Jaywing plc
Annual Report and Accounts
For the year ended 31 March 2020

Company number 05935923

Contents

Overview

Jaywing is an award-winning, data-science-led performance marketing and consulting business operating in the UK and Australia.

Jaywing helps its clients find smart solutions to deliver profit growth and build brand value. It uses its unique expertise to create compelling insights from complex customer behaviour and builds these into effective digital marketing, customer engagement and portfolio management activities.

The company employs around 290 highly skilled people, including 34 in Australia, in a wide range of specialisms working in a highly collaborative operating model and culture.

Clients

In the UK, the business reorganised its operational structure in August 2020 to focus on three core sectors: Retail, FMCG and Financial Services, each of which accounts for around a third of revenues. Within these three go-to-market channels, Jaywing also services clients in Education, Not-for-Profit, Travel & Leisure, Technology, Utilities, Oil & Gas, and Hospitality. Typical clients are divisions of FTSE 250 companies, other large corporates and entrepreneurially-led high-growth businesses.

Client concentration risk is relatively low, with over 200 active clients, the largest client accounting for around 5% of annual Net Revenue and the two largest industry sub-sectors being Retail and Investment Banking (both 20%).

Net Revenue from Australia now accounts for 16% of overall Jaywing net revenue, and we are increasing the collaboration between Australia and the UK both on specific clients and also development of new capabilities.

People

Our people comprise a diverse mix of specialists, many with scarce skill sets. They include:

- Award-winning creative teams
- Experts in brand strategy and client management
- PhD mathematicians
- Marketing analysts and econometric modellers
- Highly skilled AI practitioners

These skills can be applied to a wide spectrum of challenges, ranging from credit risk modelling through to brand advertising, and a key strength is our ability to harness cross-functional teams to collaborate on client solutions.

Financial highlights

	Year to 31 March 2020 Including IFRS16 £'000	Year to 31 March 2020 Excluding IFRS16 £'000	Year to 31 March 2019 Excluding IFRS16 £'000
Net Revenue*	24,043	24,043	29,845
Adjusted EBITDA**	(158)	(869)	2,625
Cash Generated from Operations	953	343	2,422
Net Debt (excluding IFRS 16)***	(5,943)	(5,943)	(4,960)

First Half Year and Second Half Year Performance

	6 months to 30 September 2019 £'000	6 months to 31 March 2020 £'000	Year to 31 March 2020 £'000
Net Revenue*	11,996	12,047	24,043
Adjusted EBITDA**	(573)	415	(158)
Cash Generated from Operations			
Including IFRS 16	380	573	953
Excluding IFRS 16	8	335	343
Net Debt (excluding IFRS 16)***	(5,748)	(5,943)	(5,943)

Reconciliation of Operating Loss with Adjusted EBITDA

	6 months to 30 September 2019 £'000	6 months to 31 March 2020 £'000	Year to 31 March 2020 Including IFRS16 £'000	Year to 31 March 2020 Excluding IFRS16 £'000	Year to 31 March 2019 Excluding IFRS16 £'000
Operating Loss from Continuing Operations	**(1,380)**	**(7,494)**	**(8,874)**	**(8,919)**	**(809)**
Add Back:					
Depreciation	187	144	331	331	412
Depreciation of right of use assets	333	333	666	-	-
Amortisation of intangibles	777	770	1,547	1,547	1,795
EBITDA	**(83)**	**(6,247)**	**(6,330)**	**(7,041)**	**1,398**
Impairment of goodwill and other intangibles	-	5,789	5,789	5,789	1,050
Restructuring charges	295	572	867	867	-
Share based payment charges / (credits)	(785)	301	(484)	(484)	177
Adjusted EBITDA	**(573)**	**415**	**(158)**	**(869)**	**2,625**

* Revenue less third-party direct costs of sale
** Adjusted EBITDA represents EBITDA before restructuring costs, impairment charges and share based payment charges / (credits)
*** Including accrued interest

Chairman's Statement

The results for the year ended 31 March 2020 reflect a disappointing first half to 30 September 2019 of deteriorating revenues and cash flow performance followed by a more pleasing second half of revenue stabilisation and adjusted EBITDA and cash flow improvement as a result of actions taken by the board. These actions were part of a formal restructuring plan adopted by the board to streamline business processes and cost structures, improve efficiencies and working capital performance.

Adjusted EBITDA* for the first half was a loss of £573k and a profit of £415k for the second half, resulting in a net adjusted EBITDA loss of £158k for the year.

Cash flow generated from operations**, which include restructuring costs, was £380k in the first half and £573k in the second half, a total of £953k for the year.

It is pleasing to note that the Australian businesses continued to perform well throughout the year delivering strong Net Revenue and cash flow generation. We look forward to further developing the collaboration between our UK and Australian management teams.

In late March 2020 we were delighted to welcome Andrew Fryatt to the board as CEO. Andrew has continued to implement the remaining elements of the restructuring plan as well as taking the urgent actions required to mitigate the impact of Covid-19 on the business, our clients and our people.

We continue to win new business and the recent realignment of our business sectors to align with the clients and market segments we serve, should enable the business to further develop and tailor its comprehensive service offering to existing and new clients.

I am pleased to see the results of the actions taken to improve profitability and cash flow performance and would like to thank our people throughout the group both in the UK and Australia for their dedication and achievements during these challenging times and for their ongoing support. Whilst the general business outlook remains uncertain, I believe the actions we have taken have placed us in a better position to adapt to change, whilst continuing to serve and further develop our services to clients.

Ian Robinson
Non-Executive Chairman

* Adjusted EBITDA represents EBITDA before restructuring costs, impairment charges and share based payment charges / (credits).

** including IFRS 16

Chief Executive's Report

The year ended 31 March 2020 ("FY 20") was a challenging year for Jaywing, with difficult market conditions impacting trading and cash flow performance in the first half. This led to the implementation of a restructuring plan which delivered a turnround in second half performance. These actions taken to restructure the business have enabled Jaywing to enter the new financial year in a more resilient state at the end of March 2020, at the time I joined the board. Further details of the year's trading-performance and these actions are provided in the Strategic Review on page 7.

Since the end of March 2020, the business has been impacted by the COVID-19 pandemic, which has reduced revenues by around 20% in the first quarter of the new financial year, as a result of clients reducing or delaying spend during the initial lockdown period. However, the business has been able to continue operating successfully on a remote basis, and has taken measures to secure its financial position, including voluntary salary reductions by all employees and use of the Government's furlough arrangements for around 50 employees.

During FY 20 our Australian businesses delivered 1% revenue growth, and 46% EBITDA growth. We have started to see the benefit of being able to offer multiple services to individual clients, generating larger monthly retainers, and also our growing reputation for data and analytics in the Australian market. A more "consulting-led" approach has enabled us to build stickier client relationships.

Outlook

Extrapolating from Q4 performance would have suggested a significant improvement in profitability in FY 21. However, in the face of COVID-19, significant reductions in marketing spend across the industry have severely impacted many businesses, and, with the rate of recovery continuing to be unclear, it is difficult to confidently assess the outlook for FY 21. Our broad client mix means we are less reliant on any one specific sector and more able to manage variations in market conditions. Some clients have already returned to pre-pandemic spend levels, but others continue to defer expenditure. We have nonetheless continued to win new business and have a good pipeline of new opportunities.

We have also reorganised our UK operating structure to focus on core market sectors and better support future growth, with a further 8% reduction in headcount, and this will be described more fully in the interim results statement, which are expected to be published in early December.

The actions taken to support the business through the pandemic have very effectively protected profitability and cashflow, but we believe that we are still at least 6 months away from revenues returning to pre-pandemic levels in the UK, which could be further extended if the second wave hits hard. In Australia, where the pandemic seems to now be more controlled, revenues are already close to Q4's level, which is very encouraging.

At this stage we expect the impact of COVID-19 to be a significant reduction in full year net revenues for FY 21 compared to FY 20, but with good prospects for a significant improvement in underlying EBITDA.

Our employees have demonstrated an inspiring commitment to Jaywing, not least in the voluntary salary reduction during the first wave of the pandemic, and the capabilities of our people are our biggest asset. We are focusing on promoting our broad range of specialist capabilities across our full client base, seamlessly collaborating to address client challenges, and we believe this joined-up approach will be the blueprint for future revenue growth.

Andrew Fryatt
Chief Executive Officer
Jaywing plc

Strategic Review

Results

The results for the year overall have been disappointing. There was a significant fall in Net Revenue, EBITDA and cash flow in the first half of the year which led to the appointment of external consultants in August 2019, to review the cash flow position of the Group and make recommendations. This was followed by the acquisition of the Company's existing secured loan facility by entities associated with two of its major shareholders, described in further detail below, and the board's implementation of a restructuring plan to turn the financial position around. It is pleasing to note that the second half year results following implementation of this plan have delivered a stronger second half with higher exit adjusted EBITDA run rates. Further details are provided below.

The Company's Net Revenue for the year ended 31 March 2020 was £24.0m, a decrease of 20% on the prior year of £29.8m. This reflected weak trading in the UK business partly offset by strong growth in the Australian business.

The adjusted EBITDA loss amounted to £0.2m (a loss of £0.9m excluding IFRS 16) compared with a profit of £2.6m for the prior year (excluding IFRS 16).

Cashflow generated from operations including IFRS 16 amounted to £1.0m (£0.3m excluding IFRS 16) compared with £2.4m for the prior year excluding IFRS 16.

First and second half performance

The results for the year reflect a significant turnround in Adjusted EBITDA and cash flow performance between the first half of the year to 30 September 2019 and the second half of the year to 31 March 2020 following actions taken by the board, as referred to below, to stabilise the decline in Net Revenue and significantly improve profitability and cash flow performance.

The table in the Financial Highlights on page 4 shows the key figures for the two half years. The Net Revenue decline in the first half stabilised in the second half. Adjusted EBIDTA turned round by £1.0m, from a first half loss of £0.6m to a positive of £0.4m. Cash flow generated from operations increased by £0.2m from £0.4m in the first half to £0.6m in the second half, though these figures include restructuring costs of £0.3m and £0.6m in the first and second half respectively.

Secured Loan Facility

The weak trading and cash flow performance during the first half of the year led to the appointment of external consultants in August 2019, to review the cash flow position of the Group and make recommendations. On 2 October 2019 entities associated with two of its major shareholders (the "Major Shareholders") acquired the Company's existing secured loan facility of £5.2m ("Jaywing Facility") The Major Shareholders immediately provided the Company with additional secured facilities by increasing the Jaywing Facility by £3m to £8.2m, which enabled the Company to repay its existing outstanding overdraft and provide it with additional working capital. The Jaywing Facility has been provided to the Company on the same terms as the term loan previously provided to Jaywing. The Company remains in ongoing discussions with the Major Shareholders with regard to a possible future restructuring of the Jaywing Facility.

Net Debt

At 31 March 2020, Net Debt including accrued interest (excluding IFRS 16) was £5.9m (2019: £5.0m) and was represented by The Jaywing Facility of £7.9m less cash of £2.0m.

On 21 October 2020, $3.0m (£1.7m) of funds generated by and retained in the Australian business were used as part payment of the Massive Group put option. Further details of the settlement of this put option are provided below.

On 31 October 2020 the Net Debt including accrued interest (excluding IFRS 16) was £6.9m and comprised the Jaywing Facility of £8.2m less cash of £1.3m.

Restructuring Plan

In August 2019 the board of the Company appointed a consulting firm to assist with the preparation of a restructuring plan to realign the business more closely to its clients and its service offerings with a view to significantly improving post restructuring EBITDA and cash flow run rates of the business . This review resulted in a detailed implementation plan (the "Restructuring Plan") which was implemented by the Company under the oversight of the consultants, on behalf of the board. The implementation of the Restructuring Plan has continued into the current financial year under the leadership of Andrew Fryatt, who was appointed as CEO at the end of March 2020. The main restructuring costs arising from this plan were incurred in the period from September 2019 to March 2020.

Total restructuring costs disclosed for the year ended 31 March 2020 amount to £867,000. These comprise £295,000 relating to the initial consulting exercise and the subsequent acquisition of the Jaywing Facility, and £572,000 relating to the costs of the restructuring plan and its implementation.

Australia

On 21 October 2020, the business completed the acquisition of the remaining 25% of the shares in Massive Group PTY Ltd ("Massive Group") which were not already owned by Jaywing following the exercise of the put option in relation to that 25% stake by entities controlled by the two directors of Massive Group in Australia. Jaywing now owns 100% of the shares in Massive Group, which has traded as Jaywing Australia since 2017.

Jaywing and Massive Group entered into an Agreement on 7 July 2016, whereby Jaywing acquired 75% of the shares of Massive Group, with the remaining 25% subject to a put and call Option from July 2020. This 25% stake has now been acquired by Jaywing for a consideration of $4.0m (c.£2.2m), comprising $3.0m (c.£1.66m) immediately, followed by a series of monthly payments totalling $1.0m (c.£0.54m) between now and 30 June 2021. The total consideration for the purchase of the 100% interest in Massive Group is $9.6m (c. £5.4m).

Massive Group's business has grown strongly since 2016 and has more than doubled its EBITDA since then. This has enabled approximately 93% of the total consideration for the put option to be funded from cash generated in Australia. Massive Group continues to work collaboratively with the UK business on clients and services.

Impairment

As required by IAS 36, the Company has carried out an impairment review of the carrying value of our intangible assets and goodwill. The weighted average cost of capital ("WACC") was calculated 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. The calculated WACC rate used for the impairment review was 10.9% (2019: 10.2%). This was applied to cash flows for each of the business units using estimated growth rates in each business unit. As a result of these calculations the Board has concluded that a goodwill impairment of £5,468k was required (2019: £1,050k).

Share Options

The Company's Performance Share Plan terminated on 8 October 2020 and there are no outstanding share options.

Current trading and future prospects

Since March 2020, the economic impact of COVID-19 has resulted in revenue levels below those of the prior year, although the Group has been able to provide continuous service to its clients during this period. The Company has taken actions to protect both cash and profitability through this period, including voluntary salary reductions, cost reductions, rent deferrals, Government grant income and deferral of certain HMRC payments. The Group has continued to win new business during the first half of the financial year and, whilst there remains considerable uncertainty in markets generally, the Company believes that it is well positioned following the restructuring of its business to benefit as economic activity recovers.

Going Concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company and Group can continue in operational existence for the foreseeable future.

In addition to the normal process of preparing forecasts for the individual companies within the Group and a consolidated position for the Group, the board has also considered the potential impact of Covid-19 on the cash flows of the group for a period in excess of 12 months from the date of signing the financial statements. This has been done by looking at various scenarios within the forecasts for the potential effect of changes in the market during the forecast period.

Since March 2020, the economic impact of Covid-19 has resulted in revenue levels below those of the prior year, although the Group has been able to provide continuous service to its clients during this period. The Group has taken actions to protect both cash and profitability through this period, including voluntary salary reductions, rent deferrals and taking advantage of Government schemes for job retention and VAT payment deferral. The Group has continued to win new work through the period, and it remains on track to improve its performance year on year and building on the results which followed implementation of the Restructuring Plan in late 2019.

The second quarter has continued to see a positive trend. Whilst there remains considerable uncertainty in markets generally, the Group believes that it is well placed to benefit as economic activity recovers.

The impact of Covid-19 indicates the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern. The Company and Group financial statements do not include the adjustments that would result if the Company and Group were unable to continue as a going concern. Notwithstanding this material uncertainty, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

The Company's lenders have confirmed that they will continue to provide financial support for a period of at least 12 months from the date of the Directors signing the financial statements for the year ended 31 March 2020 by not making demand for repayment of the balance of the Jaywing Facility, should doing so prevent Jaywing PLC from meeting its debts as and when they fall due.

Principal Risks and Uncertainties

The evaluation of the Company's risk management process is the responsibility of the Board. Jaywing has developed its risk reporting framework in conjunction with the business leadership team who take an active and responsible role in this process. Below is a summary of the current key risks.

Risk	Mitigation
1. COVID-19 Since late March 2020, Jaywing has been impacted by the COVID-19 pandemic, with some clients pausing spend or delaying planned projects.	The Company has been quick to take action to mitigate the impact of this reduction in demand by putting in place measures to minimise the financial effect on the Company. Most of Jaywing's staff have been able to work effectively from home and we have continued to provide good levels of service and support to its existing clients as well as adding new business.
2.Loss of key staff Jaywing is dependent on its ability to recruit and retain staff with adequate experience and technical expertise to service its clients.	The expertise of Jaywing's people is a key source of competitive advantage and the Company's remuneration and incentive packages are reviewed regularly to retain and incentivise key staff. The Company also provides an attractive and collaborative working environment and culture.
3. Loss of business from clients Loss of business from clients could lead to a reduction in overall revenue and profitability.	The Company aims to minimise such losses by continuing to focus on providing a high quality service to its clients at all times as well as offering a wide range of services to existing clients and adding new clients through its new business activities. Jaywing has recently announced a restructure of its main business sectors based on clients and markets with the aim of getting closer to each of them with Jaywing's full range of services tailored to clients and the markets they operate in. Jaywing's client concentration risk is low. The impact of revenue losses on profitability is mitigated by ensuring that the Company's cost base is efficiently aligned with its revenues.
4. Changes in technology The digital marketing industry is characterised by constant developments in technology, online media and data science. In this environment, it is vital to be at the forefront of this change, to ensure Jaywing is able to provide the benefits of these changes in technology to its clients and remain competitive.	Jaywing is committed to innovation in data science led products and services and has dedicated resources to this. The Company has close relationships with online media owners (e.g. Google) and has early access to new product developments as a consequence of the significant online media budgets that it manages on behalf of its clients. Jaywing also has a strong team focused on the use of technology whose brief is to keep themselves abreast of new developments through their own research and through their relationships with technology providers.
5. Liquidity Poor trading and cash flow performance could lead to a lack of ongoing support from its lenders and an inability to raise equity to meet the needs of the business.	Jaywing's key financial measures are focussed on cash generation and net debt. The Company monitors its trading and cash flow performance closely and takes prompt action to mitigate any adverse trends.
6. Compliance with regulations and changes in legislation Failure to comply with regulations such as GDPR and changes in legislation could lead to reputational damage for Jaywing and its clients as well as fines and loss of business.	Jaywing engages advisers in relevant specialisations to assist with compliance. Experts in Jaywing's business areas are able to ensure client initiatives are all compliant, alongside external input where appropriate.

Board of Directors

Ian Robinson, Non-Executive Chairman
Chair of Audit & Risk Committee and member of Remuneration and Nomination Committees

Ian is a Non-Executive Director and Chairman of Audit Committee of Gusbourne plc, an Aim listed company. He is also a Director of a number of privately-owned businesses. He has previously held a number of other senior financial appointments both in the UK and overseas. He is a Fellow of the Institute of Chartered Accountants in England & Wales and holds an honours degree in Economics from the University of Nottingham.

Andrew Fryatt, Chief Executive,

Andrew has more than 30 years' experience in technology-dependent businesses, primarily in the Retail and Telecoms sectors. Following an honours degree in Economics from the University of Cambridge, he began his career in the Mars Group, progressing through various marketing roles before joining Kingfisher Group in a senior marketing role. His experience included senior marketing and commercial roles before moving into general management, and he has run major divisions of Daisy and Zen Internet, as well as gaining experience as CEO of Ideal Shopping Direct plc. He has a particular focus on customer excellence and has received several awards on behalf of his businesses for delivering outstanding service.

Mark Carrington, Non-Executive Director
Member of Audit & Risk, Remuneration and Nomination Committees

Mark is a Fellow of the Association of Chartered Certified Accountants. He is a Non-Executive Director of a number of privately-owned businesses both in the UK and Overseas. He is also involved in the provision of management services to a number of other privately-owned and AIM quoted businesses, ensuring he is always abreast of the most recent regulatory changes and associated best practice. Mark is a Non-Executive Director of Political Holdings Limited US and Shutdown Maintenance Services Limited.

Philip Hanson, Non-Executive Director
Chair of Remuneration and Nomination Committees and member of Audit & Risk Committees

Philip has extensive experience in marketing and ecommerce both in the UK and internationally, having held a number of senior roles in the FMCG and retail financial services sectors – latterly as Global Marketing & ecommerce Director for Travelex. He is also Non-Executive Director of the Bettys & Taylors Group. He is a Director of the French and Australian entities of the Goelet family wine business (Silver Blue LLC, SCEA Domaine de Nizas and Red Earth Nominees Pty Ltd respectively) where he regularly travels to understand the business, its changing markets and resultant challenges, and to provide counsel to the Executive Directors. Philip was a Director of Travelex Card Services Ltd until December 2015.

Directors' Report

The Directors submit their Annual Report on the affairs of the Group and the Company and the audited Financial Statements for the year ended 31 March 2020.

Principal activity
The principal activity of the Company, and Group, during the year under review is that of data-science-led performance marketing agency and consulting services.

Results and dividend
The Group's profit after taxation from continuing operations for the year ended 31 March 2020 was a loss of £9.0 million (2019: loss of £0.9 million). The Directors do not propose to pay a dividend.

Future developments
The future developments of the Group are referred to in the Chief Executive's Report on page 6.

Political and charitable donations
No political or charitable donations were made during the year (2019: £Nil).

Directors' interests
The present membership of the Board, together with biographies on each, is set out on page 10. All those Directors served throughout the year or from appointment. The Directors' interests in shares in the Company are set out in the Directors' remuneration report on page 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 more or less favourable treatment on the grounds of age, gender, 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.

Financial instruments
Details of the financial risk management objectives and policies of the Group, including hedging policies, are given in Note 34 to the Consolidated Financial Statements.

Share Capital
Details of the Company's Share Capital, including rights and obligations attaching to each class of share, are set out in Note 22 of the Consolidated 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.

Major interests in shares
As at 16 November 2020, 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:

		2020	2019
	Number of voting rights	**%**	%
Lord Michael Ashcroft	23,919,737	25.6	25.6
Lombard Odier Investment Managers Group	22,020,709	23.6	23.6
J & K Riddell	5,372,638	5.8	5.8
A Gardner	5,034,470	5.4	5.4
M Boddy	5,016,667	5.4	5.4
Bailey Family	3,972,500	4.3	3.0
Miton UK Microcap Trust plc	3,569,249	3.8	3.8
H & J Spinks	3,508,772	3.8	3.8

Section 172 statement
The Directors are required by the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote success of the Company for the benefit of its stakeholders as a whole and in doing so are required to have regard for the following:

- the likely long-term consequences of any decision;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Company.

In 2019 the Company adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies from the Quoted Companies Alliance (the "QCA Code"). The Board considers the QCA Code is an appropriate code of conduct for the Company. There are details of how the Company applies the ten principles of the QCA Code on the Company's investor website.

The Chairman's and Chief Executive Officer's statements describe the Group's activities, strategy and future prospects, including the considerations for long term decision making on pages 5 to 6.

The Company considers that its major stakeholders are its employees, customers, lenders and shareholders. When making decisions, the interests of these stakeholders is considered informally as part of the Board's group discussions.

The company is committed to being a responsible employer and strives to create a working environment where its employees are actively engaged and can contribute to its success.

The Company understands the value of maintaining and developing relationships with its customers and suppliers, to support its potential for future growth.

The Board does not believe that the Group has a significant impact on the environments within which it operates. The Board recognises that the Group has a duty to be responsible and is conscious that its business processes minimise harm to the environment, and that it contributes as far as is practicable to the local communities in which it operates. The Group's Corporate and Social Responsibility Policy is available on the Group's investor website and the SECR report for the Group is included in this report.

The Board recognises the importance of maintaining high standards of business conduct. The Group operates appropriate policies on business ethics and provides mechanisms for whistle blowing and complaints which all employees are aware of. These are maintained by the Policy Steering Committee.

The Board aims to maintain good relationships with its shareholders and treats them equally. The Group has presented at forums for retail investors and has regular contact with its major shareholders.

Corporate Social Responsibility
The Board recognises the importance 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.

Streamlined Energy and Carbon Reporting (SECR)
Under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we are mandated to disclose our UK energy use and associated greenhouse gas (GHG) emissions. Specifically, and as a minimum, we are required to report those GHG emissions relating to natural gas, electricity and transport fuel, as well as an intensity ratio, under the Streamlined Energy and Carbon Reporting (SECR) Regulations.

To ensure we achieve the transparency required, and deliver effective emissions management, we implement and utilise robust and accepted methods. Accordingly, whilst the Regulations provide no prescribed methodology, we collate our GHG data annually and complete the calculation of our carbon footprint using the latest Defra (Department for Environment, Food and Rural Affairs)/BEIS (Department for Business, Energy & Industrial Strategy) emissions factors.

The period covered for the purposes of the SECR section is 1 April 2019 to 31 March 2020 and our calculations are for the following scope:

- Buildings- related energy – natural gas (Scope 1) and electricity (Scope 2) and
- Employee owned vehicles (grey fleet) (Scope 3)

Calculation Methodology
The Jaywing GHG emissions were assessed in accordance with Defra's 'Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting Requirements' and use the 2019 emission factors developed by Defra and BEIS.

Results

Element	**2019/20 (tCO2e)**
Direct emissions (Scope 1) – natural gas and LPG	36,211
Indirect emissions (Scope 2) – from purchases electricity	96,616
Total tCO2e (Scope 1 & 2)	**132,827**
Other indirect emissions (Scope 3) – grey fleet travel	45,952
Gross Total Emissions	**178,779**
Intensity metric (Gross Emissions): Tonnes of CO2e per employee	**550**
Total energy consumption (kWh)	**611,351**

Energy Efficiency
As an office-based business, our environmental impact is relatively low and our Corporate Social Responsibility policy is available on https://investors.jaywing.com, which covers our approach to the environment and sustainability.

At Jaywing, we
- encourage the use of remote working facilities to avoid travelling where possible
- encourage the use of public transport wherever possible, both through our environmental policy and expenses policy, and where not possible, encourage car sharing or environmentally friendly alternatives. We discourage, where possible, the use of domestic flights
- operate a cycle to work scheme
- designed our head office to be as energy efficient as possible, with measures such as passive-stack ventilation and a large amount of secure cycle storage plus showering facilities to encourage cycling
- have switch off policies, including PIR activated lighting in some buildings, as well as trying to use energy as efficiently as possible
- have a clear policy on the use of plastics, with particular attention paid to single use plastics
- aim to recycle all waste material that can be recycled and use local facilities to reduce the transportation of waste materials
- aim to purchase energy efficient, environmentally and ecologically friendly products
- monitor our energy usage within our buildings.

All policies, including our environmental policy, are reviewed annually.

General Meeting
Your attention is drawn to the Notice of Meeting either enclosed with this Annual Report or online at https://investors.jaywing.com, which sets out the resolutions to be proposed at the forthcoming General Meeting.

Auditor
The Directors at the date of approval of this Annual Report confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- the Directors have taken all the steps that they ought to have taken as Directors, in order to make themselves aware of any relevant audit information and to establish that the 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.

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 General Meeting.

By Order of the Board

Andrew Fryatt
Director
Dated: 25 November 2020

Directors' Remuneration Report

In preparing this report, we have followed the spirit of the QCA's Corporate Code of Governance and drawn on best practice available, as well as those aspects of the UK Corporate Governance Code that we consider to be relevant to the Group.

The Remuneration Committee
During the year the Remuneration Committee comprised:

Philip Hanson (Chairman)
Ian Robinson
Mark Carrington

The Committee met five times during the year.

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. 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. 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 2020 there were four Executive Directors on the Board as follows:

Martin Boddy (Executive Chairman) – resigned 27 January 2020
Robert Shaw (Chief Executive Officer) – resigned 26 March 2020
Michael Sprot (Chief Financial Officer) – resigned 24 March 2020
Adrian Lingard (Chief Operating Officer) – resigned 20 December 2019

On 21 April 2020 Andrew Fryatt (Chief Executive Officer), who joined the company on 26 March 2020, was appointed to the Board.

The Executive Directors participate in a pension scheme but do not participate in any Group healthcare arrangements.

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. The Non-Executive Chairman receives an annual fee of £50,000. Non-Executive Directors' fees currently comprise a basic fee of £30,000 per annum plus £10,000 for chairing a committee.

Non-Executive Directors do not participate in the annual bonus plan, pension scheme or healthcare arrangements. The Company reimburses the reasonable expenses they incur in carrying out their duties as Directors.

Remuneration components – Executive Directors
A proportion of each Executive Director's remuneration is performance related.

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.

Directors' remuneration
The total amounts of the remuneration of the Directors of the Company for the years ended 31 March 2020 and 2019 are shown below:

31 March	**2020**	2019
	£	£
Aggregate emoluments	**732,939**	841,771
Sums paid to third parties for Directors' services	**30,000**	30,000
	762,939	871,771

The emoluments of the Directors are shown below:

31 March		2020 Fees and salary	2020 Benefits in kind	2020 Bonus	**2020 Total**	2019 Total	**2020 Pension contributions**	2019 Pension contributions
		£	£	£	**£**	£	**£**	£
Martin Boddy	Resigned 27 January 2020	147,416	-	-	**147,416**	183,104	**16,461**	20,000
Andy Gardner	Resigned 25 April 2018	-	-	-	**-**	7,234	**-**	579
Michael Sprot	Resigned 24 March 2020	111,954	-	-	**111,954**	111,833	**38,712**	39,610
Robert Shaw	Resigned 26 March 2020	237,538	-	-	**237,538**	244,000	**19,795**	20,000
Adrian Lingard	Resigned 20 December 2019	146,031	-	-	**146,031**	205,600	**12,169**	16,800
Mark Carrington~		30,000	-	-	**30,000**	30,000	**-**	-
Ian Robinson		50,000	-	-	**50,000**	50,000	**-**	-
Philip Hanson		40,000	-	-	**40,000**	40,000	**-**	-
Total		**762,939**	**-**	**-**	**762,939**	871,771	**87,137**	96,989

~ paid to a third party for the Director's services

The salary of the highest paid Director was 5.6 times the average salary of all company employees excluding the Directors in the table above.

Pensions
The Company made pension contributions on behalf of each of the Executive Directors. The amounts are shown in the table above.

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**
Andrew Fryatt	26 March 2020	3 months (6 months from 30 September 2020)	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
Ian Robinson	21 May 2014	3 months	Jaywing plc
Philip Hanson	27 April 2017	3 months	Jaywing plc
Mark Carrington	21 March 2018	3 months	Jaywing plc

Directors' interests in shares

The Directors' interests in the Share Capital of the Company are set out below:

31 March	**2020**	2019
	Number of shares	Number of shares
Ian Robinson	470,267	470,267
Philip Hanson	109,462	109,462

The table below sets out options granted under the Company's Performance Share Plan. All these options lapsed on 30 September 2020, and the Performance Share Plan was closed to all participants once all options lapsed:

	At 31 March 2020	At 31 March 2019	Exercise price	Normal date from which exercisable	Expiry date
Martin Boddy	**44,106**	254,106	5p	1-Aug-2016	30-Sep-2020
Michael Sprot	**32,386**	532,386	5p	1-Aug-2016	30-Sep-2020
Adrian Lingard	**419,227**	919,227	5p	1-Aug-2016	30-Sep-2020
Robert Shaw	**794,773**	1,294,733	5p	1-Aug-2016	30-Sep-2020

Other related party transactions

No Director of the Group, except for Rob Shaw, 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 32. 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.

By Order of the Board

Philip Hanson
Dated: 25 November 2020

Corporate Governance Statement

This report is prepared by the Board and describes how the principles of corporate governance are applied, to the extent applicable for a company the size of Jaywing Plc. The Board has adopted the QCA Corporate Governance Code and considers that the Company complies with each of the principles of the Code. The following should be noted with regard to the independence of the Company's Non-Executive Directors. The Board considers Philip Hanson, a Non-Executive Director, to be independent. The Board notes that Ian Robinson and Mark Carrington are associated with one of the Company's major shareholders which could appear to impair their independence for the purposes of the Code. However, the Board considers that both Ian Robinson and Mark Carrington are able to bring an independent view to bear on all matters dealt with by the Board and its various Committees. Independence is a board judgement.

There are details of how the Group applies the ten principles of the QCA Code on the Group's investor website.

The Board

At 31 March 2020, the Board comprised Non-Executive Chairman Ian Robinson and Non-Executive Directors Philip Hanson and Mark Carrington. Andrew Fryatt was appointed to the Board as Chief Executive Officer on 21 April 2020. Short biographical details of each of the Directors are set out on page 10. 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

The Chairman's role is to provide leadership to the Board, plan and conduct board meetings effectively, ensure the board focuses on its key tasks, and engage the board in assessing and improving its performance.

Board committees

Remuneration Committee

The Remuneration Committee comprises Philip Hanson (Chair), Ian Robinson and Mark Carrington. 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 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 Committee did not award any pay rises, bonuses or share options during the year.

Further details of the Group's policies on remuneration and service contracts are given in the Directors' Remuneration report on pages 15-17.

Audit & Risk Committee

The Audit & Risk Committee comprises Ian Robinson (Chair), Mark Carrington and Philip Hanson. By invitation, the meetings of the Audit & Risk Committee may be attended by the other Directors and the auditor. The Committee meets not less than twice annually. The Audit & Risk 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.

The Audit & Risk Committee review the significant estimates, judgements and risks in relation to the annual report and these are outlined in the Strategic Report on page 7. The Committee also reviews the risks outlined in the Principal Risks and Uncertainties detailed on page 8 and challenges the Executive Directors on the controls and processes in place to manage these. The effectiveness of the external audit process has been assessed through discussions with both management and the auditors, and it is proposed that Grant Thornton be reappointed as external auditor.

Nomination Committee

The Nomination Committee comprises Philip Hanson (Chair), Ian Robinson and Mark Carrington. 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.

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 and that of its committees and individual Directors, including the Chairman.

Attendance at Board and Committee meetings
The Directors attended the following Board and Committee meetings during the year ended 31 March 2020:

	Board	Remuneration	Audit & Risk	Nomination
Total meetings held	7	5	2	2
Ian Robinson	7	5	2	2
Philip Hanson	7	5	2	2
Mark Carrington	7	5	2	2
Martin Boddy	5	3	1	-
Michael Sprot	6	2	2	-
Robert Shaw	4	1	-	-
Adrian Lingard	5	-	-	-

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: https://investors.jaywing.com. At the Company's AGM shareholders are given the opportunity to question 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 importance 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

Caroline Ackroyd Dated: 25 November 2020

Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' Report, the Strategic 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 elected to prepare 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 law, including FRS101 "Reduced Disclosure Framework"). 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 as adopted by the EU 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 Group and the Company's transactions, and disclose with reasonable accuracy, at any time, the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the 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

Andrew Fryatt
Dated: 25 November 2020

Independent auditor's report to the members of Jaywing plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Jaywing plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020, 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, the company profit and loss account, the company balance sheet, the company statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. 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, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 2020 and of the group's loss and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs 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.

Basis for opinion

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

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and the parent company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and the parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group or a parent company associated with a course of action such as Brexit.

Material uncertainty related to going concern

We draw attention to the going concern note within the principal accounting policies on page 32 of the financial statements, which details the factors that the directors have considered in making their going concern assessment. The uncertainty as to the future impact of the recent COVID-19 outbreak has been included as part of the directors' consideration, and they have considered the reasonably plausible impact of the outbreak on the group's trading and cash flow forecasts. As stated in the going concern note, these events or conditions, along with the other matters as set forth in the going concern note, indicate that a material uncertainty exists that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In concluding that a material uncertainty exists, our audit work included, but was not restricted to:

- obtaining management's base case cash flow forecasts covering the period to March 2022, assessing how these cash flow forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions;
- assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to the actual results for last year and considering the impact on the base case cash flow forecast;
- obtaining management's worst-case scenario prepared to assess the potential impact of Covid-19 on the business. We evaluated management's assumptions regarding the impact of a reduction in revenue. We considered whether the assumptions are consistent with our understanding of the business derived from other detailed audit work undertaken;
- assessing the impact of the mitigating factors available to management in respect of the ability to restrict cash impact, including the level of available facilities; and
- assessing the adequacy of related disclosures within the annual report and accounts.

Grant Thornton

Overview of our audit approach

- Overall materiality: £130,000, which represents 5% of the group's loss before tax at the planning stage of the audit, before the impairment of goodwill and other non-current assets was recorded;
- Key audit matters in respect of the group were identified as material uncertainty related to going concern, revenue recognition and impairment of goodwill and other non-current assets, and in respect of the parent company, impairment of investments in subsidiaries; and
- We assessed the components within the group and performed a full scope audit of the financial statements of Jaywing plc and of the financial information of all non-dormant UK components. We performed specified audit procedures on the financial information of the Australian components.

Key audit matters

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

In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Revenue recognition Revenue is a major driver of the business and under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumed risk of fraud in revenue recognition that could result in material misstatements. The group enters into a high volume of transactions and some contracts are entered into which span the 31 March 2020 year end. These contracts have varying terms and degrees of complexity. There is a risk that the deferral and recognition of revenues does not match the underlying terms of customer contracts, in particular the period over which the performance obligations are met, or is not in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers'. Revenue recognition is dependent on management judgement, heightening this risk. We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing whether the revenue recognition policy is in accordance with IFRS 15 'Revenue from Contracts with Customers'; • testing a sample of contract revenue to the group's accounting policy to determine whether it has been recognised in line with the policy; • agreeing a sample of revenue transactions to customer payments, remittances and other evidence of performance of the service; • performing analytical procedures, including trend and ratio analysis comparing results to prior year; and • testing revenue recognised around the year end to ensure it is recorded in the correct period. The group's accounting policy on revenue, including its recognition, is shown on page 32 to the financial statements. **Key observations** Based on our audit work, we did not identify any material misstatement in revenue recognition and we concluded that revenue was recognised in accordance with the group's accounting policy and IFRS 15 'Revenue from Contracts with Customers.'
Impairment of goodwill and other non-current assets The carrying value of goodwill and other non-current assets at 31 March 2020 was £33.1 million. The group's performance in the first half of the year was below management's expectations, giving rise to a risk that the carrying value of these assets exceeds their recoverable amount. Management performs an impairment review on an annual basis using discounted cash flows on a value in use basis. The key judgements in assessing goodwill and other non-current assets for impairment include the growth and discount rates applied in the discounted cash flow calculations, due to the sensitivity of these assumptions to changes, and the identification of cash generating units. We therefore identified impairment of goodwill and other non-current assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing whether the accounting policy for intangible assets and goodwill is in accordance with IAS 38 'Intangible Assets' and IAS 36 'Impairment of Assets', and whether the accounting policy had been applied consistently • assessing the integrity of the impairment models by testing the mechanical accuracy; • understanding the process used by management to determine the discount rates, and using auditor's experts to evaluate them against their expectations and the industry norms; • assessing the appropriateness of the cash generating units identified; • assessing the appropriateness of any changes to assumptions since the prior period; • challenging the cash flow forecasts with reference to historical forecasts and actual performance to support any significant expected future changes to the business; and • assessing the adequacy of the disclosures included within the financial statements for compliance with IAS 36 'Impairment of Assets'. The group's accounting policy on intangible assets and goodwill, and on impairment are shown in page 34 to

Key Audit Matter – Group	How the matter was addressed in the audit – Group
	the financial statements and related disclosures are included in notes 15 and 16. **Key observations** From the audit work we performed, we identified that the discount rate calculated by management was outside of our expectations. As a result of our challenge, a material adjustment has been made by management to the impairment recorded in the financial statements. No other issues were identified from the audit work we performed in this area. Based on our audit work, we have concluded that the impairment of goodwill and other non-current assets has been accounted for in accordance with IAS 36, and that the disclosures made in notes 15 and 16 to the financial statements appropriately describe this matter.

Key Audit Matter – Parent company	How the matter was addressed in the audit – Parent company
Impairment of investments in subsidiaries The carrying value of the parent company's investments in subsidiaries at 31 March 2020 was £32.5 million. The group's performance in the first half of the year was below management's expectations, giving rise to a risk that the carrying value of these assets exceeds their recoverable amount. Management performs an impairment review on an annual basis using discounted cash flows on a value in use basis. The key judgements in assessing the carrying value of investments in subsidiaries for impairment include the growth and discount rates applied in the discounted cash flow calculations, due to the sensitivity of these assumptions to changes. We therefore identified impairment of investments in subsidiaries as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing whether the accounting policy for investments in subsidiaries is in accordance with IAS 27 'Separate Financial Statements' and IAS 36 'Impairment of Assets', and whether the accounting policy had been applied consistently; • assessing the integrity of the impairment models by testing the mechanical accuracy; • understanding the process used by management to determine the discount rates, and using auditor's experts to evaluate them against their expectations and the industry norms; • assessing the appropriateness of any changes to assumptions since the prior period; and • challenging the cash flow forecasts with reference to historical forecasts and actual performance to support any significant expected future changes to the business. The company's accounting policy on the valuation of investments is shown in note 1 to the financial statements and related disclosures are included in K. **Key observations** Based on our audit work, we have concluded that the impairment of investments is accounted for in accordance with the requirements of IAS 36.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Financial statements as a whole	£130,000, which is 5% of the group's loss before tax at the planning stage of the audit, before the impairment of goodwill and other non-current assets was recorded. We chose not to revise our materiality during the course of the audit once the final loss before tax, which was higher than the loss at the planning stage, was known. This benchmark is considered the most appropriate because earnings before tax (EBT), which is a loss before tax in the current year, is a key measure of performance for the stakeholders of the group. Materiality for the current year is lower than the level that we determined for the year ended 31 March 2019 which reflects the lower measurement percentage applied to the benchmark this year of 5% compared to 10.5% last year, although the loss before tax at the planning stage of the audit this year was actually higher.	£89,000, which represents 1% of the parent company's total assets, capped at 68% of group materiality. This benchmark is considered the most appropriate given the activities of the parent company primarily being that of a holding company, and therefore its major activities relate to its assets. Materiality for the current year is lower than the level that we determined for the year ended 31 March 2019, which reflects the reduction in the total assets of the parent company at the year end and the capping at a lower percentage of group materiality, which was also lower, this year.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit & risk committee	£6,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£4,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- documenting the processes and controls covering all of the significant risks and evaluating the design and implementation of those controls;
- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's total assets, revenues and loss before tax;
- a full scope statutory audit of the financial statements of the parent company and of the financial information of all other non-dormant UK-based group entities;
- specified audit procedures on financial information of the Australian components;
- there has been no change in the overview of the scope of the current year audit from the scope of that of the prior year;
- we performed a full scope audit of the financial statement of the parent company, and of the UK trading entities. The components that were subject to full scope audit procedures made up 84% of the group's revenue and 93% of the group's net assets; and
- audit work on all components in the UK was performed by the group engagement team. The audit work on all components in Australia was carried out by Grant Thornton Australia under the direction and supervision of the group engagement team.

Other information

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

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

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Donna Steel
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
SHEFFIELD
25 November 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 March **Continuing operations**	**Note**	**2020** **£'000**	2019 £'000
Revenue	1	**29,723**	35,554
Direct Costs		**(5,680)**	(5,709)
Net Revenue		**24,043**	29,845
Other operating income	2	**38**	13
Operating expenses	3	**(32,955)**	(30,667)
Operating loss from continuing operations		**(8,874)**	(809)
Finance income	4	**-**	4
Finance costs	5	**(518)**	(305)
Net financing costs		**(518)**	(301)
Loss before tax from continuing operations		**(9,392)**	(1,110)
Tax credit	6	**436**	175
Loss after tax from continuing operations		**(8,956)**	(935)
Loss for the year from discontinued operations		**-**	(1,610)
Loss for the year		**(8,956)**	(2,545)
Loss for the year is attributable to:			
Non-controlling interests		**188**	140
Owners of the parent		**(9,144)**	(2,685)
		(8,956)	(2,545)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on retranslation of foreign operations	28	**(155)**	20
Total comprehensive income for the period		**(9,111)**	(2,525)
Total comprehensive income is attributable to:			
Non-controlling interests		**188**	140
Owners of the Parent		**(9,299)**	(2,665)
		(9,111)	(2,525)
Basic loss per share	7		
Loss per share from continuing operations		**(9.95p)**	(1.15p)
Loss per share from discontinued operations		**-**	(1.72p)
Total		**(9.95p)**	(2.87p)

The accompanying Notes form part of these Consolidated Financial Statements.

Net Revenue was previously called Gross Profit. It is calculated in the same way, as revenue less third party direct cost of sales.

Consolidated Balance Sheet

As at 31 March	Note	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment	13	**2,887**	1,015
Goodwill	15	**27,586**	33,054
Other intangible assets	16	**2,604**	4,364
		33,077	38,433
Current assets			
Trade and other receivables	17	**5,877**	8,256
Current tax asset		**391**	-
Cash and cash equivalents		**1,996**	690
		8,264	8,946
Total assets		**41,341**	47,379
Current liabilities			
Other interest-bearing loans and borrowings	18	**7,939**	1,800
Trade and other payables	19	**8,447**	9,546
Current lease liabilities	14	**678**	-
Current tax liabilities		**106**	205
Provisions	20	**42**	42
		17,212	11,593
Non-current liabilities			
Other interest-bearing loans and borrowings	18	**-**	3,850
Non-current lease liabilities	14	**1,515**	-
Deferred tax liabilities	21	**422**	656
		1,937	4,506
Total liabilities		**19,149**	16,099
Net assets		**22,192**	31,280
Equity			
Equity attributable to owners of the parent			
Share Capital	22	**34,992**	34,992
Share Premium	23	**10,088**	10,088
Capital Redemption Reserve	25	**125**	125
Shares purchased for treasury	24	**(25)**	(25)
Share Option Reserve	26	**696**	838
Foreign Currency Translation Reserve	28	**(155)**	-
Retained Earnings	29	**(24,868)**	(15,889)
Equity attributable to owners of the parent		**20,853**	30,129
Non-controlling interest	27	**1,339**	1,151
Total equity		**22,192**	31,280

These Financial Statements were approved by the Board of Directors on 23 November 2020 and were signed on its behalf by:

Andrew Fryatt
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	2020 £'000	2019 £'000
Cash flow from operating activities			
Loss after tax		**(8,956)**	(2,545)
Adjustments for:			
Depreciation, amortisation and impairment		**8,333**	3,440
Loss on sale of HSM Limited		**-**	1,370
Financial income		**-**	(4)
Financial expenses		**518**	305
Share-based payment expense	3	**(484)**	177
Taxation charge		**(436)**	(175)
Operating cash flow before changes in working capital		**(1,025)**	2,568
Decrease in trade and other receivables		**2,428**	1,599
(Decrease)/increase in trade and other payables		**(450)**	(1,745)
Cash generated from operations		**953**	2,422
Interest received		**-**	4
Interest paid		**(279)**	(305)
Tax paid		**(309)**	(287)
Net cash flow from operating activities		**365**	1,834
Cash flow from investing activities			
Payment of deferred consideration		**(325)**	(592)
Proceeds from sale of HSM Limited		**-**	403
Acquisition of intangible assets		**(108)**	(297)
Acquisition of property, plant and equipment	13	**(66)**	(252)
Net cash outflow from investing activities		**(499)**	(738)
Cash flow from financing activities			
Increase in borrowings	18	**7,700**	-
Repayment of borrowings	18	**(5,650)**	(900)
Repayment of Lease Liabilities (IFRS16)	14	**(610)**	-
Acquisition of non-controlling interest		**-**	(138)
Net cash inflow / (outflow) from financing activities		**1,440**	(1,038)
Net increase in cash and cash equivalents		**1,306**	58
Cash and cash equivalents at beginning of year		**690**	632
Cash and cash equivalents at end of year		**1,996**	690
Cash and cash equivalents comprise:			
Cash at bank and in hand		**1,996**	690

The accompanying Notes form part of these Consolidated Financial Statements.

Consolidated statement of changes in equity

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Treasury Shares £'000	Share Option Reserve £'000	Foreign Currency Translation Reserve £'000	Retained Earnings £'000	Equity attributable to parent £'000	Non-controlling Interest £'000	Total equity £'000
Balance at 31 March 2018	**34,992**	**10,088**	**125**	**(25)**	**736**	**(20)**	**(13,773)**	**32,123**	**1,718**	**33,841**
Acquisition of Subsidiaries	-	-	-	-	-	-	569	569	(707)	(138)
Charge in respect of share-based payments	-	-	-	-	102	-	-	102	-	102
Transactions with owners	-	-	-	-	102	-	569	671	(707)	(36)
Profit/(loss) for the period	-	-	-	-	-	-	(2,685)	(2,685)	140	(2,545)
Retranslation of foreign currency	-	-	-	-	-	20	-	20	-	20
Total comprehensive income for the period	-	-	-	-	-	20	(2,685)	(2,665)	140	(2,525)
Balance at 31 March 2019	**34,992**	**10,088**	**125**	**(25)**	**838**	**-**	**(15,889)**	**30,129**	**1,151**	**31,280**
Charge in respect of share-based payments	-	-	-	-	23	-	-	23	-	23
Transactions with owners	-	-	-	-	23	-	-	23	-	23
Profit/(loss) for the period	-	-	-	-	-	-	(9,144)	(9,144)	188	(8,956)
Transfer in relation to lapsed share options	-	-	-	-	(165)	-	165	-	-	-
Retranslation of foreign currency	-	-	-	-	-	(155)	-	(155)	-	(155)
Total comprehensive income for the period	-	-	-	-	(165)	(155)	(8,979)	(9,299)	188	(9,111)
Balance at 31 March 2020	**34,992**	**10,088**	**125**	**(25)**	**696**	**(155)**	**(24,868)**	**20,853**	**1,339**	**22,192**

The accompanying Notes form part of these Consolidated Financial Statements.

Principal Accounting Policies

Jaywing 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.

The principal accounting policies of the Group are set out below. The policies have remained unchanged from the previous year, except as set out below.

Changes in accounting policies

New and revised standards that are effective for annual periods beginning on or after 1 April 2019
The Group has adopted IFRS 16 during the year. Details of the impact of this is below and in the Notes to the Accounts.

Going concern
In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company and Group can continue in operational existence for the foreseeable future.

In addition to the normal process of preparing forecasts for the individual companies with the group and a consolidated position for the group, the board has also considered the potential impact of COVID-19 on the cash flows of the group for a period in excess of 12 months from the date of signing the financial statements. This has been done by looking at various scenarios within the forecasts for the potential effect of changes in the market during the forecast period.

Since March 2020, the economic impact of COVID-19 has resulted in revenue levels below those of the prior year, although we have been able to provide continuous service to our clients during this period. The Group has taken actions to protect both cash and profitability through this period, including voluntary salary reductions, rent deferrals and taking advantage of Government schemes for job retention and VAT payment deferral. The Group has continued to win new work through the period, and it remains on track to improve its performance year on year building on the restructure started in late 2019.

The second quarter has continued to see a positive trend. Whilst there remains considerable uncertainty in markets generally, the Group believes that it is well placed to benefit as economic activity recovers.

The impact of COVID-19 indicates the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern. The Company and Group financial statements do not include the adjustments that would result if the Company and Group were unable to continue as a going concern. Notwithstanding this material uncertainty, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

Basis of consolidation
Subsidiaries are entities controlled by the Group. Control exists when the Group has the rights to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee. 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 is generated mainly under the following four contractual models:

1. Monthly retainers
2. Project-based
3. Consulting day rates
4. Licences (with and without support)

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when the performance obligations are satisfied

The Group often enters into transactions involving a range of the Group's products and services, for example providing a client with data consultancy and brand development work. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised over time, as the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position (see Note 19). Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises a receivable in its statement of financial position (see Note 17).

<u>Monthly retainers</u>
A client will sign up to a contract for a period of between six and 18 months, with a fixed fee each month for an agreed amount of work to be performed. Under each contract, there may be more than one service provided to the customer, each with different performance obligations, such as PPC and SEO management, which will have agreed KPIs. These services will be set out in the contract with revenue amounts associated and the revenue streams will be recognised separately.

The transaction price is set out in the contract for each service provided and revenue is allocated to the various performance obligations on this basis. The customer may choose to take additional services for a period of time, which would be subject to a separate agreement. Any performance fees payable under a contract would relate to a specific month and be calculated in line with the provisions set out in the contract.

Revenue is recognised over time as the customer simultaneously receives and consumes the benefits of the services as the service is performed. It is recognised using the output method, on a straight-line basis over the life of the contract as the amount of work required to perform under these contracts does not vary significantly from month to month, therefore the straight-line method provides a faithful depiction of the transfer of goods or services.

<u>Project-based</u>
A client will enter into a framework agreement that covers all work performed by Jaywing, and will then issue a brief or PO for a specific piece of work to be performed. This could be the development of a website for a client, or the production of a creative campaign. The work would normally take a period of between one and six months to complete.

Normally, a specific brief or work order is provided for a project under the overall framework agreement. This will detail the services to be provided to the customer, with a price set out against each element as appropriate. The transaction price is set out in the work order for each element of the project. The customer may choose to vary the scope at any stage, and that would be subject to an updated work order. That work order would still be part of the original contract as those services would not be distinct from those in the original contract.

Revenue is recognised over time, using the input method as Jaywing's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, and the revenue recognised reflects the efforts or inputs Jaywing has made to the satisfaction of the performance obligation.

<u>Consulting day rates</u>
A client will enter into a contract for a piece of work that is quoted as a number of days charged at a rate per day. This work will be either risk, marketing or data based and could involve building models, databases and analysis of data. Invoices will usually be raised monthly for the number of days of work performed.

A specific piece of work is contracted for, which will normally be a number of days' work charged at a rate per day, with different rates for different levels of seniority. The transaction price is set out in the contract. The customer may choose to vary the scope at any stage, and that would be subject to an updated work schedule. That work order would still be part of the original contract as those services would not be distinct from those in the original contract.

Revenue is recognised over time as the customer simultaneously receives and consumes the benefit of the services as the services are performed. It is recognised using the input method, based on the number of days' work performed during the month.

<u>Licences</u>
A client enters into a contract for a product licence, including support from Jaywing, to run that product and interpret the results from it. The product and support are not separately identifiable because the client is not able to operate the product licence without this support as they do not have the skills or a login to the system.

Revenue is recognised over time based on the provision of the licence and support during the month as the customer simultaneously receives and consumes the benefit of the services as the services are provided.

There are no differences in payment terms for each of these categories; the only differences in payments terms are from individual terms agreed with clients which are between 30 and 60 days.

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.

Dilapidations provision
Provision is made for expected future dilapidations costs in respect of property held under leases. The estimated costs are capitalised within leasehold improvements and depreciated over the remaining lease term.

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 33 to the Consolidated Financial Statements.

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:

Leasehold improvements	-	over period of lease
Office equipment	-	3 - 5 years
Buildings	-	over period of lease

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 acquisition 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 that can be sold separately, or that 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	-	4 to 12 years
Development costs	-	3 to 6 years
Trademarks	-	2 to 20 years
Order books	-	1 year

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. Value in use is determined by assessing net present value of the asset based on future cash flows.

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. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised no longer exists.

Put/call options
The put/call options in Massive Group PTY and Frank Digital PTY have been valued by an independent assessor and are recognised with both a service and non-service element in the accounts. The non-service element is fully recognised as at the date of acquisition and the fair value reviewed annually. The service element is treated as a cash-settled share-based payment with the share-based payment valued at the point of inception and the cost being spread over the life of the asset.

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date (see Note 35).

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 weighted average fair value for the EBITDA performance options was calculated using the Black-Scholes Merton Option Pricing Model, and the fair value for the share price options was calculated using the Monte Carlo Model. This is 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. Where the options do not have any market conditions attached, the number expected to vest is reassessed at each reporting period. 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

Leases
The Company has adopted IFRS 16 – Leases for the financial year ended 31 March 2020, and it has chosen to use the modified retrospective approach to adoption which means there are no restatements to the prior year figures. This has resulted in a change to accounting policy and this is detailed fully in note 14.

IFRS 16 introduces a single lessee accounting model, whereby the Company now recognises a lease liability and a right of use asset at 1 April 2019 for leases previously classified as operating leases. Within the income statement, operating lease charges, which previously were included in administrative expenses, have been replaced by depreciation and interest expenses.

See notes 14 and 30 for more details.

For the comparative period ended 31 March 2019, where the Company is a lessee, payments made under an operating lease agreement are recognised as an expense on a straight-line basis over the lease term.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

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
IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced IAS 39's 'incurred loss model'.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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 reports its business activities in three areas: Brand Performance, Online Performance and Data, Analysis & Technology. Central Costs represents the Group's head office function, along with intragroup transactions.

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

Standards and interpretations in issue at 31 March 2020 but not yet effective

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Share Capital
Share Capital represents the nominal value of shares that have been issued.

Share Premium
Share Premium includes any premiums received on issue of Share Capital. Any transaction costs associated with the issuing of shares are deducted from Share Premium, net of any related income tax benefits.

Capital Redemption Reserve
Capital Redemption Reserve represents the amount by which the nominal value of the shares purchased or redeemed is greater than proceeds of a fresh issue of shares.

Shares Purchased for Treasury
Represents the nominal value of the shares purchased by the Company.

Share Option Reserve
Represents the fair value charge of share options in issue.

Foreign Currency Translation Reserve
Represents the exchange differences on retranslation of foreign operations.

Retained Earnings
Retained Earnings includes all current and prior period retained profits and share-based employee remuneration.

Minority Interests
The profit or loss attributable to the minority ownership stakes in subsidiary companies is transferred from Retained Earnings to Minority Interest each year.

Notes to the Consolidated Financial Statements

1. Segmental analysis

During the year 2019/20, Jaywing reported its business activities in three areas: Brand Performance, Online Performance and Data, Analysis & Technology. From 1 April 2020, the Group will report its revenues by market sector (Retail, FMCG, Financial and Professional Services) as well as by main service segments, reflecting the updated organisation structure of the Company which is now organised by market channels.

The Group primarily derives its revenue from the provision of digital marketing services in the UK. Approximately £3,863,000 (2019: £3,813,000) of sales were made to clients via the Company's Australian subsidiaries. During the year, no customer accounted for greater than 10% of the Group's revenue (2019: One customer).

Group Net Revenue analysed by sector and geography is as follows:

Year ended 31 March 2020

	Brand Performance	Online Performance	Data, Analysis & Technology	Total
	£'000	£'000	£'000	£'000
United Kingdom	5,872	8,282	6,026	**20,180**
Australia	1,399	2,464	-	**3,863**
Total	**7,271**	**10,746**	**6,026**	**24,043**

Year ended 31 March 2019

	Brand Performance	Online Performance	Data, Analysis & Technology	Total
	£'000	£'000	£'000	£'000
United Kingdom	7,894	10,195	7,943	**26,032**
Australia	1,287	2,526	-	**3,813**
Total	**9,181**	**12,721**	**7,943**	**29,845**

For 2020, revenue includes £1,530k (2019: £1,133k) included in the contract liability balance at the beginning of the period.

The Group's non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) are located into the following geographic regions:

	2020	2019
	£'000	£'000
United Kingdom	**32,963**	38,295
Australia	**114**	138
	33,077	38,433

Non-current assets are allocated based on their physical location. The above table does not include discontinued operations (disposal groups), for which revenue and assets can be attributed to United Kingdom.

Capital additions; Property, plant and equipment

	Brand Performance £'000	**Online Performance £'000**	**Data, Analysis & Technology £'000**	**Central Costs £'000**	**Total £'000**
Year ended 31 March 2020	**23**	**30**	**5**	**8**	**66**
Year ended 31 March 2019	70	160	-	22	252

2. Other operating income

	2020 £'000	2019 £'000
Other operating income	**38**	13

During the years to 31 March 2019 and 31 March 2020, the Group received money from the administrator of a client for a contractual obligation to perform services on their behalf. During the year, the Group received a further distribution of £38,000. 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. Operating expenses

Continuing operations:	2020 £'000	2019 £'000
Wages and salaries	**16,511**	17,890
Social Security Costs	**1,793**	2,003
Other Pension Costs	**1,021**	1,189
Share-based payments charges / (credits)	**(484)**	177
Depreciation	**997**	412
Restructuring costs	**867**	-
Amortisation	**1,547**	1,833
Impairment to the carrying value of goodwill	**5,468**	1,050
Impairment of other intangible assets	**321**	-
Other operating expenses	**4,914**	6,113
Total operating expenses	**32,955**	30,667

4. Finance income

	2020 £'000	2019 £'000
Interest income	**-**	4
Total	**-**	4

5. Finance costs

	2020 £'000	2019 £'000
Interest expense	**404**	292
Interest on lease liabilities	**101**	-
Finance charge on acquisition	**13**	13
Total	**518**	305

6. Tax credit

	2020 £'000	2019 £'000
Recognised in the consolidated statement of comprehensive income:		
Current year tax	**(193)**	91
Origination and reversal of temporary differences	**(243)**	(266)
Total tax credit	**(436)**	(175)
Reconciliation of total tax charge:		
Loss before tax	**(9,392)**	(1,110)
Taxation using the UK Corporation Tax rate of 19% (2019: 19%)	**(1,784)**	(211)
Effects of:		
Non-deductible expenses	**1,348**	36
Total tax credit	**(436)**	(175)

7. Loss per share

	2020 Pence per Share	2019 Pence per Share
Basic loss per share from continuing operations	**(9.95p)**	(1.13p)
Basic loss per share from discontinued operations	**-**	(1.72p)
Basic total loss per share	**(9.95p)**	(2.85p)
Diluted loss per share from continuing operations	**(9.95p)**	(1.13p)
Diluted loss per share from discontinued operations	**-**	(1.72p)
Diluted total loss per share	**(9.95p)**	(2.85p)

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

The calculations of basic and diluted loss per share are:

	2020 £'000	2019 £'000
Loss for the year attributable to shareholders from continuing operations	**(9,299)**	(1,055)
Loss for the year attributable to shareholders from discontinued operations	**-**	(1,610)
Total loss for the year attributable to shareholders	**(9,299)**	(2,665)

Weighted average number of ordinary shares in issue:

	2020 Number	2019 Number
Basic	**93,432,217**	93,432,217
Adjustment for share options	**3,243,178**	1,706,627
Diluted	**96,675,395**	95,138,844

8. Expenses and auditor's remuneration

	2020 £'000	2019 £'000
The following are included in profit before tax:		
Depreciation of property, plant and equipment	**331**	412
Depreciation of right of use assets	**666**	-
Amortisation of other intangible assets	**1,547**	1,833
Employee emoluments	**18,841**	21,259
Auditor's remuneration:		
Audit of Company Financial Statements	**37**	36
Other amounts payable to the auditor and its associates in respect of:		
Audit of Subsidiary Company Financial Statements	**110**	81
Audit related assurance services	**4**	19
Taxation compliance services	**28**	35
Taxation advisory services	**44**	7

Amounts paid to the Group’s auditor in respect of services to the Company, other than the audit of the Company’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 Senior Leadership Team.

	2020 £'000	2019 £'000
Short-term benefits:		
Salaries including bonuses	**1,912**	2,183
Social security costs	**246**	298
Total short-term benefits	**2,158**	2,481
Share-based payment charges / (credit)	**(484)**	177
Defined contribution pension plan	**190**	208
Key management compensation	**1,864**	2,866

Further information in respect of Directors is given in the Directors' Remuneration Report on page 15.

Remuneration in respect of Directors was as follows:

	2020 £'000	2019 £'000
Emoluments receivable	**733**	842
Fees paid to third parties for Directors' services	**30**	30
Company pension contributions to money purchase pension schemes	**87**	97
	850	969

During the current period and the prior year, there were no benefits accruing to Directors in respect of the defined contribution pension scheme.

The highest paid Director received remuneration of £257,000 (2019: £264,000).

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:

Continuing operations:	**2020 Number**	2019 Number
Management and administration	**73**	80
Client Service Staff	**287**	332
	360	412

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	**16,511**	17,890
Social security costs	**1,793**	2,003
Other pension costs	**1,021**	1,189
Share option charges / (credits) – PSP Options (see Note 11)	**(409)**	184
Share option (credits) – Employers NI (see Note 11)	**(75)**	(7)
	18,841	21,259

11. Employee benefits

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

Details of the share options outstanding at the end of the year are as follows, the share option schemes terminated after the balance sheet date:

	2020 Number of share options	**2020** Weighted average exercise price	2019 Number of share options	2019 Weighted average exercise price
At start of the year	**6,169,926**	**5.0p**	6,126,322	5.0p
Issued during the year	**-**	**5.0p**	2,546,042	5.0p
Exercised during the year	**-**	**5.0p**	-	5.0p
Lapsed during the year	**(2,868,726)**	**5.0p**	(2,502,438)	5.0p
At end of the year	**3,301,200**	**5.0p**	6,169,926	5.0p
Exercisable at end of year	**850,865**	**5.0p**	949,639	5.0p

Share options outstanding at the end of the year have an exercise price of 5 pence. 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 five years. The share options scheme was terminated in October 2020.

Share options outstanding at the year-end were as follows:

As at 31 March 2020

Number	**Exercise price**	**Period of exercise** From	**Period of exercise** To
3,301,200	5.0p	01/04/2017	30/09/2022

As at 31 March 2019

Number	**Exercise price**	**Period of exercise** From	**Period of exercise** To
6,169,926	5.0p	01/04/2017	30/09/2022

All schemes expire 6 months after the third anniversary of vesting. The last scheme expires on 30/09/2022. The schemes were terminated in October 2020 when all vesting periods came to an end due to members leaving the scheme or the company.

On 4 May 2016, 30 September 2016 and 2 December 2018, share options were granted to employees in order to incentivise performance. The vesting conditions for these share options relate to either EBITDA performance in the period commencing 1 April 2016 and continued employment with Jaywing.

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 the awards made, the Group commissioned an independent valuation from BDO LLP and adopted their findings.

The weighted average fair value for the EBITDA performance options was calculated using the Black-Scholes Merton Option Pricing Model, and the fair value for the share price options was calculated using the Monte Carlo Model. The following inputs were used:

	2020 £'000
Share price at date of grant	19p
Exercise price	5p
Expected volatility	37.3%
Dividend yield	0%
Risk-free rate	0.88%
Option life	2.3 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 fair value of the EBITDA performance options was calculated between 14.10p and 23.12p, depending on the period to which the options relate.

The fair value of the share price options and the retention options was calculated as 6.13p.

12. Interests in Subsidiaries

The details of subsidiaries held directly by the Group are set out in Note 12 of the plc Parent Company accounts. The Group includes two subsidiaries (2019: two) with material non-controlling interests (NCI):

Name	**Proportion of ownership interests and voting rights held by NCI**		**Total comprehensive income allocated to NCI**		**Accumulated NCI**	
	2020	2019	**2020**	2019	**2020**	2019
	%	%	**£'000**	£'000	**£'000**	£'000
Massive Group PTY	25	25	**147**	109	1,056	909
Frank Digital PTY	25	25	**41**	31	283	242
			188	140	1,339	1,151

No dividends were paid to the NCI during the years 2020 and 2019. During the year ended 31 March 2019, Jaywing plc acquired the 25% of Jaywing Innovation Ltd not previously owned for consideration of £138k and the £707k was transferred into Retained Earnings as can be seen on the Consolidated Statement of Changes in Equity.

Jaywing PLC acquired the remaining 25% of Massive Group PTY on 21 October 2020 after the remaining shareholders exercised their put option. The 25% stake was acquired for $4.0m (£2.2m), the total consideration for the purchase of the 100% interest was $9.6m (£5.4m).

Management are of the view that Massive Group PTY is material to the results of the Group and further financial information is disclosed below:

	2020	2019
	£'000	£'000
Non-current assets	88	108
Current assets	1,738	1,439
Total assets	**1,826**	1,547
Non-current liabilities	**-**	-
Current liabilities	(302)	(438)
Total liabilities	**(302)**	(438)
Equity attributable to owners of the parent	**1,143**	832
Non-controlling interest	**1,056**	909

	2020	2019
	£'000	£'000
Revenue	**2,500**	2,831
Profit and total comprehensive income for the year attributable to owners of the parent	**408**	436
Profit and total comprehensive income for the year attributable to NCI	**147**	109
Profit and total comprehensive income for the year	**554**	545

	2020	2019
	£'000	£'000
Net cash from operating activities	**398**	-

13. Property, plant and equipment

	Buildings £'000	Leasehold improvements £'000	Office equipment £'000	Total £'000
Cost				
At 1 April 2018	**-**	**1,737**	**2,373**	**4,110**
Additions	-	106	146	252
Disposals	-	(405)	(1,108)	(1,513)
At 31 March 2019	**-**	**1,438**	**1,411**	**2,849**
Additions	-	-	66	66
Recognition of right of use asset	2,673	-	130	2,803
Disposals	-	-	(432)	(432)
At 31 March 2020	**2,673**	**1,438**	**1,175**	**5,286**
Depreciation				
At 1 April 2018	**-**	**1,222**	**1,445**	**2,667**
Depreciation charge for the year	-	183	322	505
Depreciation on disposals	-	(387)	(951)	(1,338)
At 31 March 2019	**-**	**1,018**	**816**	**1,834**
Depreciation charge for the year	-	40	291	331
Depreciation of right of use asset	640	-	26	666
Depreciation on disposals	-	-	(432)	(432)
At 31 March 2020	**640**	**1,058**	**701**	**2,399**
Net book value				
At 31 March 2020	**2,033**	**380**	**474**	**2,887**
At 31 March 2019	-	420	595	1,015
At 1 April 2018	-	515	928	1,443

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

14. Leases

The company has lease contracts for offices occupied and printers. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	2020	2019
	£'000	£'000
Right of use assets		
Buildings	**2,033**	-
Plant and machinery	**104**	-
	2,137	-
Lease liabilities		
Current	**678**	-
Non-current	**1,515**	-
	2,193	-

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2020	2019
	£'000	£'000
Depreciation charge of right of use assets		
Buildings	**640**	-
Plant and machinery	**26**	-
	666	-
Interest expense (included in finance cost)	**101**	-

The Group leases four offices and printers. The Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2020 financial year, leases of property, plant and equipment were classified as operating leases, see note 30 for details. From 1 April 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

• fixed payments (including in-substance fixed payments), less any lease incentives receivable;
• variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
• amounts expected to be payable by the group under residual value guarantees;
• the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
• payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

If the Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect, then when adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:
• the amount of the initial measurement of lease liability;
• any lease payments made at or before the commencement date less any lease incentives received;
• any initial direct costs; and
• restoration costs.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

15. Goodwill

	Goodwill £'000
Cost and net book value	
At 1 April 2018	**34,104**
Impairment in year	**(1,050)**
At 31 March 2019	**33,054**
Impairment in year	**(5,468)**
At 31 March 2020	**27,586**

	2020	2019
Brand Performance	**£'000**	£'000
Scope Creative Marketing Limited	7,570	5,550
Jaywing Central Limited	2,004	5,205
Bloom Media (UK) Limited	-	4,287
Frank Digital PTY	818	818
Online Performance		
Epiphany Solutions Limited	5,957	5,957
Massive Group PTY	1,895	1,895
Data, Analysis & Technology		
Alphanumeric Limited	9,342	9,342
	27,586	**33,054**

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 2020/21 to 2027/28 were used. These were based on the forecast for 2021 with growth rates of 5% then applied to EBITDA for the following two years, and 2.0% for subsequent years. In management's view this is a conservative assumption.

In the year the Goodwill value of Bloom Media was transferred into the balance for Scope Creative Marketing Limited.

The average year-on-year growth in earnings before interest, tax, depreciation and amortisation (EBITDA) that 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
2021/22 to 2022/23	**5.0%**
2023/24 to Perpetuity	**2.0%**

These growth rates are based a conservative view to give consistency with prior year valuation models. 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 growth rates used and the periods they cover are based on an ability to deliver additional revenue efficiently.

The discount rate used to test the cash generating units was the Group's post-tax Weighted Average Cost of Capital ("WACC") of 10.9% (2019:10.2%). 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, an impairment of £5,468k was considered necessary (2019: £1,050k).

16. Other intangible assets

	Customer relationships	Order books	Trademarks	Development costs	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	**23,486**	**1,457**	**1,080**	**1,236**	**27,259**
Additions during the year from acquisitions	-	-	-	251	251
Disposals during the year	(2,181)	-	-	(16)	(2,197)
At 31 March 2019	**21,305**	**1,457**	**1,080**	**1,471**	**25,313**
Additions during the year	-	-	-	108	108
At 31 March 2020	**21,305**	**1,457**	**1,080**	**1,579**	**25,421**
Amortisation					
At 1 April 2018	**19,179**	**1,457**	**250**	**411**	**21,297**
Amortisation charge for the year	1,612	-	63	210	1,885
Amortisation adjustment	-	-	-	(52)	(52)
Disposals	(2,181)	-	-	-	(2,181)
At 31 March 2019	**18,610**	**1,457**	**313**	**569**	**20,949**
Amortisation charge for the year	1,296	-	51	200	1,547
Intangible impairment	321	-	-	-	321
At 31 March 2020	**20,227**	**1,457**	**364**	**769**	**22,817**
Net book amount					
At 31 March 2020	**1,078**	**-**	**716**	**810**	**2,604**
At 1 April 2019	2,695	-	767	902	4,364
At 1 April 2018	4,307	-	830	825	5,962

The remaining amortisation period for customer relationships are two years. The remaining amortisation period for trademarks are fourteen years.

The cost of brought forward 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%.

Trademarks represent the trading names used by the company. These are estimated to have an economic life of 20 years. The valuation used the discounted cash flow method, assuming an estimated royalty rate of 2% and sales growth of 2% each year. The valuation assumes that each year 80% to 90% of revenues are generated using the Trademark and applied a discount rate of 19%.

Development costs relate to internally developed products that are either sold to clients standalone or used to provide services to them.

The order book represents contracted revenues over the next 12 months. The valuation used the discounted cash flow method, assuming a net operating profit margin of 30.5%. The discount rate applied was 15.8%.

Goodwill and other intangible assets have been tested for impairment. The method, key assumptions and results of the impairment review are detailed in Note 15. On the basis of this review, it has been concluded that there is no need to impair the carrying value of these intangible assets (2019: £Nil).

17. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	**4,503**	6,215
Prepayments and accrued income	**1,208**	1,530
Deferred tax	**104**	95
Other receivables	**62**	416
	5,877	8,256

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

All of the Group's trade and other receivables have been reviewed for indicators of impairment and lifetime credit losses. Certain trade receivables were found to be impaired and a loss allowance for lifetime credit losses has been recorded. The amount charged to the consolidated income statement for the year in relation to expected credit losses was £59,000 (2019: £87,000). 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:

	2020 £'000
Balance at start of the year	**88**
Amounts written off (uncollectible)	**(10)**
Impairment loss reversed	**(3)**
Impairment loss	**97**
Balance at end of the year	**172**

18. Bank and overdraft, loans and borrowings

	2020 £'000	2019 £'000
Summary		
Borrowings	**7,939**	5,650
	7,939	5,650
Borrowings are repayable as follows:		
Within one year		
Borrowings	**7,939**	1,800
Total due within one year	**7,939**	1,800
In more than one year but less than two years	**-**	3,850
In more than two years but less than three years	**-**	-
In more than three years but less than four years	**-**	-
Total amount due	**7,939**	5,650

Average interest rates at the balance sheet date were:	**%**	%
Term loan	**5.42**	4.10

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

Reconciliation of Net debt

	1 April 2019 £'000	Cash flow £'000	Accrued Interest not paid £'000	31 March 2020 £'000
Cash and cash equivalents	690	1,306	**-**	**1,996**
Borrowings	(5,650)	(2,050)	(239)	**(7,939)**
Net Debt	(4,960)	(742)	**(239)**	**(5,943)**

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings £'000	Short-term borrowings £'000	Total £'000
1 April 2019	3,850	1,800	5,650
Cash-flows:			
- Repayment	(3,850)	(1,800)	**(5,650)**
- Proceeds	-	7,700	**7,700**
Interest Accrued not paid		239	**239**
31 March 2020	**-**	**7,939**	**7,939**

	Long-term borrowings £'000	Short-term borrowings £'000	Total £'000
1 April 2018	1,800	4,750	**6,550**
Cash-flows:			
- Repayment	(900)	(3,550)	**(4,450)**
- Proceeds	2,950	600	**3,550**
31 March 2019	**3,850**	**1,800**	**5,650**

19. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	**2,301**	2,604
Tax and social security	**1,052**	1,137
Other payables, accruals and deferred income	**5,094**	5,805
	8,447	9,546

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

Other payables, accruals and deferred income include deferred consideration (comprising put/call options and other deferred consideration) which is carried at fair value through profit and loss (see Note 35).

20. Provisions

	2020 £'000	2019 £'000
At start of the year	**42**	151
Disposal of HSM Limited	**-**	(109)
At end of the year	**42**	42
Total provisions are analysed as follows:		
Current	**42**	42
	42	42

At 31 March 2020 a provision of £42,000 (2019: £42,000) was recognised for dilapidations costs expected to be incurred on exit of property. The provision has been estimated based on the costs already incurred to bring the property to its current condition. The estimated costs have not been discounted as the impact is not considered to be significant. There are no significant uncertainties about the amount or timing.

21. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities:

	2020 £'000	2019 £'000
Accelerated capital allowances on property, plant and equipment:		
At start of year	**12**	(1)
Prior year adjustment	**(2)**	(2)
Origination and reversal of temporary differences	**(37)**	15
At end of year	**(27)**	12
Other temporary differences:		
At start of year	**549**	828
Prior year adjustment	**(7)**	2
Origination and reversal of temporary differences	**(197)**	(281)
At end of year	**345**	549
Total deferred tax:		
At start of year	**561**	827
Rate change	**-**	-
Origination and reversal of temporary differences (Note 6)	**(243)**	(266)
At end of year	**318**	561
Origination on acquisition		
Deferred tax is included within:		
Deferred tax liability	**422**	656
Deferred tax asset	**(104)**	(95)
	318	561

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.

22. Share Capital

Authorised:

	45p deferred shares £'000	5p ordinary shares £'000
Authorised Share Capital at 31 March 2019 and at 31 March 2020	**45,000**	**10,000**

Allotted, issued and fully paid:

	45p deferred shares Number	5p ordinary shares Number	£'000
At 31 March 2019	67,378,520	93,432,217	34,992
At 31 March 2020	**67,378,520**	**93,432,217**	**34,992**

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 shareholders 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 are also incapable of transfer and no share certificates have been issued in respect of them.

23. Share Premium

	2020 £'000	2019 £'000
At start and end of year	**10,088**	10,088

24. Treasury Shares

	2020 £'000	2019 £'000
At start and end of year (99,622 shares)	**(25)**	(25)

25. Capital Redemption reserve

	2020 £'000	2019 £'000
At start and end of year	**125**	125

26. Share Option reserve

	2020 £'000	2019 £'000
At start of year	**838**	736
Share option charge	**23**	102
Transfer in relation to lapsed share options	**(165)**	-
At end of year	**696**	838

The Board of Directors approved the original transfer of reserves from Retained Earnings to a designated share option reserve.

27. Non-Controlling Interest

	2020 £'000	2019 £'000
At start of year	**1,151**	1,718
Disposal of Subsidiaries	**-**	(707)
Share of profit for the year	**188**	140
At end of year	**1,339**	1,151

28. Foreign Currency Translation Reserve

	2020 £'000	2019 £'000
At start of year	**-**	(20)
Exchange differences on translation of foreign operations	**(155)**	20
At end of year	**(155)**	-

29. Retained Earnings

	2020 £'000	2019 £'000
At start of year	**(15,889)**	(13,773)
Acquisition of non-controlling interest	**-**	569
Transfer in relation to lapsed share options	**165**	-
Retained loss for the year	**(9,144)**	(2,685)
At end of year	**(24,868)**	(15,889)

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 2020	**-**	**-**	**-**	**-**
31 March 2019	695	1,990	310	2,995

During the year £nil (2019: £447,000) 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 2020 (2019: £Nil).

32. **Related Parties**

The services of Mark Carrington as Non-Executive Director of the Company were purchased from Deacon Street Partners Limited for a fee of £30,000 (2019: £30,000). At the year end, £7,500 (2019: £7,500) was outstanding to Deacon Street Partners Limited.

On 2 October 2019 ,entities associated with two of its major shareholders (the "Major Shareholders") acquired the Company's existing secured loan facility of £5.2m ("Jaywing Facility") The Major Shareholders immediately provided the Company with additional secured facilities by increasing the Jaywing Facility by £3m to £8.2m, which enabled the Company to repay its existing outstanding overdraft and provide it with additional working capital. The Jaywing Facility has been provided to the Company on the same terms as the term loan previously provided to Jaywing. At the yearend £7,938,960 (2019: nil) was outstanding.

During the period, the company made sales of £27,889 (2019: £25,683) to Run For All Limited, a company in which Mr R Shaw is a Non-Executive Director. At 31 March 2020 the balance receivable from Run For All Limited was £11,291 (2019: £23,205). Mr R Shaw resigned from the board on 26 March 2020.

During the period, the company made sales of £5,144 (2019: £59,661) to Impellam plc, a company that Lord Michael Ashcroft, the largest Jaywing plc shareholder, is Chairman of. At 31 March 2020 the balance receivable from Impellam plc was £nil (2019: £5,000).

33. **Accounting estimates and judgements**

Accounting estimates

Impairment of goodwill and other intangible assets

The carrying amount of goodwill is £27,586k (2019: £33,054k) and the carrying amount of other intangible assets is £2,604k (2019: £4,364k). 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 15.

Share-based payment charges / (credits)

On 4 May 2016, 30 September 2016 and 2 December 2018, share options were granted to employees in order to incentivise performance. These share options vest based upon conditions which relate to either EBITDA performance in the period commencing 1 April 2016, the share price at various future dates or continued employment with Jaywing.

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 employer's NI. The fair value charge has been assessed using an external valuation company, and judgement has been made on the number of shares expected to vest based on the achievement of EBITDA and share price targets.

Accounting judgements

Recognition of revenue

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. For other income sources, revenue recognition is assessed in line with the five steps of IFRS.

Identification of performance obligations

The determination of the number of distinct performance obligations in a contract requires judgement, based on whether the customer can benefit from use of the service on its own or together with other resources that are readily available to it, and also whether the promise to transfer the service is separately identifiable from other promises in the contract. As explained in the accounting policy for revenue, contracts usually include just one distinct performance obligation.

Allocation of the transaction price to performance obligations

Where a contract contains multiple performance obligations, the transaction price is required to be allocated to the different performance obligations. Wherever possible, the transaction price is allocated on a standalone selling price basis, by reference to the agreed customer statement of works. In the event that this is not available, the price is allocated to the various performance obligations on a reasonable basis with reference to the expected time involved in performing the service and management's experience of similar projects.

34. 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 by closely managing the cash balance and by investing cash assets safely and profitably.

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

The maturity of borrowings is set out in Note 18 to the Consolidated Financial Statements.

Interest rate risk

The Group finances its operations through a mixture of retained profits and borrowings. The Directors' policy to manage interest rate fluctuations is to review regularly 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 receivables and payables as these do not attract interest and are therefore subject to fair value interest rate risk.

	2020 **£'000**	2019 £'000
Financial assets:		
Floating interest rate:		
Cash	**1,996**	690
Zero interest rate:		
Trade receivables	**4,623**	6,215
	6,619	6,905
Financial liabilities:		
Floating interest rate:		
Bank loans/revolving facility	**7,939**	5,650
Zero interest rate:		
Trade payables	**2,301**	2,604
	10,240	8,254

As at 31 March 2020, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

31 March 2020	**Current**		**Non-current**	
	Within 6 months	**6 to 12 months**	**1 to 5 years**	**later than 5 years**
	£'000	**£'000**	**£'000**	**£'000**
Bank borrowings	**7,939**	-	-	-
Trade and other payables	**10,746**	-	-	-
Total amount due	**18,685**	-	-	-

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting period as follows:

31 March 2019	**Current**		**Non-current**	
	Within 6 months	**6 to 12 months**	**1 to 5 years**	**later than 5 years**
	£'000	**£'000**	**£'000**	**£'000**
Bank borrowings	**1,005**	987	3,954	-
Trade and other payables	**9,546**	-	-	-
Total amount due	**10,551**	987	3,954	-

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

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 £64,286 lower, and if the interest rate on these liabilities had been 1% lower, profit before tax would have improved by £64,286.

Credit risk

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 March 2019 and 1 January respectively, as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors, and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement, amongst other things, are considered indicators of no reasonable expectation of recovery.

The Directors consider that the Group's trade receivables were impaired for the year ended 31 March 2020 and a provision for £172,000 (2019: £61,000) has been provided accordingly. See Note 17 for further information.

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:

	2020 £'000	2019 £'000
Financial assets		
Loans and receivables		
Trade and other receivables	**4,565**	6,631
Cash and cash equivalents	**1,996**	690
	6,561	7,321
Financial liabilities:		
Current:		
Financial liabilities measured at amortised cost		
Borrowings	**(7,939)**	(5,650)
Lease liabilities	**(2,193)**	-
Trade and other payables	**(8,553)**	(9,546)
Provisions for liabilities	**(42)**	(42)
	(18,727)	(15,238)
Net financial assets and liabilities	**(12,166)**	(7,917)
Plant, property and equipment	**2,887**	1,015
Goodwill	**27,586**	33,054
Other intangible assets	**2,604**	4,364
Prepayments	**1,208**	1,530
Deferred tax	**104**	95
Taxation payable	**391**	(205)
Provisions for deferred tax	**(422)**	(656)
	34,358	39,197
Total equity	**22,192**	31,280

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. Decisions on whether to raise funding using debt or equity are made by the Board based on the requirements of the business.

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

	2020 £'000	2019 £'000
Total equity	**22,192**	31,280

35. Financial risk management

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
• Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
• Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

31 March 2020 Financial liabilities	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Deferred consideration	-	-	(1,769)	(1,769)
Net fair value	**-**	**-**	**(1,769)**	**(1,769)**

31 March 2019 Financial liabilities	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Deferred consideration	-	-	(1,632)	(1,632)
Net fair value	**-**	**-**	**(1,632)**	**(1,632)**

There were no transfers between Level 1 and Level 2 in 2020 or 2019.

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the chief financial officer (CFO) and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's reporting dates.

The following valuation techniques are used for instruments categorised in Levels 2 and 3:

- Contingent consideration (Level 3) – The fair value of put/call options and other deferred consideration related to acquisitions is estimated using a present value technique. The £1,769k fair value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting at 11.5%. The probability-weighted cash outflows before discounting are £1,874k and reflect management's estimate of a 100% probability that the contract's target level will be achieved. The discount rate used is 11.5%, based on the Group's estimated incremental borrowing rate for unsecured liabilities at the reporting date, and therefore reflects the Group's credit position. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

The following table provides information about the sensitivity of the fair value measurement to changes in the most significant inputs:

Description	Significant unobservable input	Estimate of the input	Sensitivity of the fair value measurement to input
Put and call options and other deferred consideration	Probability of meeting target	100%	Not applicable

There are no significant interrelationships between the inputs and the unobservable inputs.

Level 3 fair value measurements

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

	Put/call options and other deferred consideration £'000
Balance at 1 April 2018	1,417
Acquired through business combination	82
Amount recognised in profit or loss	133
Balance at 31 March 2019	1,632
Amount recognised in profit or loss	137
Balance at 31 March 2020	**1,769**

36. Post Balance Sheet Events

Since 31 March 2020 the following events have occurred that are related to these financial statements:

On 21 October 2020, the business completed the acquisition of the remaining 25% of the shares in Massive Group PTY Ltd ("Massive Group")which were not already owned by Jaywing following the exercise of the put option in relation to that 25% stake by entities controlled by the two directors of Massive Group in Australia. Jaywing now owns 100% of the shares in Massive Group, which has traded as Jaywing Australia since 2017.
The 25% stake was acquired for $4.0m (£2.2m) and the total consideration for the purchase of the 100% interest was $9.6m (£5.4m).

On 8 October 2020, the Company's Performance Share Plan terminated and there are no outstanding share options.

37. Changes in accounting policy

This note explains the impact of the adoption of IFRS 16, 'Leases', on the Company's financial statements.

As indicated in Principal Accounting Policies above, the Company has adopted IFRS 16, 'Leases' retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in note 14.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities for buildings on 1 April 2019 was 4.05% and for printers it was 5.06%.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:
• applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
• relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019;
• accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
• excluding initial direct costs for the measurement of the right of use asset at the date of initial application; and
• using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4.

Measurement of lease liabilities:	**2020** **£'000**
Operating lease commitments disclosed at 31 March 2019	2,995
Discounted using the lessee's incremental borrowing rate at the date of initial application	(192)
Lease liability recognised at 1 April 2019	**2,803**
Of which are:	
Current lease liabilities	697
Non-current lease liabilities	2,106
	2,803

The associated right of use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019.

The adoption of IFRS 16 resulted in a right of use asset of £2,803k, with a corresponding liability of £2,803k, being recognised as at 1 April 2019 which was depreciated to a value of £2,137k as at 31 March 2020.

The Company has adopted IFRS 16 on a modified retrospective basis. Upon transition, a lease liability has been recognised based on future lease payments discounted at an appropriate borrowing rate. Additionally, a right of use asset has been recognised along with a related lease liability. Within the income statement, the operating lease charge (£711k) has been replaced by depreciation (£666k) and interest expense (£101k). This has resulted in a decrease in operating expenses and an increase in finance costs.

Company Financial Statements

Company Profit and Loss account

	Note	2020 £'000	2019 £'000
Turnover		**-**	40
Administrative expenses	2	**(24,847)**	(13,207)
Operating loss	3	**(24,847)**	(13,167)
Income from fixed asset investment	4	**2,400**	6,546
Other income	4	**166**	-
Interest payable and similar charges	5	**(487)**	(290)
Loss on ordinary activities before taxation		**(22,768)**	(6,911)
Taxation on ordinary activities	6	**(96)**	(57)
Loss and total comprehensive income on ordinary activities after taxation	18	**(22,864)**	(6,968)

The accompanying Notes to the Parent Company Financial Statements form an integral part of these Financial Statements.

Company Balance Sheet

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	10	**1,397**	355
Investments	12	**32,511**	51,460
		33,908	51,815
Current assets			
Cash at bank		**182**	-
Debtors due < 1 year	13	**1,417**	2,326
		1,599	2,326
Current liabilities			
Creditors: amounts falling due within one year	14	**(19,025)**	(11,938)
Total assets less current liabilities		**16,344**	42,203
Non current liabilities			
Creditors: amounts falling due after more than one year	15	**(970)**	(3,850)
Net assets		**15,512**	38,353
Capital and reserves			
Called up Share Capital	17	**34,992**	34,992
Share Premium Account	18	**10,088**	10,088
Treasury Shares	19	**(25)**	(25)
Share Option Reserve	18	**696**	838
Capital Redemption Reserve	18	**125**	125
Profit and Loss Account	18	**(30,364)**	(7,665)
Equity shareholders' funds		**15,512**	38,353

The Financial Statements were approved by the Board of Directors and authorised for issue on 18 November 2020.

Signed on behalf of the board of Directors:

Andrew Fryatt
Director

The accompanying Notes to the Parent Company Financial Statements form an integral part of these Financial Statements.

Company Statement of Changes in Equity

	Called-up Share Capital £'000	Share Premium account £'000	Treasury Shares £'000	Share Option Reserve £'000	Capital Redemption Reserve £'000	Profit and loss account £'000	**Total £'000**
At 1 April 2018	34,992	10,088	(25)	736	125	(697)	45,219
Share-based payment charge	-	-	-	102	-	-	102
Transactions with owners	-	-	-	102	-	-	102
Profit for the year and total other comprehensive income	-	-	-	-	-	(6,968)	(6,968)
Total comprehensive income	-	-	-	102	-	(6,968)	(6,866)
At 31 March 2019	34,992	10,088	(25)	838	125	(7,665)	**38,353**
At 1 April 2019	34,992	10,088	(25)	838	125	(7,665)	38,353
Share-based payment charge	-	-	-	23	-	-	23
Transactions with owners	-	-	-	23	-	-	23
Profit for the year and total other comprehensive income	-	-	-	-	-	(22,864)	(22,864)
Transfer in relation to lapsed share options	-	-	-	(165)	-	165	-
Total comprehensive income	-	-	-	(165)	-	(22,699)	(22,864)
At 31 March 2020	34,992	10,088	(25)	696	125	(30,364)	**15,512**

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

Jaywing plc is incorporated in England and Wales.

Statement of compliance

These Financial Statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The Financial Statements have been prepared on a historical cost basis.

The Financial Statements are presented in Sterling (£) and have been presented in round thousands (£'000).

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

In addition to the normal process of preparing forecasts for the company, the board has also considered the potential impact of COVID-19 on the cash flows of the company for a period in excess of 12 months from the date of signing the financial statements. This has been done by looking at various scenarios within the forecasts for the potential effect of changes in the market during the forecast period.

Since March 2020, the economic impact of COVID-19 has resulted in revenue levels below those of the prior year, although we have been able to provide continuous service to our clients during this period. The Company has taken actions to protect both cash and profitability through this period, including voluntary salary reductions, rent deferrals and taking advantage of Government schemes for job retention and VAT payment deferral. The Company has continued to win new work through the period, and it remains on track to improve its performance year on year building on the restructure started in late 2019.

The second quarter has continued to see a positive trend. Whilst there remains considerable uncertainty in markets generally, the Company believes that it is well placed to benefit as economic activity recovers.

The impact of COVID-19 indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern. Notwithstanding this material uncertainty, the Directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

Disclosure exemptions adopted

In preparing these Financial Statements, the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these Financial Statements do not include:

1 A statement of cash flows and related notes
2 The requirement to produce a balance sheet at the beginning of the earliest comparative period
3 The requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the Group as they are wholly owned within the Group
4 Presentation of comparative reconciliations for property, plant and equipment, intangible assets
5 Capital management disclosures
6 Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
7 The effect of future accounting standards not adopted
8 Certain share-based payment disclosures
9 Disclosures in relation to impairment of assets
10 Disclosures in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value)
11 IFRS 9 disclosures in respect of allowances for expected credit losses reconciliations and credit risk and hedge accounting
12. IFRS 15 disclosures in respect of disaggregation of revenue, contract assets reconciliations and contract liabilities reconciliation and unsatisfied performance obligations

Investments in Subsidiaries, Associates and Joint Ventures
Investments in Subsidiary undertakings, Associates and Joint Ventures are stated at cost less any applicable provision for impairment.

Tangible assets
Property, plant and equipment (PPE) is initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management.

PPE is subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis (unless otherwise stated) to write down the cost less estimated residual value of PPE. The following useful lives are applied:

- Leasehold improvements: 5-10 years
- Fixtures, fittings and equipment: 2-5 years
- Buildings: period of the lease

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets, and are recognised in profit or loss within other income or other expenses.

Financial Instruments - Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial Instruments - Classification and subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

• financial assets subsequently measured at amortised costs

There are no financial assets that have been designated as fair value through other comprehensive income, or fair value through profit or loss.

All financial assets are reviewed for impairment at least at each reporting date, to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Financial Instruments – Classification and subsequent measurement of financial liabilities
The Company's financial liabilities include borrowings, trade creditors and other creditors.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Cash and cash equivalents
Cash comprises cash on hand and demand deposits, which is presented as cash at bank and in hand in the Balance Sheet.

Cash equivalents comprise short-term, highly liquid investments with maturities of three months or less from inception, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are presented as part of current asset investments in the Balance Sheet.

Leases
The Company has adopted IFRS 16 – Leases for the financial year ended 31 March 2020, and it has chosen to use the modified retrospective approach to adoption which means there are no restatements to the prior year figures.

IFRS 16 introduces a single lessee accounting model, whereby the Company now recognises a lease liability and a right of use asset at 1 April 2019 for leases previously classified as operating leases. Within the income statement, operating lease charges, which previously were included in administrative expenses, have been replaced by depreciation and interest expenses.

See notes 11 and 22 for more details.

Financial guarantees
Financial guarantees in respect of the borrowings of fellow Group companies are not regarded as insurance contracts. They are recognised at fair value and are subsequently measured at the higher of:

- the amount that would be required to be provided under IAS 37 (see policy on provisions below); and
- the amount of any proceeds received net of amortisation recognised as income.

Provisions, contingent assets and contingent liabilities
Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required, and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring exists and management has either communicated the plan's main features to those affected or started implementation. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Where the time value of money is material, provisions are discounted to their present values using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

Any reimbursement that is virtually certain to be collected from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Equity, reserves and dividend payments
Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity. Transaction costs on the issue of shares are deducted from the Share Premium Account arising on that issue. Dividends on the Company's ordinary shares are recognised directly in equity.

Revenue recognition
The turnover shown in the profit and loss account represents amounts invoiced in relation to work undertaken during the year. Revenue in the year was £nil. This has been assessed in line with the five steps set out in IFRS 15:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when the performance obligations are satisfied

Based on the above, the 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.

Revenue – other revenue streams
Interest receivable
Interest receivable is reported on an accrual basis using the effective interest method.

Dividends receivable
Dividends are recognised at the time the right to receive payment is established.

Operating expenses
Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

Foreign currency translation
Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

Foreign exchange gains and losses resulting from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value, which are translated using the exchange rates at the date when fair value was determined. Where a gain or loss on a non-monetary item is recognised in other comprehensive income, the foreign exchange component of that gain or loss is also recognised in other comprehensive income.

Income taxes
Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Calculation of deferred tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period, that are expected to apply when the asset is realised, or the liability is settled.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover the related asset or settle the related obligation.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses, and specific limits on the use of any unused tax loss or credit. Deferred tax assets are not discounted.

Deferred tax liabilities are generally recognised in full, with the exception of the following:

- on the initial recognition of goodwill on investments in Subsidiaries, where the Company is able to control the timing of the reversal of the difference, and it is probable that the difference will not reverse in the foreseeable future, on the initial recognition of a transaction that is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

Deferred tax liabilities are not discounted.

Post-employment benefits and short-term employee benefits

Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the Company expects to pay as a result of unused entitlement.

Post-employment benefit plans

Contributions to defined contribution pension schemes are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset. Unpaid contributions are reflected as a liability.

Share-based payments

Where equity-settled share options are awarded by the Parent Company to employees of this Company, the fair value of the options at the date of grant is charged to profit or loss over the vesting period with a corresponding entry in Retained Earnings.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Profit from operations

Profit from operations comprises the results of the Company before interest receivable and similar income, interest payable and similar charges, corporation tax and deferred tax.

Put/call options

The put/call options in Massive Group PTY and Frank Digital PTY have been valued by an independent assessor and are recognised with both a service and non-service element in the accounts. The non-service element is fully recognised as at the date of acquisition and the fair value reviewed annually. The service element is treated as a cash-settled share-based payment with the share-based payment valued at the point of inception and the cost being spread over the life of the asset.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

Significant judgement in applying accounting policies and key estimation uncertainty

When preparing the Financial Statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the Financial Statements.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Valuation of investments

Management reviews the carrying value of investments at each reporting date, based on the future cash flows of those investments.

2. Other operating charges

	2020	2019
	£'000	£'000
Share-based payment charge	**(227)**	133
Related National Insurance charge	**(42)**	(17)
Impairment of carrying value of investment	**19,274**	7,130
Administrative expenses	**5,842**	5,961
Total administrative expenses	**24,847**	13,207

100% of turnover arose in the United Kingdom (2019: 100%).

3. Operating loss

	2020	2019
Operating loss is stated after charging:	**£'000**	£'000
Depreciation of owned fixed assets	**74**	84
Depreciation of right of use assets	**169**	-
	243	84

4. Income from fixed asset investments

	2020	2019
	£'000	£'000
Dividends received from subsidiary companies	**2,400**	6,546

Other income of £166k (2019: £nil) is from recharges to Group companies for buildings and printers.

5. Other interest payable and similar charges

	2020	2019
	£'000	£'000
Bank interest payable	**561**	277
Interest on lease liability	**51**	-
Finance charge on acquisition	**13**	13
Total	**625**	290

6. Tax on ordinary activities

The tax charge is based on the profit for the year and represents:	2020	2019
	£'000	£'000
UK corporation tax at 19% (2019: 19%)	**931**	1,037
Adjustment in respect of prior period	**(1,039)**	(1,096)
Total current tax	**(108)**	(59)
Deferred tax:		
Origination and reversal of timing differences	**12**	2
	(96)	(57)

The tax credit can be explained as follows:	2020	2019
	£’000	£'000
Loss before tax	**(22,768)**	(6,911)
Tax using the UK corporation tax rate of 19% (2019: 19%)	**(4,325)**	(1,313)
Effect of:		
Non-taxable income	**(422)**	(1,195)
Non-deductible expenses / credit	**3,612**	1,355
Prior year adjustment	**1,039**	1,096
Current year credit	**(96)**	(57)

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

	2020	2019
Average number of staff employed by the Company	**33**	34

Aggregate emoluments (including those of Directors):	2020 £'000	2019 £'000
Wages and salaries	**2,800**	3,156
Social security costs	**279**	355
Pension contribution	**182**	196
Share-based payment charge	**(269)**	116
Total emoluments	**2,992**	3,823

Further information in respect of Directors is given in the Directors' Remuneration table on page 15.

Remuneration in respect of Directors was as follows:

	2020 £'000	2019 £'000
Emoluments receivable	**733**	842
Fees paid to third parties for Directors' services	**30**	30
Company pension contributions to money purchase pension schemes	**87**	97
	850	969

The highest paid Director received remuneration of £257,000 (2019 £264,000).

9. Dividends

The Directors do not recommend the payment of a dividend for the current year (2019: £Nil).

10. Tangible fixed assets

	Buildings £'000	Leasehold Improvements £'000	Fixtures & fittings £'000	Total £'000
Cost at 1 April 2019	-	389	250	639
Additions	-	-	8	8
Recognition of right of use asset	1,147	-	130	1,277
Cost at 31 March 2020	**1,147**	**389**	**388**	**1,924**
Depreciation at 1 April 2019	-	80	204	284
Charge for the year	-	40	34	74
Charge on right of use assets	143	-	26	169
Depreciation at 31 March 2020	**143**	**120**	**264**	**527**
Net book value at 31 March 2020	**1,004**	**269**	**124**	**1,397**
Net book value at 31 March 2019	-	309	46	355

11. Leases

The company has lease contracts for the office occupied in Sheffield and printers. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	2020 £'000	2019 £'000
Right of use assets		
Buildings	**1,005**	-
Plant and machinery	**104**	-
	1,109	-
Lease liabilities		
Current	**162**	-
Non-current	**970**	-
	1,132	-

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2020 £'000	2019 £'000
Depreciation charge of right of use assets		
Buildings	**143**	-
Plant and machinery	**26**	-
	169	-
Interest expense (included in finance cost)	**51**	-

The Company leases an office in Sheffield and printers. The Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2020 financial year, leases of property, plant and equipment were classified as operating leases, see note 22 for details. From 1 April 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

• fixed payments (including in-substance fixed payments), less any lease incentives receivable;
• variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
• amounts expected to be payable by the group under residual value guarantees;
• the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
• payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

If the Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect, then when adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:
• the amount of the initial measurement of lease liability;
• any lease payments made at or before the commencement date less any lease incentives received;
• any initial direct costs; and
• restoration costs.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

12. Investments

	Subsidiaries £'000
Cost at 1 April 2019	58,590
Payment of deferred consideration for Frank Digital PTY Ltd	325
Capital contribution for share option scheme	24
Recharge of capital contribution from group companies	(24)
Cost at 31 March 2020	**58,915**
Impairment at 1 April 2019	7,130
Impairment in year	19,274
Impairment at 31 March 2020	**26,404**
Net book value at 31 March 2019	51,460
Net book value at 31 March 2020	**32,511**

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 15 in the Group's Financial Statements. This review has concluded that the carrying value of the Company's investments is impaired by £19,274k (2019: £7,130k).

At 31 March 2020 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%	Dormant
Alphanumeric Holdings Limited	Ordinary	-	100%	Dormant
Alphanumeric Limited	Ordinary	100%	100%	Data services & consultancy
Bloom Media (UK) Limited	Ordinary	100%	100%	Agency services
Dig for Fire Limited	Ordinary	-	100%	Dormant
Digital Marketing Network Limited	Ordinary	100%	100%	Dormant
Digital Media and Analytics Limited	Ordinary	100%	100%	Dormant
DMG London Limited	Ordinary	100%	100%	Dormant
Epiphany Solutions Limited	Ordinary	100%	100%	Search Engine Optimisation
Frank Digital PTY Limited	Ordinary	75%	75%	Website design and build

Gasbox Limited	Ordinary	100%	100%	Direct marketing
Hyperlaunch New Media Limited	Ordinary	100%	100%	Dormant
Inbox Media Limited	Ordinary	-	100%	Dormant
Iris Associates Limited	Ordinary	-	100%	Dormant
Jaywing Central Limited	Ordinary	100%	100%	Online marketing & media
Jaywing Information Limited	Ordinary	100%	100%	Dormant
Jaywing Innovation Limited	Ordinary	100%	100%	Product development
Jaywing North Limited	Ordinary	100%	100%	Dormant
Massive Group PTY Limited	Ordinary	75%	75%	Search Engine Optimisation
Scope Creative Marketing Limited	Ordinary	100%	100%	Direct marketing
Shackleton PR Limited	Ordinary	-	100%	Dormant
The Comms Department Limited	Ordinary	-	100%	Dormant
Woken Limited	Ordinary	-	100%	Dormant

The Comms Department Limited is exempt from the requirement of the Companies Act relating to the audit of individual Financial Statements by virtue of s479A of the Companies Act 2006.

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**
Epiphany Solutions PTY Limited	Australia
Frank Digital PTY Limited	Australia
Massive Group PTY Limited	Australia

The companies incorporated in England and Wales all have their registered office at Albert Works, Sidney Street, Sheffield, S1 4RG. The companies incorporate in Australia all have their registered office at 2 Elizabeth Plaza, North Sydney, NSW 2060.

13. Debtors due within 1 year

	2020	2019
	£'000	£'000
Amounts due from Group undertakings	**58**	609
Prepayments and accrued income	**173**	209
Other taxation and social security	**243**	469
Deferred tax	**12**	-
Corporation tax	**931**	1,039
	1,417	2,326

14. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Bank loans and overdrafts (Note 16)	**7,939**	6,618
Trade creditors	**343**	251
Amounts owed to Group undertakings	**8,170**	2,622
Other taxation and social security	**74**	90
Other creditors	**47**	53
Accruals and deferred income	**521**	672
Lease liability	**162**	-
Deferred consideration payable on acquisition of Subsidiary undertakings	**1,769**	1,632
	19,025	11,938

Deferred consideration includes put/call options and other deferred consideration which has increased in the year due to fair value movements of £137k.

15. Creditors: amounts falling due in more than one year

	2020 £'000	2019 £'000
Lease liability	**970**	-
Bank loan	**-**	3,850
	970	3,850

16. Borrowings

	2020 £'000	2019 £'000
Summary:		
Bank overdraft	**-**	4,818
Bank loans	**7,939**	5,650
	7,939	10,468

Borrowings are repayable as follows:	2020 £'000	2019 £'000
Within one year:		
Bank overdraft	**-**	4,818
Bank loans	**7,939**	1,800
Total due within one year	**7,939**	6,618
Bank loans:		
In more than one year but less than two years:	**-**	3,850

17. Share Capital

Allotted, issued and fully paid:

	45p deferred shares Number	5p ordinary shares Number	£'000
At 31 March 2019	67,378,520	93,432,217	34,992
At 31 March 2020	67,378,520	93,432,217	34,992

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 shareholders 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 are also incapable of transfer and no share certificates have been issued in respect of them.

18. Reserves

Called-up Share Capital – represents the nominal value of shares that have been issued.

Share Premium Account – includes any premiums received on issue of Share Capital. Any transaction costs associated with the issuing of shares are deducted from Share Premium.

Profit and Loss Account – includes all current and prior period retained profits and losses.

Share Option Reserve – fair value charge for share options in issue.

Treasury Shares – shares in the company that have been acquired by the company.

Capital Redemption Reserve – represents amounts transferred from Share Capital on redemption of issued shares.

19. Treasury Shares

	2020	2019
	£'000	£'000
At 31 March 2020 and 31 March 2019	**25**	25

20. Share-based payments

Share-based payment charge is as follows:

	2020	2019
	£'000	£'000
Share-based payment	**(227)**	133
Related National Insurance costs	**(42)**	(17)
	(269)	116

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.

21. Provision for liabilities

	Deferred tax (Note 6) £'000
At 1 April 2019	-
Amounts of deferred tax recognised in profit or loss	12
At 31 March 2020	12

22. Commitments under operating leases

At 31 March 2020 the company had aggregate annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2020	2019
	£'000	£'000
Operating leases which expire:		
Within one year	**-**	168
Within two to five years	**-**	673
After five years	**-**	463
	-	1,304

23. Contingent liabilities

There is a cross guarantee between members of the Jaywing plc group of companies on all bank overdrafts and borrowings with the group's lenders. At 31 March 2020 the amount thus guaranteed by the company was £nil (2019: £nil).

24. Related parties

The Company is exempt from the requirements of FRS 101 to disclose transactions with other 100% members of the Jaywing plc group of companies.

Transactions with other related parties are disclosed in Note 32 to the Consolidated Financial Statements.

25. Financial risk management objectives and policies

Details of Group policies are set out in Note 34 to the Consolidated Financial Statements.

26. Retirement benefits

Defined Contribution Schemes

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £182,000 (2019: £196,000).

27. Share-based payments

Employees of the Company were entitled to participate in an equity and cash-settled share option scheme in the financial year to March 2020.

The options are granted with a fixed exercise price and have a vesting period of up to two years. The vesting conditions relate to the performance of the overall Jaywing plc Group and continued employment during the vesting period. There are no other market conditions attached to the share options.

The number of options outstanding at the end of the year in respect of Company employees were 1,489,025 (2019: 3,436,352).

No share options were exercised during the year. The exercise prices for share options outstanding was 5p (2019: 5p). The remaining contractual life of the share options was two years (2019: two years).

Post year end the Company closed its share option scheme, as all remaining options either lapsed or were cancelled.

28. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16, 'Leases', on the Company's financial statements.

As indicated in note 1 above, the Company has adopted IFRS 16, 'Leases' retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in note 11.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities for buildings on 1 April 2019 was 4.05% and for printers it was 5.06%.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:
• applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
• relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019;
• accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
• excluding initial direct costs for the measurement of the right of use asset at the date of initial application; and
• using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4.

The associated right of use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019.

The adoption of IFRS 16 resulted in a right of use asset of £1,278k, with a corresponding liability of £1,278k, being recognised as at 1 April 2019 which was depreciated to a value of £1,109k as at 31 March 2020.

The Company has adopted IFRS 16 on a modified retrospective basis. Upon transition, a lease liability has been recognised based on future lease payments discounted at an appropriate borrowing rate. Additionally, a right of use asset has been recognised along with a related lease liability. Within the income statement, the operating lease charge (£197k) has been replaced by depreciation (£169k) and interest expense (£51k). This has resulted in a decrease in operating expenses and an increase in finance costs.

Shareholder Information

General Meeting
A General Meeting will be held on Friday 18th December 2020 at Jaywing PLC, Albert Works, Sidney Street, Sheffield, S1 4RG at 11am.

Dividend
There is no dividend payable.

Multiple accounts on the shareholder register
If you have received two or more copies of or notifications about this document, this means that there is more than one account in your name on the Shareholders Register. This may be caused by 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 to be combined into one account, please write to Link Asset Services 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 General Meeting 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 2020.

Issued Share Capital
As at 16 November 2020 (being the last practicable date before the publication of this document), the Company's issued Share Capital comprised 93,432,217 ordinary shares of 5p each, of which 99,622 are held in Treasury. Therefore, as at 16 November 2020 the total voting rights in the Company were 93,432,217. 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 visit https://www.linksharedeal.com or call 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 08:00 - 16:30, Monday to Friday, excluding public holidays in England and Wales. This is not a recommendation to buy and sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up and you are not guaranteed to get back the amount you originally invested. Terms, conditions and risks apply. Link Asset Services is a trading name of Link Market Services Trustees Limited, which is authorised and regulated by the Financial Conduct Authority. This service is only available to private shareholders resident in the European Economic Area, the Channel Islands or the Isle of Man.

Shareholder enquiries
Neville Registrars Limited maintain 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:

Neville Registrars Limited
Neville House
Steelpark Road
Halesowen, B62 8HD

Shareholder Helpline: 0121 5851131, fax: 0121 5851132.
Website address www.nevilleregistrars.co.uk

Website
Information on the Group is available at https://investors.jaywing.com.

Company Information

Registered Office
Albert Works
71 Sidney Street
Sheffield
S1 4RG

Registered Number: 05935923
Country of incorporation: England

Auditor
Grant Thornton UK LLP
1 Holly Street
Sheffield
S1 2GT

Nominated adviser and broker
Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

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

Solicitors
Fieldfisher LLP
5th Floor, Free Trade Exchange
37 Peter Street
Manchester
M2 5GB

Company Secretary
Caroline Ackroyd
Albert Works
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Sheffield
S1 $RG