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Reach4Entertainment Enterprises PLC
25 May 2016

reach4entertainment enterprises plc (”**r4e”**, the “**Company**”' or the “**Group**”)
Final results for the year ended 31 December 2015

r4e, the transatlantic media and entertainment company, today announces its results for the year ended 31 December 2015.

Highlights

	2015	**2014**	**Change**
Revenue	**£85.9m**	£83.3m	3.1%
Gross Profit	**£20.2m**	£20.1m	0.1%
Adjusted EBITDA	**£1.8m**	£2.6m	-31%
Profit/(Loss) before tax (including exceptional items)	**£4.5m**	£(5.1)m	234%

- Sound trading performance combined with the successful re-structuring of the business.
- Adjusted EBITDA of £1.84 million, in-line with market expectations but, as expected, below the exceptional performance of 2014.
- The Company successfully completed an equity placing to raise £4.0 million to support restructuring
- Secured a three-year asset based debt facility of £9.5 million (‘New Facility’) with PNC Business Credit (’PNC’) being made up of a £1 million term loan and a revolving credit facility of up to £8.5 million based on qualifying accounts receivable.
- £9.6 million repayment of its existing £14.8 million loan facility with Allied Irish Bank (‘AIB’) plus grant of 25 million warrants to AIB. Balance of loan written off.
- Significant reduction in the level of debt means borrowing costs will reduce by approximately 50%.
- Strengthened balance sheet now puts the Company in a stable position from which to maintain its status as a market leader in both London and New York.
- Looking ahead, the Company remains focused on supporting its first class teams across the business in continuing to deliver modern, market leading promotional strategies for theatre, live acts and film.

Commenting on the results, David Stoller, Executive Chairman, said, “Firstly, I would like to thank all of the r4e staff, the shareholders and our lenders for their continued support during this transformational period for the business. Now that the restructuring of our debt is complete, I am confident that the Company has a solid platform from which to progress in the coming years. The focus is now very much on creating long term value for our existing and new shareholders by continuing to maintain our status as a market leader in both London and New York, as well as identifying and executing strategic opportunities to enhance the business.”

31 December 2015 Full Report and Accounts

The Company will shortly post its report and accounts for the year ended 31 December 2015 to shareholders, along with notice of the annual general meeting to be held at 10.30am on 29 June 2016, and both documents will soon be available on its website, www.r4e.com. The annual general meeting will be held at the offices of the Company at Wellington House, 125 Strand, London, WC2R 0AP.

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EXECUTIVE CHAIRMAN'S STATEMENT

2015 sees a return to normal market conditions

The Group is delighted to announce that, although results did not replicate the exceptional performance of 2014, the twelve month period saw an improvement on key performance indicators such as revenue and profit before tax. The strength of performance in the twelve month period was the result of a combination of delivery from its client base, both new and existing clients, together with the on-going restructuring of the agency and its cost base.

The theatre and live entertainment market continued to be stable throughout 2015. In the twelve month period, the Group promoted over 100 shows in both London and internationally, further demonstrating our position as the leader in theatre and film promotion. The Group continues to develop its services, with further expansion in digital and the creation of a boutique social media brand, as well as being consistent with growth in its touring offering.

Trading in-line with market expectations

The Group delivered further improvement in revenue growth in the twelve months to 31 December 2015.

Group revenue increased by 3.1 per cent to £85.9 million (2014: £83.3 million), with trading more weighted towards the second half of the period.

Underlying profitability for r4e (Adjusted EBITDA*) reduced by 31 per cent to £1.8 million (2014: £2.6 million), due to exceptional income from SpotCo in 2014 not reoccurring in 2015 plus additional staff costs required to service the higher volume of turnover. The gross profit margin remained unchanged from 2014 at 24%.

Profit before tax increased to £4.5 million (2014: loss of £5.1 million) as a result of the exceptional gain made from the AIB debt write-off and deferred consideration waiver.

Earnings per share from total operations for the year is 4.01p (2014: loss of 8.03p). The significant increase in EPS was in part due to the impact of goodwill impairment in 2014, and the initial benefits from debt restructuring which will continue into 2016.

On 04 December 2015, the Company raised £4.0 million, before expenses, placing 400,000,000 new Ordinary Shares with new and existing shareholders at a price of 1 penny per share. The Company also entered into a new facility with PNC for a three year secured asset based debt facility of £9.5 million being made up of a £1 million term loan and a revolving credit facility of up to £8.5 million based on qualifying accounts receivable. This enabled the Company to repay its existing loan facility agreement of £14.5 million with AIB (after £0.6 million of scheduled capital repayments made during the year), through a cash settlement of £9 million, with the remaining £5.2 million written-off and taken as an exceptional gain to the income statement.

* Adjusted EBITDA is EBITDA before exceptional items and impairment of goodwill

Market leader in London and New York

The Group continues to be a market-leader in London and New York theatre and live entertainment marketing businesses through its wholly-owned subsidiaries. In London, the Group operates through Dewynters Ltd ('Dewynters'), and the London based signage and fascia business, Newman Displays Ltd ('Newmans'). Operations in New York consist of SpotCo and Dewynters Advertising Inc ('DAI'), with the latter becoming dormant after the Dewynters merchandising division was transferred during the period.

While 2014 was an exceptional year for SpotCo due to a number of one off events, 2015 represented a return to normal market conditions for the business. In London, reduction in headcount and finance costs enabled Dewynters to deliver improved profitability despite a decrease in revenues on the previous year. Overall the trading performance was in-line with our expectations.

London

Dewynters showed strong performance in 2015, following the challenging and unexpected market conditions experienced in 2014. The business remained focused on reducing its employee count and keeping expenditure under control and, as a result, saw an EBITDA increase of 85% in the period, up to £0.85 million (2014: £0.46 million). Revenues are down 0.4% on the prior year, however, the company has maintained its gross profit at 27.8%.

The business is a world-leading specialist live entertainment branding, design and marketing agency with over 30 years of experience. The management team expects this status to continue into 2016.

For over 25 years, Newmans has pushed creative boundaries to deliver tailored outdoor signage, displays and installations that deliver eye-catching, inspiring results. The business revenues were £3.5 million (2014: £3.6 million) in the period and EBITDA was £0.16 million (2014: £0.22 million). The Group anticipates that new films will increasingly adopt the digital signage technology, with Newmans clearly focussed on developing its presence in this market. In addition, Newmans has upgraded some key equipment that the management team is confident will substantially enhance the business.

New York

SpotCo still enjoys a market leading position, although EBITDA for 2015 was not comparable to the previous year due to some one-off events in 2014. Revenues for the period increased by 5% on the previous year to £54.6 million (2014: £51.8 million). The company continues to be a leader in New York's theatre and live entertainment industry and its achievements were in evidence when the shows it represents won 16 Tony awards of the total 24 awarded in the 2014/15 season.

The company's financial condition was enhanced in 2015 with the waiver of an outstanding deferred consideration balance of $1 million that resulted from the acquisition of SpotCo in 2008.

As mentioned above, during the twelve months the merchandise division of Dewynters was transferred to Playbill UK Ltd, meaning that DAI would cease to collect royalties from merchandise sales in the USA. As at the end of 2015 DAI was no longer trading.

The platform for 2016 has been established

2015 marks a significant milestone for the Group. Cleared of the prohibitive debt facility from AIB, the business now has the ability to organically grow as well as invest and expand where the opportunities present themselves, particularly in exploring new geographies and pursing data-based marketing and other digital initiatives. The management team is confident that the Group will be able to pursue these growth opportunities while maintaining and building upon its position as a theatre and entertainment market leader in the London and New York.

David Stoller
Executive Chairman

REVIEW OF PERFORMANCE BY COMPANY

Year ended 31 December 2015

	Dewynters £'000	Newmans £'000	**London Total £'000**	SpotCo £'000	DAI £'000	**New York Total £'000**	Head Office £'000	**Group Total £'000**
Revenue	27,496	3,512	**31,008**	54,610	231	**54,841**	-	**85,849**
Adjusted EBITDA*	846	161	**1,007**	1,218	10	**1,228**	(392)	**1,843**
Exceptional admin items	(138)	(6)	**(144)**	-	-	**-**	5,020	**4,876**
Operating (loss)/profit	(432)	130	**(302)**	863	10	**873**	4,621	**5,192**

Year ended 31 December 2014

	Dewynters £'000	Newmans £'000	**London Total £'000**	SpotCo £'000	DAI £'000	**New York Total £'000**	Head Office £'000	**Group Total £'000**
Revenue	27,600	3,570	**31,170**	51,827	285	**52,112**	-	**83,282**
Adjusted EBITDA*	458	223	**681**	2,286	16	**2,302**	(336)	**2,647**
Exceptional admin items	(112)	132	**21**	-	-	**-**	-	**21**
Operating profit/(loss)	(6,194)	322	**(5,872)**	1,897	16	**1,913**	(342)	**(4,301)**

*Adjusted EBITDA is before exceptional items and impairment of goodwill

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £'000	2014 £'000
Continuing operations			
Revenue	1	85,849	83,282
Cost of sales	5	(65,684)	(63,170)
GROSS PROFIT		20,165	20,112
Administrative expenses	5	(14,973)	(24,413)
EBITDA before exceptional items		1,843	2,647
Exceptional administrative expenses	2	(1,149)	(243)
Exceptional administrative income	2	6,025	264
Impairment of goodwill	8	(965)	(6,430)
Depreciation		(370)	(344)
Amortisation of intangible assets	8	(192)	(195)
OPERATING PROFIT/(LOSS)		5,192	(4,301)
Finance income	3	61	60
Finance costs	4	(714)	(879)
PROFIT/(LOSS) BEFORE TAXATION		4,539	(5,120)
Taxation	6	(273)	(873)
PROFIT/(LOSS) FOR THE YEAR		4,266	(5,993)
The profit/(loss) is attributable to the equity holders of the parent			
Basic and diluted earnings/(loss) per share	7	4.01	(8.03)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	£'000	£'000
PROFIT/(LOSS) FOR THE YEAR	4,266	(5,993)
Other comprehensive income:		
Items that will not be reclassified to profit and loss:		
Currency translation differences	147	245
Other comprehensive income for the year, net of tax	147	245
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT	4,413	(5,748)

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 6.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	2015 £'000	2014 £'000
NON-CURRENT ASSETS			
Goodwill and intangible assets	8	9,985	10,859
Property, plant and equipment		2,359	2,448
Deferred tax asset		145	88
		12,489	13,395
CURRENT ASSETS			
Inventories		152	401
Trade and other receivables		12,906	12,240
Other current assets		498	473
Cash and cash equivalents		1,160	2,446
		14,716	15,560
TOTAL ASSETS		27,205	28,955
CURRENT LIABILITIES			
Trade and other payables		(14,709)	(15,840)
Borrowings	9	(6,002)	(1,896)
		(20,711)	(17,736)
NET CURRENT LIABILITIES		(5,995)	(2,176)
NON-CURRENT LIABILITIES			
Deferred taxation		(1,470)	(1,349)
Other payables	10	(1,478)	(1,460)
Borrowings	9	(739)	(14,155)
		(3,687)	(16,964)
TOTAL LIABILITIES		(24,398)	(34,700)
NET ASSETS/(LIABILITIES)		2,807	(5,745)
EQUITY			
Called up share capital		2,374	1,872
Share premium		15,329	13,501
Deferred shares		1,498	-
Capital redemption reserve		15	15
Warrant reserve		311	-
Retained earnings		(16,570)	(20,836)
Own shares held		(259)	(259)
Foreign exchange reserve		109	(38)
TOTAL EQUITY/(DEFICIT) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		2,807	(5,745)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2015

	Share capital £'000	Share premium £'000	Deferred shares £'000	Capital Redemption reserve £'000	Warrant reserve £'000	Retained earnings £'000	Own Shares held £'000	Foreign Exchange reserve £'000	Total Equity £'000
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									
At 31 December 2013	**1,872**	**13,501**	**-**	**15**	**-**	**(14,843)**	**(259)**	**(283)**	**3**
(Loss) for the year	-	-	-	-	-	(5,993)	-	-	(5,993)
Other comprehensive income, net of tax:									
Currency translation differences	-	-	-	-	-	-	-	245	245
Total comprehensive income for the year	-	-	-	-	-	(5,993)	-	245	(5,748)
At 31 December 2014	**1,872**	**13,501**	**-**	**15**	**-**	**(20,836)**	**(259)**	**(38)**	**(5,745)**
Profit for the year	-	-	-	-	-	4,266	-	-	4,266
Other comprehensive income, net of tax:									
Currency translation differences	-	-	-	-	-	-	-	147	147
Total comprehensive income for the year	**1,872**	**13,501**		**15**		**(16,570)**	**(259)**	**109**	**(1,332)**
Transactions with owners in their capacity as owners: shares issued	2,000	1,828	-	-	-	-	-	-	3,828
Share re-organisation	(1,498)	-	1,498	-	-	-	-	-	-
Issue of warrants	-	-	-	-	311	-	-	-	311
At 31 December 2015	**2,374**	**15,329**	**1,498**	**15**	**311**	**(16,570)**	**(259)**	**109**	**2,807**

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2015

	Note	2015 £'000	2014 £'000
Cash generated from operating activities	12	(642)	2,494
Income taxes paid		(213)	(723)
Net cash (used in)/generated from operating activities		(855)	1,771
Investing activities			
Purchases of property, plant and equipment		(193)	(194)
Proceeds from disposal of property, plant and equipment		-	3
Payment of deferred consideration	9	(661)	(615)
Dividends received from associated undertaking	3	60	60
Net cash used in investing activities		(794)	(746)
Financing activities			
Net proceeds from the issue of share capital		3,828	-
Proceeds from new borrowings		6,690	-
Repayments of borrowings		(9,630)	-
Interest paid		(604)	(502)
Net cash generated from/(used in) financing activities		284	(502)
Net (decrease)/increase in cash and cash equivalents		(1,365)	523
Cash and cash equivalents at the beginning of the year		2,446	1,876
Effect of foreign exchange rate changes		79	47
Cash and cash equivalents at the end of the year		1,160	2,446

BASIS OF PRESENTATION

The above unaudited financial information in this announcement does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The above figures for the year ended 31 December 2015 are an abridged version of the Company's accounts which have been reported on by the Company's auditor but have not been dispatched to the shareholders or filed with the Registrar of Companies. These accounts received an audit report which was unqualified and did not include a statement under section 498(2) or section 498(3) of the Companies Act 2006. The audit report included a reference to matters to which the auditors drew attention by way of emphasis without qualifying their report in relation to going concern, as follows:

EMPHASIS OF MATTER

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure set out below concerning the group's ability to continue as a going concern. There are monthly financial covenants attached to the group's term and asset backed borrowings with PNC and the group's forecasts show an expected breach of these covenants in the latter half of 2016. The Directors believe that the breach is temporary and as a result of seasonality in the business and subsequent months are expected to meet covenants with headroom.

These conditions, along with the other matters explained in the disclosure below, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

GOING CONCERN

As at 31 December 2015 the Group had net assets of £2.81 million (31 December 2014: net liabilities £5.75 million) and made an operating profit in the year then ended of £5.19 million (year ended 31 December 2014: loss of £4.30 million).

During 2015 the Group has made a considerable change to its debt levels and overall financial position:

- Deferred consideration owing in relation to the SpotCo acquisition at 31 December 2014 was USD $2 million (£1.26 million GBP). During 2015, USD $1 million of this was repaid as scheduled (£0.66 million GBP) leaving USD $1.0 million (£0.65 million) outstanding which the Company had the option to pay by the issue of new ordinary shares in the Company. In November 2015 it was agreed with the vendor that the $1 million USD would be waived (£0.72 million including interest). As at 31 December 2015 there is no deferred consideration debt outstanding.
- Bank debt with AIB as at 31 December 2014 was £14.785 million. The Group agreed a re-financing with AIB which took place in December 2015 leaving no debt outstanding with AIB as at 31 December 2015. As part of the re-financing of AIB, two sources of funds were obtained:
    i. The Company issued 400,000,000 ordinary shares of 1p each raising £4,000,000 (before share issue costs)
    ii. The Group obtained a new three year secured asset based debt facility of £9.5 million with PNC Business Credit Services Ltd being made up of a £1 million term loan and a revolving credit facility of up to £8.5 million based on qualifying accounts receivable. As at 31 December 2015 the debt owed to PNC totalled £6.68 million, a reduction of £8.11 million from the AIB debt outstanding at 31 December 2014.

The term loan held with PNC is a 3 year facility against which monthly capital repayments commenced from March 2016. The debt will be fully paid down by October 2018. The asset based lending facility is a revolving credit line based upon qualifying accounts receivable. This means current debt is constantly being paid down and new debt being drawn. The facility will therefore fluctuate but will be no more than £8.5 million at any point. A new set of financial covenants were agreed with PNC in relation to this debt. The financial covenants are measured monthly and all were met at 31 December 2015 and also at each subsequent month end until the latest measurement date prior to these accounts being 30 April 2016. Later in 2016, the Group is forecasting a possible breach in the fixed charge cover covenant due to updated forecasts showing seasonal fluctuations in EBITDA. The previous covenants with AIB were determined on a 12 month rolling basis in which seasonality was not a risk. The fixed charge covenant with PNC is determined on a 3 month rolling basis and is therefore sensitive to seasonality shifts. Given that the current forecast for the full year 2016 EBITDA is in line with expectations, PNC has informed the Company that they recognise the seasonality factor and the likelihood that the company will still meet its debt obligations even if a monthly covenant is breached. That said, they cannot provide a waiver of a potential future breach as of the date of these accounts.

Given the significant reduction in the debt levels of the group, plus the improvement to the balance sheet position, the Directors believe that the going concern basis is appropriate and the Group has adequate resources to continuing trading for the foreseeable future. Regarding the aforementioned PNC covenants, the Directors are confident that although breaches are possible in later 2016, these would only be temporary as a result of seasonal fluctuations and not due to performance of the Group as a whole - subsequent months are forecast to meet covenants with headroom - and therefore believe it highly unlikely that PNC would decide to terminate the facility.

SIGNIFICANT ACCOUNTING POLICIES

GOODWILL

Goodwill is reviewed for impairment at least annually and any impairment will be recognised in the income statement and is not subsequently reversed. As such it is stated at cost less provision for impairment in value. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

IMPAIRMENT OF ASSETS (INTANGIBLE AND PROPERTY, PLANT AND EQUIPMENT)

Goodwill is not subject to amortisation but is tested annually or whenever there is an indication that the asset may be impaired. For the purpose of impairment testing, assets are grouped at the lowest levels for which they have separately identifiable cash flows, known as cash generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement. Where an impairment loss subsequently reverses the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

EXCEPTIONAL ITEMS

Exceptional items represent income or expenses, which based on their materiality, frequency or non-operating nature, have been separately disclosed to facilitate the assessment of the Group's underlying operating profitability.

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

As part of the Capital Risk Management process the Group acknowledges the need to monitor, and meet in full, covenants held over the revolving asset based facility with PNC. More details on the bank debt are in the borrowings note 9. The covenants were met in full as at 31 December 2015 and also at each subsequent month end until the latest measurement date prior to these accounts being 30 April 2016.

NOTES

1. BUSINESS AND GEOGRAPHICAL SEGMENTS

   Business segments

   For management purposes, the Group is currently organised into three operating segments – New York operations, London operations and Head Office. These divisions are the basis on which the Group reports its segment information.

   Principal continuing activities are as follows:

   New York (NY) – marketing, design, advertising, promotions, digital media services, publishing and merchandising.

   London – marketing, design, advertising, promotions, digital media services, publishing and merchandising, signage and fascia displays.

   Head Office – finance and administration services for the Group.

Segment information for continuing operations of the Group for the year ended 31 December 2014 is presented below.

	NY operations £'000	London operations £'000	Head Office £'000	Group £'000
Sale of goods	231	1,749	-	1,980
Provision of services	54,610	29,259	-	83,869
Revenue (all external customers)	54,841	31,008	-	85,849
Adjusted EBITDA*	1,228	1,007	(392)	1,843
Exceptional administrative expense	-	(299)	(850)	(1,149)
Exceptional administrative income	-	155	5,870	6,025
Impairment of Goodwill	-	(965)	-	(965)
Depreciation	(224)	(139)	(7)	(370)
Amortisation	(131)	(61)	-	(192)
Operating profit/(loss)	873	(302)	4,621	5,192
Finance income	1	60	-	61
Finance costs	(32)	(28)	(654)	(714)
Profit/(loss) before tax	842	(270)	3,967	4,539
Tax (charge)/credit	(250)	(393)	370	(273)
Profit/(loss) after tax	592	(663)	4,337	4,226

Management fees charged at an arm's-length basis between reportable segments are reflected in the figures above on the basis that this is a true reflection of the operating costs of each segment.

*Adjusted EBITDA is before exceptional items.

	NY operations £'000	London operations £'000	Head Office operations £'000	Group £'000
Capital additions:				
Property, plant and equipment	104	88	1	193
Balance sheet:				
Segment assets				
Non-current assets	7,408	5,056	25	12,489
Current assets	8,842	5,450	424	14,716
Total segment assets	16,250	10,506	449	27,205
Liabilities				
Total segment liabilities	(15,177)	(7,376)	(1,845)	(24,398)

Segment information for continuing operations of the Group for the year ended 31 December 2014 is presented below:

	NY operations £'000	London operations £'000	Head Office £'000	Group £'000
Sale of goods	285	2,196	-	2,481
Provision of services	51,827	28,974	-	80,801
Revenue (all external customers)	52,112	31,170	-	83,282
Adjusted EBITDA*	2,302	681	(336)	2,647
Exceptional administrative expense	-	(243)	-	(243)
Exceptional administrative income	-	264	-	264
Impairment of Goodwill	-	(6,430)	-	(6,430)
Depreciation	(194)	(144)	(6)	(344)
Amortisation	(195)	-	-	(195)
Operating profit/(loss)	1,913	(5,872)	(342)	(4,301)
Finance income	-	60	-	60
Finance costs	-	(1)	(878)	(879)
Profit/(loss) before tax	1,913	(5,813)	(1,220)	(5,120)
Tax credit/(charge)	(716)	(753)	596	(873)
Profit/(loss) after tax	1,197	(6,566)	(624)	(5,993)

Management fees charged at an arm's-length basis between reportable segments are reflected in the figures above on the basis that this is a true reflection of the operating costs of each segment.

*Adjusted EBITDA is before exceptional items.

	NY operations £'000	London operations £'000	Head Office operations £'000	Group £'000
Capital additions:				
Property, plant and equipment	146	36	12	194
Balance sheet:				
Segment assets				
Non-current assets	7,285	6,076	34	13,395
Current assets	9,229	6,295	36	15,560
Total segment assets	16,514	12,371	70	28,955
Liabilities				
Total segment liabilities	(11,658)	(5,617)	(17,425)	(34,700)

2. EXCEPTIONAL ADMINISTRATIVE ITEMS

	2015 £'000	2014 £'000
Office move costs	(14)	(46)
Employee contract termination related costs	(13)	(197)
Costs relating to debt restructure	(539)	-
Costs of merchandise division sale	(272)	-
Issue of warrants to AIB	(311)	-
Exceptional administrative expenses	(1,149)	(243)
Landlord and Tenants Act reimbursement	-	264
Income from transfer of merchandise division	155	-
Gain on deferred consideration write off (note 9)	715	-
Gain on debt write off (note 9)	5,155	-
Exceptional administrative income	6,025	264

Office move and Landlord reimbursement

In the prior year 2014 the Newmans premises and Dewynters warehouse, which are on the same site in London, were given notice by the Landlord to vacate by December 2014 in order that the land could be developed. The surrender of the leases resulted in compensation from the Landlord of £0.26 million as the tenancy was within the scope of the Landlords and Tenants Act 1954. Subsequent to the commencement of the search process for new premises, the current Landlord agreed to a new lease on the premises due to the planned development being put on hold. Exceptional expenses of £0.01 million relate to the search for new premises plus negotiation for the new leases with the current landlord (2014: £0.05 million).

Employee contract termination costs

Exceptional expenses of £0.01 million (2014: £0.2 million) relates to Dewynters employee contract termination costs in prior year which are considered exceptional due to the level of redundancy required as a result of company performance.

Deferred consideration on the acquisition of SpotCo

Deferred consideration payments were made as scheduled during 2015 leaving a further remaining balance at the end of October 2015 of USD $1.0 million (£0.65 million) which the Company had the option to pay by the issue of new ordinary shares in the Company. It was agreed during the year that the vendor would waive the final liability of $1 million which resulted in exceptional income of £0.72 million including interest (2014: Nil). The vendor continues in his role at SpotCo. In addition the final interest due to unwind on the discounted liability was also written off resulting in a gain of £0.07 million (2014: Nil).Gain on debt write off

The debt restructure which took place in December 2015 paid AIB Group £9 million of the debt outstanding at that date of £14.16 million. The remaining balance of £5.16 million was written off resulting in an exceptional gain to the Income Statement. The process of negotiating the debt restructure included service from legal professionals, consultants, brokers, advisors etc. Fees in relation to the restructure totalled £0.53 million.

Issue of warrants to AIB

As part of the refinancing deal with AIB, the Company granted 24,994,462 Warrants to AIB Joint Ventures, a subsidiary of AIB. These have been valued at the date of issue, see note 11.

3. FINANCE INCOME

	2015 £'000	2014 £'000
Bank interest received	1	-
Dividend income from associated undertaking	60	60
	61	60

Dividend income received in the year ended 31 December 2015 of £60,492 (2014: £59,824) is from the associate undertaking Theatrenow Limited, in which Dewynters has a 29.91% shareholding. The payments are final distributions of capital and the associate is to be wound up in 2016.

4. FINANCE COSTS

	2015 £'000	2014 £'000
Finance lease interest	1	-
Interest on AIB bank loans	482	563
Interest on new debt	15	-
Fees on new debt	37	-
Amortisation of arrangement fees for bank loan	66	87
Unwinding of discounting on deferred consideration (note 9)	91	154
Foreign exchange loss on trade	3	-
Foreign exchange loss on deferred consideration (note 9)	19	75
	714	879

5. EXPENSES BY NATURE AND AUDITOR'S REMUNERATION

	2015 £'000	2014 £'000
Media, marketing and promotional services	65,029	62,503
Staff costs	12,854	12,325
Depreciation, amortisation and impairment	1,526	6,969
Exceptional administrative income (note 2)	(4,876)	(21)
General office expenses	2,996	2,612
Operating lease payments:		
Land and buildings	1,378	1,324
Plant and machinery	142	247
Professional costs	1,004	1,042
Travelling	534	423
Other	70	159
Total cost of sales and administrative expenses	80,657	87,583

6. TAXATION

	2015 £'000	2014 £'000
Current tax:		
Overseas tax on profits/(losses) of the year	251	716
Total current tax charge	251	716
Deferred tax:		
Origination and reversal of timing differences	82	147
Deferred tax rate change	17	-
Deferred tax – adjustment in respect of previous periods	(77)	10
Total deferred tax	22	157
Tax charge on loss of ordinary activities	273	873

Factors affecting the tax charge for the year:

	2015 £'000	2014 £'000
The tax assessed for the year differs from the effective average rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:		
Profit/(loss) on ordinary activities before tax	4,539	(5,120)
Profit/(loss) on ordinary activities multiplied by effective average rate of corporation tax in the UK of 20.25% (2014: 21.5%)	919	(1,101)
Effects of:		
Fixed asset differences	13	-
Expenses not deductible for tax purposes	342	1,413
Income not subject to tax	(1,182)	(14)
Other tax adjustments, reliefs and transfers	(144)	-
Depreciation on non-qualifying assets	-	5
Difference in tax rates on overseas earnings	185	364
UK losses not utilised	-	192
Timing differences not recognised in the computation	131	-
Change in corporation tax rates	123	2
Adjustments to brought forward values	(13)	-
Adjustment in respect of previous periods	(59)	12
Deferred tax not recognised	(42)	-
Total tax charge for the year	273	873

A deferred tax asset of approximately £0.96 million (2014: £0.87 million) has not been recognised due to uncertainty over future profitability. At 31 December 2015, the Group had losses carried forward of £5.3 million (2014: £4.3 million), available for offset against future profits.

Taxation is calculated at the rates prevailing in the respective jurisdictions. The standard tax rates in each jurisdiction are 40% in the United States (2014: 40%) and 20% in the United Kingdom (2014: 21%).

7. EARNINGS/(LOSS) PER SHARE

The calculations of earnings per share are based on the following profits/(loss) and number of shares:

Profits/(Loss) attributable to equity holders of the company

	2015	2014
	£'000	£'000
For basic and diluted profit per share		
Profit/(Loss) for financial year	4,266	(5,993)
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	106,416,614	74,635,792
Earnings/(Loss) per share (pence) after tax		
Total operations after tax	4.01	(8.03)

8. GOODWILL AND INTANGIBLE ASSETS

	Brands £'000	Customer relationships £'000	Purchased goodwill £'000	Total £'000
Cost				
1 January 2014	4,052	4,115	13,393	21,560
Foreign exchange differences	111	-	278	389
Write down	-	(1,508)	-	(1,508)
31 December 2014	4,163	2,607	13,671	20,441
Foreign exchange differences	98	-	244	342
31 December 2015				
	4,261	2,607	13,915	20,783
Amortisation				
1 January 2014	904	3,317	181	4,402
Charged in the year	131	61	-	192
Write down	-	(1,508)	-	(1,508)
Impairment charge	-	-	6,430	6,430
Foreign exchange differences	63	-	-	63
31 December 2014	1,098	1,870	6,611	9,579
Charged in the year	131	61		192
Impairment charge	-	-	965	965
Foreign exchange differences	62	-	-	62
31 December 2015	1,291	1,931	7,576	10,798
Net book value				
31 December 2015	2,970	676	6,339	9,985
31 December 2014	3,062	737	7,060	10,859
31 December 2013	3,148	798	13,212	17,158

Goodwill relates to the anticipated profitability and future operating synergies arising on the acquisition of subsidiaries.

Write down of customer relationships in prior year relates to SpotCo intangible assets with zero net book value where the relationship with the client no longer existed.
All amortisation and impairment charges have been recognised as administrative expenses in the income statement.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to the operations as grouped upon acquisition. An operating level summary of the goodwill allocation is presented below:

	2015 £'000	2014 £'000
Dewynters Group (Dewynters, Newmans, DAI)	1,351	2,316
SpotCo	4,988	4,744
Total Goodwill	6,339	7,060

An impairment charge of £0.97 million was incurred in the year on the Dewynters Group (inclusive of Dewynters, Newman and DAI) (2014: £6.43 million).

The merchandise division of Dewynters was transferred during the year and as a result the royalties from merchandise sales in the USA will no longer be collected by DAI. This means DAI is no longer trading and remains dormant with the exception of minor costs of corporation and tax accounts in the USA. The Company has allocated to DAI a portion of the goodwill in the Dewynters Group, which arose on its acquisition in 2006, based on its proportion of the EBITDA of the Dewynters Group at the time of the acquisition. This resulted in an impairment of £0.97 million recognised in the 2015 accounts. As at 31 December 2015 the recoverable amount of the Dewynters Group is £5.66 million. No class of asset other than goodwill was deemed impaired.

The recoverable amount of CGUs has been determined based on value-in-use calculations which cover a period of 5 years plus a terminal value. These calculations use pre-tax cash flow projections based on financial budgets for the year ended 31 December 2016 as approved by management and cash flows beyond the one-year period are extrapolated using straight line growth rates stated below. Prudent assumptions have been used in the value-in-use calculations as detailed below.
The key assumptions used for the value-in-use calculations in 2015 are as follows:

	Dewynters Group	SpotCo
Revenue (fall)/growth– 1 year	(3.4)%	3.6%
Revenue growth per annum – years 2-5	1.5%	1.5%
Cost growth – employee costs from year 1	0.8%	10.2%
Cost growth per annum – employee costs from years 2-3	2%	2.0%
Cost growth per annum – employee costs years 4-5	1%	1.5%
Cost growth – overhead costs from year 1	1%	1.5%
Cost growth – overhead costs from years 2-5	1%	1.5%
Discount rate	12%	12%
Capitalisation rate	17.5%	17.5%

Management have determined budgeted gross margin, revenue growth and costs based on past performance and expectations of the market development for each CGU. The discount rates are pre-tax and reflect management's assessment of the risks relating to each CGU. In line with the conservative approach adopted in valuing the CGUs, the discount rate applied in the value-in-use calculations has been adjusted to reflect long term rates.

Initial growth rates in year 1 are taken from the CGU's 2016 operational budgets, and so in some cases can show a difference to the straight line growth rates applied to subsequent years. Growth after year 1 has been determined on the basis of general industry market growth and so the rate reduces and remains consistent. The growth rates used are considered by management to be in line with general trends in which each CGU operates and deemed by management to be a reasonable expectation for the media CGU.

The following table reflects the level of movements required in revenue or costs which could result in a potential impairment per the value in use calculation. A further percentage (fall)/increase, of the magnitude indicated in the table below, in any one of the key assumptions set out above would result in a removal of the headroom in the value-in-use calculations in 2015:

	Dewynters Group	SpotCo
Revenue (fall)– 1 year	(10.1)%	(27.0)%
Revenue (fall) - remainder	(0.5)%	(1.3)%
Cost growth – employee costs from year 1	1.5%	5.0%
Cost growth per annum – employee costs from years 2-3	0.8%	1.5%
Cost growth – overhead costs from year 1	5.0%	21.0%
Cost growth – overhead costs from year 2-5	0.9%	3.0%
Discount rate increase	4.0%	9.0%
Capitalisation rate increase	6.5%	23.5%

Brands and customer relationships are all derived from acquisitions; there are no internally generated intangible assets. The brand allocated to the Dewynters CGU totalling £2.26 million (2014: £2.26 million) is determined to have an indefinite life. It is subject to an annual impairment review using the same assumptions as for goodwill. The brand value allocated to SpotCo CGU totalling £0.70 million (2014: £0.80 million) is being amortised over 15 years and has 8 years remaining.
Intangible customer relationships are attributable to Dewynters only. The useful economic life for customer relationships within Dewynters is 20 years of which 12 are remaining as at 31 December 2015. It has a carrying value of £0.67 million and £0.06 million was charged to amortisation in the year. Where there are any indications of impairment within these businesses the Group carries out impairment reviews on brands and customer relationships using the same assumptions as for goodwill.

9. BORROWINGS

	2015 £'000	2014 £'000
Current:		
Deferred consideration	-	1,266
Term debt	314	630
Asset based lending facility	5,665	-
Finance leases	23	-
	6,002	1,896
Non-current:		
Term debt	697	14,155
Finance leases	42	-
	739	14,155

Analysis of borrowings:

On demand or within one year		
Deferred consideration	-	1,266
Term debt	314	630
Asset based lending facility	5,665	-
Finance leases	23	-
	6,002	1,896
In the second to fifth years inclusive		
Term debt	697	14,155
Finance leases	42	-
	739	14,155
Amounts due for settlement	6,741	16,051
Less amounts due within one year	(6,002)	(1,896)
Amounts due for settlement after one year	739	14,155

Analysis of borrowings by currency:

	Sterling £'000	USD £'000	Total £'000
31 December 2015			
Asset based lending facility	731	4,934	5,665
Term debt	350	661	1,011
Finance leases	65	-	65
	1,146	5,595	6,741

	Sterling £'000	USD £'000	Total £'000
31 December 2014			
Bank loans	14,785	-	14,785
Deferred consideration	-	1,266	1,266
	14,785	1,266	16,051

Debt restructure

In December 2015, the Company successfully concluded discussion on restructuring the debt which arose on the previous acquisitions of SpotCo and the Dewynters Group of companies. At the end of prior year 31 December 2014, the Company had borrowings with AIB Group (UK) plc amounting to £14.8 million. During 2015 £0.63 million of this debt was repaid in accordance with the debt facility agreement. On 04 December 2015 the remaining debt was restructured as follows:

- The Company raised £4 million (before expenses) through the placing of 400 million new ordinary shares
- The 3 trading companies of the r4e group, SpotCo, Dewynters and Newmans, entered into a new facility with PNC. The new facility is a three year secured asset based debt facility of £8.5

million plus a £1 million term loan. Both the facility and the term loan are shared across the 3 companies

- The proceeds of the equity placing plus new debt with PNC repaid £9 million of the debt facility with AIB
- The remaining £5.16 million of debt with AIB was written off. See note 2
- The Company has granted 24,994,462 warrants to AIB. See note 11

Term debt

The new term debt with PNC totalled £1 million when drawn down on 04 December 2015 (£1.02 million at 31 December 2015 due to foreign exchange) and was split between SpotCo and Dewynters based on expected future cash flows of the Companies. The debt has interest payable at 4% over Barclays Bank plc. base rate (Dewynters) and the rate published by the central bank or monetary authority of the relevant territory (SpotCo). Repayments are in equal monthly instalments and begin in March 2016. The debt will be fully repaid by October 2018.

Asset based lending

All 3 trading companies, SpotCo, Dewynters and Newmans, hold asset based lending facilities with PNC. Borrowing is determined by qualifying accounts receivable. The nature of the facility means that the balance will fluctuate from month to month and as the debt is paid down, new debt will arise to finance working capital, therefore the facility has been reflected as a current liability as it will be constantly revolving. Another effect of the facility is that cash balances across the group will be lower as cash drawdown incurs a higher rate of interest therefore cash will only be drawn down as required rather than being held on hand.

The facility with PNC has interest payable at 2.25% over Barclays Bank plc. base rate for amounts borrowed. Borrowings not utilised have interest payable at 0.5%. On top of a fixed and floating charge over its assets, the Group has given PNC an unlimited guarantee in respect of these borrowings. The Group has a set of financial covenants with PNC in relation to the loan which are measured monthly and were met in full as at 31 December 2015 and also at each subsequent month end until the latest measurement date prior to these accounts being 30 April 2016. Forecasts for 2016 currently reflect a possible breach in the fixed charge cover financial covenant due to updated forecasts showing seasonal fluctuations in EBITDA, however, given that the current forecast for the full year 2016 EBITDA is in line with expectations and subsequent months are forecast to meet covenants with headroom, the Directors are confident the Group remains a going concern – see Significant Basis of Preparation above for further details.

Deferred Consideration

The remaining payments scheduled to the vendor for 2015 were made leaving a balance of $1 million USD at October 2015 which could be converted to equity. An agreement was signed with the vendor agreeing to waive the $1 million conversion. He retains his role at Spotco.

Movements on deferred consideration during the year are as follows:

	2015	2014
	£'000	£'000
Opening balance	1,266	1,652
Unwinding of discounting on deferred consideration (note 4)	91	154
Payments of deferred consideration – cash	(661)	(615)
Foreign exchange differences (note 4)	19	75
Write off of remaining $1 million	(649)	-
Release of interest previously discounted	(66)	-
Closing balance	-	1,266

10. OTHER NON CURRENT PAYABLES

Landlord reimbursement accrual

Amounts in non-current other payables of £0.63 million (2014: £0.66 million) relate to the re-imbursement of leasehold improvement costs from SpotCo's landlord at the new New York office. As with many US leases SpotCo, as tenant, had to undertake a programme of complete refurbishment of the property. Some of the expenses, related to the provision of basic utilities and services, were then refunded by the landlord. £0.84 million ($1.25 million USD) was received in cash from the Landlord in 2013. In line with SIC Interpretation 15 this reimbursement has been recognised as a liability and is being unwound to the income statement over the period of the lease, reducing rental costs. £0.06 million was unwound during the year (2014: £0.06 million). Amounts in current liabilities relating to the reimbursement total £0.06 million (2014: £0.06 million).

	2015	2014
	£'000	£'000
Within one year	61	55
Between two and five years	244	220
More than five years	384	435
	628	655

Rent holiday accrual

Other amounts in non-current other payables of £0.85 million (31 December 2014: £0.81 million) relate to an accrual for rental payments built up during a period of 'rent holiday' as provided for in the new leases for Dewynters and SpotCo's Offices. In line with SIC Interpretation 15 the accrual will be released to the income statement over the term of the lease thus reducing rent costs.

	2015 £'000	2014 £'000
Within one year	144	38
Between two and five years	577	523
More than five years	273	282
	850	805
Total non-current payables	1,478	1,460

11. WARRANT RESERVE

The warrant reserve comprises the equity component of warrants issued by the Company. On 04 December 2015 the Company granted 24,994,462 Warrants to AIB Joint Ventures, a subsidiary of AIB. The Warrants are exercisable for five years at an exercise price of 1 penny per Warrant, only when the closing mid-market price of a New Ordinary Share reaches 5 pence or more on any Trading Day during that five year period, subject to the right to exercise earlier upon the occurrence of certain specified Acceleration Events (as defined in the Warrant Agreement). The warrants have been accounted for at fair value through the profit and loss account. Fair value has been calculated via a binomial tree modelling of a knock in option. The model assumes there are no dividends in the option period and other inputs are as follows:

	Year ended 2015	Year ended 2014
Share price at 31 December 2015		-
Risk free rate	1.346%	-
Barrier price	£0.05	-
Strike price	£0.01	-
Volatility	100%	-
Spot price	£0.016	-
Days to Expiry	1,798	-

Over the past three years, the share price volatility has been 98%, rising to 133% over the 12 months to the 31 December 2015 balance sheet date. Subsequent to the refinancing, the Board considers that future share price volatility will be materially less than the historic values which were unquestionably influenced by the financial restructuring. Notwithstanding, it was considered prudent to assume a 100% volatility for purposes of valuing the warrants. Using an 80% or a 120% volatility results in a ± 15% change in the warrant price.

The fair value of the warrants at the date of grant totalled £311k (2014: £Nil). This amount has been charged in full to the profit and loss account during the year.

12. CASH GENERATED FROM OPERATIONS

	2015 £'000	2014 £'000
Reconciliation of net cash flows from operating activities		
Profit/(Loss) before taxation	4,539	(5,120)
Adjustments:		
Finance costs	714	879
Finance income	(61)	(60)
Depreciation	369	344
Amortisation of intangibles	192	195
Impairment of goodwill	965	6,430
Exceptional debt write offs	(6,018)	-
Operating cash flows before movements in working capital	700	2,668
Decrease/(increase) in inventories	249	(120)
(Increase) in trade and other receivables	(666)	(1,897)
(Decrease)/Increase in trade and other payables	(925)	1,843
Cash (used in)/generated from operating activities	(642)	2,494

13. RELATED PARTY DISCLOSURES

During the year ended 31 December 2015, transactions with Key Management Personnel are in relation to Directors of the Group and are presented in Directors Remuneration tables on page 18 and note 6 to the audited financial statements.

Dividend income received in the year ended 31 December 2015 of £0.06 million (2014: £0.06 million) is from the associate undertaking Theatrenow Limited, in which Dewynters has a 29.91% shareholding.

14. TRANSACTIONS WITH DIRECTORS

At 31 December 2015, David Stoller owed the Group £35,982 (2014: the Group owed Mr. Stoller £1,026 repaid in 2015). This relates to PAYE payments, whereby following a PAYE assessment it was determined that Mr Stoller's compensation for work in the UK for the Company should be subject to PAYE (as opposed to being taxed only in the US) and therefore the Company was required to immediately pay outstanding PAYE. The Company will seek to recover this amount from Mr Stoller as soon as possible and once the related overpayment of employment tax in the US becomes available. Subsequent to 31 December 2015, Mr Stoller has made repayments of £8,000. The loan is non-interest bearing and no terms and conditions are attached. Full repayment is due by 31 December 2016.

During the year ended December 2015, the Group procured consultancy services totalling £0.188 million (2014: Nil) from Glen House Capital Strategies Ltd., a company owned by Richard Ingham, a non-executive director of the Board during the period, in recognition of consultancy services provided since 2013. £0.12 million was outstanding at 31 December 2015 (2014: Nil).

During the year ended December 2015, the Group procured consultancy services totalling £0.03 million (2014: Nil) from Springtime Consultants Ltd., a company owned by Marcus Yeoman, a non-executive director of the Board during the period. £0.02 million was outstanding at 31 December 2015 (2014: Nil).

15. SUBSEQUENT EVENTS

On 11 February 2016 Richard Ingham resigned his position as non-executive member of the Board of Directors to take effect after three months. As a result Mr. Ingham stepped down as a director on 11th May 2016.

On 12 February 2016, 1 million shares were issued in payment of services relating to advice received on the December 2015 fund raise. The shares were issued at 0.01 pence each.

On 4 March 2016 the Company announced that it had adopted a new employee share incentive scheme, the reach4entertainment enterprises plc 2016 Long Term Incentive Plan. The plan can grant up to 20 per cent. of the issued share capital at an exercise price of 1p per share. On 4 March 2016, 84,475,000 options in new ordinary shares in the Company, representing approximately 17.75 per cent. of the issued ordinary share capital of the Company on that date, were granted to employees and senior management, including to the Executive Chairman and Acting CEO. Of the total Options granted, 23,750,000 were granted to David Stoller, the Executive Chairman and Acting CEO of the Company, which represent approximately 4.99 per cent. of the issued ordinary share capital of the Company at that date.

On 4 March 2016 it was announced that James Charrington had been appointed as CEO of Dewynters. In 2014, Mr Charrington had set up Jampot Consulting Limited ("Jampot") an Arts Marketing Consultancy, working with, amongst others, the National Theatre and Sonia Friedman on ticketing and marketing strategies. On 21 March 2016, the Company acquired 100% of Jampot for consideration totalling £55,000 by the issue of 3,666,666 ordinary shares in r4e at 1.5p per share. The Board of r4e believes the IP in digital marketing that Jampot can bring will be beneficial to the Group and add to its service offering. Jampot has a year end of 31 October, therefore for the period from 1 November 2015 to the date of acquisition being 21 March 2016, Jampot had revenue of £16,214, profit before tax of £5,563 and net assets of £87.