ELECTRIC WORD PLC

ANNUAL REPORT
AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 NOVEMBER 2013

Company registration number 3934419

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JJC Turner – Chief Executive
WE Fawbert – Executive Director
S Routledge – Non-Executive Director
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SELECTION OF ELECTRIC WORD GROUP WEBSITES

www.electricwordplc.com

EDUCATION
www.optimus-education.com
www.incentiveplus.co.uk

HEALTH
www.radcliffehealth.com
www.speechmark.net
www.radcliffesolutions.co.uk
www.sportsinjurybulletin.com
www.pponline.co.uk

SPORT & GAMING
www.igamingbusiness.com
www.igbaffiliate.com
www.tvsportsmarkets.com
www.sportbusiness.com
frontiers.sportbusiness.com

Electric Word plc
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ELECTRIC WORD PLC is a specialist media group supporting professional education, compliance and management through a wide range of digital, paper and live formats. Our approach is to identify niche communities within our market sectors and fulfil their key information, professional development, best practice and compliance needs.

Increasingly, our aim is to provide higher-value services and decision-critical data that help our customers to achieve their key personal and organisational objectives. We achieve this by developing a deep understanding of our sectors and our customers' challenges and critical information requirements.

The Group provides content in many different formats, including subscription websites, journals, magazines, events, face-to-face training, online training, books, special reports, bespoke research and consultancy. Competencies developed in one sector can then be transferred to another as opportunities arise.

The Group is composed of three market-facing divisions:

Sport & Gaming
This division is an international provider of business insight, data and analysis to professionals in both the business of sport (working in governing bodies, the media, sports marketing and management) and the online gaming industry and its marketing affiliates. It provides information across a range of formats from online subscriptions to live events and from daily news to bespoke research.

SportBusiness Group publishes for sports industry professionals who work in governing bodies, the media, sports marketing, sponsorship and club and event management.

iGaming Business publish to both the online gaming industry itself and its marketing affiliates, providing this global and fast-growing industry with business-critical information and marketing support.

Education
The Education division provides management and professional development information to school and general education managers, teachers and other professionals.

Operating through the Optimus Education brand, its main products comprise online subscription services, a market leading range of conferences, training resources, books, and magazines.

It is supplemented by the Incentive Plus catalogue of third-party products relating to children's behavioural and emotional development. A decision has been taken to wind-down the Incentive Plus business during 2014.

Health
The Health division provides professional education and training products for doctors, healthcare managers, speech therapists, elderly care and other health professionals through various brands.

Radcliffe Publishing produces a range of books, journals and training products focused on professional development for doctors, managers and professions allied to health.

Speechmark Publishing specialises in resources for speech therapists, special needs co-ordinators and teachers, care workers and mental health professionals.

The Radcliffe Solutions workforce management software enables online management and compliance reporting of appraisals, training and professional development.

Sports Performance is a niche online publisher to competitive sports athletes and coaches and related injury professionals.

Electric Word plc

2013 HIGHLIGHTS

For the year ended 30 November 2013

FINANCIAL HIGHLIGHTS

Results in line with Board expectations

Revenue of £14.6m up 2%

- Live events revenue up 22% driven by growth in iGaming events and Education conferences
- Revenue mix change: Digital and Live revenue up from 50% to 59% of Group revenue
    - Live up to 32% (2012: 27%) of Group revenues
    - 46% of publishing revenues include a digital format (2012: 38%)
- Sport & Gaming revenue up 19%; Health down 12%; Education down 1%

Group adjusted EBITA* down from £1.2m to £0.6m

- Sport & Gaming EBITA* up 10% despite investment in sales, marketing and new products
- Education conferences EBITA* up 29% to £0.5m
- Other Education EBITA* loss of £0.6m driven by £0.3m investment in sales and marketing
- Health EBITA* down 89% due to lower sales and investments in digital products

Profit after Tax down from £0.2m profit to £0.6m loss after impairments and restructure provisions

- £0.3m restructure costs due to planned closure of Milton Keynes operations and Incentive Plus
- £0.7m impairments - £0.6m Radcliffe goodwill and intangible assets and £0.1m other
- £0.7m SportBusiness deferred tax asset recognition as future profitability becomes more visible

Gross debt paid down to £0.5m (2012: £0.9m): Cash/debt neutral: (2012: £0.1m net funds)

* EBITA denotes adjusted EBITA as defined in Note 5 and excludes amortisation and impairment of goodwill and intangible assets, restructuring and acquisition-related credits and costs, and share based payment costs, as well as the tax impact of those adjusting items and any non-cash tax credits and charges (which relate to movements on deferred tax such as the use of tax losses or tax credits from the recognition of tax losses).
This definition applies throughout the Annual Report

† Net funds / (debt) are cash held net of the gross debt which include bank overdrafts and loans (note 27), but exclude provisions for deferred and contingent consideration in relation to acquisitions (note 21).

OPERATIONAL HIGHLIGHTS

Sport & Gaming:

- New online subscription services launched in Sport & Gaming
- TVSM online subscription earnings increased 43% as site licence yields increased
- 32% growth in iGaming events revenues – London Affiliate Conference 2014 moved to larger Earls Court venue
- 50% stake acquired in iGaming North America conference

Education:

- Subscription customers fully converted from print to new digital services with majority of English secondary schools retained as customers
- £0.3m investment in sales and marketing in 2013
- Average sales value per school up 18%
- Conferences revenue up 17% and EBITA* up 29% - 36 conferences held (2012: 32)
- Decision taken to wind-down loss making Incentive Plus business in 2014

Health:

- Decision taken to close Milton Keynes location and centralise Health team in new London HQ during Q1 2014
- Radcliffe and Speechmark sales down 9% on 2012 but stabilised after weak Q1
- Research and development now underway for new digital products

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FINANCIAL SUMMARY

For the year ended 30 November 2013

Financial summary (£'000)	**2013**	**2012**	**Change**
Revenue	**14,635**	14,331	+2%
Gross Profit	**7,548**	7,129	+6%
Adjusted EBITA*	**591**	1,166	-49%
Adjusted profit before tax*	**546**	1,086	
Less amortisation and impairment	***(1,596)***	*(1,255)*	
Less restructuring costs	***(325)***	*(201)*	
Add acquisition-related credits	***144***	*687*	
Add / (Less) share-based payment credits and charges	***27***	*(144)*	
(Loss)/profit before tax (PBT)	**(1,204)**	173	
Tax credit	***590***	*54*	
(Loss)/profit for the financial year after tax	**(614)**	227	
Diluted earnings per share	**(0.18)p**	0.03p	
Adjusted diluted earnings per share*	**0.04p**	0.24p	-83%
Cash and cash equivalents	**463**	983	
Net (debt) / funds†	**(12)**	108	

* Adjusted numbers, as explained in note 5, exclude amortisation and impairment of goodwill and intangible assets, acquisition-related and restructuring credits and costs, and share based payment costs, as well as the tax impact of those adjusting items and any non-cash tax credits and charges.
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CHAIRMAN'S STATEMENT

For the year ended 30 November 2013

Dear Fellow Shareholders,

As this is my first set of results since taking the Chair at Electric Word last June, I thought it would be useful to reiterate what the Board see as the Group's key objectives.

Naturally we aim to create value for all the Group's stakeholders, including staff, suppliers, business partners and shareholders. Electric Word contains some high quality publishing assets and we see the best way of delivering value for stakeholders as working together to maximise the potential of those businesses. To achieve this we have been working to simplify the number and range of activities, increase our market focus and continue the transition to digital and live business models with greater earnings quality.

Simplifying the business has taken many forms. We have stopped doing some activities that are either sub-scale or don't take us in the right direction, so at the end of 2013 in two instances we supported employees to separate from the Group some advertising and contract publishing activities and we announced the winding down of the Incentive Plus catalogue business and the closure of our Milton Keynes office. In the Education and Sport markets we have also reduced our product ranges and simplified how they are presented to customers. The same process is being planned for the Health business in 2014.

Increasing market focus means reducing the number of customer groups that we aim to serve and delivering a deeper, more valuable service. In Education we have reduced products that are aimed at classroom teachers to focus on the needs of senior management teams. In Sport & Gaming we have grown by penetrating deeper into our core markets, created new higher-priced digital products and increased the scale of our Affiliate events. In Health we have identified the niches of medical education, professional development, management and speech and language therapy that will be the focus of future product development.

The Group raised funds in 2012 to support the transformation of the business. These funds have been invested in web development, in sales and marketing and in strengthening the central functions of the company. During 2013 we recruited a new Finance Director, the Head of the Health division and a Digital Development Director. We launched new responsive websites for SportBusiness and iGaming Business, incorporating new high-value digital subscription services. In Education, we completed a full cycle of converting print subscribers to new digital services and we have developed the prototypes of new digital Health products.

The pace of change has been striking but we are not satisfied. There is much to do, and none of it would be possible without the talent, energy and professionalism of our employees. I would like to thank them on behalf of the Board. 2014 holds the promise of much further progress and I look forward to reporting that next year.

I would like to thank all of our stakeholders for their part in the progress that the business has made this year.

Andrew Brode
Chairman
14 February 2014

Electric Word plc

BUSINESS MODEL AND STRATEGY

For the year ended 30 November 2013

Business model

Electric Word plc is a specialist media group supporting professional education, compliance and management through a wide range of digital, paper and live formats. Our approach is to identify niche communities within our market sectors and fulfil their key information, professional development, best practice and compliance needs.

Our business model starts with the customer. By better understanding our customers' aspirations and challenges we can provide increasingly valuable information products that support their critical decisions and key objectives.

We serve our customers' needs through many different formats, including subscription websites, journals, magazines, events, face-to-face training, online training, books, special reports, bespoke research and consultancy. Competencies developed in one sector can then be transferred to another as opportunities arise. Within this mix we favour high-quality revenue streams from digital subscription services, tools that connect directly with customer work requirements and live events with the scale to build brand presence in their markets.

We aim to increase the value of the services that we deliver over the lifetime of each customer relationship. We deliver this by increasing the penetration of our information within each customer organisation and also by innovating and developing new product at a greater premium.

Group Strategy

Our business model requires focus and investment, so it is important that the activities we select for strategic development are scalable and will ultimately generate high margins.

The knowledge of customers and markets needed to deliver our business model also means that it makes sense to concentrate on a small number of market sectors and activities. We are therefore focusing the business on doing fewer things, each at a greater scale, to achieve higher margins. Our objective is a simpler business that is better able to capitalise on the opportunities in our markets and the changing technology underpinning our sector.

We raised funds in 2012 in order to make the investments needed to align the business with these objectives. We have been using those funds in four main ways: to increase our financial flexibility by paying down bank debt; to increase our web development capability and capacity to accelerate the transition from paper to digital formats; to increase the resource in sales and marketing; and to develop the Group's central team to improve the capacity to support and guide the changes being made in each market.

The strategy translates into different priorities within each division according to the needs of the market and the development of the business. These are described and evaluated in the Business Performance Review.

Operating segments

The Group organises its management and reporting around three market-facing divisions: Education, Health and Sport & Gaming.

Key performance indicators (KPIs)

The Board uses a range of financial information and KPIs to monitor progress across the Group. These are compared against prior year and forecast and significant variances are identified and investigated.

Divisional and profit centre managers monitor performance on a monthly basis at the level of individual profit centres. Reporting each month includes detailed income statements and cash receipts by profit centre, allowing analysis of revenue, gross margin, and adjusted EBITA margin, together with KPIs such as headcount and staff cost, capital expenditure and cash receipts. On a weekly basis the divisional managers meet with the executive directors to review and discuss prior month's results, sales and profit forecasts as well as employee recruitment and retention issues and other topics suitable for wider consideration and knowledge sharing.

At a Group level, reporting includes consolidated and divisional results against forecast and prior year with commentary on significant variances, trend analysis of revenue, gross profit and adjusted EBITA, full balance sheet, aged debt and creditor analysis, deferred revenue analysis, 12 month rolling cash flow forecasts and look forward statements against the bank loan's covenant testing. Within the operating divisions more detailed KPIs are used to analyse results and inform decision making such as marketing campaign return on investment (revenue or gross profit as a proportion of marketing campaign spend), customer lifetime value and average life, delegate numbers and value, profit per event and web analytics including page views, unique visitors and leads generated.

A number of risks or uncertainties could potentially damage the Group's performance and condition. The Board and senior management team seek to identify such risks and then mitigate and monitor them. Risk factors identified and the mitigation against them are set out below:

External economic pressure

As a service industry, the performance of the Group's businesses depends on the financial health of its customers and in turn on the economic conditions in which they operate. While the Group sees long-term growth in the sectors it operates in, there is always a risk of shrinkage or demand in a market slowing temporarily. The Education and Health divisions are predominantly focused on the UK public sector and can therefore be adversely affected by the strength of the UK economy.

The Group seeks to mitigate such risks by: diversification of its market sectors; avoiding highly volatile markets; employing staff who are highly knowledgeable in their sectors in order that change can be forewarned and limiting action taken; targeting products at niche markets with the objective of providing essential information to customers which provides insulation against short-term reductions in discretionary spend; ensuring that there is no over-dependence on major customers; and conducting detailed analysis of investment returns, product profitability and other detailed management information to identify the need for action or change.

Competitor threat or significant reduction in demand for product

There is always a risk of competition or market change eradicating demand for the products. The markets within which the group operates are also attractive to commercial competitors and competition from freely available information. Even small shifts in how customers choose to receive information could lead to products becoming redundant or less attractive or valuable.

Mitigating this is the range of different information formats in which the Group is experienced, enabling it to reinvent products when customer habits change. This is supported by the preparation and analysis of comprehensive and detailed management information and KPIs, from which the Group can monitor and forecast trends so that its portfolio can be transformed as demand requires. The strong knowledge base and existing customer contacts are also strong barriers to entry for competition.

There also exists a risk that a poor quality product or service could damage the reputation of a Division or one of its products with a consequential reduction in revenues possibly to the benefit of a competitor. Electric Word highly values its editorial integrity and the deep knowledge of its employees and contributors of its markets and products, thereby reducing risk in this area.

Cyclical revenues

Whilst the Group is increasingly focusing on higher quality revenue streams, it still has exposure to more cyclical or sensitive demand based revenues. These include advertising, sponsorship at our events, consultancy and contract services.

The Group seeks to reduce volatility in these revenue streams by focusing on major publications and large annual events with a high repeat element, regular client base and topics which are less prone to market and economic cycles. The Group seeks to reduce its exposure further by increasing its focus on annual subscription products and seeking to renew and replace advertising, contract, and sponsorship revenues as they expire.

Dependence on key personnel

The Group employs a core of key employees with strong market and product knowledge which is a key strength of its business, but can also present a risk in the event that they leave. Whilst the Group aims not to be reliant on individuals, and to ensure that knowledge and responsibilities are shared, the businesses still depend on the quality of their staff and are therefore subject to the risks of retention and attracting new, experienced staff should the need arise.

The Group seeks to mitigate this risk by striving to provide a supportive yet entrepreneurial environment, assistance to aid the development of our employees, and competitive employee benefits, incentive schemes, share plans and career opportunities. We also have a strong culture of knowledge sharing which helps to ensure that key skills and knowledge are not held within any one individual.

Growth strategy

The Group has always driven growth through both acquisitions and investing to grow organically. All acquisitions and other investing activities run risks such as over-paying, under delivery and integration failure due to lack of knowledge on new revenue streams or markets.

Acquisitions and investments are managed by a robust investment process that also carries through into post investment development and integration. The Group uses its strong market knowledge to aid its development process sourced from existing staff and the use of third party consultants and advisors when required.

Availability of financing

The Group is in an investment period for future growth. As such it remains in a period of high capital expenditure and relatively low profitability. Cash receipts are also highly seasonal. In these circumstances the continued availability of bank lending facilities is important. In the past the most important way of mitigating risk around the availability of financing has been the support of its equity shareholders.

Reliance on key information systems and external partners
The Group completed significant change in 2011 in its CRM, fulfilment and financial systems and outsourcing the warehousing and fulfilment of its book and other resource products. Much success in bedding in and ensuring the integrity of these new systems was achieved in 2012 and has been carried through into 2013. Risk still exists however, that a failure in any of these systems and processes could damage the Group, as could any material interruptions to the IT, web and operating systems, some of which are provided and/or supported by third party providers.

The Group has invested considerable time and cost into these systems and has strong internal controls to monitor the service and suitable contingency plans in place to address any such risks.

Financial risks
Electric Word has recruited an able finance team and places high value on its financial reporting and controls.

There is exposure to interest rate movements in the Group as detailed in note 22, but with the low levels of debt, no mitigation instruments are currently required. Exposure to foreign currency rate volatility is largely limited to the US dollar. This is matched as far as possible with natural hedges in having various receivables and payables in the same currency. The Group's banking position is multi-currency which takes away much of the pressure to convert excess overseas currencies until rates are most conducive. The extent of the net gains and losses in this area is given in note 8.

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BUSINESS AND PERFORMANCE REVIEW

For the year ended 30 November 2013

GROUP PERFORMANCE

The objective of maximising the value of each of our strategic publishing assets leads into goals for each division and for the group as a whole. At group level the main goals for 2013 were to:

- increase the proportion of revenue derived from digital and live activities
- make the investments needed to increase the quality as well as the scale of revenue over the medium term
- ensure that we had the structure and resources at the centre of the company to manage those investments effectively
- simplify the market focus and product mix with the medium-term aim of generating more revenue from fewer activities at higher profit margins

The revenue mix has continued to evolve in the right direction during the year. We analyse revenue by format (live, print and digital/mixed) and also by type (such as subscriptions or advertising/sponsorship/exhibition sales). In 2012 live and digital/mixed revenue reached 50% for the first time and in 2013 that increased to 59%. The strong growth in the iGaming Business Affiliate events pushed up advertising, sponsorship and exhibition revenue to 30% (from 24%) and digital/mixed subscriptions increased by 9%. This increase masks a somewhat deeper shift in the balance between digital and paper formats, with the content in all Education subscription services now being delivered online first and edited highlights being promoted subsequently in paper form.

2013	**£'000**		**Live**	**Publishing**	**Publishing**	**Other**
	Revenue by activity			**Digital / mixed**	**Pure print**	**(commerce & bespoke)**
Subscriptions	3,328	23%	-	3,116	212	-
Event delegates and training	2,236	15%	2,236	-	-	-
Books and reports	3,467	24%	-	607	2,860	-
Sales of content	**9,031**	**62%**	**2,236**	**3,723**	**3,072**	**-**
Advertising, sponsorship and exhibitions	4,470	30%	2,439	302	1,729	-
Bespoke publishing and consultancy services	532	4%	-	-	-	532
Commerce	602	4%	-	-	-	602
Sales of access to communities	**5,604**	**38%**	**2,439**	**302**	**1,729**	**1,134**
Total	**14,635**	**100%**	**4,675**	**4,025**	**4,801**	**1,134**
Percentage by type			**32%**	**27%**	**33%**	**8%**

2012	**£'000**		**Live**	**Publishing**	**Publishing**	**Other**
	Revenue by activity			**Digital / mixed**	**Pure print**	**(commerce & bespoke)**
Subscriptions	3,485	24%	-	2,855	630	-
Event delegates and training	1,988	14%	1,988	-	-	-
Books and reports	3,768	26%	-	449	3,319	-
Sales of content	**9,241**	**64%**	**1,988**	**3,304**	**3,949**	**-**
Advertising, sponsorship and exhibitions	3,493	24%	1,832	56	1,605	-
Bespoke publishing and consultancy services	703	5%	-	-	-	703
Commerce	894	6%	-	-	-	894
Sales of access to communities	**5,090**	**36%**	**1,832**	**56**	**1,605**	**1,597**
Total	**14,331**	**100%**	**3,820**	**3,360**	**5,554**	**1,597**
Percentage by type			**27%**	**23%**	**39%**	**11%**

Investments in accelerating change have been made across the group. The Sport & Gaming division is the most advanced in developing high-value products and events and has invested further in launching two new digital subscription services in 2013. The Education division also has an events business with growing profits and has completed its first full cycle of converting subscribers to its new digital service. It is now well placed to grow its revenue from an established base that includes the majority of English secondary schools. The second generation of Education digital products, at higher values, come on stream in the first half of 2014. The Health division is a stage behind and is developing prototypes for its main sectors.

In addition to investing in the divisions, we have invested in the strength and capacity of the central teams. These include the appointment of a new Finance Director, a Digital Development Director and the return from maternity leave of the Group Marketing Director. They have joined excellent existing function leaders in the IT Director and HR Director. The additional resource in the centre of the company has also enabled us to make progress on the simplification of the business, with activities closed or outsourced in every division.

Overall, increases in profit have outweighed investments in the Sport & Gaming division and the reverse has been true in Education and Health. As a result, the Group posts an adjusted EBITA result of £0.6m against £1.2m in 2012. This was in line with our investment plan and slightly exceeded market expectations.

Several items that appear below the adjusted profit line reflect our strategy and the changes that are being made in the business. Firstly, we have recognised a deferred tax asset in respect of an additional £4.0m of SportBusiness tax losses as the development of that business has increased the certainty of future profits. This has contributed £0.7m of tax credit to the 2013 profit and loss account. The reasons for this change in the outlook and underlying value of the division are, firstly, visible future growth in the iGB Affiliate events business; secondly, that the amortisation of the purchase of a key contract in that business from the previous joint venture partner comes to an end in February 2014; and thirdly, the increase in visible future profits from the TV Sports Markets subscriptions business.

At the same time as making this change we have recognised the uncertainties in the transition of the Radcliffe books business to one with greater focus in content themes and new formats. We have therefore impaired the carrying value of the goodwill and intangible assets in that business by £0.6m. Part of this transition has involved centralising the Health business in one multi-disciplinary team in our London office. This, along with the winding down of the Incentive Plus catalogue business to enable the Education business to focus on digital and live products for school managers, prompted the announcement in 2013 of the closure of the Milton Keynes office. The 2013 accounts therefore include exceptional costs of £0.3m and other impairments of £0.1m associated with this restructuring.

These adjustments lead to a statutory loss after tax of £0.6m, compared to a profit of £0.2m in 2012.

Financial summary (£'000)	**2013**	**2012**	**Change**
Revenue	**14,635**	14,331	+2%
Gross Profit	**7,548**	7,129	+6%
Adjusted EBITA*	**591**	1,166	-49%
Adjusted profit before tax*	**546**	1,086	
Less amortisation and impairment	***(1,596)***	*(1,255)*	
Less restructuring costs	***(325)***	*(201)*	
Add acquisition-related credits	***144***	*687*	
Add / (Less) share-based payment credits and charges	***27***	*(144)*	
(Loss)/profit before tax (PBT)	**(1,204)**	173	
Tax credit	***590***	*54*	
(Loss)/profit for the financial year after tax	**(614)**	227	
Diluted earnings per share	**(0.18)p**	0.03p	
Adjusted diluted earnings per share*	**0.04p**	0.24p	-83%
Cash and cash equivalents	**463**	983	
Net (debt) / funds†	**(12)**	108	

* Adjusted numbers, as explained in note 5, exclude amortisation and impairment of goodwill and intangible assets, acquisition-related and restructuring credits and costs, and share based payment costs, as well as the tax impact of those adjusting items and any non-cash tax credits and charges.
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DIVISIONAL PERFORMANCE

SPORT & GAMING

£'000	**2013**	2012	*Change*
Revenue	**6,152**	5,177	*19%*
Adjusted EBITA	**1,439**	1,307	*10%*
Profit margin	***23%***	*25%*	

The primary objective for SportBusiness and iGaming Business has been to continue to transform its revenue mix away from print advertising and towards digital subscriptions and live events. The strategy for achieving this has been:

- Increasing scale and profits in the highly successful Affiliate events business by investing in the infrastructure to support growth
- Investment in the content and delivery of new high-value subscription services to complement the successful TV Sports Markets deals analysis service
- Reduce contract publishing, print reports and print advertising to the core elements of those activities that deliver the highest margins

These goals have been met successfully, which has enabled investments to be made at the same time as increasing adjusted EBITA and improving the revenue mix. Subscriptions and events revenue increased to 60% of the total (from 54%). This was driven by the iGaming Business Affiliate events business growing revenue by 34% and adjusted EBITA by 41% and by a 35% increase in subscriptions revenue as a result of increasing the average value of customer sites on renewal, through increased usage and perceived value.

At the same time as growing revenue, the strength of the information market in this sector has meant that the division has been able to expand into new products and markets. In 2013 it has invested in establishing the North American edition of iGaming Business magazine; acquired a 50% stake in the annual iGaming North America conference; and created content for new digital subscription services such as the iGaming Intelligence Centre and SportBusiness Knowledge Centre (both launched in 2013) and Sports Sponsorship Insider (launched in 2012). On top of these investments, the business also reinforced the iGaming Business Affiliate team by enhancing both the sales leadership and the event delivery capacity. This enabled the event to be moved to a larger venue in February 2014 which has resulted in a further revenue increase of approximately 50% over 2013.

Subscription revenue is also expected to follow the growth achieved in 2013 with further increases in 2014 as average customer value is enhanced by the planned launch of new premium services in both the Sport and iGaming spaces.

EDUCATION

£'000	**2013**	2012	*Change*
Revenue	**4,568**	4,601	*-1%*
Adjusted EBITA	**(155)**	263	*-159%*
Profit margin	***-3%***	*6%*	

The above table excludes 'The School Run' which was disposed of for no consideration in April 2012 (note 26). In 2012, this contributed revenue of £108,000 and adjusted EBITA of £133,000 loss before disposal. The Division now receives a licence income calculated as a percentage of revenue.*

The table above also includes the results of Incentive Plus. The Group has announced its intention to wind down this business during 2014. In 2013, Incentive Plus contributed revenue of £670,000 and adjusted EBITA of £19,000 loss (2012: Revenue of £990,000 and adjusted EBITA* of £28,000 profit).*

Optimus Education provides expert advice and support for senior and middle managers in schools through digital and live formats. The market opportunity for this service has been enhanced by the reduced support available from surviving Local Education Authorities. The objective for this business is to grow revenues and exceed historic margins of 16-20%. The strategy for achieving this is to:

- Maintain a high level of market penetration in English secondary schools while converting from print to digital
- Add new premium products to increase the value of the subscription service
- Continue to rebuild the scale and quality of the Education conferences after a period of reduced profits in 2011
- Cut out activities that are not aimed at the target group of school managers

Optimus conferences had another successful year, building on the progress made in 2012, with revenue up by 17% on the back of four extra events (up from 32 to 36) and a 20% increase in delegate numbers also. Adjusted EBITA increased by 29% to £0.5m due to the high marginal profitability of additional delegates. The live events were complemented in the autumn of 2012 by the launch of a new range of training products designed to be able to be delivered in school by the relevant topic leader. In 2013, sales of these training packs and other books increased by 37% and in the first quarter of 2014 a group of these training sessions have been brought together as an additional premium product to offer to subscribers to the digital service.

One of the key goals for the digital subscription service was to maintain a high level of penetration in the core market of English secondary schools while converting schools that had been subscribing to 14 different paper newsletters to subscribe to the new digital service. The conversion process was completed in September 2013 still with a majority of all English secondary schools as subscription customers. This gives a strong platform from which to grow the business in the future, with the next goal to enhance the average value of each subscription.

Initial progress was made on this goal in 2013, with the average sale value per school up by 18%. However there is far more to achieve here as schools now have access to a much more extensive service which competes favourably with other methods of supporting middle and senior managers with both their immediate information needs and their professional development. The addition of the new training service is one part of a programme of product enhancements planned for 2014 with the aim of achieving a further significant uplift in average customer value. In 2014 we also plan to increase market penetration, especially in primary schools, as we become able to demonstrate the value for money delivered to subscribing schools.

The investment in additional resource in the sales and marketing and content teams has added £0.3m to the fixed costs of the business, only partly offset by reduced marginal costs. At this stage of the development of the subscription business, this increase in fixed costs means that the subscription business is loss making. Earned subscription revenue decreased as legacy paper subscribers fell away, however the addition of new digital subscribers meant that the value of subscription sales added in the year increased by 21%. The business is not expected to be profitable in 2014 but continued further sales growth will build profitability in the medium term as subscriber numbers and subscription values are increased at a high marginal profit.

HEALTH

£'000	**2013**	2012	*Change*
Revenue	**3,915**	4,445	*-12%*
Adjusted EBITA	**47**	444	*-89%*
Profit margin	***1%***	*10%*	

The Health division is at an earlier point of transition than the Education and Sport & Gaming divisions, with several businesses in development. Radcliffe Solutions provides software to support training managers in the NHS to monitor and report on training and appraisal processes. Radcliffe and Speechmark are well-regarded books businesses at a largely pre-digital stage. The strategy in this division is to:

- Integrate and improve the efficiency of the existing book publishing operations
- Complement Speechmark's successful paper product range for speech and language therapists by evolving new digital formats
- Improve Radcliffe's profit margins by focusing on a smaller number of healthcare niches and reducing titles that are likely to be sub-scale
- Improve the user experience of Radcliffe Solutions' training management software to build the value generated by its large base of users in the NHS.

Book publishing had a difficult start to 2013 and combined sales for Speechmark and Radcliffe fell 9% in 2013. Speechmark is profitable and achieved an operating margin of 24% but Radcliffe is currently loss-making. The goal for the new head of Health Publishing is to complete the integration of the two businesses, rationalise the frontlist to remove subscale titles and make the most of strong sellers, convert appropriate titles to print-on-demand and e-books, identify opportunities to develop new, higher-value digital products and research the potential for adding subscription services like those in the Education and Sport & Gaming divisions. In the course of this process several activities were closed in 2013 or out-sourced, including live training courses and some experimental advertising-led products generating revenue from the pharmaceutical industry. Others remain under review and the modernisation of the publishing business will continue into 2014.

Radcliffe Solutions has an interesting market position and manages the training records of over 450,000 NHS staff. Led by the new Group Digital Development Director, the business aims to enhance the value it provides for its customers and increase the average revenue per subscribing Trust. If it is able to do so in 2014, the business has a substantial opportunity to grow.

CENTRAL COSTS

These costs represent central group costs which are not directly related to the Divisions' trading and are not therefore included in their results. They include Board fees and costs related to being both a PLC and a consolidated Group.

£'000	**2013**	2012	*Change*
Adjusted EBITA	**(740)**	(715)	*3%*
As % of Group revenue	***5%***	*5%*	
Net interest charge	**(45)**	(80)	-44%

The Group has maintained its central costs at 5% of Group revenues. The majority of investments made by the Group to date have been directly related to the trade of Divisions and hence been recharged to them, but during 2013, the Group has added resources to central functions in the areas of Digital product development and HR.

Net interest payable is consistent year on year with the reduction in the Group's debt due to loan repayments made in 2013. In addition to interest payable and receivable, the net interest charge of £45,000 also includes notional interest of £5,000 (2012: £3,000) relating to the contingent consideration payable on the Ikonami acquisition in April 2011. See note 21.

Julian Turner
Chief Executive
14 February 2014

Summary adjusted results to reflect underlying trading performance

£'000	**2013**	2012	*Change*
Total Group			
Revenue	**14,635**	14,331	*2%*
Adjusted EBITA*	**591**	1,166	*-49%*
Margin	***4%***	*8%*	
Net interest charge	**(45)**	(80)	*44%*
Adjusted PBT*	**546**	1,086	*-50%*

* *A reconciliation of the adjusted numbers is set out in note 5. The adjusted numbers are presented to allow shareholders to gain a further understanding of the trading performance of the Group. Profits are adjusted for items not perceived by management to be part of the underlying trends in the business together with their related tax effect and the profit impact of movements in deferred tax balances.*

Acquisition-related and restructuring credits and costs
In 2013, the decision was made to wind down the Incentive Plus business during 2014 due its lack of profitability and as the Board considered it non-core in the context of the Group's strategy. In addition, the Board decided to close down the Milton Keynes office during 2014 and centralise all its Health and back-office operations in the London office. As a result, the Group has recognised restructuring costs of £325,000 in 2013 relating to staff redundancy costs, impairments in stock and intangible assets and office closure costs.

In 2012, restructuring costs of £201,000 were booked relating to advisory fees and other minor costs on the disposal of the Education division's consumer arm, funding advice leading to the fundraising in the year and a provision against costs of Board level changes.

A credit of £687,000 was also recognised in 2012 to reflect reduction is the provisions for contingent consideration made at the time of the Radcliffe Publishing and Radcliffe Solutions (formerly Ikonami) acquisitions. Further credits of £144,000 were recognised in 2013 to reduce the provisions to £nil at 30 November 2013.

Impairment charges and reduction to goodwill
Impairment charges of £674,000 have been booked in 2013. Of these, £537,000 and £74,000 relate to impairments recognised on Radcliffe Publishing Ltd's goodwill and intangible assets respectively. These assets were deemed to be impaired as the outcomes expected from its evolution towards digital products are not yet sufficiently certain to generate positive returns in the short term to justify the previous carrying value. Additionally, £47,000 of the impairment results from a review of the carrying value of intangible assets in light of the planned closure of Incentive Plus and restructure of the Health business and £16,000 relates to impairments of leasehold improvements at the Milton Keynes office.

In 2012, a goodwill impairment charge of £300,000 was booked to reflect the challenging trading environment experienced by Radcliffe Solutions Ltd.

Capital expenditure
During the year, the Group has invested an additional £493,000 in web development and enhancing its digital products (2012: £429,000). The majority of web development spend this financial year has concentrated on launching new websites for SportBusiness and iGaming and further enhancements to the Education subscription offering including the building of a new training hub due to be launched in the first half of 2014. In Health, web development has been focused on improving the functionality of customer facing websites and developing new digital products. In 2013, we have also completed the implementation of a new email marketing channel which commenced in 2012.

Our London office moved location during 2013 and we have invested £94,000 on the fit out of the new premises.

Fundraising
In May 2013, the new Chairman subscribed for 7.2million new shares at a price of 2.1 pence per share, thereby injecting £151,000 of funds into the Group.

In September 2012 the Group raised £1,510,000 from a Firm Placing to its largest shareholders and executive directors and an Open Offer. Total costs of the share issue were £112,000 and the issue price was 1.5 pence per share. The combined placing added 100.7 million shares and diluted shares in issue by 34%.

Debt and cash flow
During 2012, the Group's lending Bank agreed to the fundraising and a change to the Loan Agreement. This change required that the Group's repayments of £125,000 due in November 2012 and 2013 both be made in November 2012. In return, much greater financial headroom in its loan covenants was granted thereby enabling the Group to pursue a heightened investment programme.

A further amendment was signed with the Bank in January 2013 which again changed the repayment profile but adds further relaxation in covenant headroom. This required a repayment of £400,000 in 2013 but eliminates the requirement for the Group to meet certain covenants regarding capital expenditure and EBITDA hurdles. This has enabled the Group to continue its investment programme as planned.

Net debt (note 27) at 30 November 2013 stood at £12,000 (2012: net funds of £108,000). The Group has gross Bank debt (note 18) of £475,000 at November 2013 (2012: £875,000) which is being repaid over the period to May 2016. Further to this the Group now has provisions of £nil (2012: £220,000) deferred and contingent consideration relating to two of its recent acquisitions (note 21).

Cash conversion rate

£'000	**2013**	**2012**
Cash from operating activities before interest and tax	701	215
Net cash outflow from restructuring costs	325	201
Adjusted cash from operating activities before interest and tax	1,026	416
Adjusted EBITA	591	1,166
Adjusted cash conversion of operating profits for year	*174%*	*31%*

The relatively low cash conversion rate in 2012 is a consequence of three factors: investment in stock, notably development of new lines; slower cash collection relating to the outsourcing of the warehousing and fulfilment function to a third party in late 2011 and the pay-down of creditors compared to the prior year as a reflection of the funds position held.

The high cash conversion rate in 2013 is primarily a result of significant pre-billing and cash collection of 2014 events during 2013 and the return to a normalised creditor payment cycle compared to the creditor pay-downs during 2012.

Earnings per share
Statutory diluted earnings per share ("eps") is 0.18p loss (2012: 0.03p earnings). On an adjusted basis reflecting underlying trading (by using adjusted profits against diluted shares) earnings per share are 0.04p (2012: 0.24p) reflecting the net impact of trading performance and investments during the year as noted in the Business and Performance Review section of the Strategic Report.

Dividends
At this stage of the Group's evolution, the Directors do not propose a dividend this year (2012: £nil).

William Fawbert
Finance Director
14 February 2014

Julian Turner
Julian Turner, aged 52, led the flotation of Electric Word plc as Chief Executive in March 2000. He was previously the Director of Marketing of Euromoney Institutional Investor plc for three years. This followed five years at Guardian Newspapers Limited, where he had commercial management roles in the Product Development Unit, Guardian Magazines and Wired Magazine (UK). Before starting his career in subscription-based publishing he spent four years in postgraduate research in medieval English political history.

William Fawbert
William Fawbert, aged 42, joined Electric Word in January 2013 and was appointed to the board on 15 February 2013. He joined from Right Management, the career and talent management consultancy business within ManpowerGroup Inc where he held various senior managerial, operational and finance roles during his ten year tenure. This followed two years as CFO of a VC backed software company and seven years with KPMG where he qualified as a chartered accountant.

Non-Executive Directors

Andrew Brode
Andrew Brode, aged 73, a chartered accountant, was chief executive of Wolters Kluwer (UK) Plc between 1978 and 1990. In 1990, he led the management buy-out of the Eclipse Group, which was sold to Reed Elsevier in 2000. In 1995, he led the management buy-in of RWS Holdings plc, Europe's largest technical translations group, and now an AIM-listed company where he is Executive Chairman. He is also a non-executive director of a number of private equity-financed media companies.

Stephen Routledge
Stephen Routledge, aged 50, is an investment banker in the media industry. After a career at Lazard and HSBC he founded Trillium Partners in 2003. Trillium Partners is a specialist media industry advisory house which acts for public and private clients on a range of corporate finance transactions. Stephen is a law graduate and a chartered accountant. Stephen joined the Electric Word Board of directors in September 2006.

Henrietta Marsh
Henrietta Marsh, aged 54, is an Operating Partner of ISIS Equity Partners and has been nominated by ISIS to be appointed to the Electric Word board. She is also a non-executive director at Dods (Group) plc where she chairs the remuneration committee and an independent non executive director at Acal plc. She was the founder chairman of the AIM VCT Managers Group and is a member of the London Stock Exchange’s Aim Advisory Group. Formerly, she was responsible for AIM investment at ISIS and was a director of 3i plc, where she worked as a fund manager. She has an MA in Mathematics from Cambridge University and an MBA from INSEAD.

Electric Word plc

DIRECTORS' REPORT

For the year ended 30 November 2013

The Directors present their Annual Report on the affairs of Electric Word plc (the "Company") and its subsidiaries (the "Group" or "Electric Word"), together with the audited consolidated Financial Statements for the year ended 30 November 2013 ("financial statements").

PRINCIPAL ACTIVITIES

The Group is a specialist media provider supporting professional education, compliance and management through a wide range of digital, paper and live formats to three market-facing divisions: Education, Health and Sport & Gaming.

The principal activity of the Company is that of a holding company.

BUSINESS REVIEW

Information that forms part of the Business Review is found in the Strategic Report on pages 6 to 16.

RESULTS AND DIVIDENDS

The Group loss for the financial year amounted to £614,000 (2012: profit of £227,000) of which £119,000 profit (2012: £116,000 profit) is attributable to the non-controlling interest. The Directors have not recommended a dividend (2012: £nil).

EVENTS SINCE THE BALANCE SHEET DATE

There have been no significant events since the balance sheet date.

SHARE INFORMATION

Substantial shareholdings

Other than the Directors' interests shown below, the Company has been notified of the following substantial interests as at 14 February 2014:

	Number of ordinary shares of 1p each	Percentage of issued share capital
ISIS Equity Partners LLP	112,657,540	27.7%
Stewart Worth Newton	103,873,524	25.5%
Nigel William Wray	69,332,269	17.0%
Henderson Global Investors	18,583,333	4.6%
LGT Capital Management	16,000,000	3.9%

Share capital

As at 30 November 2013, the Company's issued share capital comprised 406,781,838 ordinary shares with a nominal value of 1p each. Details of the authorised and issued share capital are given in note 23 of the financial statements, together with movements in the issued share capital during the year.

Shares held in treasury

As at 30 November 2013, 1,323,580 (2012: 1,434,296) ordinary shares with a nominal value of 1p each were held through an Employee Benefit Trust, representing 0.3% (2012: 0.4%) of the issued share capital of the Company.

Purchase of own shares

At the end of the year the Directors had authority, under a shareholders' resolution passed on 6 September 2012, to purchase through the market up to 10% (2012: 10%) of the Company's issued ordinary shares. No purchases have been made in either 2012 or 2013.

DIRECTORS AND THEIR INTERESTS
The following Directors have held office during the year:

JJC Turner
QM Brocklebank (resigned 15 February 2013)
W Fawbert (appointed 15 February 2013)
PS Rigby (resigned 31 May 2013)
A Brode (appointed 1 June 2013)
S Routledge

On 15 February 2013, Quentin Brocklebank resigned as Finance Director and William Fawbert was appointed in his place. In addition, Peter Rigby resigned as non-executive Chairman on 31 May 2013 and was replaced by Andrew Brode who was appointed on 1 June 2013. The Board also appointed Henrietta Marsh as non-executive director on 1 January 2014, after the end of the reporting period.

The Directors at 30 November 2013 and their interests in the ordinary share capital of the Company are as follows:

	At 1 December 2012	**Shares acquired during the year**	**Shares disposed of during the year**	**At 30 November 2013**
JJC Turner	12,610,275	40,000	-	**12,650,275**
W Fawbert	-	-	-	-
A Brode	-	7,200,000	-	**7,200,000**
S Routledge	-	-	-	-

No Director had an interest in the shares of any subsidiary company.

PRINCIPAL BUSINESS RISKS AND UNCERTAINTIES
Principal business risk and uncertainties are presented as part of the Strategic report on pages 8 to 9.

CREDITOR PAYMENT AND POLICY
The Company's policy, which is also applied by the Group, is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with their standard payment practice whereby all outstanding trade accounts are settled within the terms agreed with the supplier at the time of supply or otherwise 30 days from the receipt of the relevant invoice.

Trade creditor days at 30 November 2013 for the Group were 51 days (2012: 37 days).

POLITICAL AND CHARITABLE DONATIONS
The great majority of the value that the Company donates to the service of charitable and community organisations is by enabling employees to make their time and skills available to support them. In addition, the Company makes regular contributions to an employees' charitable committee, which in 2013 amounted to £2,000 (2012: £2,000). The Company made no political donations (2012: £nil).

EMPLOYMENT POLICY
Quality and integrity of personnel
The integrity and competence of personnel is ensured through high recruitment standards and a commitment to management and business skills training. High quality personnel are seen as an essential part of the control environment and the high ethical standards expected are communicated by management leadership and through the employee handbook provided to all employees. All staff have biannual development and appraisal meetings with their direct line managers to help ensure sufficient direction and standards are set and an annual staff survey is conducted to gauge morale and buy-in to the Group.

Employees are actively encouraged to be engaged and involved in the Group's activities by a combination of regular briefings and discussions with their managers, a monthly group-wide briefing by the Chief Executive, an annual Group away day and open access to senior managers and Directors.

Recruitment
The Group is an equal opportunities employer and appoints employees without reference to age, sex, ethnic group or religious belief.

Disabled persons
The group will employ disabled persons where they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. The Group will also actively seek opportunities for employees who become disabled to continue in their employment or be trained for other positions in the Group.

Health and safety
It is the objective of the Group to ensure the health and safety of its employees and of any other persons who could be affected by its operations. It is the Group's policy to provide working environments which are safe and without risk to health and provide information, instruction, training and supervision to ensure the health and safety of its employees.

GOING CONCERN
Having made appropriate enquiries and having examined the major areas which could affect the Group's financial position, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, they consider it appropriate to adopt the going concern basis in preparing the financial statements as described in note 1.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR
The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that it has been communicated to the auditor.

AUDITOR
The Group's auditors, KPMG Audit Plc, have instigated an orderly wind down of their business. The Board has decided to propose KPMG LLP to be appointed as auditors and a resolution concerning their appointment will be put to the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE
The Company's statement on corporate governance can be found in the Corporate Governance Statement on pages 21 to 22 of these financial statements, and forms part of this report by reference.

The Strategic Report and Directors' Report were approved by the Board on 14 February 2014.

By order of the Board
Gemma Jones
Company Secretary
14 February 2014

The policy of the Board, recognising that it is accountable to the Company's shareholders to uphold good corporate governance, is to manage the affairs of the Company in accordance with the principles outlined in the UK Corporate Governance Code ("Code") as published in June 2010, as well as compliance with the Companies Act 2006, the Listing Rules and the Disclosure and Transparency Rules. The Directors support the principles underlying the requirements insofar as is appropriate for a company the size of Electric Word plc. The statement below sets out how the principles of the Code are applied and the extent of compliance with the relevant provisions.

THE BOARD AND ITS COMMITTEES

Board meetings take place monthly and there is contact between meetings as required. The meetings are held to set and monitor strategy, review trading performance and financing, guide business development, examine investment and acquisition possibilities, and approve reports to shareholders. In addition, the Board approves the annual forecast and any re-forecasts. Procedures are established to ensure that appropriate information is communicated to the Board in a timely manner to enable it to fulfil its duties including a monthly Board report with commentary, divisional results and key performance indicators to the end of the previous month. Board and Committee papers are circulated in advance of each meeting together with the agenda.

Details of the Directors who served during the year are set out in the Directors' report. During 2013, the Board comprised two Executive and two Non-Executive Directors and on 1 January 2014, a third Non-Executive Director was appointed. Each year one third of the Board, rounded down to the nearest whole number, are subject to re-election by rotation and including those for whom the Annual General Meeting falls closest to the third anniversary of their appointment or their last re-election.

The Board has separate roles for Chairman and Chief Executive and the Chairman is a non-executive.

The Board has an established Audit Committee, which comprises two Non-Executive Directors. The Audit Committee meets at least once a year. It is responsible for meeting the auditor, reviewing the annual report and accounts before their submission to the Board, ensuring that the financial performance of the Company is properly reported on and monitored, reviewing the recommendations of the auditor on accounting policies, internal control and other findings of the audit, and making recommendations to the Board on the scope of the audit and the appointment of the auditor. The Audit Committee keeps the independence and objectivity of the auditor under review and a formal statement of independence is received from the external auditor each year.

The Board has an established Remuneration Committee, which comprises two Non-Executive Directors. The Remuneration Committee meets once a year and reviews the performance of the Executive Directors and the scale and structure of their remuneration having due regard to the interests of the shareholders. The Committee also approves the granting of share options.

The Board has not established a Nomination Committee as it regards the approval and appointment of Directors (whether Executive or Non-Executive) as a matter for consideration by the whole Board.

COMMUNICATION WITH SHAREHOLDERS

The Board encourages regular dialogue with shareholders and any feedback received from investors is shared with the whole of the Board. All shareholders are invited to the AGM at which Directors are available for questioning, both during the formal meeting and before and after for individual discussion. The notice of the AGM is sent to all shareholders at least 21 working days before the meeting. The number of proxy votes received for and against each resolution is disclosed at the AGM and a separate resolution is proposed on each item. Financial and other information about the Company is available on the Company's website (www.electricwordplc.com). Financial results are announced twice each year together with comprehensive trading information by Division and this is presented by the Chief Executive Officer and the Finance Director in face to face meetings (or by call if necessary) with institutional investors, analysts and the media as requested. The Company intends to make a summary of these presentations available in future on the Company's website.

INTERNAL CONTROL AND RISK MANAGEMENT

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide the Directors with reasonable, and not absolute, assurance against material misstatement or loss. The key principle here is that the cost of control should not exceed the potential benefits.

It is a continuous process to review the risks and consider the necessary controls. The key procedures that have been established and are currently in place with the intention of providing effective internal control are as follows:

- **Management structure** – Each of the Group's divisions are managed by a senior executive who attends a weekly meeting of operating managers that also includes the Executive Directors and senior functional leaders.

- **Business planning** – Three year budgets and business plans are prepared annually down to individual profit centre level (individual publishing titles, website, digital products or revenue types within a market sector) and performance is then monitored against those together with any reforecasts prepared through the course of the year to reflect significant change. A consolidation of those is reviewed by the Board and formally approved.

- **Financial reporting** –Performance against budget is monitored monthly down to the level of individual profit centres. Reporting each month includes detailed income statements and cash receipts by profit centre, allowing analysis of revenue, gross margin, and adjusted EBITA margin, together with key performance indicators such as headcount and staff cost, capital expenditure and cash receipts. At a Group level, reporting includes consolidated and divisional results against forecast and prior year with commentary on significant variances, trend analysis of revenue, gross profit and adjusted EBITA, full balance sheet, aged debt and creditor analysis, deferred revenue analysis, 12 month rolling cash flow forecasts and look forward statements against the Bank loan's covenant testing.

- **Internal audit** – The Board has reviewed the need for an internal audit function and has concluded that the Group is not large enough to warrant a full time internal auditor. This function is covered by Management and Finance department reviews of the reporting and periodic Operating management reviews of other profit centres' strategy and results at the weekly meetings.

- **Group authority framework** – there are clear guidelines maintained as to approval limits for both operational and capital expenditure, and higher value amounts and other key decisions are taken to meetings of the Board for review.

The Board reviews the effectiveness of the systems of internal control and the control environment and carries out a detailed annual review. The most recent detailed review of the major business risks was carried out in November 2013 and the necessary measures to mitigate those risks as far as possible are instigated and regularly monitored by the Management Board. No significant control deficiencies were reported then or during the year in the Group's standard controls. These controls are applied to acquisitions as soon as is feasibly possible and the acquisitions are brought up to the Group's standards where they are found to be weaker. No weaknesses in internal controls have resulted in any material losses, contingencies or uncertainty which would require disclosure as recommended by the guidance for Directors on reporting on internal controls.

Reporting
The Board recognises its responsibility to present a true and balanced assessment of the Group's position and prospects. The statement of Directors' responsibilities is on page 24 and the disclosure of information to the auditors is set out within the Directors' report on page 20.

This Annual Report contains an assessment of the business and its prospects in the Chief Executive's statement, including a review of the strategy and direction of the Group.

The Directors carefully assess the Group's ability to trade through their regular meetings and have done so at this year end. It is the Directors' view that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Investment appraisal
The Board approves proposals for the acquisition of new businesses and sets guidelines for the launch of new products. Capital expenditure is regulated by strict authorisation controls. Depending on the level of expenditure, detailed written proposals must be submitted either to the Board or the Management Board and reviews carried out to monitor progress against budget.

The Board sets out below its strategy and policies on corporate responsibility and in relation to the impact of its activities on all its key stakeholders and the wider environment. Electric Word has a strong sense of social responsibility and this is reflected through four areas.

PEOPLE

We value a diverse workforce in which people are encouraged to fulfil their potential, and a workplace culture that promotes fairness, rationality, responsibility and the support of personal development. Electric Word has a document which sets out the values and principles by which it expects employees to act, treat each other and be managed. It emphasises the need for social and emotional maturity. All new joiners are requested to read this as part of the interview process and discuss their expectations in relation to that.

Employee participation in the direction and management of the company is encouraged by regular consultation and a major annual review of employee engagement by means of a company-wide staff survey, the results of which are discussed at a meeting of the operating managers and then at an all employees ‘away day’ meeting. Employees are briefed by the Chief Executive Officer on progress and change across the Group and its businesses at a monthly meeting. A panel of employees also run a Group intranet to provide regular updates on news, available positions being hired, social events and internal competitions.

Media businesses, especially those such as Electric Word which seek to provide higher value information and analysis, are dependent on their employees as they drive content, strength, relevance and the development of new products. The Group therefore places great emphasis on attracting, retaining and motivating high quality employees. We therefore seek to provide a healthy work place culture, a strong sense of ownership through openly shared and discussed strategy, meritocratic reward structures to align employee goals with those of their business and appropriate developmental resources to develop and train staff to enable them to progress their careers.

CONTENT

We view the quality of our content as fundamental to the value we provide for our customers. This ultimately depends on the skills and professionalism of our employees.

COMMUNITY

Since its inception, Electric Word has always seen itself as part of a broader community. The Group encourages broader community participation by its employees and especially in the markets in which it operates (for example our staff includes several school governors). We offer time off to facilitate such involvement and support with other resources where appropriate. We run an annual internship programme for enterprise education and run a company charity fund which makes quarterly donations determined by a panel of employees. We continue to look for ways that the Group and its staff can contribute to the community, particularly when these reflect our principal market sectors of education, health and sport.

ENVIRONMENT

We are aware of the potential impact on the environment of the Group’s activities and recognise our responsibility to the environment, particularly with regard to the use of paper, print, packaging and distribution, disposal of waste and recycling, and in reducing our carbon footprint primarily in consumption of energy. Our policy recognises that good environmental practice needs to be part of how we do business every day – we work to minimise waste, use our resources efficiently and encourage all of our staff to consider their responsibilities.

Purchase of paper and printing, packaging and distribution of products – paper and print production in our publications are sourced from Chain-of-Custody certified manufacturers, operating within international environmental standards such as ISO14001 and EMAS, which ensures sustainable sourcing of the raw materials and production to minimise our carbon footprint. Our magazine paper and print suppliers implement environmental management systems that source vegetable based inks, target reduced energy consumption, mixed waste recycling and achieve zero waste to landfill.

Disposal of waste and recycling – we run a recycling initiative across the Group’s premises and this continues to ensure that a large proportion of office waste is recycled, including all toner cartridges and computer equipment. All of our recycling is handled by a company that is ISO 14001, ISO9001 and Carbon Smart Gold accredited and is handled in Europe.

Energy consumption – we have a drive across the businesses led by the Group IT and HR managers to review and limit energy consumption as far as possible. This includes basic steps such as turning off monitors not in use and efficient use of heating / cooling systems. During 2013, we have also progressed our server virtualisation project and reduced the number of physical servers used by the company, thereby reducing electricity consumption.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT- AND THE FINANCIAL STATEMENTS

For the year ended 30 November 2013

The directors are responsible for preparing the Annual Report, Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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 of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect 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, www.electricwordplc.com. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTRIC WORD PLC

For the year ended 30 November 2013

We have audited the financial statements of Electric Word Plc for the year ended 30 November 2013 set out on pages 26 to 60. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 24. 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/auditscopeukprivate.

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 30 November 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Mike Woodward (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London, EC4Y 8BB

14 February 2014

Electric Word plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 November 2013

	Notes	**2013 £'000**	2012 £'000
Revenue	*2*	**14,635**	14,331
Cost of Sales – Direct costs		**(5,389)**	(5,464)
Cost of Sales – Marketing expenses		**(1,698)**	(1,738)
GROSS PROFIT	*2*	**7,548**	7,129
Other operating expenses	*8*	**(6,818)**	(5,980)
Restructuring costs	*5*	**(325)**	(201)
Acquisition-related credits	*5*	**144**	687
Depreciation expense	*8*	**(112)**	(127)
Amortisation expense	*12*	**(922)**	(955)
Impairment charges	*8*	**(674)**	(300)
Total administrative expenses		**(8,707)**	(6,876)
OPERATING (LOSS) /PROFIT		**(1,159)**	253
Finance costs	*6*	**(51)**	(80)
Finance income	*7*	**6**	-
(LOSS) / PROFIT BEFORE TAX	*8*	**(1,204)**	173
Taxation	*9*	**590**	54
(LOSS) / PROFIT FOR THE FINANCIAL YEAR		**(614)**	227
Attributable to:			
- Equity holders of the parent		**(733)**	111
- Non-controlling interest		**119**	116
TOTAL COMPREHENSIVE (LOSS) / INCOME		**(614)**	227
(LOSS) / EARNINGS PER SHARE			
Basic	*10*	**(0.18)p**	0.03p
Diluted	*10*	**(0.18)p**	0.03p

Electric Word plc

CONSOLIDATED GROUP AND COMPANY STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 November 2013

GROUP	Share capital £'000	Share premium account £'000	Merger reserve £'000	Reserve for own shares £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
At 1 December 2011	2,989	7,061	105	(123)	(3,425)	6,607	133	6,740
Total comprehensive income	-	-	-	-	111	111	116	227
Tax taken directly to equity (note 15)	-	-	-	-	(30)	(30)	-	(30)
	2,989	7,061	105	(123)	(3,344)	6,688	249	6,937
Share issues	1,007	503	-	-	-	1,510	-	1,510
Share issue costs	-	(112)	-	-	-	(112)	-	(112)
Share based payments	-	-	-	-	144	144	-	144
At 30 November 2012	**3,996**	**7,452**	**105**	**(123)**	**(3,200)**	**8,230**	**249**	**8,479**
Total comprehensive income	-	-	-	-	(733)	(733)	119	(614)
	3,996	7,452	105	(123)	(3,933)	7,497	368	7,865
Dividend paid by subsidiary	-	-	-	-	-	-	(100)	(100)
Share issues	72	79	-	-	-	151	-	151
Share based credits	-	-	-	-	(27)	(27)	-	(27)
At 30 November 2013	**4,068**	**7,531**	**105**	**(123)**	**(3,960)**	**7,621**	**268**	**7,889**

COMPANY	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 December 2011	2,989	7,061	(2,866)	7,184
Total comprehensive income	-	-	(2,719)	(2,719)
Tax taken directly to equity (note 15)	-	-	(30)	(30)
	2,989	7,061	(5,615)	4,435
Share issues	1,007	503	-	1,510
Share issue costs	-	(112)	-	(112)
Share based payments	-	-	144	144
At 30 November 2012	**3,996**	**7,452**	**(5,471)**	**5,977**
Total comprehensive income	-	-	(686)	(686)
	3,996	7,452	(6,157)	5,291
Share issues	72	79	-	151
Share based credits	-	-	(27)	(27)
At 30 November 2013	**4,068**	**7,531**	**(6,184)**	**5,415**

Electric Word plc

CONSOLIDATED GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at 30 November 2013 — Company registration number 3934419

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**£’000**	£’000	**£’000**	£’000
ASSETS					
Non-current assets					
Goodwill	*11*	**5,283**	5,820	**-**	-
Other intangible assets	*12*	**2,399**	2,972	**67**	119
Property, plant and equipment	*13*	**100**	124	**97**	81
Investments	*14*	**-**	-	**6,860**	7,397
Deferred tax assets	*15*	**1,547**	1,021	**64**	131
		9,329	9,937	**7,088**	7,728
CURRENT ASSETS					
Inventories	*16*	**1,660**	1,648	**-**	-
Trade and other receivables	*17*	**3,449**	2,718	**6,818**	3,933
Cash and cash equivalents	*27*	**463**	983	**379**	750
		5,572	5,349	**7,197**	4,683
TOTAL ASSETS		**14,901**	15,286	**14,285**	12,411
EQUITY AND LIABILITIES					
Capital and Reserves					
Called up ordinary share capital	*23*	**4,068**	3,996	**4,068**	3,996
Share premium account		**7,531**	7,452	**7,531**	7,452
Merger reserve		**105**	105	**-**	-
Reserve for own shares	*24*	**(123)**	(123)	**-**	-
Retained earnings		**(3,960)**	(3,200)	**(6,184)**	(5,471)
Equity attributable to equity holders of the parent		**7,621**	8,230	**5,415**	5,977
Non-controlling interest	*25*	**268**	249	**-**	-
TOTAL EQUITY		**7,889**	8,479	**5,415**	5,977
Non-current liabilities					
Borrowings	*18*	**350**	475	**350**	475
Provisions	*21*	**-**	95	**-**	95
Deferred tax liabilities	*15*	**290**	419	**-**	1
		640	989	**350**	571
Current liabilities					
Borrowings	*18*	**125**	400	**125**	400
Current tax liabilities		**21**	80	**-**	-
Trade payables and other payables	*19*	**2,985**	2,769	**8,395**	5,338
Provisions	*21*	**127**	125	**-**	125
Deferred income	*20*	**3,114**	2,444	**-**	-
		6,372	5,818	**8,520**	5,863
TOTAL LIABILITIES		**7,012**	6,807	**8,870**	6,434
TOTAL EQUITY AND LIABILITIES		**14,901**	15,286	**14,285**	12,411

These financial statements on pages 26 to 60 were approved by the Board of Directors and authorised for issue on 14 February 2014 and are signed on its behalf by:

Julian Turner
Chief Executive

William Fawbert
Finance Director

Electric Word plc

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

For the year ended 30 November 2013

		Group		Company	
	Notes	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
(Loss) / profit for the financial year		**(614)**	227	**(686)**	(2,719)
Taxation		**(590)**	(54)	**24**	(54)
Amortisation & impairment expense, reduction in goodwill	*8*	**1,596**	1,255	**590**	729
Depreciation	*8*	**112**	127	**88**	101
Loss from disposal of property, plant and equipment	*8,13*	**3**	-	**1**	-
Loss on disposal of intangible assets	*8,12*	**50**	60	**-**	-
Finance costs		**51**	80	**51**	77
Finance income		**(6)**	-	**(6)**	-
Share based payment (credits) / charges	*8*	**(27)**	144	**(27)**	144
Operating cash flows before movement in working capital		**575**	1,839	**35**	(1,722)
(Increase) / decrease in inventories		**(12)**	(364)	**-**	-
(Increase) / decrease in receivables		**(731)**	(52)	**(2,721)**	(61)
Increase / (decrease) in payables		**869**	(1,208)	**2,912**	1,663
Cash flow from operating activities before interest and tax		**701**	215	**226**	(120)
Interest paid	*6*	**(46)**	(77)	**(46)**	(77)
Taxation paid		**(124)**	(99)	**(121)**	(100)
Cash inflow / (outflow) from operating activities		**531**	39	**59**	(297)
INVESTING ACTIVITIES					
Deferred consideration paid	*21, 26*	**(81)**	(29)	**(81)**	(29)
Purchase of property plant and equipment	*13*	**(112)**	(51)	**(110)**	(16)
Purchase of intangible assets	*12*	**(520)**	(429)	**(1)**	(66)
Proceeds from disposal of property, plant and equipment	*13*	**5**	-	**5**	-
Interest received	*7*	**6**	-	**6**	-
Net cash used in investing activities		**(702)**	(509)	**(181)**	(111)
FINANCING					
Proceeds from issuance of ordinary shares	*23*	**151**	1,510	**151**	1,510
Costs of issuing shares		**-**	(112)	**-**	(112)
Proceeds of new long term borrowings	*18*	**-**	875	**-**	875
Proceeds of new short term borrowings	*18*	**-**	250	**-**	250
Repayments of borrowings	*18*	**(400)**	(1,375)	**(400)**	(1,375)
Payment of dividend to minority interest		**(100)**	-	**-**	-
Net cash from financing activities		**(349)**	1,148	**(249)**	1,148
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(520)**	678	**(371)**	740
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**983**	305	**750**	10
CASH AND CASH EQUIVALENTS AT END OF YEAR	*27*	**463**	983	**379**	750

1. ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented. There have been no changes to accounting policies in the period.

BASIS OF PREPARATION
The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS"), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements of the Group and the Parent Company have been prepared under the historical cost convention and in accordance with applicable accounting standards. As permitted by Section 408 of the Companies Act 2006, no separate income statement is presented for the Company. The Company's loss for the year was £686,000 (2012: £2,719,000 loss).

Operating profit is defined as profit before tax but excluding net finance and related costs and investment income.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 December 2012:
(a) New and amended standards adopted by the Group:
- IAS 1 'Financial statement presentation – regarding other comprehensive income' (effective 1 July 2012).

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 December 2012 but not currently relevant to the Group:
- IAS 12 'Income taxes – on deferred tax' (effective 1 January 2012).

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 December 2012 and not early adopted:
- IFRS 9 'Financial instruments', (effective 1 January 2013).
- IFRS 10 'Consolidated financial statements' (effective 1 January 2013).
- IFRS 11 'Joint Arrangements' (effective 1 January 2013).
- IFRS 12 'Disclosures of interests in other entities' (effective 1 January 2013)
- IFRS 13 'Fair value measurement' (effective 1 January 2013).
- IAS 27 (Revised) 'Separate financial statements' (effective 1 January 2013).
- IAS 28 'Investments in Associates and Joint Ventures' (effective 1 January 2013).

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

GOING CONCERN
The Group has made a loss for the year of £614,000 (2012: £227,000 profit) and has net assets of £7,889,000 (2012: £8,479,000); notwithstanding this it has a net current liabilities position at 30 November 2013 of £800,000 (2012: £469,000). The level of bank debt has however reduced to £475,000 (2012:£875,000) as a result of £400,000 repayments made during 2013. The Directors have prepared group cash flow forecasts for the period ending 30 November 2015, which take into account the expected impact of closing down the Milton Keynes office and winding down the loss making Incentive Plus business during 2014. These forecasts indicate that the Group will continue to meet its liabilities and bank debt requirements as they fall due for the foreseeable future. The business is currently trading in line with these forecasts. In the event of forecast trading levels not being met due to a weaker economic climate than forecast, the Directors have the scope to take further actions to enable the group to meet its liabilities as they fall due for the foreseeable future and for it to remain within its financial covenants. There is long-term financing in place with the Group's bank debt renewed in January 2013 to a term loan with repayments over the period to May 2016 (note 18). The Group currently has an overdraft facility of up to £750,000 which is currently not utilised. On this basis the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

BASIS OF CONSOLIDATION
(i) Business combinations

From 1 January 2010 the Group has applied IFRS 3 *Business Combinations* (2008) in accounting for business combinations. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable

1. ACCOUNTING POLICIES (continued)

Acquisitions on or after 1 January 2010
For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions between 1 December 2006 and 1 January 2010
For acquisitions between 1 December 2006 and 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. If the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 December 2006 (date of transition to IFRS)
As part of its transition to IFRS, the Group elected to restate only those business combinations that occurred on or after 1 December 2006. In respect of acquisitions prior to 1 December 2006, goodwill represents the amount recognised under the Group's previous accounting framework, UK GAAP.

(ii) Accounting for acquisitions of non-controlling interests

From 1 January 2010 the Group has applied IAS 27 *Consolidated and Separate Financial Statements* (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1. ACCOUNTING POLICIES (continued)

GOODWILL
Goodwill arising on the acquisition of subsidiary companies and businesses is calculated as the excess of the purchase consideration over the fair value of net identifiable assets and liabilities at the date of acquisition. It is recognised as an asset at fair value, assessed for impairment at least annually and subsequently measured at cost less accumulated impairment losses. Where an impairment test is performed a discounted cash flow analysis is carried out based on the cash flows of the cash generating unit compared with the carrying value of that goodwill. Management estimate the discount rates as the risk affected cost of capital for the particular businesses. Any impairment is recognised immediately in the Income Statement.

Upon disposal, the attributable carrying value of goodwill is included in the calculation of the profit or loss on disposal.

INTANGIBLE ASSETS
Intangible assets mainly comprise publishing (book and magazine) titles, which are initially stated at cost. For business combinations, fair value is calculated based on the Group's valuation methodology, using discounted cash flows. These assets are amortised on a straight line basis over their estimated useful lives, which tend to be 3 to 10 years for book and magazine lists, 4 years for customer databases and 3 years for other intangible assets, including customer relationships and contacts.

Software which is not integral to a related item of hardware and web site design are also recognised as intangible assets. Capitalised internal-use software and web site design costs include external direct costs of materials and services consumed in the development or purchase, use of dedicated contractors, and payroll and related costs for employees who are directly associated with or who devote substantial time to the project. Capitalisation of these costs ceases when the project is substantially complete and ready for its internal purpose. These costs are amortised over their expected useful life deemed to be two to four years.

The expected useful lives of intangible assets are reviewed annually. All amortisation charges are taken to amortisation expense and all impairment charges (note 8) are taken to impairment expense on the face of the income statement.

CONTINGENT CONSIDERATION
Contingent consideration relating to acquisitions is included in provisions based on management estimations of the most likely outcome. 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.

PROPERTY, PLANT AND EQUIPMENT
Property and equipment is recorded at cost less accumulated depreciation and provision for impairment. Depreciation is provided to write off the cost of an asset, less its estimated residual value, over its estimated useful economic life. On disposal of an asset the difference between the proceeds and residual net book value at that time is taken to the income statement as a gain or loss on disposal.

The rates of depreciation are as follows:

Fixtures, fittings and equipment	30% reducing balance
Computer equipment	50% straight line
Leasehold property improvements	over term of lease

The assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by accounting standards. Impairment losses are recognised in the income statement.

INVESTMENTS
The Company's shares in subsidiary undertakings are considered long-term investments and are classified as non-current assets. All investments are stated at cost. Provision is made for any impairment in the value of non-current asset investments where events or changes in circumstances indicate the carrying value may not be recoverable.

INVENTORIES
Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials and expenses incurred in bringing the inventory to its present condition and location measured on a first in, first out basis. Net realisable value represents the estimated selling price less costs expected to be incurred in the sale. Work in progress includes costs (excluding promotional costs) incurred for books not yet published at the balance sheet date. Provision is made for obsolete and slow moving items.

1. ACCOUNTING POLICIES (continued)

IMPAIRMENT
The Group and Company review the carrying amounts of their assets for potential impairment on at least an annual basis. If management believe their value to be impaired the value is written down and a loss is taken to the income statement.

BORROWING COSTS
Finance costs are recognised in the income statement in the period in which they are incurred. Arrangement fees in relation to loans are capitalised and expensed over the term of the loan.

FOREIGN CURRENCIES
Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the rates of exchange ruling at that date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences on translation are disclosed in the Income Statement. The functional currency for the Group is pounds sterling (GBP).

LEASED ASSETS AND OBLIGATIONS
Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The assets are capitalised at their fair value or, if lower, at the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the Income Statement in proportion to the remaining balance outstanding.

All other leases are 'operating leases' and the annual rentals are charged to the income statement on a straight-line basis over the lease term.

TAXATION
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the rates enacted and substantially enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

PENSION COSTS
The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from the individual companies. The pension charge associated with the scheme represents contributions payable.

1. ACCOUNTING POLICIES (continued)

SHARE BASED PAYMENTS
The Group issues equity-settled share based payments to certain employees. A fair value for the equity-settled share awards is measured at the date of the grant. The fair value is measured using either the Black Scholes or Monte Carlo methods of valuation, which are considered to be the most appropriate valuation techniques. The valuation takes into account factors such as non-transferability, exercise restrictions and behavioural considerations.

An expense is recognised to spread the fair value of each award over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will actually vest. The estimate of vesting is reviewed annually, with any impact on the cumulative charge being recognised immediately.

Amounts to be settled in shares are presented within Equity, representing the expected time-apportioned fair value of the awards that are expected to vest.

REVENUE
Revenue represents the value, net of Value Added Tax, of subscription income, events income and other income and is recognised in the Income Statement as services are performed with that portion relating to subsequent years included in deferred revenue.

Subscription revenue is deferred and recognised over the term of the subscription as the obligation is met. Conference, training and exhibition revenue is deferred and recognised when the event is held. Advertising revenue is deferred and recognised over the period of the advertising being displayed or in the month of issue where print. Book and report revenue is recognised on dispatch of the product. Other revenue such as commerce, consultancy and contract publishing are recognised as goods and services are delivered.

FINANCIAL ASSETS
Financial assets are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified by Management upon initial recognition dependent upon purpose for which they were acquired between: loans and receivables, financial assets at fair value through profit or loss, held to maturity investments, and available-for-sale investments.

Effective interest method
This is a method of calculating the amortised cost of a financial asset and liabilities and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial asset. Income is recognised on an effective basis for all debt instruments within the Group.

Loans and receivables
Trade receivables, loans and other receivables, are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents
These comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible (with a maturity of three months or less) to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts 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 of the cash flow statement.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

1. ACCOUNTING POLICIES (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. A specific provision will also be raised for trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in the income statement.

Derecognition of financial assets
The Group recognises a financial asset only when the contractual rights to the cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS ISSUED BY THE GROUP
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities
Financial guarantee contract liabilities are measured at the amount of the obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Borrowings
Interest-bearing loans and overdrafts are recorded at fair value net of direct issue costs and subsequently at amortised cost. Premiums, payable on settlement or redemption, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables and other financial liabilities
Trade payables and other financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount of the financial liability.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

1. ACCOUNTING POLICIES (continued)

OWN SHARES
Own shares deducted in arriving at Equity represent the cost of the Company's ordinary shares acquired by the Employee Share Option Plan trusts in connection with certain of the Group's employee share schemes.

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 which can be measured reliably. 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
Within the consolidated and company financial statements there are a number of areas where management has to include their best estimate of likely outcomes based on their first hand knowledge of the markets and situation. The preparation of consolidated and company financial statements will require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated and company financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were:

- Valuation and asset lives of intangible assets – which are based on management's considered opinion of what has been bought and what value it is to the Group in the future. Valuation methodologies include the use of discounted cash flows, revenue and profit multiples, whilst asset lives are estimated on the type of asset acquired and range between three and ten years;
- Impairment of assets – assets are subject to at least annual impairment reviews and testing, and the running of these tests and the numbers that form part of them will be based as far as possible on actual known results but will by nature include predictions of future outcomes. The asset carrying values are compared to estimates of the assets' value in use. This value in use is calculated by looking at the cash generating units underlying the assets and management estimating the future cash flows after applying a suitable discount factor. The estimates of future cash flows are based on detailed forecasts produced by management. Assumptions on the goodwill assets are given in note 11;
- Provisioning: both trade receivables for bad debt and inventories for returns and obsolescence are reviewed for potential write down. The provisions created to cover these areas are based on managements' experience and considered opinion of the assets' current value;
- Contingent consideration: provisions are made at the Directors' best estimate of what the consideration will be but as based on future results it can only be assessed on current knowledge and expectations with no certainty. The provisions made are considerably under the maximum amounts which could be payable (note 21);
- Valuation of share based payments – which are calculated from modelling including estimates of non-transferability, exercise restrictions, and behavioural considerations, including such factors as the volatility of the Company's share price. These inputs and the methods are set out in note 28;
- Deferred tax: both assets and liabilities require judgement in determining the amounts to be recognised, in particular the extent to which assets should be recognised in consideration of the timing and level of future taxable income.

2 REVENUE AND COST OF SALES

An analysis of the Group's income is as follows:

	2013 £'000	2012 £'000
Revenue		
Sale of goods	**7,370**	8,138
Rendering of services	**7,265**	6,193
	14,635	14,331
Cost of sales		
Change in inventories of finished goods	**12**	327
Raw materials and consumables used	**(5,401)**	(5,791)
Marketing costs	**(1,698)**	(1,738)
	(7,087)	(7,202)
Gross profit	**7,548**	7,129

3 SEGMENTAL ANALYSIS

Segmental information is presented in respect of the Group's business divisions. This format is based on the Group's management and internal reporting structure, as seen by the Board in its financial information used in allocating resources and making strategic decisions. These segments were identified by how the Group is focused on customer types and so does involve some aggregation of how those customers are served and of diversity within the customer bandings as niches are targeted within the broader markets.

- **Education (E)**: provides school management and professional development information to professional communities in schools and other institutions;
- **Health (H)**: provides professional education and training products for doctors, healthcare managers, speech therapists, elderly care professionals, and other health professionals as well as HR management and training compliance software;
- **Sport & Gaming (S&G)**: provides insight, data and analysis to the business communities behind sport and online gaming;
- **Central costs (PLC)**: the group function represents central PLC costs which are not directly related to the Divisions' trading and are not recharged. Finance costs and investment income are also included here as these are driven by central policy which manages the cash positions across the Group.

Operating profit is defined in note 1. The sector analysis includes the adjusted definition of operating profit (note 5) to allow shareholders to gain a further understanding of the trading performance of the Group and is considered by the Board alongside operating profit and profit before tax to assess performance and review strategy.

Analysis by market sector	**Year ended 30 November 2013**					Year ended 30 November 2012				
	E £'000	**H £'000**	**S&G £'000**	**PLC £'000**	**Total £'000**	E £'000	H £'000	S&G £'000	PLC £'000	Total £'000
Revenue	**4,568**	**3,915**	**6,152**	**-**	**14,635**	4,709	4,445	5,177	-	14,331
Adjusted operating (loss) /profit (note 5)	**(155)**	**47**	**1,439**	**(740)**	**591**	130	444	1,307	(715)	1,166
Share based payment credits/(charges)	**-**	**-**	**-**	**27**	**27**	-	-	-	(144)	(144)
Restructuring costs	**(65)**	**(192)**	**(18)**	**(50)**	**(325)**	(41)	-	-	(160)	(201)
Acquisition-related credits	**-**	**144**	**-**	**-**	**144**	-	687	-	-	687
Amortisation of intangible assets	**(116)**	**(347)**	**(405)**	**(54)**	**(922)**	(151)	(320)	(383)	(101)	(955)
Impairment expense	**(37)**	**(637)**	**-**	**-**	**(674)**	-	(300)	-	-	(300)
Operating (loss) / profit	**(373)**	**(985)**	**1,016**	**(817)**	**(1,159)**	(62)	511	924	(1,120)	253
Finance costs	**-**	**-**	**-**	**(51)**	**(51)**	-	-	-	(80)	(80)
Investment income	**-**	**-**	**-**	**6**	**6**	-	-	-	-	-
(Loss) / profit before tax	**(373)**	**(985)**	**1,016**	**(862)**	**(1,204)**	(62)	511	924	(1,200)	173

3 SEGMENTAL ANALYSIS (continued)

Analysis by market sector	Year ended 30 November 2013 E £'000	H £'000	S&G £'000	PLC £'000	Total £'000	Year ended 30 November 2012 E £'000	H £'000	S&G £'000	PLC £'000	Total £'000
Depreciation and amortisation	**122**	**366**	**405**	**141**	**1,034**	158	336	384	204	1,082
Impairment expense	**37**	**637**	**-**	**-**	**674**	-	300	-	-	300
Expenditure on intangible assets	**88**	**164**	**267**	**1**	**520**	151	195	17	66	429
Expenditure on property, plant and equipment	**-**	**1**	**1**	**110**	**112**	10	25	1	15	51

Analysis by market sector	Assets 2013 £'000	Assets 2012 £'000	Liabilities 2013 £'000	Liabilities 2012 £'000
Education	**131**	292	**2,131**	1,798
Health	**2,419**	3,692	**1,328**	1,924
Sport & Gaming	**4,582**	3,223	**2,040**	1,051
	7,132	7,207	**5,499**	4,773
Group function	**6,222**	7,058	**727**	660
Gross debt and taxation (current and deferred)	**1,547**	1,021	**786**	1,374
	14,901	15,286	**7,012**	6,807

There are no inter-segmental sales.

The Group has announced plans to wind down the Incentive Plus business, part of the Education division. This will occur over the course of 2014. In 2013, Incentive Plus contributed revenue of £670,000 and adjusted EBITA before management charges, restructuring costs and impairments of £19,000 loss (2012: Revenue of £990,000 and adjusted EBITA of £28,000 profit before management charges, restructuring costs and impairments.)

4 EMPLOYEES

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

	2013 Number	2012 Number
Sales and marketing	**55**	52
Content and production	**60**	57
Administration and management	**33**	31
	148	140

Their aggregate remuneration comprised:

	2013 £'000	2012 £'000
Wages and salaries	**5,721**	5,068
Social security costs	**598**	538
Pension costs	**27**	27
Equity-settled share-based payments and related (credits) / costs	**(27)**	144
	6,319	5,777

This remuneration is included in other operating expenses except for: £235,000 (2012: £181,000) included in cost of sales – direct costs; £165,000 (2012: £127,000) included in cost of sales – marketing expenses; £100,000 (2012: £26,000) included in restructuring costs; £179,000 (2012: £214,000) capitalised in the inventory for book development and £419,000 (2012: £404,000) capitalised in intangible fixed assets for web site development.

4 EMPLOYEES (continued)

The Group considers that the Board of Directors are the key management personnel. Their remuneration is summarised below:

Directors' emoluments	Salaries and fees £'000	Bonus £'000	Compensation for loss of office £'000	Pension £'000	**30 November 2013 £'000**	30 November 2012 £'000
Executive Directors						
J Turner	143	-	-	2	**145**	165
Q Brocklebank	96	10	30	-	**136**	138
Will Fawbert	101	-	-	-	**101**	-
Non-executive Directors						
P Rigby	6	-	-	-	**6**	12
S Routledge	11	-	-	-	**11**	10
Andrew Brode	15	-	-	-	**15**	-
	372	**10**	**30**	**2**	**414**	325

There were no retirement benefits accruing for the Directors.

No Directors (2012: none) exercised share options in the year and so no gains were made (2012: no gains). The amount for share based payment charges (note 28) which relates to Directors was £29,000 credit (2012: £138,000 charge).

At 30 November 2013, shares were receivable under long term incentive schemes in respect of one Director (2012: two Directors). J Turner has maximum numbers of options that could vest subject to performance conditions of 11,950,000 under the Share Price Growth Scheme (2012: 11,950,000 under the Share Price Growth Scheme). At 30 November 2012, Q Brocklebank had 7,170,000 under the Share Price Growth Scheme. The schemes are defined in note 28.

On 13 December 2013, the Company updated its share option plan and made new awards of share options (the "2013 Award"). The 2013 Award supersedes the share options granted in 2010 which were due to expire in April 2014 and have now been cancelled. Under the updated option plan, Julian Turner has a maximum total participation in the 2013 Award of 42,949,586 shares, William Fawbert has a maximum total participation in the 2013 Award of 17,179,834 shares and Andrew Brode has a maximum total participation in the 2013 Award of 10,151,720 shares.

5 ADJUSTED PROFIT

The adjusted profits have been prepared to allow shareholders to gain a further understanding of the trading performance of the Group. Profits are adjusted for items not perceived by management to be part of the underlying trends in the business and the related tax effect of those items. The adjustments add back items which have no cash impact or are not trade related and of a non-recurring type.

Adjusted numbers exclude amortisation and impairment of goodwill and intangible assets, restructuring and acquisition-related costs, and share based payment costs, as well as the tax impact of those adjusting items and any non-cash tax charges. Non-cash tax charges relate to movements on deferred tax such as the use of tax losses or tax credits from the recognition of tax losses.

As noted in the Strategic Report, the Board has made the decision to close the Milton Keynes office and wind down the Incentive Plus business during 2014. The Group has also withdrawn from the sponsorship based Cardiology business and streamlined the Sport & Gaming division during the year. The 2013 restructuring charge of £325,000 relates to closure costs of the Milton Keynes office, staff redundancy costs, stock provisions and a loss on disposal of intangible assets.

Restructuring costs of £201,000 in 2012 related to the disposal of the trade: '*The School Run*', funding advice in advance of the fundraising in the year and changes at Board level.

The acquisition-related credits of £144,000 in 2013 and £687,000 in 2012 relate to reductions in provisions held for contingent consideration on both the Radcliffe Publishing Limited and the Ikonami Limited acquisitions (see note 21).

The 2013 and 2012 restructuring and impairment costs, but not the acquisition-related credits were considered to be taxable items for corporation tax and thus attributable tax has been included in the period at 23.3% (2012: 24.7%) of their value. All other adjusting items do not have a tax affect on the Group.

5 ADJUSTED PROFIT (continued)

	Note	2013 £'000	2012 £'000
OPERATING (LOSS) / PROFIT FOR THE YEAR		**(1,159)**	253
Amortisation of intangible assets	*8*	**922**	955
Impairment expense	*8*	**674**	300
Acquisition-related and restructuring credits and costs		**181**	(486)
Share based payment (credits) / charges		**(27)**	144
Adjusting items to operating profit		**1,750**	913
Adjusted operating profit for the year (Adjusted EBITA)		**591**	1,166
Depreciation	*8*	**112**	127
Adjusted earnings before interest, tax, depreciation and amortisation for the year		**703**	1,293
(LOSS) / PROFIT BEFORE TAX FOR THE YEAR		**(1,204)**	173
Adjusting items to operating profit		**1,750**	913
Adjusting items to profit before tax		**1,750**	913
Adjusted profit before tax for the year		**546**	1,086
(LOSS) / PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**(733)**	111
Adjusting items to profit before tax		**1,750**	913
Attributable tax expense on adjusting items		**(216)**	(50)
Exclude movements on deferred tax assets and liabilities taken to income statement	*15*	**(655)**	(185)
Adjusting items to profit for the year		**879**	678
Adjusted profit for the year		**146**	789

6 FINANCE COSTS

	2013 £'000	2012 £'000
Bank loans and overdrafts	**46**	77
Unwinding of discount on provisions	**5**	3
	51	80

7 FINANCE INCOME

	2013 £'000	2012 £'000
Bank interest receivable	**6**	-

8 (LOSS) / PROFIT BEFORE TAXATION

	2013 £'000	2012 £'000
(Loss) / profit before taxation is stated after charging / (crediting):		
Depreciation and amounts written off property, plant and equipment – owned assets	**112**	127
Amortisation of intangible fixed assets	**922**	955
Impairment charges and reduction to goodwill	**674**	300
Loss from disposal of property, plant and equipment	**3**	-
Loss on disposal of intangible assets	**50**	60
Operating lease rentals:		
– Land and buildings	**154**	217
– Plant and equipment	**11**	19
Share based payment (credits) / charges	**(27)**	144
Loss on foreign exchange	**11**	16

Other operating expenses as disclosed on the face of the income statement include staff costs (note 4) of £5,221,000 (2012: £4,825,000) and premises costs of £442,000 (2012: £426,000).

Impairment charges in 2013 consist of £537,000 goodwill and £74,000 intangible fixed assets relating to Radcliffe Publishing Ltd (notes 11 and 12 respectively); £16,000 leasehold improvement costs associated with the Milton Keynes office, now planned for closure and £47,000 relating to intangible assets following a review of carrying amounts. In 2012, goodwill from acquisitions was impaired by £300,000 as detailed in note 11.

Amounts payable to KPMG Audit Plc and their associates in respect of both audit and non-audit services are as follows:

	2013 £'000	2012 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	**35**	34
Fees payable to the company's auditor and its associates for other services:		
– the audit of the company's subsidiaries pursuant to legislation	**47**	45
– other services relating to taxation	**15**	33
– services relating to corporate finance transactions involving the company or its subsidiaries	**-**	1
– other services	**5**	9
	102	122

Fees in respect of other services in 2013 and 2012, relate to the iXBRL filing of the Group's tax returns with the HMRC.

9 TAXATION

	2013 £'000	2012 £'000
Current tax:		
UK corporation tax on profits of the year	**111**	135
Adjustment to prior year	**(46)**	(4)
Total current tax	**65**	131
Deferred taxation:		
Origination and reversal of timing differences	**(747)**	(250)
Adjustment to prior year	**92**	65
Total deferred tax (note 15)	**(655)**	(185)
Tax credit on (loss) / profit on ordinary activities	**(590)**	(54)

UK corporation tax is calculated at 23.3% as 24% for the first four months of the financial year and then 23% for the remainder (2012: 24.7% as 26% for the first four months of the financial year and then 24% for the remainder) of the estimated assessable profit for the year. The net credit of £747,000 recognised in 2013 is principally due to the recognition of deferred tax assets in SBG Companies Ltd in relation to its historic tax losses.

9 TAXATION (continued)

Effective from 1 April 2013, the United Kingdom corporation tax rate changed from 24% to 23%. Effective from 1 April 2014, the United Kingdom corporation tax rate will reduce from 23% to 21% and a further reduction to 20% will apply from 1 April 2015. The expected changes in the corporation tax rate are reflected in the above table and included as an adjustment to prior year deferred tax.

The total tax charge can be reconciled to the accounting profit as follows:

Factors affecting tax charge for the year	**2013 £'000**	**%**	2012 £'000	%
(Loss) / profit on ordinary activities before tax	**(1,204)**		280	
(Loss) / profit on ordinary activities multiplied at the standard rate of corporation tax in the UK of 23.3% (2012 – 24.7%)	**(281)**	**23**	69	25
Effect of:				
Credits not deductible for tax purposes	**(100)**	**9**	(18)	(7)
Recognition prior year tax losses	**(255)**	**21**	(202)	(72)
Under provision in prior year	**46**	**(4)**	61	22
Share based payments	**-**	**-**	36	13
Tax credit and effective rate for the year	**(590)**	**49**	(54)	(19)

10 EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on the following:

	2013 Number	2012 Number
Weighted average number of shares	**403,388,961**	321,469,843
Adjustment in respect of SIP shares	**(967,283)**	(1,111,235)
Weighted average number of shares used in basic earnings per share calculations	**402,421,678**	320,358,608
Dilutive effect of share options	**1,860,095**	1,955,076
Weighted average number of shares used in diluted earnings per share calculations	**404,281,773**	322,313,684

	2013 £'000	2012 £'000
Basic and diluted (loss) / earnings	**(733)**	111
Adjustment to earnings (Note 5)	**879**	678
Adjusted basic and diluted earnings	**146**	789
Earnings per share		
Basic (loss) /earnings per share	**(0.18)p**	0.03p
Diluted (loss) / earnings per share	**(0.18)p**	0.03p
Adjusted earnings per share		
Adjusted basic earnings per share	**0.04p**	0.25p
Adjusted diluted earnings per share	**0.04p**	0.24p

11 GOODWILL

	GROUP 2013 £'000	2012 £'000
Cost		
1 December	**11,211**	11,211
30 November	**11,211**	11,211
Accumulated impairment provisions		
1 December	**5,391**	4,828
Reduction to goodwill	**-**	263
Impairment charges for the year	**537**	300
30 November	**5,928**	5,391
Carrying amount		
30 November	**5,283**	5,820

Goodwill by segment

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGU') that are expected to benefit from that business combination. CGU are identified as individual operating units with specific market and product types, usually derived from the original acquisition. The carrying amount has been allocated to the operating segments as follows:

	2012 £'000	Impairment £'000	**2013 £'000**
Education	1,874	-	**1,874**
Health	1,976	(537)	**1,439**
Sport & Gaming	1,970	-	**1,970**
Group overheads	-	-	**-**
	5,820	(537)	**5,283**

In 2013, goodwill attributable to Radcliffe Publishing Ltd has been impaired by £537,000. The majority of Radcliffe Publishing's business is print publishing and whilst investments are being made to evolve the product mix from print to digital, the returns expected from this are not sufficiently certain in the short term to justify its previous carrying value. In 2012, a reduction to goodwill of £263,000 was booked to derecognise deferred tax on amortisation as subsequently determined as allowable. Also in 2012, goodwill associated with Radcliffe Solutions was impaired by £300,000 to reflect difficult trading conditions.

Impairment testing methodology

The Group tests each CGU's goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired. The impairments in the periods reported are as disclosed in note 8.

The recoverable amounts of the CGU are determined from value in use calculations which are estimated using a discounted cash flow model. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 3 years and extrapolates further cash flows based on estimated long-term growth in gross domestic product of 3%. The rates do not exceed the average long-term growth rate for the relevant markets. The pre-tax rate used to discount the cash flows for all CGUs is 8.5% (2012: 8.3%). All CGUs are information provision businesses consolidated within the same Group and so with the same financing and structure risks.

The key assumptions across the CGU for the value in use calculations are those regarding revenue growth, profit margin, cash conversion, discount rate and terminal growth rate. The Group has formally approved the budgets used for the initial three years. The terminal growth rates are based on industry growth forecasts and long-term growth in gross domestic product. Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

Management has also conducted sensitivity analysis taking into consideration the impact of changes in the key impairment test assumptions. A 0.5% increase in the discount factor and 10% decrease in forecast cash flows would not give rise to any further impairments, other than for Radcliffe Publishing Ltd.

12 INTANGIBLE ASSETS

	GROUP					COMPANY		
	Publishing titles £'000	Other acquired assets £'000	Web design £'000	Computer software £'000	Total £'000	Web design £'000	Computer software £'000	Total £'000
Cost								
1 December 2011	4,842	1,235	801	275	7,153	123	128	251
Additions	-	-	408	21	429	53	13	66
Disposals	-	-	(150)	(96)	(246)	-	-	-
30 November 2012	4,842	1,235	1,059	200	7,336	176	141	317
Additions	25	-	493	2	520	-	1	1
Disposals	(25)	-	(76)	(2)	(103)	-	-	-
30 November 2013	**4,842**	**1,235**	**1,476**	**200**	**7,753**	**176**	**142**	**318**
Amortisation and impairment								
1 December 2011	2,692	492	282	129	3,595	69	28	97
Charge for the year	329	350	216	60	955	59	42	101
Disposals	-	-	(90)	(96)	(186)	-	-	-
30 November 2012	3,021	842	408	93	4,364	128	70	198
Charge for the year	297	350	215	60	922	13	40	53
Impairment	74	-	47		121	-	-	
Disposals	(5)	-	(47)	(1)	(53)	-	-	-
30 November 2013	**3,387**	**1,192**	**623**	**152**	**5,354**	**141**	**110**	**251**
Carrying amount								
30 November 2013	**1,455**	**43**	**853**	**48**	**2,399**	**35**	**32**	**67**
30 November 2012	1,821	393	651	107	2,972	48	71	119

The Group tests the assets annually for impairment or more frequently if there are indications that they might be impaired following the impairment methodology set out in note 11. In 2013, as a result of the restructuring referred to in note 4, certain website assets in the Health and Education divisions were assessed to be impaired by £47,000 (2012: £nil). In addition, certain Radcliffe publishing titles in the Health division were impaired by £74,000 (2012: £nil). With respect to intangible assets not deemed to be impaired, if the discount factor were increased by 0.5% there would be no impact on impairment at the 2013 balance sheet date (2012: £nil), other than for Radcliffe Publishing Ltd.

Of the significant publishing title carrying values:

- £426,000 relates to Radcliffe Publishing Ltd and is attributable to book and journal titles which were impaired by £74,000 during 2013. These will be fully amortised in 7 years (2012: 8 years).
- £608,000 relates to over three hundred product title rights acquired as part of the Speechmark Publishing Limited acquisition. These will be fully amortised in 4 years (2012: 5 years).
- £421,000 relates to the trade of Radcliffe Solutions Ltd, a software consultancy business. This will be fully amortised in 7 years (2012: 8 years).

In web design the major additions in 2012 and 2013 relate to the development of improved e-marketing tools, the conversion of the Group's various product sites to the latest Drupal version, both allowing the cross fertilisation of features from site to site and improved selling ability, and continuing digital migration of the Group's products, notably the Education online subscription service.

Electric Word plc

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 November 2013

13 PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold property improvements £'000	Computer equipment £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
1 December 2011	252	82	86	420
Additions	34	13	4	51
Disposals	(37)	(42)	(14)	(93)
30 November 2012	**249**	**53**	**76**	**378**
Additions	94	16	2	112
Disposals	(203)	(8)	-	(211)
30 November 2013	**140**	**61**	**78**	**279**
Depreciation and impairment				
1 December 2011	122	59	39	220
Charged in the year	81	24	22	127
Disposals	(37)	(42)	(14)	(93)
30 November 2012	**166**	**41**	**47**	**254**
Charged in the year	77	17	18	112
Impairment	16	-	-	16
Disposals	(201)	(2)	-	(203)
30 November 2013	**58**	**56**	**65**	**179**
Net book value				
30 November 2013	**82**	**5**	**13**	**100**
30 November 2012	83	12	29	124

COMPANY	Leasehold property improvements £'000	Computer equipment £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
1 December 2011	201	36	50	287
Additions	2	10	4	16
Write offs	-	(1)	(1)	(2)
30 November 2012	203	45	53	301
Additions	94	16	-	110
Disposals	(203)	(5)	-	(208)
30 November 2013	**94**	**56**	**53**	**203**
Depreciation				
1 December 2011	85	16	20	121
Charged in the year	66	17	18	101
Write offs	-	(1)	(1)	(2)
30 November 2012	151	32	37	220
Charged in the year	62	12	14	88
Disposals	(201)	(1)	-	(202)
30 November 2013	**12**	**43**	**51**	**106**
Net book value				
30 November 2013	**82**	**13**	**2**	**97**
30 November 2012	52	13	16	81

14 INVESTMENTS

The Company holds more than 20% of the share capital of the following companies, all of which are incorporated in England apart from IGaming Business North America Inc and SAM Media LLC which are incorporated in the USA:

Subsidiary undertakings:	Class of shareholding	% of shares held	Nature of business
Optimus Professional Publishing Limited	Ordinary	100%	Publisher
SBG Companies Limited	Ordinary	100%	Publisher
I-Gaming Business Limited *	Ordinary	70%	Publisher
Incentive Plus Limited	Ordinary	100%	Mail order
P2P Publishing Limited	Ordinary	100%	Publisher
Speechmark Publishing Limited	Ordinary	100%	Publisher
Radcliffe Publishing Limited	Ordinary	100%	Publisher
Radcliffe Solutions Limited	Ordinary	100%	Software provider
IGaming Business North America Inc. *	Ordinary	70%	Publisher
SAM Media LLC*	Ordinary	35%	Events

* Indirectly held

IGaming Business North America Inc. was incorporated on 1 October 2013 and on 23 October 2013 it acquired a 50% stake in SAM Media LLC for a nominal amount.

COMPANY	**2013**			2012		
	Shares in subsidiary undertakings £'000	**Loans to subsidiary undertakings £'000**	**Total £'000**	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost:						
At 1 December	**13,791**	**2,595**	**16,386**	10,999	2,595	13,594
Additions	**-**	**-**	**-**	2,792	-	2,792
At 30 November	**13,791**	**2,595**	**16,386**	13,791	2,595	16,386
Amounts written off:						
At 1 December	**8,989**	**-**	**8,989**	5,569	-	5,569
Impairment in the year	**537**	**-**	**537**	3,420	-	3,420
At 30 November	**9,526**	**-**	**9,526**	8,989	-	8,989
Net book value:						
At 30 November	**4,265**	**2,595**	**6,860**	4,802	2,595	7,397

The Group tests the investments annually for impairment or more frequently if there are indications that they might be impaired following the impairment methodology set out in note 11. In 2013, the investment in Radcliffe Publishing Ltd was deemed to be impaired as the outcomes expected from its evolution towards digital products were not sufficiently certain to generate positive returns in the short term to justify the carrying value. The other investments would require substantial decreases in their 2014 forecast cash flows to be calculated as impaired. A 0.5% increase in the discount factor and 10% decrease in forecast cash flows would not give rise to any further impairments, other than for Radcliffe Publishing Ltd.

The addition in 2012 reflects a capital contribution to a subsidiary as its balances owed to group undertakings were written down in the year. The entity's trade was then disposed of (note 26) and so the same amount was then impaired. In 2012 two trading investments were additionally impaired due to the inherent uncertainty in a turnaround happening in their trading. The carrying value for Radcliffe Solutions (formerly Ikonami) was impaired by £300,000 reflecting the tough current trading environment that the company operates in. Also the Special Education Publishing asset was fully impaired at a charge of £328,000 as, while valuable to the Education division's product range, the results were not sufficiently certain to improve in the short-term so as to not write down its value.

15 DEFERRED TAX

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Deferred tax assets				
Current	**237**	669	**7**	131
Non-current	**1,310**	352	**57**	-
	1,547	1,021	**64**	131
Deferred tax liabilities				
Current	**-**	(168)	**-**	(1)
Non-current	**(290)**	(251)	**-**	-
	(290)	(419)	**-**	(1)
Net position at 30 November	**1,257**	602	**64**	130

GROUP	Capital allowances £'000	Tax losses £'000	Goodwill and Intangible assets £'000	Other £'000	Total £'000
1 December 2011	2	807	(722)	97	184
Credit / (charge) to income for the year	163	(45)	42	25	185
Charge to equity for the year	-	-	-	(30)	(30)
Prior year acquisition adjustment (note 11)	-	-	263	-	263
30 November 2012	165	762	(417)	92	602
Credit / (charge) to income for the year	5	646	127	(31)	747
Adjustment to prior years	(50)	-	-	(42)	(92)
30 November 2012	**120**	**1,408**	**(290)**	**19**	**1,257**

There are accumulated losses of £13,568,000 (2012: £13,009,000) which, subject to agreement with the HM Revenue & Customs, are available to offset future profits of the same trade. Of this the Group has not recognised tax losses of £6,528,000 (2012: £9,696,000) as the probability that future taxable profits beyond five years will be available cannot be certain.

COMPANY	Capital allowances £'000	Tax losses £'000	Other £'000	Total £'000
1 December 2011	-	25	82	107
Credit / (charge) to income for the year	54	(25)	24	53
Charge to equity for the year	-	-	(30)	(30)
30 November 2012	54	-	76	130
Credit / (charge) to income for the year	23	-	2	25
Adjustments to prior years	(14)	-	(77)	(91)
30 November 2013	**63**	**-**	**1**	**64**

16 INVENTORIES

	GROUP 2013 £'000	GROUP 2012 £'000	COMPANY 2013 £'000	COMPANY 2012 £'000
Book inventories	**1,660**	1,648	**-**	-

Inventories were written down by £101,000 (2012: £30,000), with £95,000 (2012: £30,000) included within cost of sales and £6,000 (2012: £nil) included as a restructuring charge, from a carrying amount of £101,000 (2012: £30,000) down to £nil (2012: £ nil).

17 TRADE AND OTHER RECEIVABLES

	GROUP 2013 £'000	GROUP 2012 £'000	COMPANY 2013 £'000	COMPANY 2012 £'000
Due within one year:				
Trade receivables	**2,402**	1,827	**-**	-
Amounts owed by group undertakings	**-**	-	**6,358**	3,536
Other receivables	**585**	298	**366**	228
Prepayments and accrued income	**462**	593	**94**	169
	3,449	2,718	**6,818**	3,933

The average credit period taken on sales of goods is 40 days (2012: 46 days). Standard terms are thirty days but many of the Group's goods and services, such as subscription renewals and events, are invoiced in advance of the delivery date. An allowance is maintained for estimated irrecoverable amounts (note 22) and has been made with reference to past default experience. The Directors consider that the carrying amount of trade and other receivables approximates to their fair values.

The Group's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in note 22.

The Group holds no collateral against these receivables at the balance sheet date and charges no interest on its overdue receivables.

18 BORROWINGS

	GROUP 2013 £'000	GROUP 2012 £'000	COMPANY 2013 £'000	COMPANY 2012 £'000
Non-current				
Bank loans	**350**	475	**350**	475
	350	475	**350**	475
Current				
Bank loans	**125**	400	**125**	400
	125	400	**125**	400
	475	875	**475**	875

The effective interest rates and applicable balances at the balance sheet dates are as follows:

	GROUP 2013 £'000	GROUP 2012 £'000	COMPANY 2013 £'000	COMPANY 2012 £'000
Bank overdraft facility (2.25% over the lending Bank's base rate)	**-**	-	**-**	-
Bank loans (4.25% over LIBOR)	**475**	875	**475**	875
	475	875	**475**	875

18 BORROWINGS (continued)

At 30 November there were the following committed undrawn borrowing facilities expiring as follows:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
In one year or less - Bank overdraft facility	**750**	750	**750**	750

The weighted average interest rate implicit in the group's bank loans at 30 November 2013 was 4.85% (2012: 5.41%) and the weighted average period until maturity was 1.6 years (2012: 1.7 years). The Directors estimate that the fair value of the Group's borrowings is not significantly different to the carrying value.

The bank overdraft facility for £750,000 (2012: £750,000) is, when utilised, repayable on demand.

The bank loan is guaranteed by material subsidiaries of the Group. It was renegotiated in January 2013 and is repayable over 2.5 years ending in May 2016 (2012: repayable over 3.5 years ending in May 2016). The repayment profile is given in note 22.

19 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Trade payables	**1,268**	885	**268**	52
Amounts due to group undertakings	**-**	-	**7,498**	4,564
Other payables	**500**	419	**427**	328
Accruals	**1,217**	1,465	**202**	394
Total current	**2,985**	2,769	**8,395**	5,338

Trade, other payables, and accruals principally comprise amounts outstanding for trade and ongoing costs. The average credit period taken for trade purchases is 43 days (2012: 43 days).

20 DEFERRED INCOME

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Subscription and events fees received in advance	**3,114**	2,444	**-**	-

21 PROVISIONS

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
1 December	**220**	932	**220**	932
Increase in year	**127**	1	**-**	1
Release of provisions in year	**(144)**	(687)	**(144)**	(687)
Utilised during the year	**(81)**	(29)	**(81)**	(29)
Unwinding of discount	**5**	3	**5**	3
30 November	**127**	220	**-**	220
Included in current liabilities	**127**	125	**-**	125
Included in non-current liabilities	**-**	95	**-**	95

In 2010 a provision of £257,000 was made for the contingent consideration relating to the acquisition of Radcliffe Publishing Limited which could be payable in 2013 based on results in the 2012 financial year, with a maximum payable of £800,000. The provision was reduced during the year ended 30 November 2012 to an expected payment in 2013 of £50,000. During 2013, the final amount payable was confirmed at £6,000 and this was paid to the vendors. The remaining £44,000 provision release is reflected in acquisition-related credits in the income statement.

In 2011, provisions were made in relation to the acquisition of Radcliffe Solutions, (formerly Ikonami Limited,) representing up to £150,000 payable in January 2013 plus an earn-out payable in 2014 based on results in the 2013 financial year. The maximum payable in 2014 is £1,850,000 but £550,000 was originally provided (net of a notional interest discount of £71,000 which is unwinding through to the payment date). At 30 November 2012, the January 2013 provision was reduced to £75,000 and the 2014 provision was reduced to £100,000 net of the corresponding reduction to notional interest. The January 2013 provision of £75,000 was paid out in full in 2012, and the remaining provision of £100,000 has been released on the basis of Radcliffe Solutions 2013 results. This is reflected in acquisition-related credits in the income statement.

New provisions of £127,000 have been made in 2012 to reflect anticipated costs arising from the closure of the Milton Keynes office and wind-down of the Incentive Plus business.

22 FINANCIAL INSTRUMENTS

The Group's activities expose the Group to a number of risks including capital risk management, market risk (foreign currency risk and interest rate risk), liquidity risk and credit risk. The policies for managing these risks are regularly reviewed and agreed by the Board.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

Capital management
The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade in the foreseeable future. The Group also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital. The Group in particular reviews its levels of borrowing (note 18) and the repayment dates, setting these out against forecast cash flows and reviewing the level of available funds.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to holders of the parent, comprising issued share capital, reserves and retained earnings. Consistent with others in the industry, the Group reviews the gearing ratio to monitor the capital. This ratio is calculated as the net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity (including capital, reserves and retained earnings). This gearing ratio will be considered in the wider macroeconomic environment. With the current restraints on the availability of finance and economic pressures the Group has lowered its gearing ratio expectations and has reduced debt considerably in the last five years.

22 FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

		GROUP		COMPANY	
		2013	2012	**2013**	2012
	Notes	**£'000**	£'000	**£'000**	£'000
Financial assets					
Loans and receivables					
Trade receivables	17	**2,402**	1,827	**-**	-
Other receivables	17	**585**	298	**6,724**	3,764
Accrued income		**50**	112	**-**	-
Cash and cash equivalents	27	**463**	983	**379**	750
Total financial assets		**3,500**	3,220	**7,103**	4,514
Financial liabilities					
Amortised cost					
Bank loans	18	**475**	875	**475**	875
Current tax liabilities		**21**	80	**-**	-
Trade payables	19	**1,268**	885	**268**	52
Other payables	19	**500**	419	**7,925**	4,892
Accruals	19	**1,217**	1,465	**202**	394
Contingent consideration	21	**-**	220	-	220
Provisions	21	**127**	-	**-**	-
Deferred income	20	**3,114**	2,444	**-**	-
Total financial liabilities		**6,722**	6,388	**8,870**	6,433

Liquidity risk
Cash balances are placed so as to maximise interest earned while maintaining the liquidity requirements of the business. When seeking borrowings, the Directors consider the commercial terms available and, in consultation with their advisers, consider whether such terms should be fixed or variable and are appropriate to the business. The Directors review the placing of cash balances on an ongoing basis. Any surplus cash balances during the year were kept in standard accounts at standard bank interest rates. The financial assets of the group at 30 November 2013 were mainly designated in sterling and earned floating rate standard bank interest. These are disclosed under cash at bank and in hand of £463,000 (2012: £983,000).

The Group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows through effective cash management. In addition, the Group maintains a committed undrawn bank facility of £750,000 (2012: £750,000) which can be accessed as considered necessary. This facility is subject to annual renewal and any borrowings under it are repayable on demand.

Interest rate risk
The Group and company's interest rate exposure arises mainly from the interest bearing borrowings. Contractual agreements entered into at floating rates expose the entity to cash flow risk while any fixed rate borrowings would expose the entity to fair value risk.

The tables below show the Group's financial assets and liabilities split by those bearing fixed and floating rates and those that are non-interest bearing.

22 FINANCIAL INSTRUMENTS (continued)

INTEREST RATE RISK	Floating rate £'000	Non-interest bearing £'000	Total £'000
At 30 November 2013			
Cash and cash equivalents	**463**	**-**	**463**
Trade and other receivables	**-**	**3,037**	**3,037**
	463	**3,037**	**3,500**
Current tax liabilities	**-**	**21**	**21**
Trade and other payables	**-**	**2,985**	**2,985**
Deferred income	**-**	**3,114**	**3,114**
Borrowings	**475**	**-**	**475**
Provisions	**-**	**127**	**127**
	475	**6,247**	**6,722**
At 30 November 2012			
Cash and cash equivalents	983	-	983
Trade and other receivables	-	2,237	2,237
	983	2,237	3,220
Current tax liabilities	-	80	80
Trade and other payables	-	2,769	2,769
Deferred income	-	2,444	2,444
Borrowings	875	-	875
Provisions – contingent consideration	-	220	220
	875	5,513	6,388

The Group has derived a sensitivity analysis based on a 1% change in the floating interest rate:

	2013 £'000	2012 £'000
Impact on equity and profit after tax		
1% increase in base rate of interest	**(5)**	(9)
1% decrease in base rate of interest	**5**	9

The undiscounted contractual cash flows, including interest payments, are set out in the tables below.

UNDISCOUNTED CONTRACTUAL CASH FLOWS

GROUP	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
Bank loans	**148**	**263**	**102**	**513**
Provisions	**127**	**-**	**-**	**127**
Other liabilities	**6,120**	**-**	**-**	**6,120**
At 30 November 2013	**6,395**	**263**	**102**	**6,760**
Bank loans	440	148	368	956
Contingent consideration	125	100	-	225
Other liabilities	5,293	-	-	5,293
At 30 November 2012	5,858	248	368	6,474

22 FINANCIAL INSTRUMENTS (continued)

UNDISCOUNTED CONTRACTUAL CASH FLOWS

COMPANY	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
Bank loans	**148**	**263**	**102**	**513**
Other liabilities	**8,395**	**-**	**-**	**8,395**
At 30 November 2013	**8,543**	**263**	**102**	**8,908**
Bank loans	440	148	368	956
Contingent consideration	125	100	-	225
Other liabilities	5,338	-	-	5,338
At 30 November 2012	5,903	248	368	6,519

The terms, security and repayment information on these borrowings are given in note 18. Contingent consideration, provisions and other liabilities are not interest bearing and are unsecured.

Foreign exchange risk
The Group and Company operates principally in the United Kingdom and as such the majority of the Group and Company's financial assets and liabilities are denominated in sterling and there is no material exposure to exchange risks.

The Group and Company does suffer some exposure to exchange risk as a proportion of its business is overseas. Where the Group and Company enters into significant contracts denominated in overseas currencies it is not currently the Group and Company's policy to mitigate exchange risk by entering into forward currency contracts. The Group and Company attempt to mitigate its exposure by offsetting liabilities against foreign currency receipts as far as is possible.

Credit risk
The Group's principal financial assets are cash and cash equivalents, trade and other receivables and accrued income which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk primarily relates to trade and other receivables and accrued income. The amounts presented in the balance sheet are net of allowances for doubtful receivables, as estimated by the Group's management.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The following table provides analysis of trade receivables that were past due at 30 November, but not impaired. The Group believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

Ageing of receivables past due but not impaired

	2013 £'000	2012 £'000
30-60 days	**442**	381
60-90 days	**204**	220
90-120 days	**29**	43
Greater than 120 days	**17**	23
	692	667

The Group's policy is that debt is payable within 30 days. The older debt above will include items such as conferences and subscription renewals, which have been billed in advance of delivery so some payments may be delayed by customers.

22 FINANCIAL INSTRUMENTS (continued)

Movement in the provision for impairment for trade receivables:

	2013 £'000	2012 £'000
Opening balance at 1 December	**(279)**	(360)
Provision for receivables impairment released / (charged)	**2**	(5)
Receivables written off during the year	**180**	86
Closing balance at 30 November	**(97)**	(279)

Fair value
The Directors consider that the fair values of the Group's financial instruments do not significantly differ from their book values.

23 SHARE CAPITAL

The Company does not have an authorised share capital in either year.

Allotted, issued and fully paid:	**2013 Ordinary shares £'000**	2012 Ordinary shares £'000
As at 1 December	**3,996**	2,989
Issue of share capital	**72**	1,007
As at 30 November	**4,068**	3,996

A reconciliation of the movements in issued ordinary share capital is as follows:

		Number of shares Number	**Total Share capital £'000**	**Share price at issue Pence**
At 1 December 2011		298,916,380	2,989	
10 September 2012	Share issue at 1.5 pence per share	100,665,458	1,007	1.80p
At 30 November 2012		399,581,838	3,996	
22 May 2013	Share issue at 2.1 pence per share	7,200,000	72	2.05p
At 30 November 2013		**406,781,838**	**4,068**	

There have been no shares issued since the year end.

24 RESERVES

The reserve for own shares relates to the employee Share Incentive Plan (note 28 a) under which the Group owns 1,323,580 shares (2012: 1,434,296 shares).

25 NON-CONTROLLING INTEREST

The Group's non-controlling interest in both 2013 and 2012 was composed entirely of equity interests and represents the non-controlling interest of 30% in IGaming Business Limited.

26 BUSINESS COMBINATIONS AND DISPOSALS

Cash paid net of cash acquired:

	Date of acquisition	**2013** **£'000**	2012 £'000
Prior year acquisitions:			
Radcliffe Solutions Limited (formerly Ikonami Limited)	14 April 2011	**75**	29
Radcliffe Publishing Limited	23 November 2010	**6**	-
		81	29

Radcliffe Solutions Ltd
On 14 April 2011 the Group acquired 100% of the issued share capital of Ikonami Ltd for an initial consideration of £65,000 and renamed it Radcliffe Solutions Limited. There were two tranches of deferred consideration payable with £86,000 paid over 12 equal monthly instalments from the month of acquisition and £75,000 being payable in January 2013 (net of working capital adjustment). The £29,000 payment in 2012 relates to the four final instalments of the first tranche of deferred consideration. The £75,000 payment in 2013 settled the second tranche of deferred consideration.

Radcliffe Publishing Ltd
On 23 November 2010, the Group Acquired 100% of the issued share capital of Radcliffe Publishing Ltd. Part of the consideration included an amount contingent on the November 2012 results. During 2013, the final amount payable was confirmed at £6,000 and this was paid to the vendors.

The School Run ("TSR")
On 4 April 2012 the trade of TSR was disposed of for no consideration. In 2012, this contributed revenue of £107,000 and adjusted EBITA* (before allocation of the central division costs) of £103,000 loss. Post disposal the Group now receives a licence income calculated as a percentage of revenue and has the option to buy the trade back at a set multiple which is not valued in the Group's balance sheet as of immaterial value to the Group at the present date based on current trading.

27 ANALYSIS OF CHANGES IN NET FUNDS AND DEBT

GROUP	At 1 December 2012 £'000	Cash flow £'000	Non-cash changes £'000	**At 30 November 2013 £'000**
Cash at bank and in hand	983	(520)	-	**463**
Overdraft	-	-	-	**-**
Net cash	983	(520)	-	**463**
Bank loans due within one year	(400)	400	(125)	**(125)**
Debt due within one year	(400)	400	(125)	**(125)**
Bank loans due after one year	(475)	-	125	**(350)**
Debt due after one year	(475)	-	125	**(350)**
Net funds / (debt)	108	(120)	-	**(12)**

Non-cash changes are where applicable reclassifications from due after one year to due within one year and recognition of overdraft positions where the right of set-off does not apply. The terms on the debt is set out in notes 18 and 22.

28 SHARE BASED PAYMENT

The Company has the following option or share ownership schemes and warrants in issue. All the schemes use the Monte Carlo valuation method with the exception of the Long Term Incentive Plan which uses the Black Scholes Method. The relevant inputs for each scheme have been outlined below:

	2013		2012	
	Black Scholes	**Monte Carlo**	Black Scholes	Monte Carlo
Expected life (years)	**3.00 - 3.25**	**3.20 - 5.00**	3.00 - 3.25	3.20 - 5.00
Risk free rate (%)	**4.8039 – 4.9315**	**0.0126 - 5.1720**	4.8039 – 4.9315	0.0126 - 5.1720
Volatility (%)	**30.473 – 31.1165**	**39.740– 57.562**	30.473 – 31.1165	39.740– 57.562
Dividend yield (%)	**0**	**0**	0	0
Weighted average share price (p)	**2.10**	**2.10**	2.10	2.10
Weighted average exercise price (p)	**1.00**	**1.00 – 5.40**	1.00	1.00 – 5.40

The volatility of the Company's share price on each date of grant was calculated as the average of the standard deviations of daily continuously compounded returns on the stock of the Company, calculated back over a period commensurate with the expected life of the option. The risk-free rate used is the yield to maturity on the date of grant of a UK Gilt Strip, with term to maturity equal to the expected life of the option. It was assumed that options would be exercised within two years of the date on which they vest. The number of options exercisable for each scheme at the year end is based on the year end share price.

There have been no transactions with non employees.

a Share Incentive Plan

In September 2005, the Group introduced a Share Incentive Plan (SIP) and has run it in three further years (2006, 2007 and 2010). Under this plan the employees are eligible to acquire shares in the following ways:

- Free Shares
- Partnership Shares
- Matching Shares

The Free shares were available to all eligible employees and the shares must be held in the trust for a minimum period of 3 years unless the employee leaves the Company, in which case the Free shares may either be forfeited or withdrawn from the Plan.

Partnership shares were available for purchase by employees at current market value. Employees could invest any amount from between £10 - £1,500 (or 10% of the employee's salary if lower). The Partnership shares were matched by the Matching shares on a 1 for 1 basis in 2010 (2 for 1 basis in 2006 and 2005).

28 SHARE BASED PAYMENT (continued)

a Share Incentive Plan (continued)

The Partnership and Matching shares must be held in the Trust for a minimum of 3 years unless the employee leaves the Company in which case the Free shares may either be forfeited or withdrawn from the Plan. All of the shares will purchased at fair value in the market and the cash cost of the Partnership shares is expensed in the year of issue. The total fair value of the options granted in the year (excluding the paid for Partnership shares) was £nil (2012: £nil).

	2013		2012	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at the beginning of the period	**1,111,235**	**6.68**	1,400,064	6.79
Forfeited during the period	**(143,953)**	**5.96**	(288,829)	7.21
Outstanding at the end of the period	**967,282**	**6.79**	1,111,235	6.68
Exercisable at the end of the period	**967,282**	**6.79**	480,551	9.22

The weighted average remaining contractual life of share options outstanding at the end of the period was 5 years (2012: 6 years). The exercise price of the outstanding options ranges from 4.75 – 10.37 pence, but will have been paid at the outset on these options and nothing will be receivable by the Group.

b Long Term Incentive Plan

In November 2007, the Group introduced a Long Term Incentive Plan (‘LTIP’), under which at that time 14 members of senior management were granted a maximum of 5,658,824 share options dependent on performance criteria. The options, all with an exercise price of 1 pence, vested in February 2010 as the performance criteria of the Company achieving an average of at least 15% annualised adjusted earnings per share growth over the three years to November 2009 was met, although the maximum criteria which required growth of 25% per year was not. 1,957,731 of the vested options remain (2012: 1,957,731) and the weighted average remaining contractual life of these options is 4 years (2012: 5 years).

In 2010 a new LTIP scheme was launched in two parts, a Profit Growth Plan (‘PGP’) and a Share Price Growth Scheme (‘SPGS’).

Under the PGP 8 members of senior management were granted a maximum of 9,650,000 options in April 2010 to acquire shares in the Company at nominal value under a new 2010 Company Share Option Plan (“2010 Plan”). The scheme was subject to performance conditions relating to the growth in adjusted operating profit (note 5) in the business unit for which the participant was responsible over the two years to 30th November 2011 or, in the case of Directors, the Group as a whole. Vesting rights in these options start to accrue if profit growth exceeds certain minimum growth thresholds that have been set for each individual business unit and ranged from 3% to 8% per annum. The number of shares that have vested under the Profit Growth Plan is 1,500,000 and relate to one individual only.

Options were granted in September 2010 under the SPGS to the two executive Directors at that time and are exercisable at their nominal value of 1p subject to performance conditions which reward share price growth from November 30th 2009 to April 2014 above a threshold of 10% annual compound growth. The award was made wholly under the unapproved part of the 2010 Plan. The maximum number of shares allowed under the Share Price Growth Scheme was 19,120,000, which would require annualised compound share price growth over the period of 45% per annum. Of these, 7,170,000 options were forfeited during the year.

	2013		2012	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at the beginning of the period	**22,577,731**	**1.00**	22,712,723	1.00
Forfeited during the period	**(7,170,000)**	**1.00**	(134,992)	1.00
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	**15,407,731**	**1.00**	22,577,731	1.00
Exercisable at the end of the period	**3,457,731**	**1.00**	3,457,731	1.00

28 SHARE BASED PAYMENT (continued)

b Long Term Incentive Plan (continued)

The weighted average remaining contractual life of share options outstanding at the end of the period was 6 years (2012: 8 years). For all share options outstanding at the year end the exercise price was 1 pence.

c Unapproved Share Option Scheme

These options were awarded to key members of management and staff and were exercisable, subject to various trigger price restrictions, at any time between the third and tenth anniversaries of the date of grant. The weighted average remaining contractual life of these options is 0 years (2012: 0 years) and there are no outstanding exercisable options at either 30 November 2013 or the prior year.

	2013		2012	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at the beginning of the period	**-**	**-**	370,130	4.62
Forfeited during the period	**-**	**-**	(370,130)	4.62
Outstanding at the end of the period	**-**	**-**	-	-
Exercisable at the end of the period	**-**	**-**	-	-

d Enterprise Management Incentive Scheme

These options have been awarded to key members of management and staff and are exercisable, subject to various trigger price restriction, at any time between the third and tenth anniversaries of the date of grant. The weighted average remaining contractual life of these options is 1 year (2012: 2 years). For share options outstanding at the year end the exercise price ranged from 1.00-5.38 pence.

	2013		2012	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at the beginning of the period	**1,220,000**	**3.47**	2,732,054	3.42
Forfeited during the period	**-**	**-**	(1,512,054)	3.37
Exercised during the period	**-**	**-**	-	-
Expired during the period	**(350,000)**	**4.84**	-	-
Outstanding at the end of the period	**870,000**	**3.01**	1,220,000	3.47
Exercisable at the end of the period	**480,000**	**2.83**	830,000	3.58

No options were granted in the year (2012: none) with a total fair value of £nil (2012: £nil). For the Group's options to vest where a trigger price is included, the Group's market share price must meet that trigger. Of the options outstanding at the end of the period 200,000 (2012: 200,000) had a trigger price of 12 pence and 190,000 (2012: 190,000) of 15 pence and these have not been triggered.

29 COMMITMENTS UNDER OPERATING LEASES

The minimum lease payments under non-cancellable operating lease rentals are in aggregate as follows:

Land and buildings	GROUP		COMPANY	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Within one year	**139**	252	**98**	210
Between two and five years	**19**	520	**19**	395
	158	772	**117**	605

Operating lease payments represent rentals payable by the Group for its office properties. Leases are negotiated for an average term, excluding break clauses, of 3 years (2012: 4 years) and rentals are fixed for an average of 3 years (2012: 4 years).

Plant and machinery	GROUP		COMPANY	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Within one year	**11**	10	**2**	-
Between two and five years	**5**	12	**3**	-
	16	22	**5**	-

Operating lease payments represent rentals payable by the Group for printers and copiers. Leases are negotiated for an average term, excluding break clauses, of 4 years (2012: 4 years) and rentals are fixed for an average of 4 years (2012: 4 years).

30 POST BALANCE SHEET EVENTS

There have been no significant events since the balance sheet date.

31 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There are no capital commitments at the balance sheet date (2012: £nil). The Group does not have any contingent liabilities.

32 RELATED PARTY TRANSACTIONS

All related party balances held at November 2013 and 2012 are unsecured.

Subsidiaries
Its 70% (2012: 70%) owned subsidiary, I-Gaming Limited, is owed by other Group undertakings £4,590,000 (2012: £3,020,000) and owes £2,931,000 at 30 November 2013 (2012: £1,820,000), including debt due from the Company of £4,553,000 (2012: from the Company £3,019,000), after being charged costs and allocated staff time in the year of £994,000 (2012: £828,000).

Advisory Services
The Board receives financial advice from Trillium Partners Limited ("Trillium Partners"). Trillium Partners is a specialist media advisory firm, in which voting control of 45.0% (2012: 45.0%) is held by Stephen Routledge, a non-executive Director of Electric Word, and as such is a related party. Accordingly, the Directors (other than Stephen Routledge) consider, having consulted with Panmure Gordon (UK) Limited, its nominated adviser, that the terms of the fees payable to Trillium Partners are fair and reasonable insofar as the Company's shareholders are concerned. The total fee for the advice and work in the year is £60,000 (2012: £60,000). The Group continues to receive advice at a similar level into 2014.

32 RELATED PARTY TRANSACTIONS (continued)

Company

The table below sets out the transactions and balances with other group undertakings:

	BALANCE Debtor / (creditor)		**TRANSACTIONS IN YEAR Income / (expenditure)**	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
iGaming Business Limited	**(4,553)**	(3,019)	**(1,534)**	(1,097)
Incentive Plus Limited	**461**	239	**222**	333
Speechmark Publishing Limited	**(2,673)**	(1,491)	**(1,182)**	(808)
Optimus Professional Publishing Limited	**1,450**	803	**647**	743
P2P Publishing Limited	**(272)**	(54)	**(218)**	(2,330)
SBG Companies Limited	**1,539**	1,059	**480**	278
Radcliffe Publishing Limited	**2,075**	793	**1,282**	868
Radcliffe Solutions Limited	**662**	471	**191**	299
Electric Word Employee Benefit Trust	**171**	171	**-**	-
	(1,140)	(1,028)		

The natures of the transactions with group undertakings comprise salary recharges, recharges of various trading activities, and cash draw downs.

Key management personnel

For details of related party transactions with key management personnel see note 4.