197
	-	(52)

The cash flow hedges arise from changes in the fair value of the 2007-2012 interest rate swap.

26. Treasury shares

	2013 £'000	2012 £'000
At the start of the year (99,622 shares, 2012: 167,797 shares)	**(25)**	(42)
Shares allotted on exercise of options (nil shares, 2012: 70,175 shares)	**-**	17
At year end (99,622 shares, 2012: 99,622 shares)	**(25)**	(25)

27. Capital redemption reserve

	2013 £'000	2012 £'000
At start and end of year	**125**	125

28. Share option reserve

	2013 £'000	2012 £'000
At start of year	**207**	329
Transfer to retained earnings	**(70)**	(122)
At end of year	**137**	207

The Board of Directors have approved the transfer of reserves from retained earnings to a designated share option reserve.

29. Retained earnings

	2013 £'000	2012 £'000
At start of year	**(3,170)**	(4,706)
Retained profit for the year	**633**	1,122
Credit in respect of share options	**24**	370
Treasury shares issued to settle share options	**-**	(17)
Cash settlement of equity share options	**-**	(66)
Transfer from share option reserve	**70**	122
Transfer from hedging reserve	**-**	5
At end of year	**(2,443)**	(3,170)

30. Operating leases

The Group's future minimum operating lease payments are as follows:

	Within 1 year £'000	1 to 5 years £'000	After 5 years £'000	**Total £'000**
31 March 2013	**653**	**1,801**	**-**	**2,454**
31 March 2012	639	1,426	-	2,065
31 March 2011	750	1,875	252	2,877

The Company leases a number of office premises under operating leases. During the year £821,000 (2012: £892,000) was recognised as an expense in the Statement of comprehensive income in respect of operating leases.

31. Capital commitments

The Group had no commitments to purchase property, plant and equipment at 31 March 2013 (2012: £Nil).

32. Contingent liabilities

Some acquisitions by the Group involve an earn-out agreement whereby the consideration payable includes a deferred element of cash or shares or both which is contingent on the future financial performance of the acquired entity. As such there is uncertainty about the amount (but not timing) of these future potential outflows.

The maximum liability is £125,000 (2012: £125,000). The amounts provided for are payable as follows:

	2013 £'000	2012 £'000
In one year or less	**125**	125
	125	125

The amounts provided have not been discounted.

33. Related parties

Ian Robinson, Non-Executive Director (resigned 31 July 2012), is also a director of Anne Street Partners Limited. The services of Ian Robinson and Andrew Wilson as Non-Executive Directors of the Company were purchased from Anne Street Partners Limited for a fee of £15,000 (2012: £30,000). At the year end £12,000 (2012: £Nil) was outstanding to Anne Street Partners Limited.

Charles Buddery, Non-Executive Director, is also a director of Kaizen IT Solutions Limited, a company which supplies IT services to Scope Creative Marketing Limited. During the year Scope Creative Marketing Limited paid £1,850 (2012: £9,070) to Kaizen IT Solutions Limited for such services and £Nil (2012: £Nil) was due to Kaizen IT Solutions Limited at the year end.

Charles Buddery, Non-Executive Director, is also a director of Kaizen Telecom Limited, a company which supplies Telecom services to Scope Creative Marketing Limited. During the year Scope Creative Marketing Limited paid £4,000 (2012: £Nil) to Kaizen Telecom Limited for such services and £Nil (2012: £Nil) was due to Kaizen Telecom Limited at the year end.

Charles Buddery is also a partner in Players House LLP which owns the building occupied by Scope Creative Marketing Limited. During the year Scope Creative Marketing Limited paid rent of £90,000 (2012: £101,502), owing £Nil (2012: £Nil) at the year end.

Martin Boddy is also a director of West Window LLP (trading as Launchpad). During the year HSM Limited made sales of £13,000 (2012: £80,486) to West Window LLP. At the year end £Nil (2012: £2,700) was owing. During the year Alphanumeric Limited made sales of £Nil (2012: £19,197) to West Window LLP. At the year end £Nil (2012: £19,197) was owing.

34. Accounting estimates and judgements

ACCOUNTING ESTIMATES

Impairment of goodwill and other intangible assets

The carrying amount of goodwill is £29,753,000 (2012: £29,753,000) and the carrying amount of other intangible assets is £8,984,000 (2012: £9,473,000). The Directors are confident that the carrying amount of goodwill and other intangible assets is fairly stated, and have carried out an impairment review. The forecast cash generation for each CGU and the WACC represent significant assumptions and should the assumptions prove to be incorrect there would be a significant risk of a material adjustment within the next financial year. The sensitivity to the key assumptions is shown in note 14.

Share based payment

The share based payment charge consists of two elements, the charge for the fair value at the date of grant and a charge for the employers NI.

The charge for the fair value at the date of grant of the share based remuneration has been calculated using the Black-Scholes method, in previous years a trinomial pricing model was adopted. In considering an appropriate charge the Directors have used an internally generated calculation to derive an appropriate charge. Based on these calculations a charge of £24,000 (2012: £370,000) has been made. In the year to 31 March 2009, the Directors commissioned an independent valuation from American Appraisal UK Limited and adopted their findings.

Fair values on acquisition

The Directors have assessed the fair value of assets and liabilities on the acquisition of the subsidiary companies.

Deferred consideration

The Directors have provided an estimate of the amount payable in respect of deferred contingent consideration. See note 32.

ACCOUNTING JUDGEMENTS

Recognition of revenue as principal or agent

The Directors consider that they act as a principal in transactions where the Group assumes the credit risk. Where this is via an agency arrangement and the Group assumes the credit risk for all billings it therefore recognises gross billings as revenue.

35. Financial risk management

The Group uses various financial instruments. These include loans, cash, issued equity investments and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

The main risks arising from the Group's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. In this instance price risk has been ignored as it is not considered a material risk to the business. The Group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Currency risk

The Group is only minimally exposed to translation and transaction foreign exchange risk.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably.

The Group policy throughout the period has been to ensure continuity of funding.

Short-term flexibility is achieved by overdraft facilities.

The maturity of borrowings is set out in notes 18 and 19 to the consolidated financial statements.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Directors' policy to manage interest rate fluctuations is to regularly review the costs of capital and the risks associated with each class of capital, and to maintain an appropriate mix between fixed and floating rate borrowings.

The interest rate exposure of the financial assets and liabilities of the Group is shown in the table below. The table includes trade debtors and creditors as these do not attract interest and are therefore subject to fair value interest rate risk.

	2013 £'000	2012 £'000	2011 £'000
Financial assets:			
Floating interest rate:			
Cash	**1**	61	9,307
Zero interest rate:			
Trade receivables	**8,669**	7,229	8,605
	8,670	7,290	17,912
Financial liabilities:			
Floating interest rate:			
Overdrafts	**816**	233	8,159
Bank loans	**1,500**	3,000	5,311
Zero interest rate:			
Trade payables	**1,317**	1,428	1,382
	3,633	4,661	14,852

Sensitivity to interest rate fluctuations

If the average interest rate payable on the net financial asset/net financial liabilities subject to a floating interest rate during the year had been 1% higher than reported on the average borrowings during the year, then profit before tax would have been £28,971 lower, and if the interest rate on these liabilities had been 1% lower, profit before tax would have improved by £28,971.

Credit risk

The Group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from the Group's trade receivables. In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

The Directors consider that the Group's trade receivables were impaired for the year ended 31 March 2013 and a provision for £146,000 (2012: £204,000) has been provided accordingly. See note 17 for further information on financial assets that are past due.

Summary of financial assets and liabilities by category

The carrying amount of financial assets and liabilities recognised at the balance sheet date of the reporting periods under review may also be categorised as follows:

	2013 £'000	2012 £'000	2011 £'000
Financial assets			
Loans and receivables			
Trade and other receivables	**8,907**	7,460	8,807
Cash and cash equivalents	**1**	61	9,307
	8,908	7,521	18,114
Financial liabilities:			
Non current:			
Financial derivatives - hedging instrument carried at fair value	**-**	(52)	(244)
Current:			
Financial liabilities measured at amortised cost			
Borrowings	**(2,316)**	(3,233)	(13,470)
Trade and other payables	**(6,731)**	(5,845)	(9,148)
Provisions for liabilities	**-**	(116)	(123)
	(9,047)	(9,246)	(22,985)
Net financial assets and liabilities	**(139)**	(1,725)	(4,871)
Property, plant and equipment	**713**	1,172	1,586
Goodwill	**29,753**	29,753	29,777
Other intangible assets	**8,984**	9,473	11,273
Prepayments	**1,773**	1,871	1,375
Deferred tax	**171**	174	243
Inventories	**-**	81	143
Taxation payable	**(742)**	(729)	(286)
Provisions for deferred tax	**(2,060)**	(2,326)	(3,119)
	38,592	39,469	40,992
Total equity	**38,453**	37,744	36,121

Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

This is achieved through close management of working capital and regular reviews of pricing.

Capital for the reporting period under review is summarised as follows:

	2013 £'000	2012 £'000	2011 £'000
Total equity	**38,453**	37,744	36,121

COMPANY FINANCIAL STATEMENTS

Company profit and loss account

	Note	2013 £'000	2012 £'000
Turnover	1	**127**	-
Administrative expenses		**(2,006)**	(651)
Reduction in carrying value of investments	11	**-**	(1,493)
Total administrative expenses	2	**(2,006)**	(2,144)
Operating loss	3	**(1,879)**	(2,144)
Income from fixed asset investments	4	**-**	9,738
Interest receivable and similar income		**1**	1
Interest payable and similar charges	5	**(202)**	(474)
(Loss)/profit on ordinary activities before taxation		**(2,080)**	7,121
Taxation on ordinary activities	6	**246**	237
(Loss)/profit on ordinary activities after taxation	21	**(1,834)**	7,358

All of the activities of the Parent Company are classed as continuing.

The Company has no recognised gains or losses for the year other than the loss for the year as set out above.

The accompanying notes to the parent Company financial statements form an integral part of these financial statements.

Company balance sheet

	Note	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	10	**14**	14
Investments	11	**48,777**	48,777
		48,791	48,791
Current assets			
Debtors	12	**2,362**	2,212
		2,362	2,212
Creditors: amounts falling due within one year	13	**(11,043)**	(9,083)
Net current liabilities		**(8,681)**	(6,871)
Net assets		**40,110**	41,920
Capital and reserves			
Called up share capital	15	**34,051**	34,051
Share premium account	16	**6,608**	6,608
Share option reserve	17	**137**	207
Treasury shares	18	**(25)**	(25)
Capital redemption reserve	19	**125**	125
Profit and loss account	20	**(786)**	954
Equity shareholders' funds	21	**40,110**	41,920

These financial statements were approved by the Board of Directors on 8 July 2013 and were signed on its behalf by:

Andy Gardner
Director

The accompanying notes to the parent Company financial statements form an integral part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards and have been prepared under the historical cost convention.

The principal accounting policies of the Company are set out below. The policies remain unchanged from the previous year.

Turnover

The turnover shown in the profit and loss account represents amounts in relation to work undertaken in the year. Turnover is the revenue arising from the sale of services. It is stated at the fair value of the consideration receivable, net of value added taxes, rebates and discounts.

Revenue from services provided by the Company is recognised when the Company has performed its obligations and in exchange obtained the right to consideration.

Fixed assets and depreciation

All fixed assets are initially recorded at cost.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & fittings 3-5 years straight line.

Investments

Investments are included at cost, less amounts written off.

Classification of instruments issued by the Company

Instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Share based payment

The fair value at the date of grant of share based remuneration has been calculated using a Black-Scholes model and charged to the profit and loss account over the vesting period of the award. The charge to the profit and loss account, in respect of the Company's employees, takes account of the estimated number of shares that will vest. All share based remuneration is equity settled. Provision is made for National Insurance when the Company is committed to settle this liability. The charge to the profit and loss account takes account of the options expected to vest, is deemed to arise over the vesting period and is discounted.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less 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 recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

2. Other operating charges

	2013 £'000	2012 £'000
Share based payment charge	**24**	354
Related National Insurance credit	**(32)**	(359)
Administrative expenses	**2,014**	656
Write down and Impairment of carrying value of investments	**-**	1,493
Total administrative expenses	**2,006**	2,144

3. Operating loss

	2013 £'000	2012 £'000
Operating loss is stated after charging:		
Depreciation of owned fixed assets	**6**	2

4. Income from fixed asset investments

	2013 £'000	2012 £'000
Dividends received from subsidiaries	**-**	9,738

5. Interest payable and similar charges

	2013 £'000	2012 £'000
Bank interest payable	**202**	474

6. Tax on ordinary activities

The tax credit represents:

	2013 £'000	2012 £'000
UK corporation tax at 24% (2012: 26%)	**(495)**	(255)
Adjustment in respect of prior period	**256**	-
Total current tax	**(239)**	(255)
Deferred tax:		
Origination and reversal of timing differences	**(4)**	18
Prior year adjustment	**(3)**	-
	(246)	(237)

The tax credit can be explained as follows:

	2013 £'000	2012 £'000
(Loss)/profit before tax	**(2,080)**	7,121
Tax using the UK corporation tax rate of 24% (2012: 26%)	**(499)**	1,851
Effect of:		
(Income)/expenses not taxable	**-**	(2,532)
Schedule 23 deductions	**-**	(3)
Expenses not deductible for tax	**-**	3
Impairment of carrying value of investments	**-**	388
Capital allowances for the period in excess of depreciation	**-**	(1)
Share based payment charges	**-**	92
Other	**4**	(53)
Prior year adjustment	**256**	-
Current year credit	**(239)**	(255)

7. Auditor's remuneration

Details of remuneration paid to the auditor by the Company are shown in note 8 to the consolidated financial statements.

8. Directors and employees

	2013 £'000	2012 £'000
Average number of staff employed by the Company	**19**	6
Aggregate emoluments (including those of Directors):		
Wages and salaries	**1,260**	517
Social security costs	**139**	27
Pension contribution	**17**	3
Total emoluments	**1,416**	547
Gain on exercise of share options	**-**	12
	1,416	559

Further information in respect of Directors is given in the Directors' Remuneration table on page 13.

9. Dividends

The Directors do not recommend the payment of a dividend for the current year (2012: £nil).

10. Tangible fixed assets

	Fixtures & fittings £'000
Cost at 1 April 2012	28
Additions	6
Cost at 31 March 2013	**34**
Depreciation at 1 April 2012	14
Charge for the year	6
Depreciation at 31 March 2013	**20**
Net book value at 31 March 2013	**14**
Net book value at 31 March 2012	14

11. Fixed asset investments

	Subsidiaries £'000
Cost at 1 April 2012 and at 31 March 2013	**48,777**

The Company has carried out an impairment review of the carrying amount of the investments in subsidiaries. The impairment review of investments was performed using the same cash flows and assumptions as were used in the Group's financial statements for the impairment review of goodwill, details of which can be found in note 14 in the Group's financial statements. This review has concluded that the carrying value of the Company's investments is impaired by £Nil (2012: £0.7m).

During the prior year a number of subsidiaries underwent reorganisations of their capital, the write down above is matching this adjustment.

At 31 March 2013 the Company held either directly or indirectly, 20% or more of the allotted share capital of the following companies:

		Proportion held		
	Class of share capital held	**By parent Company**	**By the Group**	**Nature of Business**
Alphanumeric Group Holdings Limited	Ordinary	100%	100%	Holding company
Alphanumeric Holdings Limited	Ordinary	-	100%	Holding company
Alphanumeric Limited	Ordinary	100%	100%	Data services & consultancy
Arco Technology Bulgaria Limited	Ordinary	-	100%	Provision of IT consultancy service
Dig for Fire Limited	Ordinary	-	100%	Dormant
Digital Marketing Group Limited	Ordinary	100%	100%	Dormant
Digital Marketing Group Services Limited	Ordinary	100%	100%	Dormant
Digital Marketing Network Limited	Ordinary	100%	100%	Dormant
Digital Media and Analytics Limited	Ordinary	100%	100%	Dormant
DMG Central Limited	Ordinary	-	100%	Dormant
DMG London Limited	Ordinary	100%	100%	Online marketing & media
Gasbox Limited	Ordinary	100%	100%	Direct marketing
Graphico New Media Limited	Ordinary	100%	100%	Dormant
HSM Limited	Ordinary	100%	100%	Online marketing & media, direct marketing
Hyperlaunch New Media Limited	Ordinary	100%	100%	Dormant
Inbox Media Limited	Ordinary	-	100%	Dormant
Iris Associates Limited	Ordinary	-	100%	Direct Marketing
ISIS Direct Limited	Ordinary	-	100%	Dormant
Jaywing Central Limited	Ordinary	100%	100%	Online marketing & media
Jaywing Information Limited	Ordinary	100%	100%	Dormant
Jaywing North Limited	Ordinary	100%	100%	Dormant
Junction Brand Communication Limited	Ordinary	-	100%	Dormant
Prodant Limited	Ordinary	-	100%	Dormant
Scope Creative Marketing Limited	Ordinary	100%	100%	Direct marketing
Tryzens Limited	Ordinary	100%	100%	eCommerce & Technology services
Twenty20 Solutions India PVT Limited	Ordinary	-	100%	Provision of IT consultancy service
Woken Limited	Ordinary	-	100%	Dormant

All the companies listed above have been consolidated.

All the companies listed above are incorporated in England and Wales with the following exceptions:

Company	**Country of Incorporation**
Arco Technologies Bulgaria Limited	Bulgaria
Twenty20 Solutions India PVT Limited	India

12. Debtors

	2013 £'000	2012 £'000
Amounts due from Group undertakings	**1,763**	1,866
Prepayments and accrued income	**65**	78
Other taxation and social security	**30**	13
Corporation tax	**496**	255
Deferred tax	**8**	-
	2,362	2,212

13. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Bank loans and overdrafts (note 14)	**4,729**	6,373
Trade creditors	**111**	6
Amounts owed to Group undertakings	**5,733**	2,281
Other taxation and social security	**58**	18
Other creditors	**1**	7
Accruals and deferred income	**286**	273
Deferred consideration payable on acquisition of subsidiary undertakings	**125**	125
	11,043	**9,083**

14. Borrowings and financial derivatives

	2013 £'000	2012 £'000
Summary:		
Bank overdraft	**3,229**	3,373
Bank loans	**1,500**	3,000
	4,729	6,373

Borrowings are repayable as follows:

	2013 £'000	2012 £'000
Within one year:		
Bank overdraft	**3,229**	3,373
Bank loans	**1,500**	3,000
Total due within one year	**4,729**	6,373

In 2007 the Company purchased an interest rate swap of 6.19% for the period June 2007 to June 2012 for £4,000,000 of its borrowings. At 31 March 2013 the interest rate swap had expired and therefore was a liability of £nil (2012: £52,000). This is not accounted for in the Company's UK GAAP accounts.

15. Share capital

Authorised:

	45p deferred shares £'000	5p ordinary shares £'000
Authorised share capital at 31 March 2012 and at 31 March 2013	**45,000**	**10,000**

Allotted, issued and fully paid:

	45p deferred shares Number	5p ordinary shares Number	£'000
At 31 March 2013 and 2012	**67,378,520**	**74,604,999**	**34,051**

The 5 pence ordinary shares have the same rights (including voting and dividend rights and rights on a return of capital) as the previous 50 pence ordinary shares. Holders of the 45 pence deferred shares do not have any right to receive notice of any general meeting of the Company or any right to attend, speak or vote at any such meeting. The deferred share holders are not entitled to receive any dividend or other distribution and shall on a return of assets in a winding up of the Company entitle the holders only to the repayment of the amounts paid up on the shares after the amount paid to the holders of the new ordinary shares exceeds £1,000,000 per new ordinary share. The deferred shares will also be incapable of transfer and no share certificates will be issued in respect of them.

16. Share premium account

	2013 £'000	2012 £'000
At start and at end of period	**6,608**	6,608

17. Share option reserve

	2013 £'000	2012 £'000
At start of year	**207**	329
Transfer to profit and loss account	**(70)**	(122)
At end of year	**137**	207

The Board of Directors have approved the transfer of reserves from retained earnings to a designated share option reserve.

18. Treasury shares

	2013 £'000	2012 £'000
At start of year	**25**	42
Shares allotted on exercise of options	**-**	(17)
At end of year	**25**	25

19. Capital redemption reserve

	2013 £'000	2012 £'000
At start and at end of year	**125**	125

20. Profit and loss account

	2013 £'000	2012 £'000
At start of year	**954**	(6,797)
Credit in respect of share based payments	**24**	354
Transfer from share option reserve	**70**	122
Treasury shares issued to settle share options	**-**	(17)
Cash settlement of equity share options	**-**	(66)
Retained (loss)/profit for the year	**(1,834)**	7,358
At end of year	**(786)**	954

21. Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
At start of year	**41,920**	34,274
Cash settled share options	**-**	(66)
Credit in respect of share based payments	**24**	354
Retained (loss)/profit for the year	**(1,834)**	7,358
At end of year	**40,110**	41,920

22. Share based payments

Share based payment (release)/charge is as follows:

	2013 £'000	2012 £'000
Share based payment	**24**	354
Related National Insurance costs	**(32)**	(359)
	(8)	(5)

Details of the share options issued and the basis of calculation of the share based payments, which all relate to share options granted, are given in note 11 to the consolidated financial statements.

23. Contingent liabilities

There is a cross guarantee between members of the Jaywing plc (formerly WEARE 2020 plc) group of companies on all bank overdrafts and bank borrowings with Barclays Bank plc. At 31 March 2013 the amount thus guaranteed by the Company was £Nil (2012: £Nil).

24. Related parties

The Company is exempt from the requirements to FRS 8 to disclose transactions with other 100% members of the Jaywing plc (formerly WEARE 2020 plc) group of companies.

Transactions with other related parties are disclosed in note 33 to the consolidated financial statements.

25. Financial risk management objectives and policies

Details of Group policies are set out in note 35 to the consolidated financial statements.

SHAREHOLDER INFORMATION

Annual General Meeting

The 2013 Annual General Meeting will be held on Thursday 12 September 2013 at Cenkos Securities, 6.7.8. Tokenhouse Yard, London EC2R 7AS, at 11.00am.

Result

Announcement of half year results to 30 September 2013 – November 2013.

Preliminary announcement of the annual results for the year ending 31 March 2014 – early July 2014.

Dividend

There is no dividend payable.

Multiple accounts on the shareholder register

If you have received two or more copies of this document, this means that there is more than one account in your name on the shareholders register. This may be caused by either your name or address appearing on each account in a slightly different way. For security reasons, the Registrars will not amalgamate the account without your written consent, so if you would like any multiple accounts combined into one account, please write to Capita Registrars at the address given below.

Documents

The following documents, which are available for inspection during normal business hours at the registered office of the Company on any weekday (Saturdays, Sundays and public holidays excluded), will also be available for inspection at the place of the AGM from at least 15 minutes prior to the meeting until its conclusion.

- Copies of the Executive Directors' service agreements and the Non-Executive Directors' letters of appointment;
- The memorandum and articles of association of the Company; and
- Register of Directors' interests in the share capital of the Company maintained under Section 809 of the Companies Act 2006.

Particulars of the Directors' interest in shares are given in the Remuneration Report which is contained in the Report and accounts for the year ended 31 March 2013.

Issued Share Capital

As at 8 July 2013 (being the last practicable date before the publication of this document) the Company's issued share capital comprised 74,604,999 ordinary shares of 5p each, of which 99,622 are held in Treasury. Therefore, as at 8 July 2013 the total voting rights in the Company were 74,505,377. On a vote by show of hands every member who is present in person or by proxy has one vote. On a poll every member who is present in person or by proxy has one vote for every ordinary share of which he or she is a holder.

Share dealing services

To purchase or sell shares in Jaywing plc log on to www.capitadeal.com or call 0871 664 0364 (Mon-Fri 8am-4.30pm) (calls cost 10p per minute plus network extras). Capita Share Dealing Services is a trading name of Capita IRG Trustees Limited, which is authorised and regulated by the Financial Services Authority. If you are selling shares you must have the relevant certificate(s) in your possession. This is not a recommendation to buy or sell shares and this service may not be suitable for all shareholders.

Shareholder enquiries

Capita Registrars maintains the register of members of the Company. If you have any queries concerning your shareholding, or if any of your details change, please contact the Registrars:

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0GA

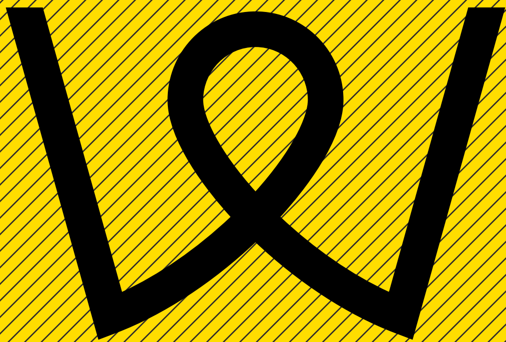
Shareholder Helpline: 0871 664 0300 (calls cost 10p per minute plus network extras) Fax: 01484 606484.

Textphone for shareholders with hearing difficulties: 0871 664 0532 (calls cost 10p per minute plus network extras)

Capita Registrar also offer a range of shareholder information online at www.capitaregistrars.com

Website

Information on the Group is available at www.jaywingplc.com



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