



?WHAT IF! HOLDINGS LIMITED



Directors' Report And Financial Statements

For the year ended 31 December 2012



WHAT IF! HOLDINGS LIMITED

DIRECTORS AND ADVISERS

Directors	D Allan M Kingdon S Pajwani R Price
Secretary	J Hoare
Company number	03745474
Registered office	5th Floor 89 New Bond Street London W1S 1DA
Registered auditors	Kingston Smith LLP 141 Wardour Street London W1F 0UT
Bankers	HSBC Bank Plc Commercial Centre 465 Bethnal Green Road London E2 9QW

?WHAT IF! HOLDINGS LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Consolidated profit and loss account	5
Statement of recognised gains and losses	6
Balance sheets	7
Consolidated cash flow statement	8
Notes to the consolidated cash flow statement	9
Notes to the financial statements	10 - 30

?WHAT IF! HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and financial statements for the year ended 31 December 2012

Directors

The following directors have held office since 1 January 2012

D Allan
M Kingdon
S Pajwani
R Price

Principal activities and review of the business

The principal activity of the business continues to be that of innovating brands, products and services, transforming clients' innovation capability, and resolving clients' strategic innovation challenges

Turnover for the year was £33.2 million, (2011 £29.4 million)

Operating profit for the year was £0.4 million (2011 £1.1 million)

During the year the Group continued to invest heavily in strengthening its management team and commercial systems

Principal risks, uncertainties and financial instruments

The directors consider that the business is exposed to credit risk and, more significantly, credit delinquency since the majority of the company's revenues are derived from major multinationals where there has been increasing pressure to extend payment terms

The company has no debt

The company monitors cash flows as part of its day to day control procedures. The Board considers cashflow projections on a regular basis and ensures appropriate facilities are drawn upon as appropriate

Key performance indicators (KPIs)

Our financial KPIs are turnover, operating margin and earnings before interest, tax, depreciation and amortisation (EBITDA), the latter being the best indicator of cash generation

The Board considers the results acceptable, given the prevailing economic conditions, and is confident that the company is optimally positioned to enjoy strong and sustainable growth

Other KPIs include reporting on the number of briefs, the ratio of successful conversion and the lead time from receiving a brief to starting work. The Board considers this information to be commercially sensitive

Results and dividends

The consolidated profit and loss account for the year is set out on page 6

The company paid a dividend in the year, see page 16

Future developments

The Board has approved the opening of an office in Sao Paulo, Brazil to be operational as from the middle of 2013

During 2013 the refurbishment of the company's offices in New York was completed and similar work will be undertaken at the offices in London

WHAT IF HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

Purchase of own shares

During the year, 15,000 (2011 72,000) Ordinary shares of 0.10p each were repurchased by the company from individuals, for a total consideration of £44,876 (2011 £360,000)

Auditors

In accordance with the company's articles, a resolution proposing that Kingston Smith LLP be reappointed as auditors of the company will be put at a General Meeting

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

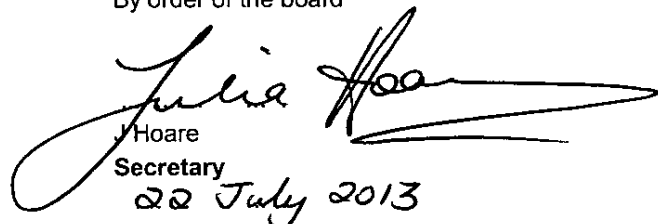
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,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

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

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information

By order of the board


Julia Hoare
Secretary
22 July 2013

WHAT IF HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHAT IF HOLDINGS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of What If Holdings Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

?WHAT IF! HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF ?WHAT IF! HOLDINGS LIMITED

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

Kingston Smith LLP

Ian Graham (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

24/7/2013

Chartered Accountants
Statutory Auditor

141 Wardour Street
London
W1F 0UT

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CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
Turnover	2	33,280,936	29,380,547
Cost of sales		(12,250,560)	(10,703,366)
Gross profit		21,030,376	18,677,181
Administrative expenses		(20,696,320)	(17,664,475)
Other operating income		8,483	50,474
Operating profit	3	342,539	1,063,180
Profit loss on sale of subsidiary		-	(641)
Profit on ordinary activities before interest		342,539	1,062,539
Other interest receivable and similar income		9,555	9,860
Interest payable and similar charges	4	-	(1,754)
Profit on ordinary activities before taxation		352,094	1,070,645
Tax on profit on ordinary activities	5	(4,978)	(368,322)
Profit on ordinary activities after taxation		347,116	702,323

The profit and loss account has been prepared on the basis that all operations are continuing operations

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STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	£	£
Profit for the financial year	347,116	702,323
Currency translation differences on foreign currency net investments	(159,415)	47,454
Total recognised gains and losses relating to the year	<u>187,701</u>	<u>749,777</u>

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BALANCE SHEETS AS AT 31 DECEMBER 2012

	Notes	Group 2012 £	2011 £	Company 2012 £	2011 £
Fixed assets					
Intangible assets	8	1,206,635	1,401,554	315,276	378,331
Tangible assets	9	1,677,121	1,172,068	-	-
Investments	10	159,023	73,923	3,004,588	2,919,488
		<u>3,042,779</u>	<u>2,647,545</u>	<u>3,319,864</u>	<u>3,297,819</u>
Current assets					
Work in progress	11	116,836	250,986	-	-
Debtors	12	9,481,068	9,972,617	49,743	150,655
Deferred tax asset	12	428,339	180,664	-	-
Cash at bank and in hand		2,700,033	2,294,315	59,130	44,842
		<u>12,726,276</u>	<u>12,698,582</u>	<u>108,873</u>	<u>195,497</u>
Creditors amounts falling due within one year	13	<u>(6,497,352)</u>	<u>(5,967,418)</u>	<u>(2,225,966)</u>	<u>(1,996,658)</u>
Net current assets		<u>6,228,924</u>	<u>6,731,164</u>	<u>(2,117,093)</u>	<u>(1,801,161)</u>
Total assets less current liabilities		<u>9,271,703</u>	<u>9,378,709</u>	<u>1,202,771</u>	<u>1,496,658</u>
Creditors amounts falling due after more than one year	14	<u>(299,222)</u>	<u>(377,489)</u>	<u>-</u>	<u>-</u>
Provisions for liabilities	15	<u>(156,000)</u>	<u>(131,000)</u>	<u>-</u>	<u>-</u>
		<u>8,816,481</u>	<u>8,870,220</u>	<u>1,202,771</u>	<u>1,496,658</u>
Capital and reserves					
Called up share capital	17	2,405	2,420	2,405	2,420
Other reserves	18	400,387	42,081	(250,309)	(664,594)
Profit and loss account	18	8,413,689	8,825,719	1,450,675	2,158,832
Shareholders' funds	19	<u>8,816,481</u>	<u>8,870,220</u>	<u>1,202,771</u>	<u>1,496,658</u>

Approved by the Board and authorised for issue on

22 July 2013



M Kingdon
Director

Company Registration No 03745474

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	£	2012 £	£	2011 £
Net cash inflow / (outflow) from operating activities		1,984,826		(67,555)
Returns on investments and servicing of finance				
Interest received	9,555		9,860	
Interest paid	-		(1,754)	
Net cash inflow for returns on investments and servicing of finance		9,555		8,106
Taxation		(25,467)		(729,897)
Capital expenditure and financial investment				
Payments to acquire tangible assets	(1,104,720)		(324,908)	
Payments to acquire investments	(120,000)		-	
Net cash outflow for capital expenditure		(1,224,720)		(324,908)
Acquisitions and disposals				
Net cash inflow for acquisitions and disposals		-		-
Equity dividends paid		(228,443)		-
Net cash inflow / (outflow) before management of liquid resources and financing		515,751		(1,114,254)
Financing				
Purchase of own shares	(44,876)		(360,000)	
Movement of US creditor	(65,157)		(64,710)	
Net cash outflow from financing		(110,033)		(424,710)
Increase/(decrease) in cash in the year		405,718		(1,538,964)

WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities		2012	2011	
			£	£	
	Operating profit		342,539	1,063,180	
	Depreciation of tangible assets		550,266	430,076	
	Amortisation of intangible assets		194,919	194,919	
	(Loss)/profit on disposal of tangible assets		35,832	(707)	
	Decrease in stocks		134,150	198,366	
	Decrease/(increase) in debtors		85,936	(1,782,761)	
	Increase/(decrease) in creditors within one year		512,748	(330,215)	
	Movement in provisions and long term creditors		25,000	25,000	
	Share scheme charge		103,436	134,587	
	Net cash inflow/(outflow) from operating activities		1,984,826	(67,555)	
2	Analysis of net funds	1 January 2012	Cash flow	Other non-cash changes	31 December 2012
		£	£	£	£
	Net cash				
	Cash at bank and in hand	2,294,315	405,718	-	2,700,033
	Debts falling due after one year	(377,489)	65,157	13,110	(299,222)
	Net funds	1,916,826	470,875	13,110	2,400,811
3	Reconciliation of net cash flow to movement in net debt		2012	2011	
			£	£	
	Increase/(decrease) in cash in the year		405,718	(1,538,964)	
	Cash outflow from decrease in debt		65,157	64,710	
	Net effect of foreign exchange differences		13,110	27,203	
	Movement in net funds in the year		483,985	(1,447,051)	
	Opening net funds		1,916,826	3,363,877	
	Closing net funds		2,400,811	1,916,826	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2012. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation. For associated companies and participating interests, where significant influence is exercised, the interests are accounted for using the equity method. Where significant influence is not exercised, the investments are shown at cost less any provision for impairment.

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of between 8 and 20 years

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	25% straight line
Plant and machinery	25% straight line
Computer equipment	33 3% - 50% straight line
Fixtures, fittings & equipment	20% to 33 3% straight line

1.7 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Income received in respect of office space rented by the group under operating leases and sub-let to 3rd parties has been credited to the profit and loss account on a straight-line basis over the length of the sub-lease. Any premium or discount on the granting of a sub lease is spread over the life of the lease on a straight-line basis.

1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value

1.9 Stock and work in progress

Work in progress is valued at the lower of cost and net realisable value. It is made up of prepaid third party costs that will be billed to clients in the following year.

?WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies

(continued)

1 10 Revenue recognition

Fee income represents revenue earned under a wide variety of contracts to provide professional services. Revenue is recognised as earned when, and to the extent that, the firm obtains the right to consideration in exchange for its performance under these contracts. It is measured at the fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements but excluding value added tax.

Revenue is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Revenue not billed to clients is included in debtors and payments on account in excess of the relevant amount of revenue are included in creditors.

Fee income that is contingent on events outside the control of the firm is recognised when the contingent event occurs.

1 11 Pensions

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1 12 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1 13 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account. The profit and loss accounts of overseas subsidiary undertakings are translated into pounds sterling at average exchange rates and the year-end net assets of these companies are translated at year-end exchange rates. Exchange differences arising from retranslation of the opening net assets and on foreign currency borrowings (to the extent that they hedge the Group's investment in such operations) are reported in the consolidated statement of recognised gains and losses. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1 14 Employee benefit trust

In accordance with UITF 32 - Employee Benefit Trusts and Other Intermediate Payment Arrangements, the company includes the assets and liabilities of that trust within its balance sheet. In the event of the winding up of the company, neither the shareholders nor the creditors of the company would be entitled to the assets of the employee benefit trust.

WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

2 Turnover

The total turnover of the group for the year has been derived from its principal activity

Segmental analysis by geographical area

The analysis by geographical area of the group's turnover, profit before taxation and net assets is set out as below

Turnover

	2012	2011
	Sales by	Sales by
	origin	origin
	£	£
Geographical segment		
United Kingdom	14,838,344	14,255,349
North America	15,489,222	11,583,487
Asia	2,953,370	3,541,711
	<u>33,280,936</u>	<u>29,380,547</u>

Profit before taxation

	2012	2011
	£	£
Geographical segment		
United Kingdom	(110,650)	(1,984)
North America	569,865	828,921
Asia	(107,121)	243,710
	<u>352,094</u>	<u>1,070,645</u>

Net assets

	2012	2011
	£	£
Geographical segment		
United Kingdom	4,215,081	4,411,435
North America	3,476,055	3,249,014
Asia	1,125,345	1,209,771
	<u>8,816,481</u>	<u>8,870,220</u>

?WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

3	Operating profit	2012	2011
		£	£
	Operating profit is stated after charging		
	Amortisation of intangible assets	194,919	194,919
	Depreciation of tangible assets	550,266	410,417
	Loss on disposal of tangible assets	35,832	-
	Loss on foreign exchange transactions	79,493	-
	Operating lease rentals	1,338,007	1,241,888
	Fees payable to the group's auditor for the audit of the group's annual accounts (company £10,000, 2011 £10,000)	48,000	55,700
	Fees payable to the group's auditor for preparation of consolidated accounts	10,000	9,000
	Fees payable to the group's auditor for preparation of tax computations	-	-
	and after crediting		
	Rents receivable	8,483	50,474
	Profit on disposal of tangible assets	-	(3,633)
	Profit on foreign exchange transactions	-	(100,205)
		<u><u> </u></u>	<u><u> </u></u>
4	Interest payable	2012	2011
		£	£
	On other loans wholly repayable within five years	-	1,754
		<u><u> </u></u>	<u><u> </u></u>

WHAT IF1 HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

5 Taxation	2012 £	2011 £
Domestic current year tax		
U K corporation tax	55,694	-
Adjustment for prior years	-	(776)
	<u>55,694</u>	<u>(776)</u>
Foreign corporation tax		
Foreign corporation tax	200,900	413,128
Adjustment for prior years	-	5,251
	<u>200,900</u>	<u>418,379</u>
Total current tax	256,594	417,603
Deferred tax		
Deferred tax charge/(credit) current year	(251,616)	(49,281)
	<u>4,978</u>	<u>368,322</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>352,094</u>	<u>1,070,645</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.50% (2011 - 26.50%)	<u>86,263</u>	<u>283,721</u>
Effects of		
Non deductible expenses	37,390	40,270
Capital allowances in excess of depreciation	29,259	76,337
Losses utilised	(33,349)	(58,909)
Foreign tax adjustments	87,528	123,356
Adjustments to previous periods	-	(776)
Chargeable disposals	89	(963)
Other tax adjustments	49,414	(45,433)
	<u>170,331</u>	<u>133,882</u>
Current tax charge for the year	<u>256,594</u>	<u>417,603</u>

?WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

6 Profit/(loss) for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit/(loss) for the financial year is made up as follows:

	2012	2011
	£	£
Holding company's profit/(loss) for the financial year	50,989	(524,859)

7 Dividends

	2012	2011
	£	£
Ordinary interim paid	228,443	-
Ordinary final proposed	71,557	-
	<u>300,000</u>	<u>-</u>

The final proposed dividend was paid on 6th April 2013.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

8 Intangible fixed assets Group

	Goodwill £
Cost	
At 1 January 2012 & at 31 December 2012	3,157,089
Amortisation	
At 1 January 2012	1,755,535
Charge for the year	194,919
At 31 December 2012	1,950,454
Net book value	
At 31 December 2012	1,206,635
At 31 December 2011	1,401,554

Intangible fixed assets (continued) Company

	Goodwill £
Cost	
At 1 January 2012 & at 31 December 2012	550,846
Amortisation	
At 1 January 2012	172,515
Charge for the year	63,055
At 31 December 2012	235,570
Net book value	
At 31 December 2012	315,276
At 31 December 2011	378,331

WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

9 Tangible fixed assets Group

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 January 2012	1,213,587	753,388	149,543	2,116,518
Exchange differences	(46,977)	(28,038)	-	(75,015)
Additions	606,586	457,477	40,657	1,104,720
Disposals	-	(8,193)	(120,334)	(128,527)
At 31 December 2012	1,773,196	1,174,634	69,866	3,017,696
Depreciation				
At 1 January 2012	434,847	376,516	133,087	944,450
Exchange differences	(12,583)	(13,963)	-	(26,546)
On disposals	-	(7,261)	(120,334)	(127,595)
Charge for the year	286,304	242,391	21,571	550,266
At 31 December 2012	708,568	597,683	34,324	1,340,575
Net book value				
At 31 December 2012	1,064,628	576,951	35,542	1,677,121
At 31 December 2011	778,740	376,872	16,456	1,172,068

?WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

10 Fixed asset investments Group

	Unlisted investments £	Shares in group undertakings £	Total £
Cost			
At 1 January 2012	25,598	48,673	74,271
Additions	-	120,000	120,000
Disposals	-	(34,900)	(34,900)
At 31 December 2012	<u>25,598</u>	<u>133,773</u>	<u>159,371</u>
Provisions for diminution in value			
At 1 January 2012 & at 31 December 2012	<u>348</u>	-	<u>348</u>
Net book value			
At 31 December 2012	<u>25,250</u>	<u>133,773</u>	<u>159,023</u>
At 31 December 2011	<u>25,250</u>	<u>48,673</u>	<u>73,923</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

Company

	Shares in group undertakings £
Cost	
At 1 January 2012	2,919,488
Additions	120,000
Disposals	(34,900)
At 31 December 2012	<u>3,004,588</u>
Net book value	
At 31 December 2012	<u>3,004,588</u>
At 31 December 2011	<u>2,919,488</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

10 Fixed asset investments

(continued)

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held		Principal activity
		Class	%	
Subsidiary undertakings				
?What If! Limited	England & Wales	Ordinary	100	Innovation
?What If! Training Limited*	England & Wales	Ordinary	100	Dormant
?What If! Inventors Limited*	England & Wales	Ordinary	100	Dormant
?What If! USA Inc	USA	Ordinary	100	Innovation
?What If! Ventures Limited	England & Wales	Ordinary	100	Dormant
?What If! Joint Ventures Limited	England & Wales	Ordinary	100	Innovation
?What If! China Holdings Limited	England & Wales	Ordinary	100	Holding company
?What If! (Shanghai) Co Ltd+	China	Ordinary	100	Innovation
Nobby Styles Limited	England & Wales	Ordinary	100	Dormant
Dr Greenfingers (Holdings) Ltd	England & Wales	Ordinary	100	Dormant
?What If! (Hong Kong) Co Limited+	Hong Kong	Ordinary	100	Innovation
?What If! Singapore x	Singapore	Ordinary	100	Innovation
Participating interests				
Impact Innovation Limited	England & Wales	Ordinary	25	Innovation
Other significant interests				
Octopus Capital Limited -	England & Wales	Ordinary	1	
Irrigo Limited	England & Wales	Ordinary B	1	

* owned via ?What If! Limited

+ owned via ?What If! Singapore

x owned via ?What If! China Holdings

- owned via ?What If! Joint Ventures

The results for Impact Innovation Limited to 31 December 2012 were not available at the date of approval of these accounts. Shareholders funds for Impact Innovation Limited as at 31 December 2011 amounted to £161,707 (2010 £159,772)

All of the above subsidiaries are included in the consolidated accounts because ?What If! Holdings Limited owns 100% of the share capital and controls 100% of the voting rights

11 Work in progress

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Work in progress	116,836	250,986	-	-

?WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

12 Debtors

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	7,049,387	7,590,183	-	-
Amounts owed by group undertakings	-	-	7,110	150,655
Corporation tax	143,483	240,475	-	-
Other debtors	1,455,867	1,655,751	-	-
Prepayments and accrued income	832,331	486,208	42,633	-
Deferred tax asset (see note 15)	428,339	180,664	-	-
	<u>9,909,407</u>	<u>10,153,281</u>	<u>49,743</u>	<u>150,655</u>

Amounts falling due after more than one year and included in the debtors above are

	2012		2011	
	£	£	£	£
Other debtors	<u>775,416</u>	<u>723,046</u>	-	-

13 Creditors amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade creditors	1,766,449	1,455,213	-	-
Amounts owed to group undertakings	-	-	2,089,867	1,767,349
Corporation tax	-	117,481	-	-
Other taxes and social security costs	756,917	795,680	-	-
Other creditors	226,961	353,457	50,206	161,847
Accruals and deferred income	3,675,468	3,245,587	14,336	67,462
Proposed dividend	71,557	-	71,557	-
	<u>6,497,352</u>	<u>5,967,418</u>	<u>2,225,966</u>	<u>1,996,658</u>

?WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

14 Creditors amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Other loans	299,222	377,489	-	-
In more than one year but not more than two years	62,000	64,713	-	-
In more than two years but not more than five years	186,000	194,137	-	-
In more than five years	51,222	118,639	-	-

Amounts due after five years represent an interest free loan from one of the group's landlords. The balance is being repaid at a rate of \$100,000 USD per annum.

?WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

15 Provisions for liabilities Group

	Other £
Balance at 1 January 2012	131,000
Profit and loss account	25,000
	<hr/>
Balance at 31 December 2012	156,000
	<hr/> <hr/>

£106,000 of the provision relates to amounts payable to suppliers, with part being dependent upon the performance of the group. There are no indications that the amounts will not be payable in full and accordingly the full amount has been provided for. The remaining £50,000 relates to a provision for dilapidations on the lease on the office building. This is being recognised on a straight line basis over the remaining life of the lease.

The deferred tax asset (included in debtors, note 12) is made up as follows

	Group 2012 £	Company 2012 £
Balance at 1 January 2012	(180,664)	-
Profit and loss account	(247,675)	-
	<hr/>	<hr/>
Balance at 31 December 2012	(428,339)	-
	<hr/> <hr/>	<hr/> <hr/>

	Group 2012 £	2011 £	Company 2012 £	2011 £
Decelerated capital allowances	(235,708)	(180,664)	-	-
Tax losses available	(192,631)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(428,339)	(180,664)	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16 Pension and other post-retirement benefit commitments

Defined contribution

	2012 £	2011 £
Contributions payable by the group for the year	498,647	401,971
	<hr/> <hr/>	<hr/> <hr/>

?WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

17 Share capital	2012	2011
	£	£
Allotted, called up and fully paid		
2,405,763 Ordinary shares (2011 2,420,763) of 0 1p each	2,405	2,420

During the year 15,000 Ordinary shares of 0 1p each were repurchased by the company from an individual for a total consideration of £44,876

Share options

Certain employees from the subsidiary undertakings and the Company hold options to subscribe for shares in the Company at prices ranging from £0 92 to £5 00. The number of shares subject to options and the periods in which they were granted are given below. These all have exercise periods of 5 years.

Date of grant	Number of shares				Exerciseable at year end	Exercise price (p)
	1 Jan 2012	Issued in the year	Lapsed in the year	31 Dec 2012		
04/01/06	8,000	-	-	8,000	8,000	120
24/04/06	7,000	-	-	7,000	7,000	334
01/10/07	24,000	-	-	24,000	24,000	469
23/02/09	170,000	-	-	170,000	-	92
10/03/09	54,000	-	-	54,000	-	120
10/03/09	7,000	-	-	7,000	-	469
19/01/10	20,000	-	-	20,000	-	121
19/01/10	130,000	-	(50,000)	80,000	-	162
19/01/10	20,000	-	-	20,000	-	469
19/01/10	8,000	-	-	8,000	-	500
10/03/10	140,000	-	-	140,000	-	121
11/04/11	75,000	-	(75,000)	-	-	391
11/04/11	75,000	-	(75,000)	-	-	391
	738,000	-	(200,000)	538,000	39,000	

The charge to the profit and loss account in 2012 was £103,436 (2011 £134,587). The fair value has been calculated using the Black Scholes option pricing model. In respect of options granted in 2012 the inputs into the model were as follows:

	2012	2011
Weighted average share price	n/a	271p
Exercise price	n/a	92p-500p
Expected volatility	n/a	35.00%
Expected life	n/a	5 years
Risk free rate	n/a	2.81%
Expected dividend yield	n/a	1.00%

?WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

17 Share capital

(continued)

Expected volatility was determined with reference to the total value of equity per internal market calculations. The expected life used in the model has been calculated, based on management's best estimate, for the effects of non-transferability and behavioural considerations. The weighted average remaining contractual life of the share options outstanding at the end of the period is five years. The weighted average fair value at measurement date for the options granted during the year was 2012 not applicable (2011 £0 2457). There are no market based conditions included in the valuation.

In addition to the above, in 2011 an employee of ?What If! USA Limited was granted options over 20 common stock (representing 3% of the issued common stock of the company). These options will vest if certain conditions relating to the performance of the company are met. The options are exercisable at a price of US\$0.01 per share.

WHAT IFI HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

18 Statement of movements on reserves Group

	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2012	42,081	8,825,719
Profit for the year	-	347,116
Purchase of own shares	-	(44,876)
Foreign currency translation differences	(159,415)	-
Dividends paid	-	(300,000)
Movement during the year	517,721	(414,270)
Balance at 31 December 2012	<u>400,387</u>	<u>8,413,689</u>
Other reserves		
Capital redemption reserve		
Balance at 1 January 2012	866	
Capital redemption reserve increase	15	
Balance at 31 December 2012	<u>881</u>	
Reserves for own shares		
Balance at 1 January 2012	(693,460)	
Reserve for own shares other movement	414,270	
Balance at 31 December 2012	<u>(279,190)</u>	
Share option reserve		
Balance at 1 January 2012	414,368	
Share scheme charge	103,436	
Balance at 31 December 2012	<u>517,804</u>	
Foreign exchange reserve		
Balance at 1 January 2012	320,307	
Currency translation reserve decrease	(159,415)	
Balance at 31 December 2012	<u>160,892</u>	

WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

(continued)

Company	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2012	(664,594)	2,158,832
Profit for the year	-	50,989
Purchase of own shares	-	(44,876)
Dividends paid	-	(300,000)
Movement during the year	414,285	(414,270)
Balance at 31 December 2012	<u>(250,309)</u>	<u>1,450,675</u>
Other reserves		
Capital redemption reserve		
Balance at 1 January 2012	866	
Capital redemption reserve increase	15	
Balance at 31 December 2012	<u>881</u>	
Reserves for own shares		
Balance at 1 January 2012	(693,460)	
Reserve for own shares other movement	414,270	
Balance at 31 December 2012	<u>(279,190)</u>	
Reserves provided for by the Articles of Association		
Balance at 1 January 2012 & at 31 December 2012	<u>28,000</u>	

During the year the reserve for own shares was reduced by £414,270 to reflect shares being granted to employees as a result of the exercise of options over shares held by the Employee Benefit Trust in previous years

WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

19 Reconciliation of movements in shareholders' funds	2012	2011
Group	£	£
Profit for the financial year	347,116	702,323
Dividends	(300,000)	-
	<u>47,116</u>	<u>702,323</u>
Other recognised gains and losses	(159,415)	47,454
Purchase of own shares	(44,876)	(360,000)
Share option scheme charge	103,436	134,587
	<u>(53,739)</u>	<u>524,364</u>
Net addition to shareholders' funds	8,870,220	8,345,856
Opening shareholders' funds	<u>8,816,481</u>	<u>8,870,220</u>
Closing shareholders' funds	<u><u>8,816,481</u></u>	<u><u>8,870,220</u></u>
	2012	2011
	£	£
Company		
Profit/(Loss) for the financial year	50,989	(524,859)
Dividends	(300,000)	-
Purchase of own shares	(44,876)	(360,000)
	<u>(293,887)</u>	<u>(884,859)</u>
Net addition to/(depletion in) shareholders' funds	1,496,658	2,381,517
Opening shareholders' funds	<u>1,202,771</u>	<u>1,496,658</u>
Closing shareholders' funds	<u><u>1,202,771</u></u>	<u><u>1,496,658</u></u>

20 Contingent liabilities

Group

The group has given a cross guarantee to HSBC Plc on facilities provided to three companies within the group. The group's indebtedness to its bankers under this arrangement as at 31 December 2012 amounted to £nil (2011 £nil).

The company has a debenture in respect of HSBC Plc, which is secured by a fixed and floating charge over the assets of the company.

?WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

21 Financial commitments

At 31 December 2012 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2012	2011	2012	2011
	£	£	£	£
Expiry date				
Within one year	37,254	67,661	16,299	70,091
Between two and five years	558,267	643,469	2,056	5,656
In over five years	457,215	457,215	-	-
	<u>1,052,736</u>	<u>1,168,345</u>	<u>18,355</u>	<u>75,747</u>

22 Capital commitments

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Authorised but not contracted for	-	260,000	-	-
	<u>-</u>	<u>260,000</u>	<u>-</u>	<u>-</u>

23 Directors' remuneration

	2012	2011
	£	£
Remuneration	982,580	962,205
Pension costs	43,292	41,457
	<u>1,025,872</u>	<u>1,003,662</u>

Remuneration disclosed above (excluding pension contributions) include amounts paid to

The highest paid director	<u>259,080</u>	<u>259,080</u>
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Pension costs disclosed above include amounts relating to

The highest paid director	<u>14,742</u>	<u>14,429</u>
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During the year nil (2011 - 1) directors of the company were granted share options. None of the directors exercised share options during the year. Full details in note 16.

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2011 - 3).

WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

24 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2012 Number	2011 Number
Administration	72	62
Sales	149	157
	<u>221</u>	<u>219</u>

Employment costs

	2012 £	2011 £
Wages and salaries	17,597,087	14,055,074
Social security costs	1,354,774	1,357,510
Other pension costs	498,647	401,971
Costs of share option scheme	103,436	134,587
	<u>19,553,944</u>	<u>15,949,142</u>

25 Control

The company was not controlled by one single party throughout the year

?WHAT IF! HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

26 Related party transactions

Group

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with any wholly owned subsidiary undertaking

Included within debtors are amounts totalling £648,777 (2011 £850,494) due from Byotrol Consumer Products Limited. During the year sales were made to Byotrol Consumer Products Limited totalling £47,242 (2011 £165,584). Three of the six directors of Byotrol Consumer Products Limited are also directors of the ?What If! Group and are nominated by ?What If!. Also the ?What If! Group has significant influence in Byotrol Consumer Products Limited through a shareholding and common directors having shareholdings in the company.

Sales totalling £7,282 (2011 £nil) were made to Irrigo Limited with a debtor outstanding at the year end of £2,068 (2011 £nil). Irrigo Limited is related to the company because D Allan (shareholder and director of ?What If! Holdings Limited) has significant influence over the company through a shareholding and directorship in Irrigo Limited.

The following dividends were declared to directors during the year: D Allan £117,064 (2011 £nil), M Kingdon £117,064 (2011 £nil) and S Pajwani £52,457 (2011 £nil). At the year end there were amounts outstanding of £29,266 (£2011 £nil) owing to D Allan, £29,266 (2011 £nil) owing to M Kingdon and £13,025 (2011 £nil) owing to S Pajwani in respect of these dividends.

No amounts were written off or provided for during the year in respect of any of the amounts above.