JAYWING

JAYWING PLC

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED
31 MARCH 2014

CONTENTS

PERFORMANCE HIGHLIGHTS

Gross profit
£21.62m
(2013: £20.64m)

EBITDA* before other income for continuing operations
£2.32m
(2013: £2.53m)

Net cash flow from operating activities
£4.29m
(2013: £1.81m)

Corporation Tax paid
£0.51m
(2013: £0.98m)

Net debt
£5.81m
(2013: £2.32m): undrawn banking facilities of £3.99m

Adjusted** basic earnings per share
3.23p
(2013: 2.96p)

Adjusted** diluted earnings per share
3.15p
(2013: 2.85p)

* Excludes share based payment charges, loss before tax on disposal, exceptional items and acquisition related costs
** Adjusted means before amortisation, share based charges, loss before tax on disposal, exceptional items and acquisition related costs

CHAIRMAN'S STATEMENT

I am pleased to report on a year in which Jaywing's financial performance continued to improve and significant strategic progress was achieved. Gross profit for the continuing group increased from £20.6m in 2013 to £21.6m in 2014, and the continuing group EBITDA has increased from £1,089k in the second half of 2013, to £1,094k in the first half of 2014, to £1,226k in the second half of 2014.

In October 2013 we sold Tryzens for total proceeds of £6m. There were few synergies between the work and clients of Tryzens and those of the rest of the continuing business, which limited our ability to cross-sell. The disposal significantly strengthened the balance sheet.

In March 2014 we acquired Epiphany Solutions for an upfront consideration of £12m, with a further earn-out of £6m subject to future performance. Epiphany specialises in search engine marketing and is one of only thirty UK agencies that have achieved Certified Google Analytics partner status. The acquisition of Epiphany strengthened Jaywing's performance in search marketing and provided our unrivalled team of over 50 data scientists with access to the digital data to develop innovative new products and services.

This acquisition has been well received across both Epiphany and Jaywing client bases and externally in the market. The founders of the business have been retained and have taken on broader roles across the Jaywing business. Going forward, the business will operate in two divisions, Agency Services and Media & Analysis. Media & Analysis is the Consulting business as reported in the prior year accounts less Tryzens and with the addition of Epiphany.

Iris Associates, acquired in October 2012, is now fully integrated with its founders leading our Sheffield operation. This has helped to deliver an increase in gross profit in Agency Services of £1.2m, from £13.2m to £14.4m.

The performance in the second half of the year showed encouraging signs with gross profit increasing to £11.2m (H1: £10.4m) and EBITDA increasing to £1.2m (H1: £1.1m), with the full benefit of the Epiphany acquisition still to be realised. This performance has been under-pinned by our focus on marrying data science with brand, acquisition and customer marketing.

We have continued to develop relationships with our existing clients and also acquired a number of significant new clients including CollectPlus and Skipton Building Society.

Other income comprises distributions received from the administrator of a previous client. These receipts decreased to £0.3 million from £0.7 million received in the year to 31 March 2013. Further distributions are still expected but these will reduce in value.

During the year we increased our borrowing to £7.8m to acquire Epiphany, but the £3.8m of cash generated from operating activities and the proceeds of the Tryzens sale reduced the amount of additional funding required.

Under strong leadership our colleagues – the 'Jaywingers' – continue to perform to extremely high levels and approach all aspects of their roles with great professionalism and diligence. We thank them once again for their efforts during the year.

Board Changes

We were deeply saddened by Andy Wilson's death in May 2014. His Chairmanship and contribution to Jaywing was valued greatly. He will be hugely missed.

Michael Sprot was appointed to the Board as Finance Director in March 2014, and Ian Robinson was re-appointed as a Non-Executive Director in May 2014.

Outlook

The start of the year has been in line with the Board's expectations.

Stephen Davidson
Acting Chairman
7 July 2014

STRATEGIC REPORT

Business review

Jaywing plc reported a statutory loss of £4.8m in the year ended 31 March 2014 (2013: £0.6m profit). The adjusted operating performance line, before interest, tax, depreciation, amortisation, share based payment charges, loss before tax on disposal, exceptional items and acquisition related costs, shows consistent EBITDA of £2.9m (2013: £3.0m).

During the year the Group continued its restructure with the disposal of its eCommerce integration business Tryzens in October 2013 and the acquisition of Leeds based search specialists Epiphany Solutions in March 2014. The underlying business excluding these two entities delivered operating profits of £2.3m (2013: £2.5m) which was in line with internal budgets.

Gross profit was up marginally to £21.1m (2013: £20.6m) for the continuing business excluding Epiphany.

The business will operate in two divisions going forward: Agency Services and Media & Analysis, the latter comprising the ongoing former Consulting division (following the removal of Tryzens) and Epiphany. The segmental performance of our business in these two practice areas is shown in Note 1 to the Consolidated Financial Statements, together with the comparative performance from the previous year.

Gross profit of the Agency Services division grew from £13.2m in 2013 to £14.4m in 2014 whilst gross profit in the Media & Analysis division fell marginally to £7.2m (2013: £7.3m) following the completion of a large engagement for a financial services client as reported at the half year. The performance of the Media & Analysis division improved in H2 with Gross profits rising from £3.1m in H1 to £4.1m in H2.

During the year, the Group benefited from the receipt of £0.3m (2013: £0.7m) from the administrator of a client where a contractual obligation existed. Based on communication from the administrator, the Board believes there will be further distributions but the quantum will reduce.

Acquisition related costs amounted to £1.1m in 2014 (2013: £0.4m) and the disposal of Tryzens resulted in a loss before tax on disposal of £5.4m. Removal of these costs and the other income discussed above results in profit before tax (after depreciation, amortisation, charges for share based payments and finance charges) of £0.8m in 2014 (2013: £0.7m).

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

	Six months to 30 September 2013 £'000	Six months to 31 March 2014 £'000	**Full year to 31 March 2014 £'000**
Reported profit before tax	16	(396)	**(380)**
Interest	35	17	**52**
Amortisation	733	816	**1,549**
Depreciation	117	162	**279**
Share based payment charge	-	36	**36**
Acquisition related costs	207	905	**1,112**
Exceptional (income) / costs	156	(172)	**(16)**
Adjusted operating profit	1,264	1,368	**2,632**
Deduct other income	(170)	(142)	**(312)**
Adjusted operating profit before other income	1,094	1,226	**2,320**

Excluding other income the Group produced £1.2m adjusted operating profit after interest in the six months to 31 March 2014 and £1.1m in the first half. These figures include £0.1m of operating profit from Epiphany in March 2014.

Liquidity review

The Group's facilities comprise a term loan for £4.25m, a revolving credit facility for £3.55m and a bank overdraft of £2.0m.

The consolidated cash flow statement shows the Group to have generated cash from operating activities of £2.2m (2013: £3.4m) before changes in working capital.

We paid £0.5m in tax (2013: £1.0m). There were no repayments of the term loan but the revolving credit facility in place at the previous year end was fully repaid on the sale of Tryzens.

As at 31 March 2014, the Group had net debt of £5.8m (2013: £2.3m).

Impairment

As required by IAS 36, we have carried out an impairment review of the carrying value of our intangible assets and goodwill. We calculate our weighted average cost of capital with reference to long term market costs of debt and equity and the Company's own cost of debt and equity, adjusted for the size of the business and risk premiums. Based on this calculation, a rate of 9% (2013: 11%) has been derived. This is applied to cash flows for each of the business units using growth rates in perpetuity of 2% from 2018/19. As a result of these calculations the Board has concluded that the carrying value of intangible assets and goodwill on the Group's balance sheet does not need to be impaired and therefore no charge has been made (2013: £Nil).

Key performance indicators

Our objectives for the year were to deliver stable financial performance from the core business while achieving a closer fit between the operating units. We have achieved this through the sanctioning of the management buyout of the technology business Tryzens which had little overlap with our core Marketing Services operation. Furthermore, the acquisition of Epiphany has significantly strengthened our digital capabilities fitting well with our data and insight led positioning for creative, analytical and technical services. This acquisition is consistent with our stated strategy at the half year.

The acquisition of Epiphany has also been well received externally and amongst the clients of both Jaywing and Epiphany and has continued to reinforce the Jaywing brand in our core markets, another key objective for the year.

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

Our H2 performance shows encouraging signs given the expected reductions in Media & Analysis revenues during the first half of the year. This has been through a combination of new client wins across the business.

Principal risks and uncertainties

The principal risks and uncertainties of the Group are outlined on page 7.

Andy Gardner
Director
7 July 2014

BOARD OF DIRECTORS AND ADVISERS

BOARD OF DIRECTORS

Stephen Davidson
Chairman (aged 58)

Stephen Davidson is Chairman of Datatec Ltd (JSE and AIM listed). He is also a Non-Executive Director of Inmarsat plc, Restore plc and Actual Experience plc. Stephen held various positions in Investment Banking, finally at WestLB Panmure where he was Global Head of Media and Telecoms and Vice Chairman of Investment Banking. From 1993 to 1998 Stephen was Finance Director, then CEO of Telewest Communications plc. He was Chairman of the Cable Communications Association from 1996 to 1998. Stephen holds a 1st Class Honours degree in Mathematics and Statistics from the University of Aberdeen.

Martin Boddy
Chief Executive Officer (49)

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

Andy Gardner
Chief Operating Officer (51)

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

Michael Sprot
Finance Director (34)

Michael joined the Company in February 2013 as Group Financial Controller and Company Secretary. Prior to joining Jaywing, he was Head of Commercial Finance at Vasanta Group, a multi-channel distributor of business supplies and services. Michael also gained experience of central and local government through his work at learndirect and South Yorkshire PTE after gaining his ACA qualification from PricewaterhouseCoopers (now PwC) in Sheffield.

Charles Buddery
Non-Executive Director (aged 61)

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

Ian Robinson
Non-Executive Director (aged 67)

Ian is currently a director of Anne Street Partners Limited, an investment and management services company. He is also Non-Executive Director of a number of privately owned companies and Non-Executive Director of two other AIM listed companies, TLA Worldwide plc and Gusbourne plc. Ian has previously held a number of senior financial appointments in UK service group companies. He is a Fellow of the Institute of Chartered Accountants in England & Wales having trained with Peat Marwick Mitchell & Co (now KPMG) in London.

ADVISERS

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Nominated adviser and broker
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Registrars
Capita Asset Services
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Beckenham, Kent BR3 4ZF

Solicitors
Brabners LLP
55 King Street, Manchester M2 4LQ

Registered office
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300 Attercliffe Common, Sheffield S9 2AG

Registered number: 05935923

Country of incorporation: England

PRINCIPAL RISKS AND UNCERTAINTIES

General economic and business conditions

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

People

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

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

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

Clients

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

Competition

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

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

Suitable acquisitions and access to capital

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

Execution

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

Products and services

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

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

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 March 2014.

Principal activity

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

Results and dividend

The Group's loss before taxation for the year ended 31 March 2014 was £0.4 million (2013: profit of £1.0 million). The Directors do not propose to pay a dividend.

Future developments

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

Going concern

The Directors have reviewed the forecasts for the years ending 31 March 2015 and 31 March 2016 which have been adjusted to take account of the current trading environment. The Directors consider the forecasts to be prudent and have assessed the impact of them on the Group's cash flow, facilities and headroom within its banking covenants. Furthermore, the Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. Based on this work, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Political donations

No political donations were made during the year (2013: £Nil).

Directors' interests

The present membership of the Board, together with biographies on each, is set out on page 6. All those Directors served throughout the year or from appointment. The Directors' interests in shares in the Company are set out in the Directors' remuneration report on page 11.

Directors' third party indemnity provisions

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

Employees

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

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

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

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

Financial instruments

Details of the financial risk management objectives and policies of the Group, including hedging policies, are given in note 36 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 24 of the financial statements.

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

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

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

Major interests in shares

As at 1 July 2014 the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as shareholder of the Company:

	Number of voting rights	**2014 %**	2013 %
Mayfair Limited	18,052,512	**24.2**	24.2
Henderson Global Investors	17,211,365	**23.1**	20.0
J & K Riddell	5,372,638	**7.2**	7.2
A Gardner	4,987,470	**6.7**	6.7
M Boddy	4,916,667	**6.6**	6.6
C Buddery	3,906,615	**5.2**	5.2
H Stevens	3,508,772	**4.7**	4.7

Corporate social responsibility

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

Annual General Meeting

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

Auditor

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

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

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

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

By Order of the Board

Andy Gardner
Director
7 July 2014

DIRECTORS' REMUNERATION REPORT

This report is prepared voluntarily by the Board. We do not comply with the UK Corporate Governance Code ("the Code"). However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the Code we consider to be relevant to the Group and best practice.

The Remuneration Committee

The Remuneration Committee comprises:

Charles Buddery (Chairman)

Stephen Davidson

Andrew Wilson (appointment terminated by death 15 May 2014)

Ian Robinson (appointed 21 May 2014)

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

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

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

Remuneration policy

The Group's policy on remuneration for the current year and, so far as is practicable, for subsequent years is set out below. However, the Remuneration Committee believes that it should retain the flexibility to adjust the remuneration policy in accordance with the changing needs of the business. Any changes in policy in subsequent years will be detailed in future reports on remuneration. The Group must ensure that its remuneration arrangements attract and retain people of the right calibre in order to ensure corporate success and to enhance shareholder value.

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

During the year to 31 March 2014 there were three Executive Directors on the Board:

Martin Boddy (Chief Executive)

Andy Gardner (Chief Operating Officer)

Michael Sprot (Finance Director) (appointed 25 March 2014)

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

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

Non-Executive Directors' fees

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

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

Remuneration components – Executive Directors

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

i. Basic salary

ii. Annual bonus plan

iii. Share options

Basic salary

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

Annual bonus plan

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

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

Share options

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

Directors' remuneration

The total amounts of the remuneration of the Directors of the Company for the years ended 31 March 2014 and 2013 are shown below:

31 March	**2014** **£**	2013 £
Aggregate emoluments	**365,000**	623,796
Sums paid to third parties for Directors' services	**40,000**	15,000
	405,000	638,796

The emoluments of the Directors are shown below:

31 March	2014 Fees and salary £	2014 Benefits in kind £	2014 Bonus £	**2014 Total £**	2013 Total £	**2014 Gain on exercise of share options £**	2013 Gain on exercise of share options £	**2014 Pension contri-butions £**	2013 Pension contri-butions £
Martin Boddy	150,000	-	-	**150,000**	150,000	**-**	-	**41,340**	30,000
Andy Gardner	165,000	-	-	**165,000**	176,769	**-**	-	**24,270**	-
Keith Sadler#	-	-	-	**-**	65,000	**-**	-	**-**	-
Charles Buddery	25,000	-	-	**25,000**	65,000	**-**	-	**-**	-
Kate McIntyre**	-	-	-	**-**	108,277	**-**	-	**-**	-
Stephen Davidson	25,000	-	-	**25,000**	25,000	**-**	-	**-**	-
Barry Jenner***	-	-	-	**-**	3,750	**-**	-	**-**	-
Ian Robinson#-	-	-	-	**-**	5,000	**-**	-	**-**	-
Michael Sprot*	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**-**
Andrew Wilson-+	40,000	-	-	**40,000**	40,000	**-**	-	**10,000**	10,000
Total	**405,000**	-	**-**	**405,000**	638,796	**-**	-	**75,610**	40,000

* appointed 25 March 2014
\# resigned 31 July 2012, re-appointed 21 May 2014
** appointed 1 June 2012, resigned 11 March 2013
*** resigned 31 May 2012
\- paid to a third party for the Director's services
\+ appointment terminated by death 15 May 2014

Directors' service agreements and letters of appointment

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

	Date of contract	**Notice period**	**Company with whom contracted**
Martin Boddy	1 March 2012	3 months	Jaywing plc
Andy Gardner	6 April 2012	3 months	Jaywing plc
Michael Sprot	20 December 2012	3 months	Jaywing plc

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

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

	Date of contract	**Notice period**	**Company with whom contracted**
Stephen Davidson	1 March 2012	3 months	Jaywing plc
Anne Street Partners Limited*	2 October 2006	3 months	Jaywing plc
Charles Buddery	1 March 2012	3 months	Jaywing plc
Ian Robinson	21 May 2014	3 months	Jaywing plc

* For the provision of services supplied by Ian Robinson (resigned 31 July 2012, re-appointed 21 May 2014) and Andrew Wilson (appointment terminated by death 15 May 2014).

Directors' interests in shares

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

31 March	**2014 Number of shares**	2013 Number of shares
Andy Gardner	**4,987,470**	4,987,470
Martin Boddy	**4,916,667**	4,916,667
Charles Buddery	**3,906,615**	3,906,615
Stephen Davidson	**789,342**	789,342
Ian Robinson (resigned 31 July 2012, re-appointed 21 May 2014)	**314,711**	314,711
Keith Sadler (resigned 31 July 2012)	**283,333**	283,333
Andrew Wilson (appointment terminated by death 15 May 2014)	**146,145**	146,145
Barry Jenner (resigned 31 May 2012)	**113,125**	113,125

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

	At 31 March 2014	At 31 March 2013	Exercise price	Normal date from which exercisable	Expiry date
Stephen Davidson	**1,754,386**	1,754,386	Nil	25-Jan-2011	25-Jan-2015

These options have vested but remain unexercised.

Pensions

The Group operates a stakeholder pension scheme for staff. Martin Boddy, Andy Gardner, Michael Sprot and Andrew Wilson each received a contribution to a pension scheme.

Non-Executive directorships

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

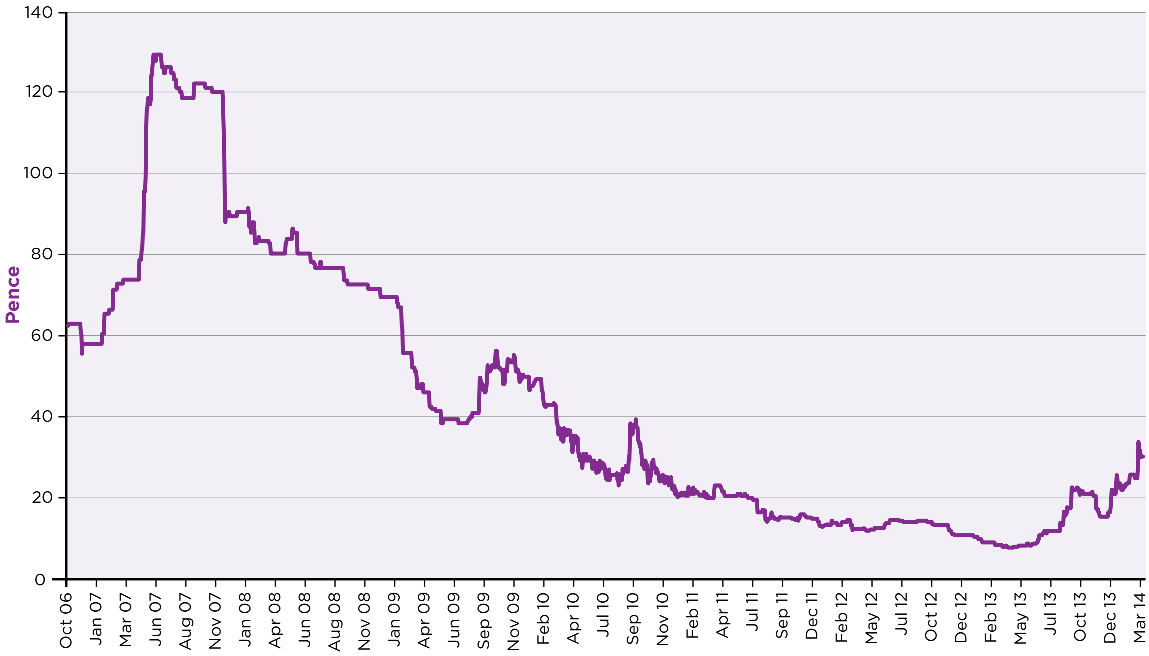
Other related party transactions

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

Disclosable transactions by the Company under IAS 24, Related Party Disclosures, are set out in note 34. There have been no other disclosable transactions by the Company and its subsidiaries with Directors of the Company or any of the subsidiary companies and with substantial shareholders since the publication of the last Annual Report.

Share price performance

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



By Order of the Board

Charles Buddery
Chairman, Remuneration Committee
7 July 2014

CORPORATE GOVERNANCE

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

The Board

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

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

Board committees

Remuneration Committee

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

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

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

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

The Remuneration Committee is empowered to recommend the grant of share options under the existing share option plan and to make awards under the long-term incentive plans. The Remuneration Committee considers there to be an appropriate balance between fixed and variable remuneration and between short-term and long-term variable components of remuneration. All the decisions of the Remuneration Committee on remuneration matters in the year ended 31 March 2014 were reported to and endorsed by the Board.

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

Audit Committee

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

Nomination Committee

The Nomination Committee comprises a majority of Non-Executive Directors. It met once during the year. It is responsible for nominating to the Board candidates for appointment as Directors, having regard for the balance and structure of the Board. The terms of reference for all committees are available on the Group's website.

Company Secretary

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

Attendance at Board and Committee meetings

The Directors attended the following Board and Committee meetings during the year ended 31 March 2014.

	Board	Remuneration	Audit	Nomination
Total meetings held	8	1	3	1
Stephen Davidson	8	1	3	1
Andy Gardner	8	-	3	1
Michael Sprot (appointed 25 March 2014)	-	-	-	-
Martin Boddy	8	-	3	1
Charles Buddery	7	1	2	1
Ian Robinson (appointed 21 May 2014)	-	-	-	-
Andrew Wilson (appointment terminated by death 5 May 2014)	8	1	3	1

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.

Relationships with shareholders

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

Internal controls

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

Management structure

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

Financial reporting

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

Monitoring of controls

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

Corporate social responsibility

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

Employment

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

Environment

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

By Order of the Board

Andy Gardner
7 July 2014

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 laws). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards/IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

By Order of the Board

Andy Gardner
7 July 2014

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF JAYWING PLC

We have audited the financial statements of Jaywing plc for the year ended 31 March 2014 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, the principal accounting policies, and the related notes to the financial statements, the company profit and loss account, the company balance sheet and the notes to the company financial statements. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's loss and the parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Paul Houghton
Senior Statutory Auditor for and on behalf of
Grant Thornton UK LLP, Statutory Auditor,
Chartered Accountants, Sheffield
7 July 2014

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

For the year ended 31 March Continuing operations	Note	2014 £'000	2013 £'000 Total
Revenue	1	**26,693**	26,877
Direct costs		**(5,069)**	(6,240)
Gross profit		**21,624**	20,637
Other operating income	2	**312**	738
Operating expenses	3	**(22,264)**	(20,155)
Operating (loss)/profit		**(328)**	1,220
Finance income	4	**-**	1
Finance costs	5	**(52)**	(205)
Net financing costs		**(52)**	(204)
(Loss)/profit before tax		**(380)**	1,016
Tax credit/(expense)	6	**182**	(425)
(Loss)/profit for the year from continuing operations		**(198)**	591
(Loss)/profit for the year from discontinued operations	14	**(4,597)**	42
(Loss)/profit for the year attributable to equity holders of the parent	30	**(4,795)**	633
Other comprehensive income: **Items that will be reclassified subsequently to profit or loss**			
Cash flow hedging	26	**-**	52
Total comprehensive income for the period attributable to equity holders of the parent		**(4,795)**	685
Earnings per share	7		
Basic earnings per share			
- (Loss)/earnings from continuing operations		**(0.27p)**	0.79p
- (Loss)/earnings from discontinued operations		**(6.17p)**	0.06p
		(6.44p)	0.85p
Diluted earnings per share			
- (Loss)/earnings from continuing operations		**(0.26p)**	0.76p
- (Loss)/earnings from discontinued operations		**(6.03p)**	0.06p
		(6.29p)	0.82p

The accompanying notes form part of these consolidated financial statements.

Consolidated balance sheet

As at 31 March	Note	2014 £'000	2013 £'000	2012 £'000
Non-current assets				
Property, plant and equipment	12	**638**	713	1,172
Goodwill	15	**30,442**	29,753	29,753
Other intangible assets	16	**11,539**	8,984	9,473
		42,619	39,450	40,398
Current assets				
Inventories	17	**-**	-	81
Trade and other receivables	18	**8,691**	10,851	9,505
Cash and cash equivalents		**1,994**	1	61
		10,685	10,852	9,647
Total assets		**53,304**	50,302	50,045
Current liabilities				
Bank overdraft	19	**-**	816	233
Other interest-bearing loans and borrowings	19	**4,612**	1,500	3,000
Financial derivatives	20	**-**	-	52
Trade and other payables	21	**8,886**	6,731	5,845
Current tax liabilities		**492**	742	729
Provisions	22	**131**	-	116
		14,121	9,789	9,975
Non-current liabilities				
Other interest-bearing loans and borrowings	19	**3,188**	-	-
Deferred tax liabilities	23	**2,337**	2,060	2,326
		5,525	2,060	2,326
Total liabilities		**19,646**	11,849	12,301
Net assets		**33,658**	38,453	37,744
Equity attributable to owners of the parent				
Share capital	24	**34,051**	34,051	34,051
Share premium	25	**6,608**	6,608	6,608
Hedging reserve	26	**-**	-	(52)
Capital redemption reserve	28	**125**	125	125
Shares purchased for treasury	27	**(25)**	(25)	(25)
Share option reserve	29	**88**	137	207
Retained earnings	30	**(7,189)**	(2,443)	(3,170)
Total equity		**33,658**	38,453	37,744

These financial statements were approved by the Board of Directors on 7 July 2014 and were signed on its behalf by:

Andy Gardner
Director
Company number: 05935923

The accompanying notes form part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 March	Note	2014 £'000	2013 £'000
Cash flow from operating activities			
Profit after tax		**(4,795)**	633
Adjustments for:			
Depreciation and amortisation		**2,063**	2,164
Loss on disposal		**5,442**	4
Movement in provision		**131**	(11)
Financial income		**-**	(6)
Financial expenses		**52**	205
Share-based payment expense / (credit)	11	**36**	(8)
Taxation		**(694)**	399
Operating cash flow before changes in working capital		**2,235**	3,380
Increase in trade and other receivables		**366**	(1,000)
Decrease in inventories		**-**	81
Increase in trade and other payables		**2,237**	518
Cash generated from operations		**4,838**	2,979
Interest received		**-**	6
Interest paid		**(41)**	(203)
Tax paid		**(509)**	(976)
Net cash flow from operating activities		**4,288**	1,806
Cash flow from investing activities			
Proceeds from sale of assets		**3,288**	677
Acquisition of subsidiary Iris Associates net of cash acquired		**-**	(1,080)
Acquisition of subsidiary Epiphany Solutions net of cash acquired	13	**(10,543)**	-
Acquisition of property, plant and equipment	12	**(392)**	(546)
Net cash outflow from investing activities		**(7,647)**	(949)
Cash flows from financing activities			
Increase in borrowings		**7,800**	-
Repayment of borrowings		**(1,632)**	(1,500)
Net cash inflow/(outflow) from financing activities		**6,168**	(1,500)
Net increase/(decrease) in cash and cash equivalents		**2,809**	(643)
Cash and cash equivalents at beginning of year		**(815)**	(172)
Cash and cash equivalents at end of year		**1,994**	(815)
Cash and cash equivalents comprise:			
Cash at bank and in hand		**1,994**	1
Bank overdrafts	19	**-**	(816)
Cash and cash equivalents at end of year		**1,994**	(815)
Included in continuing operations		**1,994**	(959)
Included in discontinued operations		**-**	144
		1,994	(815)

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Hedging reserve £'000	Capital redemption reserve £'000	Treasury shares £'000	Share option reserve £'000	Retained earnings £'000	Total attributed to the owners of the parent £'000
At 1 April 2012	**34,051**	**6,608**	**(52)**	**125**	**(25)**	**207**	**(3,170)**	**37,744**
Credit in respect of share-based payments	-	-	-	-	-	-	**24**	**24**
Transfer from share option reserve	-	-	-	-	-	(70)	**70**	**-**
Transactions with owners	-	-	-	-	-	(70)	**94**	**24**
Profit for the year	-	-	-	-	-	-	**633**	**633**
Other comprehensive income:								
Cash flow hedges	-	-	52	-	-	-	**-**	**52**
Total comprehensive income for the year	-	-	52	-	-	-	**633**	**685**
At 31 March 2013	**34,051**	**6,608**	**-**	**125**	**(25)**	**137**	**(2,443)**	**38,453**
Transfer from share option reserve	-	-	-	-	-	(49)	**49**	**-**
Transactions with owners	-	-	-	-	-	(49)	**49**	**-**
Loss for the year	-	-	-	-	-	-	**(4,795)**	**(4,795)**
Total comprehensive income for the year	-	-	-	-	-	-	**(4,795)**	**(4,795)**
At 31 March 2014	**34,051**	**6,608**	**-**	**125**	**(25)**	**88**	**(7,189)**	**33,658**

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, except for certain financial instruments that are held at fair value.

The principal accounting policies of the Company are set out below. Other than a formal policy being adopted for Dilapidations provisions, the policies have remained unchanged from the previous year.

Dilapidations provision

This represents a change in accounting policy from prior periods where estimated dilapidation costs were included within accruals and expensed in the profit and loss account. The impact of this change in accounting policy is not considered to be material in the current or prior periods and so no prior year adjustment has been processed.

Provision is made for expected future dilapidations costs to property under operating 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 35 to the consolidated financial statements.

Changes in accounting policies

New and revised standards that are effective for annual periods beginning on or after 1 January 2013

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below. There has been no material impact as a result of these changes.

IFRS 13 Fair Value Measurement (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

IAS 1 Presentation of Financial Statements

The revision to IAS 1 requires management to group items presented in OCI into those that, in accordance with other IFRSs:

- will not be reclassified subsequently to profit or loss.
- will be reclassified subsequently to profit or loss when specific conditions are met.

Management have reviewed the amendments to IAS 1 and have concluded that all items of other comprehensive income be classified as those that would be reclassified to profit or loss. The statement of other comprehensive income has been updated accordingly.

Going concern

The Directors have reviewed the forecasts for 2014/15 and 2015/16 which have been adjusted to take account of the current trading environment. The Directors consider the forecasts to be prudent and have assessed the impact of them on the Group's cash flow, facilities and headroom within its banking covenants. Further, the Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. Based on this work, the Directors are satisfied that the Group has adequate resources to continue in operational existence for 12 months from the date of these accounts. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

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

Revenue

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

Media planning and buying

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

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

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

Foreign currency

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

Classification of instruments issued by the Group

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

- they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

Property, plant and equipment

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

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

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

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

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

Intangible assets and goodwill

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

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

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

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

The estimated useful lives are as follows:

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

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

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

Inventories

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

Employee benefits

Defined contribution plans

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

Share-based payment transactions

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

Provisions

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

Expenses

Operating lease payments

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

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

Net financing costs

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

Taxation

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

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

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

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

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

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

Financial assets

Cash and cash equivalents

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

Trade and other receivables

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

Financial derivatives

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

Financial liabilities

Interest-bearing borrowings

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

Trade and other payables

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

Segmental reporting

The Group reports its business activities in two areas: Agency Services and Media & Analysis, its two primary business activities.

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

Standards and interpretations in issue at 31 March 2014 but not yet effective

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

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)

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

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

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.

Hedging reserve

This is as explained in Note 36 to the consolidated financial statements.

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 nominal value of £Nil cost share options outstanding.

Retained earnings

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Segmental analysis

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

The Group primarily derives its revenue from the provision of digital marketing services in the UK to customers all of which are based in the UK. During the year one customer included within the Media & Analysis segment accounted for greater than 10% of the Group's revenue. This customer accounted for £4,524,000 (2013: £6,791,000) of Group revenue.

For the year ended 31 March 2014	Agency Services £'000	Media & Analysis £'000	Unallocated £'000	Continuing Group £'000	Disposal Group £'000	Total £'000
Revenue	17,917	9,875	(1,099)	26,693	7,382	**34,075**
Direct costs	(3,543)	(2,684)	1,158	(5,069)	(1,439)	**(6,508)**
Gross profit	14,374	7,191	59	21,624	5,943	**27,567**
Operating expenses excluding depreciation, amortisation, loss before tax on disposal, exceptional items, acquisition related costs and charges for share based payments	(11,749)	(4,878)	(2,677)	(19,304)	(5,375)	**(24,679)**
Operating profit before depreciation, amortisation, loss before tax on disposal, exceptional items, acquisition related costs and charges for share based payments	**2,625**	**2,313**	**(2,618)**	**2,320**	**568**	**2,888**
Other operating income	281	31	-	312	-	**312**
Depreciation	(232)	(41)	(6)	(279)	(48)	**(327)**
Amortisation	(924)	(625)	-	(1,549)	(187)	**(1,736)**
Loss before tax on disposal	-	-	-	-	(5,442)	**(5,442)**
Compensation for loss of office	(66)	-	(116)	(182)	-	**(182)**
Release of provisions	73	-	125	198	-	**198**
Acquisition related costs	(270)	(441)	(401)	(1,112)	-	**(1,112)**
Charges for share based payments	-	-	(36)	(36)	-	**(36)**
Operating profit/(loss)	**1,487**	**1,237**	**(3,052)**	**(328)**	**(5,109)**	**(5,437)**
Finance income				-	-	**-**
Finance costs				(52)	-	**(52)**
Loss before tax				(380)	(5,109)	**(5,489)**
Tax expense				182	512	**694**
Loss for the period before loss on measurement to fair value				**(198)**	**(4,597)**	**(4,795)**

For the year ended 31 March 2013	Agency Services £'000	Media & Analysis £'000	Unallocated £'000	Continuing Group £'000	Disposal Group £'000	Total £'000
Revenue	17,303	10,301	(727)	26,877	9,441	**36,318**
Direct costs	(4,128)	(2,968)	856	(6,240)	-	**(6,240)**
Gross profit	13,175	7,333	129	20,637	9,441	**30,078**
Operating expenses excluding depreciation, amortisation, acquisition related costs and charges for share based payments	(11,691)	(4,413)	(2,003)	(18,107)	(8,957)	**(27,064)**
Operating profit before depreciation, amortisation, acquisition related costs and charges for share based payments	**1,484**	**2,920**	**(1,874)**	**2,530**	**484**	**3,014**
Other operating income	665	73	-	738	2	**740**
Depreciation	(218)	(62)	(7)	(287)	(106)	**(393)**
Amortisation	(862)	(540)	-	(1,402)	(369)	**(1,771)**
Acquisition related costs	(367)	-	-	(367)	-	**(367)**
Charges for share based payments	-	-	8	8	-	**8**
Operating profit / (loss)	**702**	**2,391**	**(1,873)**	**1,220**	**11**	**1,231**
Finance income				1	5	**6**
Finance costs				(205)	-	**(205)**
Profit before tax				1,016	16	**1,032**
Tax expense				(425)	26	**(399)**
Profit for the period before loss on measurement to fair value				591	42	**633**

Year ended 31 March 2014	Agency Services £'000	Media & Analysis £'000	Unallocated £'000	Total £'000
Assets	**27,078**	**28,035**	**(1,809)**	**53,304**
Liabilities	**(4,426)**	**(4,431)**	**(10,789)**	**(19,646)**
Capital employed	**22,652**	**23,604**	**(12,598)**	**33,658**

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

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

Capital additions; Property, plant and equipment

	Agency Services £'000	Media & Analysis £'000	Unallocated £'000	Discontinued £'000	Total £'000
Year ended 31 March 2014	**360**	**6**	**5**	**21**	**392**
Year ended 31 March 2013	197	22	6	321	546

2. Other operating income

	2014 £'000	2013 £'000
Other operating income	**312**	740

During the years to 31 March 2013 and 31 March 2014 the Group received part settlement from the administrator of a client for a contractual obligation to perform services on their behalf. During the year we received a further distribution of £0.3 million. It is anticipated there may be further distributions in the future but the Board is unaware of the quantum or timing of these potential receipts.

3. Other operating expenses

	2014 £'000	2013 £'000
Continuing operations:		
Wages and salaries	**15,960**	15,130
Share based payments	**36**	(8)
Amortisation	**1,549**	1,402
Administration	**4,735**	3,631
	22,280	20,155
Release of provisions	**(198)**	-
Compensation for loss of office	**182**	-
	(16)	-
	22,264	20,155

Wages and salaries include £270,000 (2013: £291,000) of post-acquisition employment costs relating to the purchase of Iris Associates Limited, and £441,000 (2013: £Nil) of post-acquisition employment costs relating to the purchase of Epiphany Solutions Limited.

4. Finance income

	2014 £'000	2013 £'000
Interest income	**-**	6

5. Finance costs

	2014 £'000	2013 £'000
Interest expense	**52**	205

6. Tax expense

	2014 £'000	2013 £'000
Recognised in the consolidated statement of comprehensive income:		
Current year tax	**433**	958
Origination and reversal of temporary differences	**(1,127)**	(559)
Total tax charge	**(694)**	399
Reconciliation of total tax charge:		
(Loss)/profit before tax	**(5,489)**	1,032
Taxation using the UK Corporation Tax rate of 23% (2013: 24%)	**(1,262)**	248
Effects of:		
Non deductible expenses	**883**	20
Share based payment charges	**-**	2
Capital allowances in excess of depreciation	**-**	(38)
Other	**(27)**	132
Prior year adjustment	**(288)**	35
Total tax charge	**(694)**	399

7. Earnings per share

	2014 Pence per share	2013 Pence per share
Basic	**(6.44p)**	0.85p
Diluted	**(6.29p)**	0.82p

Earnings 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 earnings per share are:

	2014 £'000	2013 £'000
(Loss)/profit for the year attributable to shareholders	**(4,795)**	633

Weighted average number of ordinary shares in issue:

	2014 Number	2013 Number
Basic	**74,505,377**	74,505,377
Adjustment for share options	**1,754,384**	2,736,610
Diluted	**76,259,761**	77,241,987

Adjusted earnings per share	**2014 Pence per share**	2013 Pence per share
From continuing and discontinued operations:		
Basic adjusted earnings per share	**3.23p**	2.96p
Diluted adjusted earnings per share	**3.15p**	2.85p

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

	2014 £'000	2013 £'000
Profit before tax	**(5,489)**	1,032
Amortisation	**1,736**	1,771
Loss before tax on disposal	**5,442**	-
Acquisition related costs	**1,112**	367
Charges for share based payments	**36**	(8)
Adjusted profit attributable to shareholders	**2,837**	3,162
Current year tax charge	**(433)**	(958)
	2,404	2,204

8. Expenses and auditor's remuneration

	2014 £'000	2013 £'000
The following are included in profit before tax:		
Depreciation of property, plant and equipment	**327**	393
Amortisation of other intangible assets	**1,736**	1,771
Loss on disposal before tax	**5,442**	-
Adjustment to contingent consideration	**(125)**	-
Compensation for loss of office	**182**	-
Employee emoluments	**15,996**	15,122
Auditor's remuneration:		
Audit of the financial statements	**26**	25
Other amounts payable to the auditor and its associates in respect of:		
Audits of financial statements of subsidiaries pursuant to legislation	**68**	80
Fees for taxation services	**16**	20
Other services pursuant to legislation	**77**	36

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 Operations Board.

	2014 £'000	2013 £'000
Short term benefits:		
Salaries including bonuses	**822**	1,010
Social security costs	**107**	130
Total short term benefits	**929**	1,140
Long term benefits:		
Post-employment benefits:		
Defined contribution pension plan	**28**	51
Total remuneration	**957**	1,191

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

10. Staff numbers and costs

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

	2014 Number	2013 Number
Continuing operations:		
Management and administration	**56**	63
Call centre operatives	**230**	159
Account management and production	**108**	130
Information strategists	**39**	40
	433	392

The aggregate payroll costs of these persons were as follows:	**2014 £'000**	2013 £'000
Wages and salaries	**14,297**	13,470
Social security costs	**1,386**	1,437
Other pension costs	**277**	223
Share option charges – PSP Options (see note 11)	**-**	24
Share option charges – Employers NI (see note 11)	**36**	(32)
	15,996	15,122

11. Employee benefits

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

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

	2014 Number of share options	**2014 Weighted average exercise price**	2013 Number of share options	2013 Weighted average exercise price
At 1 April	**2,910,808**	**2.0p**	4,367,114	2.0p
Lapsed during the year	**(1,156,424)**	**0.1p**	(1,456,306)	1.4p
At 31 March	**1,754,384**	**Nil**	2,910,808	2.0p
Exercisable at end of year	**1,754,384**	**Nil**	2,910,808	Nil

Share options outstanding at the end of the year have an exercise price of Nil. 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. In one case, in previous years, this has been extended by three years.

Share options outstanding at the year end were as follows:

As at 31 March 2014		Period of exercise	
Number	Exercise price	From	To
1,754,384	Nil	31/03/2010	26/01/2015

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

Charge to the statement of comprehensive income

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

For awards made prior to 31 March 2009 the Group commissioned an independent valuation from American Appraisal UK Limited, using a trinomial valuation model, and adopted their findings. For awards made since that date the Group has used the Black-Scholes valuation model.

The weighted average fair value of the options outstanding at 31 March 2014 is Nil (2013: 54.9p).

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

	2014	2013
Share price range at date of grant	**62.0p**	37.0p – 62.0p
Exercise price	**0p**	0p – 37.0p
Expected volatility	**69.7%**	69.7%
Dividend yield	**0%**	0%
Risk free rate	**3.36% - 3.57%**	3.36% - 3.57%
Option life	**2 years**	1 -3 years

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

The financial statements include the following amounts:

	2014 £'000	2013 £'000
Share based payment charge	**-**	24
Related National Insurance charge/(credit)	**36**	(32)
	36	(8)

The National Insurance charge is due to accrual being based on market value at the year end rather than fair value.

12. Property, plant and equipment

	Freehold land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost					
At 1 April 2012	1,150	190	12	2,248	**3,600**
Additions	-	256	-	290	**546**
Acquisition of subsidiaries	-	-	-	275	**275**
Disposals	(1,150)	-	-	(53)	**(1,203)**
At 31 March 2013	-	446	12	2,760	**3,218**
Additions	-	249	-	143	**392**
Acquisition of subsidiaries	-	249	-	141	**390**
Disposals	-	(277)	-	(1,648)	**(1,925)**
At 31 March 2014	**-**	**667**	**12**	**1,396**	**2,075**
Depreciation					
At 1 April 2012	469	148	5	1,806	**2,428**
Depreciation charge for the year	-	70	2	321	**393**
Acquisition of subsidiaries	-	-	-	206	**206**
Depreciation on disposals	(469)	-	-	(53)	**(522)**
At 31 March 2013	-	218	7	2,280	**2,505**
Depreciation charge for the year	-	104	1	222	**327**
Acquisition of subsidiaries	-	133	-	93	**226**
Depreciation on disposals	-	(123)	-	(1,498)	**(1,621)**
At 31 March 2014	**-**	**332**	**8**	**1,097**	**1,437**
Net book value					
At 31 March 2014	**-**	**335**	**4**	**299**	**638**
At 31 March 2013	-	228	5	480	713
At 1 April 2012	681	42	7	442	1,172

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

13. Acquisition of subsidiary

During the year the Group made one acquisition. On 17 March 2014 Jaywing plc acquired all the ordinary shares in Epiphany Solutions Limited ("Epiphany") for cash consideration of £12,000,000 (excluding legal and professional fees of £401,000 which have been expensed through the profit and loss account in administration expenses in the year). £11,000,000 of this was paid on completion, with a further £1,000,000 payable in September 2014. Additional consideration is payable, separate to the acquisition costs, for the continuing employment and future services provided by the former owners of Epiphany. The amount recognised in the profit and loss account as an expense during the year is £441,000, which represents the total amount earned as at 31 March 2014. This amount has been provided for within accruals and deferred income. Further amounts are payable as they are earned up to a maximum amount of £6,000,000, including the £441,000 recognised during the year, up until July 2016.

The primary reason for the acquisition was to strengthen the Group's performance in search marketing and increase its use of "Big Data" science in powering highly creative multi-channel marketing activities. In combination with its existing businesses, it will materially enhance its already significant North of England operations and provide a London base. In the period since acquisition the subsidiary contributed £477,000 to Group revenues and £103,000 to the consolidated profit attributable to shareholders for the year ended 31 March 2014. The assets and liabilities acquired were as follows:

	Book value £'000	**Fair value adjustments £'000**	**Fair value £'000**
Intangible assets	-	6,869	6,869
Property, plant and equipment	164	-	164
Trade and other receivables	1,920	-	1,920
Loans	(132)	-	(132)
Cash and cash equivalents	457	-	457
Trade and other payables	(1,774)	-	(1,774)
Corporation tax repayable	69	-	69
Deferred tax	(20)	(1,374)	(1,394)
Net identifiable assets and liabilities			**6,179**
Goodwill on acquisition			5,821
			12,000

Summary of net cash outflow from acquisitions:	
Cash paid	11,000
Cash acquired	(457)
Net cash outflow	**10,543**

Fair value of consideration transferred	
Amount settled in cash	11,000
Fair value of deferred consideration	1,000
Total	**12,000**

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

The goodwill amount represents intangible assets that do not qualify for recognition through the separability criterion or the contractual-legal criterion. This consists of cross-selling opportunities and expected synergies.

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

	Agency Services £'000	Media & Analysis £'000	Unallocated £'000	Continuing Group £'000	Disposal Group £'000	Total £'000
Revenue	17,917	17,938	(1,099)	**34,756**	7,382	**42,138**
Direct costs	(3,543)	(3,200)	1,158	**(5,585)**	(1,439)	**(7,024)**
Gross profit	14,374	14,738	59	**29,171**	5,943	**35,114**
Operating expenses excluding depreciation, amortisation, loss before tax on disposal, exceptional items, acquisition related costs and charges for share based payments	(11,749)	(10,650)	(2,677)	**(25,076)**	(5,375)	**(30,451)**
Operating profit before depreciation, amortisation, loss before tax on disposal, exceptional items, acquisition related costs and charges for share based payments	**2,625**	**4,088**	**(2,618)**	**4,095**	**568**	**4,663**
Other operating income	281	31	-	**312**	-	**312**
Depreciation	(232)	(108)	(6)	**(346)**	(48)	**(394)**
Amortisation	(924)	(625)	-	**(1,549)**	(187)	**(1,736)**
Loss before tax on disposal	-	-	-	**-**	(5,442)	**(5,442)**
Exceptional costs	(66)	-	(116)	**(182)**	-	**(182)**
Exceptional income	73	-	125	**198**	-	**198**
Acquisition related costs	(270)	(441)	(401)	**(1,112)**	-	**(1,112)**
Charge for share based payments	-	-	(36)	**(36)**	-	**(36)**
Operating profit / (loss)	**1,487**	**2,945**	**(3,052)**	**1,380**	**(5,109)**	**(3,729)**
Finance income				**-**	-	**-**
Finance costs				**(54)**	-	**(54)**
Profit/(loss) before tax				**1,326**	(5,109)	**(3,783)**
Tax expense				**21**	512	**533**
Profit/(loss) for the period before loss on measurement to fair value				**1,347**	**(4,597)**	**(3,250)**

This information is based on the management accounts for Epiphany Solutions Limited.

14. Disposal of subsidiary

On 7 October 2013 Jaywing plc announced that it had completed the sale of its e-commerce arm, Tryzens Limited, for a total transaction value of £6,000,000 in cash. The funds were provided by Scottish Equity Partners to allow for the acquisition of the total share capital of Tryzens through a management buyout.

The consideration was received in 2013, apart from £500,000 which is deferred to be received in the year 2014/15. At the date of disposal, the carrying amounts of the disposal group's net assets were as follows:

	£'000
Assets	
Non-current assets	
Property, plant and equipment	305
Goodwill	5,132
Other intangible assets	2,578
	8,015
Current assets	
Trade and other receivables	4,808
Cash and cash equivalents	48
	4,856
Total assets	**12,871**
Liabilities	
Current liabilities	
Bank overdraft	-
Trade and other payables	(3,447)
Tax payable	(210)
	(3,657)
Non-current liabilities	
Deferred tax liabilities	(571)
	(571)
Total liabilities	**(4,228)**
Net assets of disposal group	**8,643**
Disposal proceeds (net of professional fees and settlement of intergroup loans)	(3,790)
Loss on disposal	4,853

The loss on disposal is included in the loss for the year from discontinued operations in the consolidated statement of comprehensive income.

Operating profit of the disposal group until the date of disposal is summarised as follows:

	Period ended 7 Oct 2013 £'000	Year ended 31 March 2013 £'000
Revenue	**7,382**	9,441
Direct costs	**(1,439)**	-
Gross profit	**5,943**	9,441
Other operating income	**-**	2
Amortisation	**(187)**	(369)
Operating expenses	**(5,423)**	(9,063)
Operating profit	**333**	11
Finance income	**-**	5
Net financing costs	**-**	5
Profit before tax	**333**	16
Tax expense	**(77)**	26
Profit for the period from discontinued operations	**256**	42
Loss before tax on disposal	**(5,442)**	
Tax expense	**589**	
Loss on disposal	**(4,853)**	
Total loss from discontinued operations	**(4,597)**	

Cashflows generated by the disposal group for the reporting periods under review until its disposal are as follows:

	Year ended 2014 £'000	Year ended 31 March 2013 £'000
Net cash (outflow)/inflow from operating activities	**(73)**	52
Net cash inflow/(outflow) from investing activities	**3,767**	(285)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts from discontinued operations	**3,694**	(233)

Of the cashflows from investing activities, £3,790,000 relates to the proceeds from the sale of the disposal group.

15. Goodwill

	Goodwill £'000
Cost and net book value	
At 1 April 2013	29,753
Disposal of Tryzens	(5,132)
Acquisition of Epiphany Solutions	5,821
At 31 March 2014	**30,442**

Goodwill is attributed to the following cash generating units:

	2014 £'000	2013 £'000	2012 £'000
Agency Services			
Digital Media & Analytics Limited	**438**	438	438
Scope Creative Marketing Limited	**5,550**	5,550	5,550
Jaywing Central Limited	**5,817**	5,817	5,817
HSM Limited	**3,201**	3,201	3,201
Gasbox Limited	**273**	273	273
Media & Analysis			
Tryzens Limited	**-**	5,132	5,132
Epiphany Solutions Limited	**5,821**	-	-
Alphanumeric Limited	**9,342**	9,342	9,342
	30,442	29,753	29,753

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 2014/15 to 2017/18 were used. These were based on a one year budget with growth rates of 5% to 10% applied for the following three years. Subsequent years were based on a reduced rate of growth of 2% into perpetuity.

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

	Year on year growth
2015/16	**5.0% - 10%**
2016/17	**5.0% - 10%**
2017/18	**2.5% - 10%**
Perpetuity	**2.0%**

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

The discount rate used to test the cash generating units was the Group's pre-tax Weighted Average Cost of Capital ("WACC") of 9% (2013: 11%). The individual cash generating units were assessed for risk variances from the WACC, but in the absence of geographical risk, currency risk and any significant price risk variations, the same WACC was used for all the cash generating units.

As a result of these tests no impairment was considered necessary (2013: £Nil).

The Directors have performed a sensitivity analysis in relation to the WACC used, which showed that an impairment would be required for WACCs of 14% and above. At a discount rate of 14% a charge of £128,000 would be required.

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

16. Other intangible assets

	Customer relationships £'000	Orderbooks £'000	Trademarks £'000	Development costs £'000	Total £'000
Cost					
At 1 April 2012	20,339	-	-	152	**20,491**
Additions during the year	1,282	-	-	-	**1,282**
At 31 March 2013	21,621	-	-	152	**21,773**
Additions during the year	4,277	1,457	1,025	110	**6,869**
Disposal	(4,550)	-	-	(27)	**(4,577)**
At 31 March 2014	**21,348**	**1,457**	**1,025**	**235**	**24,065**
Amortisation					
At 1 April 2012	10,911	-	-	107	**11,018**
Amortisation charge for the year	1,756	-	-	15	**1,771**
At 31 March 2013	12,667	-	-	122	**12,789**
Amortisation charge for the year	1,659	61	2	14	**1,736**
Disposals	(1,990)	-	-	(9)	**(1,999)**
At 31 March 2014	**12,336**	**61**	**2**	**127**	**12,526**
Net book amount					
At 31 March 2014	**9,012**	**1,396**	**1,023**	**108**	**11,539**
At 1 April 2013	8,954	-	-	30	8,984
At 1 April 2012	9,428	-	-	45	9,473

All additions have arisen as a result of business combinations in the year.

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%.

The cost of customer relationships, trademarks and orderbooks acquired in the year were determined as at the date of acquisition by professional valuers. For customer relationships the valuations used the discounted cash flow method, assuming rates of customer attrition at 20% and sales growth at 2% each year. The discount rate applied at that time to the future cash flows was 19%.

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 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%.

The orderbook 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 (2013: £Nil).

Epiphany was acquired during the year and therefore the goodwill and other intangible assets are required to be tested for impairment during the year. The Epiphany CGU is the smallest CGU that can be identified. This has been tested for impairment as detailed in note 15.

17. Inventories

	2014 £'000	2013 £'000	2012 £'000
Work in progress	**-**	-	81

There was no charge resulting from the write down of inventories (2013: £Nil). No reversal of previous write downs was recognised as a reduction of expense in either 2014 or 2013. No inventories were pledged as security for liabilities.

18. Trade and other receivables

	2014 £'000	2013 £'000	2012 £'000
Trade receivables	**6,606**	8,669	7,229
Prepayments and accrued income	**1,320**	1,773	1,871
Deferred tax	**157**	171	174
Other receivables	**608**	238	231
	8,691	10,851	9,505

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

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

All trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired so a provision of £171,000 (2013: £146,000; 2012: £204,000) has been recorded accordingly. Trade and other receivables which are not impaired or past due are considered by the Group to be of good credit quality.

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

	2014 £'000	2013 £'000
Balance at 1 April	**146**	204
Amounts written off (uncollectible)	**(5)**	(64)
Impairment loss reversed	**(22)**	(47)
Impairment loss	**52**	53
Balance at 31 March	**171**	146

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

	2014 £'000	2013 £'000	2012 £'000
Not more than three months	**1,003**	233	1,229
More than three months but not more than six months	**98**	672	26
More than six months but not more than one year	**(16)**	-	50
More than one year	**4**	11	7
	1,089	916	1,312

19. Bank and overdraft, loans and borrowings

	2014 £'000	2013 £'000	2012 £'000
Summary			
Bank overdraft	**-**	816	233
Borrowings	**7,800**	1,500	3,000
	7,800	2,316	3,233
Borrowings are repayable as follows:			
Within one year			
Bank overdraft	**-**	816	233
Borrowings	**4,612**	1,500	3,000
Total due within one year	**4,612**	2,316	3,233
In more than one year but less than two years	**1,062**	-	-
In more than two years but less than three years	**1,063**	-	-
In more than three years but less than four years	**1,063**	-	-
Total amount due	**7,800**	2,316	3,233

Average interest rates at the balance sheet date were:	£'000	%	%	%
Overdraft	**-**	**2.75**	3.35	2.75
Term loan	**4,250**	**3.25**	-	2.13
Term loan	**-**	**-**	-	2.63
Revolver loan	**3,550**	**3.25**	3.35	2.39

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

The borrowing facilities available to the Group at 31 March 2014 was £2.0 million (2013: £4.8 million) and, taking into account cash balances within the Group companies, there was £4.0 million (2013: £2.5 million) of available borrowing facilities.

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

Reconciliation of net debt	**1 April 2013 £'000**	**Cash flow £'000**	**31 March 2014 £'000**
Cash and cash equivalents	1	1,993	**1,994**
Overdraft	(816)	816	**-**
	(815)	2,809	**1,994**
Borrowings	(1,500)	(6,300)	**(7,800)**
Net debt	(2,315)	(3,491)	**(5,806)**

20. Financial derivatives

	2014 £'000	2013 £'000	2012 £'000
Interest rate swap	**-**	-	52

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

This swap was designated a hedge of the interest expense relating to the Group loans. The swap expired on 29 June 2012 and therefore had a fair value liability of £Nil (2013: £Nil). The fair value was determined using level 2 determination techniques as per IFRS 7, in that all inputs are based on observable market prices such as long-term interest rates. An amount of £52,000 was reclassified from equity to profit or loss in the prior year as a result.

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

	2014 £'000	2013 £'000	2012 £'000
Current			
Within six months	**-**	-	52

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

21. Trade and other payables

	2014 £'000	2013 £'000	2012 £'000
Trade payables	**1,196**	1,317	1,428
Tax and social security	**2,129**	1,943	1,647
Other payables, accruals and deferred income	**5,561**	3,471	2,770
	8,886	6,731	5,845

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

22. Provisions

	2014 £'000	2013 £'000	2012 £'000
At 1 April	**-**	116	123
Additional provisions	**131**	-	116
Utilised during the year	**-**	(105)	(123)
Unused amounts reversed during the year	**-**	(11)	-
At 31 March	**131**	-	116
Total provisions are analysed as follows:			
Current	**131**	-	116
	131	-	116

At 31 March 2014 a provision of £131,000 was recognised for dilapidations costs expected to be incurred in 2015. 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.

23. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities:

	2014 £'000	2013 £'000	2012 £'000
Accelerated capital allowances on property, plant and equipment:			
At start of year	**(149)**	(108)	-
Adjustment in relation to prior year classification	**-**	-	(37)
Prior year adjustment	**6**	29	28
Origination and reversal of temporary differences	**79**	(70)	(99)
At end of year	**(64)**	(149)	(108)
Other temporary differences:			
At start of year	**2,038**	2,260	2,876
Adjustment in relation to prior year classification	**(31)**	(5)	37
Prior year adjustment	**(184)**	(94)	(276)
Origination and reversal of temporary differences	**421**	(123)	(377)
At end of year	**2,244**	2,038	2,260
Total deferred tax:			
At start of year	**1,889**	2,152	2,876
Adjustment in relation to prior year classification	**(31)**	(5)	-
Prior year adjustment	**(178)**	(65)	(248)
Origination and reversal of temporary differences (note 6)	**500**	(193)	(476)
At end of year	**2,180**	1,889	2,152
Deferred tax is included within:			
Deferred tax liability	**2,337**	2,060	2,326
Deferred tax asset	**(157)**	(171)	(174)
	2,180	1,889	2,152

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.

24. Share capital

Authorised	45p deferred shares £'000	5p ordinary shares £'000
Authorised share capital at 31 March 2013 and at 31 March 2014	**45,000**	**10,000**

Allotted, issued and fully paid:	45p deferred shares Number	5p ordinary shares Number	£'000
At 31 March 2014 and 2013	**67,378,520**	**74,604,999**	**34,051**

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

25. Share premium

	2014 £'000	2013 £'000
At start and end of year	**6,608**	6,608

26. Hedging reserve

	2014 £'000	2013 £'000
At start of year	**-**	(52)
Loss on cash flow hedges	**-**	(52)
Transfer to profit or loss	**-**	52
Change in fair value of cash flow hedge	**-**	52
	-	-

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

27. Treasury shares

	2014 £'000	2013 £'000
At the start and end of the year (99,622 shares)	**(25)**	(25)

28. Capital redemption reserve

	2014 £'000	2013 £'000
At start and end of year	**125**	125

29. Share option reserve

	2014 £'000	2013 £'000
At start of year	**137**	207
Release to retained earnings	**(49)**	(70)
At end of year	**88**	137

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

30. Retained earnings

	2014 £'000	2013 £'000
At start of year	**(2,443)**	(3,170)
Retained (loss)/profit for the year	**(4,795)**	633
Credit in respect of share options	**-**	24
Release from share option reserve	**49**	70
At end of year	**(7,189)**	(2,443)

31. 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 2014	**538**	**1,302**	**-**	**1,840**
31 March 2013	653	1,801	-	2,454
31 March 2012	639	1,426	-	2,065

The Company leases a number of office premises under operating leases. During the year £428,000 (2013: £821,000) was recognised as an expense in the Statement of comprehensive income in respect of operating leases.

32. Capital commitments

The Group had no commitments to purchase property, plant and equipment at 31 March 2014 (2013: £Nil).

33. Contingent liabilities

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

The maximum liability is £Nil (2013: £125,000).

The amounts provided for are payable as follows:

	2014 £'000	2013 £'000
In one year or less	**-**	125

The amounts provided have not been discounted.

34. Related parties

Ian Robinson, Non-Executive Director (resigned 31 July 2012, re-appointed 21 May 2014), is also a director of Anne Street Partners Limited. The services of Andrew Wilson as Non-Executive Director of the Company (appointment terminated by death 15 May 2014) were purchased from Anne Street Partners Limited for a fee of £40,000 (2013: £15,000). At the year end £Nil (2013: £12,000) was outstanding to Anne Street Partners Limited.

Charles Buddery, Non-Executive Director, was a director of Kaizen IT Solutions Limited, a company which supplies IT services to Scope Creative Marketing Limited, until 25 October 2013. During the year Scope Creative Marketing Limited paid £4,029 (2013: £1,850) to Kaizen IT Solutions Limited for such services and £Nil (2013: £Nil) was due to Kaizen IT Solutions Limited at the year end.

Charles Buddery, Non-Executive Director, was a director of Kaizen Telecom Limited, a company which supplies telecom services to Scope Creative Marketing Limited, until 25 October 2013. During the year Scope Creative Marketing Limited paid £2,300 (2014: £4,000) to Kaizen Telecom Limited for such services and £Nil (2013: £Nil) was due to Kaizen Telecom Limited at the year end.

Charles Buddery is also a partner in Players House LLP which owns the building occupied by Scope Creative Marketing Limited. During the year Scope Creative Marketing Limited paid rent of £90,000 (2013: £90,000), owing £Nil (2013: £Nil) at the year end.

Martin Boddy is also a director of West Window LLP (trading as Launchpad). During the year HSM Limited made sales of £Nil (2013: £13,000) to West Window LLP. At the year end £Nil (2013: £Nil) was owing.

At 31 March 2014, £138,000 (2013: £Nil) and £138,000 (2013: £8,000) was owed to Tron Enterprises Limited and Shazam Limited respectively. Tron Enterprises Limited is considered to be a related party as Mr S W Quigley, Mr R Skidmore and Mr R Shaw are directors of both Epiphany Solutions Limited and Tron Enterprises Limited. Shazam Limited is considered to be a related party as Mr R Skidmore is a director of both Epiphany Solutions Limited and Shazam Limited.

At 31 March 2014 the balance payable to Run For All Limited, a company in which Mr R Shaw is a Non-Executive Director, was £6,000 (2013: £Nil).

At 31 March 2014 the balance payable to Mr R Shaw was £19,000 (2013: £3,000).

During the year, the Group made sales of £25,000 to T Shirt Store Limited, a company in which Mr R Skidmore is a Non-Executive Director. At 31 March 2014 the balance payable to T Shirt Store Limited was £19,000 (2013: £Nil).

35. Accounting estimates and judgements

ACCOUNTING ESTIMATES

Impairment of goodwill and other intangible assets

The carrying amount of goodwill is £30,442,000 (2013: £29,753,000) and the carrying amount of other intangible assets is £11,539,000 (2013: £8,984,000). The Directors are confident that the carrying amount of goodwill and other intangible assets is fairly stated, and have carried out an impairment review. The forecast cash generation for each CGU and the WACC represent significant assumptions and should the assumptions prove to be incorrect there would be a significant risk of a material adjustment within the next financial year. The sensitivity to the key assumptions is shown in note 15.

Share based payment

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

The charge for the fair value at the date of grant of the share based remuneration has been calculated using the Black-Scholes method, in previous years a trinomial pricing model was adopted. The Directors have used an internally generated calculation to derive an appropriate charge. Based on these calculations a charge of £Nil (2013: £24,000) has been made. In the year to 31 March 2009, the Directors commissioned an independent valuation from American Appraisal UK Limited and adopted their findings.

Fair values on acquisition

The Directors have assessed the fair value of assets and liabilities on the acquisition of the subsidiary companies. See note 13.

Contingent consideration

The Directors have provided an estimate of the amount payable in respect of contingent consideration. See note 33.

Recognition of revenue as principal or agent

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

36. 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.

Short-term flexibility is achieved by overdraft facilities.

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

Interest rate risk

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

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

	2014 £'000	2013 £'000	2012 £'000
Financial assets:			
Floating interest rate:			
Cash	**1,994**	1	61
Zero interest rate:			
Trade receivables	**6,606**	8,669	7,229
	8,600	8,670	7,290
Financial liabilities:			
Floating interest rate:			
Overdrafts	**-**	816	233
Bank loans	**7,800**	1,500	3,000
Zero interest rate:			
Trade payables	**1,196**	1,317	1,428
	8,996	3,633	4,661

The bank loans contractual maturity is summarised below:

	2014 £'000	2013 £'000	2012 £'000
Total due within one year	**1,195**	-	-
In more than one year but less than two years	**1,158**	-	-
In more than two years but less than three years	**1,122**	-	-
In more than three years but less than four years	**1,085**	-	-
Total amount due	**4,560**	-	-

The above contractual maturities reflect the estimated gross cash flows, which differ from the carrying value at the balance sheet 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 £14,012 lower, and if the interest rate on these liabilities had been 1% lower, profit before tax would have improved by £14,012.

Credit risk

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

The Directors consider that the Group's trade receivables were impaired for the year ended 31 March 2014 and a provision for £171,000 (2013: £146,000) has been provided accordingly. See note 18 for further information on financial assets that are past due.

Summary of financial assets and liabilities by category

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

	2014 £'000	2013 £'000	2012 £'000
Financial assets:			
Loans and receivables			
Trade and other receivables	**7,214**	8,907	7,460
Cash and cash equivalents	**1,994**	1	61
	9,208	8,908	7,521
Financial liabilities:			
Non current:			
Financial derivatives - hedging instrument carried at fair value	**-**	-	(52)
Current:			
Financial liabilities measured at amortised cost			
Borrowings	**(7,800)**	(2,316)	(3,233)
Trade and other payables	**(8,886)**	(6,731)	(5,845)
Provisions for liabilities	**(131)**	-	(116)
	(16,817)	(9,047)	(9,246)
Net financial assets and liabilities	**(7,609)**	(139)	(1,725)
Property, plant and equipment	**638**	713	1,172
Goodwill	**30,442**	29,753	29,753
Other intangible assets	**11,539**	8,984	9,473
Prepayments	**1,320**	1,773	1,871
Deferred tax	**157**	171	174
Inventories	**-**	-	81
Taxation payable	**(492)**	(742)	(729)
Provisions for deferred tax	**(2,337)**	(2,060)	(2,326)
	41,267	38,592	39,469
Total equity	**33,658**	38,453	37,744

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:

	2014 £'000	2013 £'000	2012 £'000
Total equity	**33,658**	38,453	37,744

COMPANY FINANCIAL STATEMENTS

Company profit and loss account

	Note	2014 £'000	2013 £'000
Turnover	1	**60**	127
Administrative expenses	2	**(2,323)**	(2,006)
Operating loss	3	**(2,263)**	(1,879)
Income from fixed asset investment		**4,952**	-
Loss on sale of fixed asset investment		**(5,662)**	-
Interest receivable and similar income	4	**-**	1
Interest payable and similar charges	5	**(52)**	(202)
Loss on ordinary activities before taxation		**(3,025)**	(2,080)
Taxation on ordinary activities	6	**86**	246
Loss on ordinary activities after taxation	21	**(2,939)**	(1,834)

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

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

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

Company balance sheet

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	10	**12**	14
Investments	11	**57,727**	48,777
		57,739	48,791
Current assets			
Debtors	12	**2,849**	2,362
		2,849	2,362
Current liabilities			
Creditors: amounts falling due within one year	13	**(14,229)**	(11,043)
Total assets less current liabilities		**46,359**	40,110
Non current liabilities			
Creditors: amounts falling due after more than one year	14	**(9,188)**	-
Net assets		**37,171**	40,110
Capital and reserves			
Called up share capital	16	**34,051**	34,051
Share premium account	17	**6,608**	6,608
Share option reserve	18	**87**	137
Treasury shares	19	**(25)**	(25)
Capital redemption reserve	20	**125**	125
Profit and loss account	21	**(3,675)**	(786)
Equity shareholders' funds	22	**37,171**	40,110

These financial statements were approved by the Board of Directors on 7 July 2014 and were signed on its behalf by:

Andy Gardner
Director

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

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

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

Turnover

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

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

Fixed assets and depreciation

All fixed assets are initially recorded at cost.

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

Fixtures & fittings 3-5 years straight line.

Investments

Investments are included at cost, less amounts written off.

Classification of instruments issued by the Company

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

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

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

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

Share based payment

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

Taxation

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

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

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

2. Other operating charges

	2014 £'000	2013 £'000
Share based payment charge	**-**	24
Related National Insurance charge/(credit)	**36**	(32)
Write off of contingent consideration	**(125)**	-
Administrative expenses	**2,412**	2,014
Total administrative expenses	**2,323**	2,006

3. Operating loss

	2014 £'000	2013 £'000
Operating loss is stated after charging:		
Depreciation of owned fixed assets	**6**	6

4. Interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable and similar income	**-**	1

5. Interest payable and similar charges

	2014 £'000	2013 £'000
Bank interest payable	**52**	202

6. Tax on ordinary activities

The tax credit represents:

	2014 £'000	2013 £'000
UK corporation tax at 23% (2013: 24%)	**(559)**	(495)
Adjustment in respect of prior period	**497**	256
Total current tax	**(62)**	(239)
Deferred tax:		
Origination and reversal of timing differences	**(6)**	(4)
Adjustment in respect of rate differences	**1**	-
Prior year adjustment	**(19)**	(3)
	(86)	(246)

The tax credit can be explained as follows:

	2014 £'000	2013 £'000
Loss before tax	**(3,025)**	(2,080)
Tax using the UK corporation tax rate of 23% (2013: 24%)	**(696)**	(499)
Effect of:		
Expenses not deductible for tax	**1,299**	-
Non-taxable income	**(1,139)**	-
Capital allowances for the period in excess of depreciation	**1**	-
Other	**(23)**	4
Prior year adjustment	**496**	256
Current year credit	**(62)**	(239)

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

	2014	2013
Average number of staff employed by the Company	**29**	19

	2014 £'000	2013 £'000
Aggregate emoluments (including those of Directors):		
Wages and salaries	**1,374**	1,260
Social security costs	**158**	139
Pension contribution	**100**	17
Redundancy payments	**115**	-
Total emoluments	**1,747**	1,416

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

9. Dividends

The Directors do not recommend the payment of a dividend for the current year (2013: £Nil).

10. Tangible fixed assets

	Fixtures & fittings £'000
Cost at 1 April 2013	34
Additions	5
Disposals	(1)
Cost at 31 March 2014	**38**
Depreciation at 1 April 2013	20
Charge for the year	6
Depreciation at 31 March 2014	**26**
Net book value at 31 March 2014	**12**
Net book value at 31 March 2013	14

11. Fixed asset investments

	Subsidiaries £'000
Cost at 1 April 2013	**48,777**
Additions	**18,400**
Disposals	**(9,450)**
Cost as at 31 March 2014	**57,727**

During the year the Company acquired the entire share capital of Epiphany Solutions Limited for total consideration of £18,400,000. During the year the Company also disposed of the entire share capital of Tryzens Limited. Sale proceeds were £3,788,000 resulting in a loss on disposal of £5,662,000.

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 £Nil (2013: £Nil).

At 31 March 2014 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
Dig for Fire Limited	Ordinary	-	100%	Dormant
Digital Marketing Group Limited	Ordinary	100%	100%	Dormant
Digital Marketing Group Services Limited	Ordinary	100%	100%	Dormant
Digital Marketing Network Limited	Ordinary	100%	100%	Dormant
Digital Media and Analytics Limited	Ordinary	100%	100%	Dormant
DMG Central Limited	Ordinary	-	100%	Dormant
DMG London Limited	Ordinary	100%	100%	Online marketing & media
Epiphany Solutions Limited	Ordinary	100%	100%	Search Engine Optimisation
Epiphany Solutions PTY Limited	Ordinary	100%	100%	Search Engine Optimisation
Gasbox Limited	Ordinary	100%	100%	Direct marketing
Graphico New Media Limited	Ordinary	100%	100%	Dormant
HSM Limited	Ordinary	100%	100%	Online marketing & media, direct marketing
Hyperlaunch New Media Limited	Ordinary	100%	100%	Dormant
Inbox Media Limited	Ordinary	-	100%	Dormant
Iris Associates Limited	Ordinary	-	100%	Direct Marketing
ISIS Direct Limited	Ordinary	-	100%	Dormant
Jaywing Central Limited	Ordinary	100%	100%	Online marketing & media
Jaywing Information Limited	Ordinary	100%	100%	Dormant
Jaywing North Limited	Ordinary	100%	100%	Dormant
Junction Brand Communication Limited	Ordinary	-	100%	Dormant
Prodant Limited	Ordinary	-	100%	Dormant
Scope Creative Marketing Limited	Ordinary	100%	100%	Direct marketing
Shackleton PR Limited	Ordinary	100%	100%	Online PR
Woken Limited	Ordinary	-	100%	Dormant

All the companies listed above have been consolidated.

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

Company	Country of Incorporation
Epiphany Solutions PTY Limited	Australia

12. Debtors

	2014 £'000	2013 £'000
Amounts due from Group undertakings	**1,544**	1,763
Prepayments and accrued income	**121**	65
Other taxation and social security	**94**	30
Corporation tax	**559**	496
Deferred tax	**31**	8
Deferred consideration due	**500**	-
	2,849	2,362

The deferred consideration is from the disposal of Tryzens. It is receivable in April 2015.

13. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loans and overdrafts (note 15)	**7,085**	4,729
Trade creditors	**133**	111
Amounts owed to Group undertakings	**5,429**	5,733
Other taxation and social security	**38**	58
Other creditors	**-**	1
Accruals and deferred income	**544**	286
Deferred consideration payable on acquisition of subsidiary undertakings	**1,000**	125
	14,229	**11,043**

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

	2014 £'000	2013 £'000
Bank loan	**3,188**	-
Deferred consideration payable on acquisition of subsidiary undertakings	**6,000**	-
	9,188	-

15. Borrowings and financial derivatives

	2014 £'000	2013 £'000
Summary:		
Bank overdraft	**2,473**	3,229
Bank loans	**7,800**	1,500
	10,273	4,729

Borrowings are repayable as follows:

	2014 £'000	2013 £'000
Within one year:		
Bank overdraft	**2,473**	3,229
Bank loans	**4,613**	1,500
Total due within one year	**7,086**	4,729
Bank loans:		
In more than one year but less than two years:	**1,062**	-
In more than two years:	**2,125**	-
Total due in more than one year:	**3,187**	-

16. Share capital

Authorised:

	45p deferred shares £'000	5p ordinary shares £'000
Authorised share capital at 31 March 2013 and at 31 March 2014	**45,000**	**10,000**

Allotted, issued and fully paid:

	45p deferred shares Number	5p ordinary shares Number	£'000
At 31 March 2014 and 31 March 2013	**67,378,520**	**74,604,999**	**34,051**

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

17. Share premium account

	2014 £'000	2013 £'000
At 31 March 2014 and 31 March 2013	**6,608**	6,608

18. Share option reserve

	2014 £'000	2013 £'000
At start of year	**137**	207
Release to profit and loss account	**(50)**	(70)
At end of year	**87**	137

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

19. Treasury shares

	2014 £'000	2013 £'000
At 31 March 2014 and 31 March 2013	**25**	25

20. Capital redemption reserve

	2014 £'000	2013 £'000
At 31 March 2014 and 31 March 2013	**125**	125

21. Profit and loss account

	2014 £'000	2013 £'000
At start of year	**(786)**	954
Credit in respect of share based payments	**-**	24
Release from share option reserve	**50**	70
Loss for the year	**(2,939)**	(1,834)
At end of year	**(3,675)**	(786)

22. Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
At start of year	**40,110**	41,920
Credit in respect of share based payments	**-**	24
Retained loss for the year	**(2,939)**	(1,834)
At end of year	**37,171**	40,110

23. Share based payments

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

	2014 £'000	2013 £'000
Share based payment	**-**	24
Related National Insurance costs	**36**	(32)
	36	(8)

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.

24. Contingent liabilities

There is a cross guarantee between members of the Jaywing plc group of companies on all bank overdrafts and bank borrowings with Barclays Bank plc. At 31 March 2014 the amount thus guaranteed by the Company was £Nil (2013: £Nil).

25. Related parties

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

Transactions with other related parties are disclosed in note 34 to the consolidated financial statements.

26. Financial risk management objectives and policies

Details of Group policies are set out in note 36 to the consolidated financial statements.

SHAREHOLDER INFORMATION

Annual General Meeting

The 2014 Annual General Meeting will be held on 18 September 2014 at Cenkos Securities. 6.7.8. Tokenhouse Yard, London EC2R 7AS at 11am.

Results

Announcement of half year results to 30 September 2014 – November 2014.

Preliminary announcement of the annual results for the year ending 31 March 2015 – early July 2015.

Dividend

There is no dividend payable.

Multiple accounts on the shareholder register

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

Documents

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

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

Particulars of the Directors' interest in shares are given in the Remuneration Report which is contained in the Report and accounts for the year ended 31 March 2014.

Issued Share Capital

As at 7 July 2014 (being the last practicable date before the publication of this document) the Company's issued share capital comprised 74,604,999 ordinary shares of 5p each, of which 99,622 are held in Treasury. Therefore, as at 7 July 2014 the total voting rights in the Company were 74,505,377. On a vote by show of hands every member who is present in person or by proxy has one vote. On a poll every member who is present in person or by proxy has one vote for every ordinary share of which he or she is a holder.

Share dealing services

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

Shareholder enquiries

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

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

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

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

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

Website

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

JAYWING

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JAYWING PLC is registered in England and Wales. 300 Attercliffe Common, Sheffield S9 2AG. Company number 05935923.