RNS Number : 3269D
Reach4Entertainment Enterprises PLC
26 April 2017

reach4entertainment enterprises plc (”**r4e”**, the “**Company**”' or the “**Group**”)
Final results for the year ended 31 December 2016

r4e, the transatlantic media and entertainment company, today announces its results for the year ended 31 December 2016.

Highlights

	2016	2015	Change
Revenue	**£96.6m**	**£85.9m**	12.5%
Gross Profit	**£22.8m**	**£20.2m**	12.9%
EBITDA before exceptional items	**£1.5m**	**£1.8m**	-16.7%
Adjusted EBITDA*	**£1.9m**	**£1.8m**	5.6%
Operating profit	**£0.85m**	**£5.19m**	-84%
Profit before tax (including exceptional items)	**£0.5m**	**£4.5m**	-89%
Profit before tax (excluding exceptional items and share based payments)	**£0.9m**	**£0.6m**	50%

*Adjusted EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) is before exceptional items and share based payment charges

- Represented some of the best known theatre shows and won new shows to be launched in 2017/2018 including Bat out of Hell, 42nd Street, Waitress, Mean Girls and Pretty Woman

- Launched a new agency in Hamburg Germany, such that r4e now operates in the world's three largest commercial centres for theatre - London, New York and Hamburg.

- Appointed James Charrington to lead Dewynters and acquired his data driven marketing and analysis business Jampot Consulting Ltd

- Appointed Jim Edwards to lead SpotCo

- Expanded the Board with the appointment of Lord Michael Grade, Claire Hungate and Charlie Lycett as non-executive Directors

- Implemented the r4e plc Long Term Incentive Plan (LTIP) to incentivise and rewards key members of staff. Adding back these non-cash affecting costs of £0.35 million, the Group has a core trading EBITDA of £1.9 million

- Successfully raised £2 million (gross proceeds) from an equity placing in October 2016, to support the Company’s data-driven marketing and analytics initiative, geographic expansion and the reorganisation of key aspects of the business

Commenting on the results, David Stoller, Executive Chairman, said, "2016 was a good year for r4e building upon the financial transformation achieved in the prior year. In addition to a positive trading performance which saw revenues increase by 12.5%, we set out our strategy for growth and have made significant headway towards executing it, recruiting a superb leadership team across the company, expanding our presence geographically into Germany, so that we are now operate in the three largest live entertainment centres in the world, London, New York and Hamburg, and launching our data driven marketing and analytics business through Jampot, which we believe will be a key driver of our future success.

31 December 2016 Full Report and Accounts
The Company will shortly post its report and accounts for the year ended 31 December 2016 to shareholders, along with notice of the annual general meeting to be held at 11.30am on 27 June 2017, 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.

Enquiries:

reach4entertainment

David Stoller, Executive Chairman +44 (0) 20 7968 1655

Novella Communications – Financial PR
Tim Robertson +44 (0) 207 6303843
Toby Andrews +44 (0) 207 6303848

Allenby Capital Ltd – AIM Nominated Adviser and Broker
Jeremy Porter/ James Reeve +44 (0) 20 3328 5656

EXECUTIVE CHAIRMAN'S STATEMENT

A Clear Strategy for Long-Term Growth

In 2016, r4e delivered a good trading performance slightly ahead of the previous year and set out a clear strategy for the future long-term growth of the business, centred around three key areas:

- Geographic expansion;
- Launching a new data-driven marketing and analytics division; and
- Re-organisation and integration of key business groups.

Good progress was made against all three objectives alongside a significant strengthening of the senior management team. In March 2016, the Company announced the appointment of James Charrington as the new CEO for Dewynters as well as the acquisition of data and marketing analytics business Jampot Consulting. In August 2016, the Company appointed Jim Edwards as the new CEO for Spotco, and in September 2016 the Company announced the creation of a Dewynters agency in Hamburg under Michael Hildebrandt, expanding the business geographically and adding another highly experienced individual to the team.

To support the Company's strategic objectives, an equity placing was completed raising £2.0 million gross proceeds (£1.9 million net) in October 2016. Charlie Lycett joined the Board of Directors as a Non-Executive in May 2016 and since the year end, the Company has welcomed Lord Michael Grade and Claire Hungate (currently head of Warner Bros UK) as Non-Executive Directors.

The combination of the above changes together with a re-organisation of the London office will significantly strengthen the business and provide the platform for long-term growth.

Positive Trading Performance

Group revenue increased by 12.5% to £96.6 million (2015: £85.9 million), boosted by positive currency translation. On a constant currency basis, revenues increased by 3.8%.

Underlying profitability for r4e (Adjusted EBITDA*) was slightly ahead at £1.9 million (2015: £1.84 million), driven by a strong performance from SpotCo and a much improved performance from Newmans. The gross profit margin was consistent at 23.6% (2014: 23.5%).

Profit before tax decreased to £0.50 million (2015: £4.54 million). Excluding exceptional items and share based payment charges, profit before tax has increased by 350% to £0.85 million (2015: loss of £0.34 million).

Earnings per share from total operations for the year is 0.02p (2015: 4.01p).

Subsequent to the substantial debt refinancing in December 2015, 2016 saw the first full year with the new debt provider PNC Business Credit ('PNC'). Over the course of the year, total borrowings have reduced further by £1.70 million to £5.03 million (31 December 2015: £6.74 million).

* Adjusted EBITDA is EBITDA before exceptional items and share based payment charges

New York, London and now Hamburg

In opening Dewynters Germany in September, r4e has taken a major step towards building a leading global agency. Adding Hamburg to its market-leading presence in London and New York, r4e now has a presence in the three largest commercial theatre markets in the world. This, combined with a commitment, avidly shared by each of these agencies, to utilise Jampot's new data-driven marketing and analytics capabilities (which can and will be increasingly applied to the broader categories of live entertainment, in addition to commercial theatre), and the highly collaborative approach adopted by the new leadership teams, will drive the Company's future growth. r4e is re-inventing itself, with a clear global vision and strategy.

New York

SpotCo delivered a good performance in 2016, driven by an especially strong first six months of the year. Ahead of the prestigious Tony awards in June 2016, SpotCo's clients required significant support from the company. This investment assisted the result of every Tony award being won by a SpotCo client. Boosted by this high level of activity plus a beneficial currency translation, revenues for the period increased by 19% on the previous year to £65.2 million (2015: £54.6 million) with Adjusted EBITDA increasing by 25% to £1.5 million (2015: 1.2 million), and operating profit increasing by 16.22% to £1.0 million (2015: £0.86 million). SpotCo has a very strong track record, and expects to maintain its market leading position under the leadership of Jim Edwards. The company has a growing focus on utilising the strengths of the Group, including its growing data and analytics capabilities. Another area of growth is winning new clients who have theatre presented outside of New York but whom have the potential to subsequently transfer to Broadway.

London

Under new CEO James Charrington, Dewynters has been re-organised, establishing a new structure that will support its long-term strategy, featuring a more streamlined service delivery and a determined cultivation of a wider live entertainment client base, all supported by a substantial commitment to data and analytics. As a result, 2016 was a year of transition for Dewynters which was reflected in the financial performance of the division with revenues flat at £27.5 million (2015: £27.5 million), however focus on overhead control resulted in an increased Adjusted EBITDA at £0.98 million (2015: £0.85 million). Operating profit has also increased by £1.13 million to £0.69 million (2015: loss of £0.44 million) due to the prior year impairment of goodwill. Dewynters is now well placed to improve on this performance in 2017.

Newmans enjoyed significant success in 2016, growing its revenues by 19% to £3.9 million (2015: £3.5 million) and generating EBITDA of £0.22 million (2015: £0.16 million). Management decisions in 2015 to switch from outsourcing to investing in in-house printing and cutting machinery has made an immediate and positive impact on the profitability of the division. Newmans also benefited from an increase in theatre signage, including the Harry Potter play and an increase in film premier work generally. Operating profit has remained consistent with prior year at £0.14 million (2015: £0.14 million) due to the new PNC debt costs which have impacted 2016. The division remains committed to providing an increasing level of digital services and is well placed going into 2017.

Hamburg

Launched in September 2016, Dewynters Germany is still in its infancy but is already seeing signs of strong future performance under the leadership of Michael Hildebrandt, who has worked in Hamburg, the capital of the German entertainment market, for the past 17 years and is an established industry figure. Michael's leadership and market knowledge, combined with the skills and capabilities that this division is able to draw upon from the wider Group, particularly from Dewynters in London, provides a strong platform for growth, focussing particularly on two key service models:

- Strategic and commercial support for brands in the entertainment and leisure industry:
- Event creation for major brands looking for entertainment-driven solutions to marketing challenges.

During 2016, r4e invested in establishing this division and 2017 will be another year of investment.

Forward Momentum

The progress we have made in the last 18 months has re-invigorated the business with change occurring at nearly every level. In 2015, we transformed the financial base of the Company and in 2016 we have transformed the senior team and operational structure and set out our strategic plan for the future, featuring geographic expansion (evidenced by our launch into Germany), customer expansion (following and participating in the globalisation of live entertainment), and a powerful push to develop and provide our customers with industry-leading digital, data-driven marketing and analytics (led by the launch of Jampot). Our performance for 2017 has to date been in line with our expectations and we are enthusiastic about the growth prospects that our new initiatives will bring. Although these initiatives will inevitably increase the costs previously anticipated for 2017 (which did not factor for the costs of initiatives yet to launch), we expect them to provide a real benefit to the profitability of the group in future years.

David Stoller
Executive Chairman

REVIEW OF PERFORMANCE BY COMPANY

Year ended 31 December 2016

	Dewynters £'000	Newmans £'000	Jampot	**London Total £'000**	SpotCo £'000	DAI £'000	**New York Total £'000**	Dewynters GmbH £'000	Head Office £'000	**Group Total £'000**
Revenue	27,536	3,909	-	**31,445**	65,153	-	**65,153**	8	-	**96,606**
EBITDA before exceptional items	876	216	(45)	**1,047**	1,383	(11)	**1,372**	(124)	(743)	**1,552**
Adjusted EBITDA*	983	216	(45)	**1,154**	1,507	(11)	**1,496**	(124)	(624)	**1,902**
Operating (loss)/profit	694	139	(45)	**788**	996	(3)	**993**	(124)	(803)	**854**

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**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
Continuing operations			
Revenue	1	96,606	85,849
Cost of sales	4	(73,779)	(65,684)
GROSS PROFIT		22,827	20,165
Administrative expenses	4	(21,973)	(14,973)
EBITDA before exceptional items		1,552	1,843
Exceptional administrative expenses	2	-	(1,149)
Exceptional administrative income	2	-	6,025
Impairment of goodwill	7	(55)	(965)
Depreciation		(447)	(370)
Amortisation of intangible assets	7	(196)	(192)
OPERATING PROFIT		854	5,192
Finance income		-	61
Finance costs	3	(355)	(714)
PROFIT BEFORE TAXATION		499	4,539
Taxation	5	(409)	(273)
PROFIT FOR THE YEAR		90	4,266

The profit is attributable to the equity holders of the parent

Basic and diluted earnings per share (p)			
Basic earnings per share	6	0.02	4.01
Diluted earnings per share	6	0.02	4.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £'000	2015 £'000
PROFIT FOR THE YEAR	90	4,266
Other comprehensive income:		
Items that will not be reclassified to profit and loss:		
Currency translation differences	89	147
Other comprehensive income for the year, net of tax	89	147
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT	179	4,413

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 5.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
NON-CURRENT ASSETS			
Goodwill and intangible assets	7	10,946	9,985
Property, plant and equipment		2,720	2,359
Deferred tax asset		167	145
		13,833	12,489
CURRENT ASSETS			
Inventories		139	152
Trade and other receivables		14,263	12,906
Other current assets		601	498
Cash and cash equivalents		2,097	1,160
		17,100	14,716
TOTAL ASSETS		30,933	27,205
CURRENT LIABILITIES			
Trade and other payables		(17,582)	(14,709)
Borrowings	8	(4,489)	(6,002)
		(22,071)	(20,711)
NET CURRENT LIABILITIES		(4,971)	(5,995)
NON-CURRENT LIABILITIES			
Deferred taxation		(1,733)	(1,470)
Other payables	9	(1,241)	(1,478)
Borrowings	8	(537)	(739)
		(3,511)	(3,687)
TOTAL LIABILITIES		(25,582)	(24,398)
NET ASSETS		5,351	2,807
EQUITY			
Called up share capital	10	3,074	2,374
Share premium		16,645	15,329
Deferred shares		1,498	1,498
Capital redemption reserve		15	15
Share option reserve	11	349	-
Warrant reserve		311	311
Retained earnings		(16,480)	(16,570)
Own shares held		(259)	(259)
Foreign exchange reserve		198	109
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		5,351	2,807

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2016

	Share capital £'000	Share premium £'000	Deferred shares £'000	Capital Redemption reserve £'000	Share Option 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 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	-			-	-	-	-	-
Share re-organisation	(1,498)	-	1,498		-	-	-	-	-	-
Issue of warrants	-	-	-		-	-	311	-	-	-
At 31 December 2015	**2,374**	**15,329**	**1,498**	**15**	**-**	**311**	**(16,570)**	**(259)**	**109**	**2,807**
Profit for the year	-	-	-	-	-	-	90	-	-	90
Other comprehensive income, net of tax:										
Currency translation differences	-	-	-	-	-	-	-	-	89	89
Total comprehensive income for the year	**2,374**	**15,329**	**1,498**	**15**	**-**	**311**	**(16,480)**	**(259)**	**198**	**2,986**
Transactions with owners in their capacity as owners:					-					
shares issued	700	1,316	-	-		-	-	-	-	2016
Share based payments charge	-	-	-	-	349	-	-	-	-	349
At 31 December 2016	**3,074**	**16,645**	**1,498**	**15**	**349**	**311**	**(16,480)**	**(259)**	**198**	**5,351**

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
Cash generated from/(used in) operating activities	12	3,196	(642)
Income taxes paid		(436)	(213)
Net cash generated from/(used in) operating activities		2,760	(855)
Investing activities			
Purchases of property, plant and equipment		(356)	(193)
Proceeds from disposal of property, plant and equipment		(133)	-
Payment of deferred consideration		-	(661)
Dividends received from associated undertaking		-	60
Net cash used in investing activities		(489)	(794)
Financing activities			
Net proceeds from the issue of share capital	10	1,909	3,828
Proceeds from asset based lending	8	108,684	6,690
Repayments of asset based lending	8	(111,396)	(9,630)
Repayment of term loan	8	(287)	-
Repayments of obligations under finance leases		(13)	-
Interest paid		(338)	(604)
Net cash (used in)/generated from financing activities		(1,441)	284
Net increase/(decrease) in cash and cash equivalents		921	(1,365)
Cash and cash equivalents at the beginning of the year		1,160	2,446
Effect of foreign exchange rate changes		107	79
Cash and cash equivalents at the end of the year		2,097	1,160

BASIS OF PRESENTATION

The above 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 2016 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 disclosures in the accounting policies on page 32-33 of the annual report and accounts concerning the group and company's ability to continue as a going concern following a breach of loan covenants that occurred during 2016 and breaches that are forecast to occur in 2017. These events or conditions indicate the existence of a material uncertainty that may cast significant doubt about the group's or company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group or company was unable to continue as a going concern.

GOING CONCERN

As at 31 December 2016, the Group had net assets of £5.35 million (31 December 2015: net assets £2.81 million) and made an operating profit in the year then ended of £0.85 million (year ended 31 December 2015: loss of £5.19 million).

During 2015, 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 2016 the debt owed to PNC totalled £4.83 million (2015: £6.68 million), a reduction of £1.85 million.

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 set of financial covenants are in place with PNC in relation to this debt and are measured monthly. One of these covenants was breached for 3 months from August to October 2016 due to seasonal fluctuations in revenue. PNC provided a waiver for these breaches and an amendment to the covenant terms was agreed in 2017 to help mitigate the impact of seasonality. At the latest measurement date prior to these accounts being released, the covenants had been met, however, trading in 2016 was unusually weighted towards the first half of the year and 2017 is expected to return to the typical trading pattern of a stronger second half of the year. This means that, on a 12 month rolling basis the Group may once again be affected by seasonality issues in the covenant measurement. The Company and PNC are monitoring the position carefully, remain in close correspondence, and are working towards a solution.

The directors of the Company understand that PNC remains supportive of r4e, but that PNC 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 since the re-financing in 2015, 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 later in 2017, these would only be temporary as a result of seasonal fluctuations and not due to the performance of the Group as a whole and are working with PNC to come to an agreement.

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.

SHARE BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using a Black-Scholes valuation model for vanilla options and a binomial model for more complex options. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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 8. Although breached from August to October 2016, the covenants have been met in full since November 2016 until the date of the release of these accounts.

NOTES

1. BUSINESS AND GEOGRAPHICAL SEGMENTS

   Business segments

   For management purposes, the Group is currently organised into four 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, and publishing.

   Germany – marketing strategy and planning, media planning, design, event production, PR, CRM and data consulting.

   London – marketing, design, advertising, promotions, digital media services, publishing, 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 2016 is presented below.

	NY operations £'000	London operations £'000	Germany operations £'000	Head Office £'000	Group £'000
Sale of goods	-	1,168	-	-	1,168
Provision of services	65,153	30,277	8	-	95,438
Revenue (all external customers)	65,153	31,445	8	-	96,606
EBITDA before exceptional items	1,372	1,047	(124)	(743)	1,552
Impairment of Goodwill	-	-	-	(55)	(55)
Depreciation	(244)	(198)	-	(5)	(447)
Amortisation	(135)	(61)	-	-	(196)
Operating profit/(loss)	993	788	(124)	(803)	854
Finance costs	(260)	(95)	-	-	(355)
Profit/(loss) before tax	733	693	(124)	(803)	499
Tax (charge)/credit	(338)	(971)	-	900	(409)
Profit/(loss) after tax	395	(278)	(124)	97	90

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.

	NY operations £'000	London operations £'000	Germany operations £'000	Head Office £'000	Group £'000
Capital additions:					
Property, plant and equipment	42	502	1	-	545
Balance sheet:					
Segment assets					
Non-current assets	8,559	5,248	1	25	13,833
Current assets	9,831	6,268	127	874	17,100
Total segment assets	18,390	11,516	128	899	30,933
Liabilities:					
Total segment liabilities	(16,806)	(7,060)	(42)	(1,674)	(25,582)

Segment information for continuing operations of the Group for the year ended 31 December 2015 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

	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)

2. EXCEPTIONAL ADMINISTRATIVE ITEMS

	2016 £'000	2015 £'000
Office move costs	-	(14)
Employee contract termination related costs	-	(13)
Costs relating to debt restructure	-	(539)
Costs of merchandise division sale	-	(272)
Issue of warrants to AIB	-	(311)
Exceptional administrative expenses	-	(1,149)
Landlord and Tenants Act reimbursement	-	-
Income from transfer of merchandise division	-	155
Gain on deferred consideration write off	-	715
Gain on debt write off	-	5,155
Exceptional administrative income	-	6,025

Office move and Landlord reimbursement

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. 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 in prior year 2015 relate to the search for new premises plus negotiation for the new leases with the current landlord.

Employee contract termination costs

Exceptional expenses of £0.01 million in prior year 2015 relate 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.

Gain on debt write off

The debt restructure which took place in prior year 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 in 2015, the Company granted 24,994,462 Warrants to AIB Joint Ventures, a subsidiary of AIB.

3. FINANCE COSTS

	2016	2015
	£'000	£'000
Finance lease interest	13	1
Interest on AIB bank loans	-	482
Interest on new debt	200	15
Fees on new debt	137	37
Amortisation of arrangement fees for bank loan	-	66
Unwinding of discounting on deferred consideration (note 9)	-	91
Foreign exchange loss on trade	5	3
Foreign exchange loss on deferred consideration (note 9)	-	19
	355	714

4. EXPENSES BY NATURE

	2016	2015
	£'000	£'000
Media, marketing and promotional services	73,071	65,029
Staff costs	14,990	12,854
Share based payment costs (note 11)	349	
Depreciation, amortisation and impairment	699	1,526
Exceptional administrative income (note 2)	-	(4,876)
General office expenses	2,975	2,996
Operating lease payments:		
Land and buildings	1,339	1,378
Plant and machinery	160	142
Professional costs	1,373	1,004
Travelling	547	534
Other	249	70
Total cost of sales and administrative expenses	95,752	80,657

5. TAXATION

	2016	2015
	£'000	£'000
Current tax:		
	(6)	-
Overseas tax on profits/(losses) of the year	338	251
Total current tax charge	332	251
Deferred tax:		
Origination and reversal of timing differences	69	82
Deferred tax rate change	8	17
Deferred tax – adjustment in respect of previous periods	-	(77)
Total deferred tax	77	22
Tax charge on loss of ordinary activities	409	273

Factors affecting the tax charge for the year:

	2016	2015
	£'000	£'000
The tax assessed for the year differs from the effective average rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:		
Profit on ordinary activities before tax	499	4,539
Profit on ordinary activities multiplied by effective average rate of corporation tax in the UK of 20.00% (2015: 20.25%)	100	919
Effects of:		
Fixed asset differences	30	13
Expenses not deductible for tax purposes	-	342
Income not subject to tax	(439)	(1,182)
Other tax adjustments, reliefs and transfers	(30)	(144)
Temporary difference on overseas tax	(7)	-
Difference in tax rates on overseas earnings	173	185
Timing differences not recognised in the computation	132	131
Change in corporation tax rates	-	123
Adjustments to brought forward values	-	(13)
Adjustment in respect of previous periods	(6)	(59)
Deferred tax not recognised	460	(42)
Total tax charge for the year	409	273

A deferred tax asset of approximately £1.25 million (2015: £0.96 million) has not been recognised due to uncertainty over future profitability. At 31 December 2016, the Group had losses carried forward of £7.4 million (2015: £5.3 million), available for offset against future profits in the UK. Taxation is calculated at the rates prevailing in the respective jurisdictions. The standard tax rates in each jurisdiction are 40% in the United States (2015: 40%) and 20% in the United Kingdom (2015: 20%).

6. EARNINGS PER SHARE

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

Profits attributable to equity holders of the company

	2016 £'000	2015 £'000
For basic and diluted profit per share		
Profit for financial year	90	4,266
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	500,208,593	106,416,614
Dilutive effect of share options	483,688	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	500,692,281	106,416,614
Earnings per share (pence) after tax		
Basic earnings per share	0.02	4.01
Diluted earnings per share	0.02	4.01

7. GOODWILL AND INTANGIBLE ASSETS

	Brands £'000	Customer relationships £'000	Purchased goodwill £'000	Total £'000
Cost				
1 January 2015	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
Additions	-	-	55	55
Foreign exchange differences	409	-	1,026	1,435
31 December 2016	4,670	2,607	14,996	22,273
Amortisation				
1 January 2015	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
Charged in the year	135	61	-	196
Impairment charge	-	-	55	55
Foreign exchange differences	278	-	-	278
31 December 2016	1,704	1,992	7,631	11,327
Net book value				
31 December 2016	2,966	615	7,365	10,946
31 December 2015	2,970	676	6,339	9,985

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

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:

	2016 £'000	2015 £'000
Dewynters Group (Dewynters, Newmans, DAI)	1,351	1,351
SpotCo	6,014	4,988
Total Goodwill	7,365	6,339

An impairment of £0.55 million in the year is related to the purchase of Jampot Consulting Ltd (2015: £0.97 million related to Dewynters Group – see note below). 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 on 29 March 2016 of 3,666,666 ordinary shares in r4e at 1.5p per share. The Board of r4e believed the IP in digital marketing that Jampot held will be beneficial to the Group and add to its service offering. As this benefit is related to the group as a whole and future revenues could not be specifically allocated to the acquired company, the goodwill in Jampot was written off as reflected in the half year 30 June 2016 report. Subsequent to the write off management have decided to operate the Group's new data marketing analytics business through Jampot.

An impairment charge of £0.97 million was incurred in the prior year ended 31 December 2015 on the Dewynters Group (inclusive of Dewynters, Newman and DAI). The merchandise division of Dewynters was transferred during 2015 and as a result the royalties from merchandise sales in the USA were no longer collected by DAI and so the company was dissolved in December 2016. The Company 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 2016 the recoverable amount of the Dewynters Group is £7.96 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 2017 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 2016 are as follows:

	Dewynters Group	SpotCo
Revenue (fall) – 1 year	(8.6)%	(11.4)%
Revenue growth per annum – years 2-5	1.5%	1.5%
Cost growth – employee costs from year 1	(2.2)%	(9.2)%
Cost growth per annum – employee costs from years 2-3	1.5%	2.0%
Cost growth per annum – employee costs years 4-5	1%	1.5%
Cost growth – overhead costs from year 1	(16.4)%	(7.0)%
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 2017 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	Reasonable Change?	SpotCo	Reasonable* Change?
Revenue (fall)– year 1 only	(43.0)%	No	(7.0)%	Yes
Revenue (fall) – year 1 with onwards effect	(6.0)%	Yes	(1.0)%	Yes
Cost growth – employee costs in year 1 only	68.6%	No	10.0%	No
Cost growth per annum – employee costs	3.1%	No	0.5%	Yes

from years 2-3				
Cost growth – overhead costs in year 1 only	220.0%	No	40.0%	No
Cost growth – overhead costs from year 2-5	9.5%	No	2.0%	Yes
Discount rate increase	16.0%	No	2.5%	No
Capitalisation rate increase	110.5%	No	4.5%	No

* Reasonable change is when the Board considers the change to be possible in the future

Brands and customer relationships all arise on acquisition; there are no internally generated intangible assets. The brand allocated to the Dewynters CGU totalling £2.26 million (2015: £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 (2015: also £0.70 million due to gain in FX rates) 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 11 are remaining as at 31 December 2016. It has a carrying value of £0.61 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.

8. BORROWINGS

	2016 £'000	2015 £'000
Current:		
Term debt	378	314
Asset based lending facility	4,037	5,665
Finance leases	74	23
	4,489	6,002
Non-current:		
Term debt	410	697
Finance leases	127	42
	537	739
Analysis of borrowings:		
On demand or within one year		
Term debt	378	314
Asset based lending facility	4,037	5,665
Finance leases	74	23
	4,489	6,002
In the second to fifth years inclusive		
Term debt	410	697
Finance leases	127	42
	537	739
Amounts due for settlement	5,026	6,741
Less amounts due within one year	(4,489)	(6,002)
Amounts due for settlement after one year	537	739

Analysis of borrowings by currency:

	Sterling	USD	Total
	£'000	£'000	£'000
31 December 2016			
Asset based lending facility	960	3,077	4,037
Term debt	240	548	788
Finance leases	201	-	201
	1,401	3,625	5,026

	Sterling	USD	Total
	£'000	£'000	£'000
31 December 2015			
Bank loans	731	4,934	5,665
Deferred consideration	350	661	1,011
	65	-	65
	1,146	5,595	6,741

Term debt

The term debt with PNC (£0.79 million) totalled £1 million when drawn down on 4 December 2015 (£1.01 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 began in March 2016. The debt will be fully repaid by October 2018.

The non-current element of the term debt is due to be paid in 2018. As at 31 December 2016 this could be reflected as current due to the breach of covenants in the year, however, as at year end PNC informed the Company that it would continue to be supportive and subsequently, in 2017, it provided a waiver. Therefore the debt has been reflected in non-current liabilities.

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 0.25%. 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. These were breached in August to October 2016, but were met in full both before and after these months and were also met in full as at 31 December 2016. The covenants were also met in full at each subsequent month to year end until the latest measurement date prior to these accounts being 31 March2017. Forecasts for 2017 currently reflect possible breaches in the fixed charge cover financial covenant due to the 12 month rolling measurement picking up the unusually weak second half of 2016 and, in a return to normal trading patterns, a weaker first half of 2017. However, given current negotiations with PNC and that the current forecast for the full year 2017 EBITDA is in line with expectations, the Directors are confident the Group remains a going concern – see Going Concern explanation above for further details.

9. OTHER NON CURRENT PAYABLES

Landlord reimbursement accrual

Amounts in non-current other payables of £0.61 million (2015: £0.63 million) relate to the re-imbursement of leasehold improvement costs from SpotCo's landlord at the 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. £0.07 million was unwound during the year (2015: £0.06 million). Amounts in current liabilities relating to the reimbursement total £0.07 million (2015: £0.06 million).

	2016	2015
	£'000	£'000
Within one year	74	61
Between two and five years	296	244
More than five years	315	384
	611	628

Rent holiday accrual

Other amounts in non-current other payables of £0.63 million (31 December 2015: £0.85 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.

	2016	2015
	£'000	£'000
Within one year	133	144
Between two and five years	393	577
More than five years	237	273
	630	850
Total non-current payables	1,241	1,478

10. SHARE CAPITAL

	2016	2015
	£'000	£'000
Authorised, allotted, issued and fully paid:		
614,992,671 ordinary shares at 0.5 pence each (2015: 474,894,792 ordinary shares of 0.5 pence each)	3,074	2,374

Authorised, allotted, issued and fully paid:		Nominal Value £'000	Number of shares No.
Date	Detail		
1 January 2016	Balance brought forward	2,374	474,894,792
12 February 2016	Shares issued	5	1,000,000
29 March 2016	Shares issued	18	3,666,666
1 November 2016	Shares issued	667	133,333,334
21 December 2016	Shares issued	10	2,097,879
31 December 2016	Balance carried forward	3,074	614,992,671

12 February 2016 Fees payable
1,000,000 share at 1.0p were issued in satisfaction of fees payable in connection with the placing completed in December 2015.

29 March 2016 Jampot Acquisition
3,666,666 shares at 1.5p were issued for the acquisition of Jampot on 29th March 2016 resulting in share premium of £0.04 million.

1 November 2016 Fund Raise
133,333,334 shares at 1.5p were issued on the fund raise in November 2016 resulting in share premium of £1.33 million. Costs of issue totalled £0.091 million.

21 December 2016 Dewynters GmbH CEO
2,097,879 shares at 2.0p were issued to the CEO of Dewynters GmbH, in accordance with the terms of his service agreement, as part of his remuneration package.

11. SHARE BASED PAYMENTS

Equity-settled share option plan

Under the Group plan, share options are granted at the average price of the Company's shares at the grant date. The employee is entitled to the exercise the options at 1p per share as to 50 per cent on the third anniversary of the date of grant and as to 50 per cent on the fourth anniversary of the date of grant. In addition, Options held by David Stoller and certain other senior employees and management may be exercised earlier if the Board determines that any exercise condition as set out below has been met:

Should the Company's mid-market closing share price meet or exceed the following targets for five trading days (which may be non-consecutive) within a period of 30 consecutive calendar days prior to the third anniversary of the date of grant, the Option shall be exercisable as follows:

(a) One third of the Option shall become exercisable on meeting a share price target of £0.035 per share;

(b) A further one third of the Option shall become exercisable on meeting a share price target of £0.045 per share; and

(c) The remaining one third of the Option shall become exercisable on meeting a share price target of £0.055 per share.

However, subject to the Board's discretion, the Option holder shall be required to retain the shares received on exercise of an Option on the Share Price Targets having been met until the earlier of:

i) Twelve months following the date the Option is exercised; or

ii) The third anniversary from the date of grant has passed.

If options remain unexercised after a period of 6 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group as a "bad leaver" before they become entitled to exercise the share option.

The following options to subscribe for the Company's shares have been granted to directors and eligible employees and had not lapsed at 31 December 2016:

Granted to	Date of Option	Number of Shares	First exercisable	Expiry date	Exercise Price
David Stoller	4 March 2016	23,750,000	4 March 2019 or on share price target	4 March 2022	1.00 pence
Eligible Employees	4 March 2016	25,450,000	4 March 2019 or on share price target where applicable	4 March 2022	1.00 pence
Eligible Employees	21 March 2016	9,500,000	21 March 2019 or on share price target	21 March 2022	1.00 pence
Eligible Employees	2 June 2016	24,900,000	2 June 2019 or on share price target where applicable	2 June 2022	1.00 pence
Eligible Employees	27 September 2016	7,800,000	27 September 2019 or on share price target	29 Sept 2022	1.00 pence
Eligible Employees	20 December 2016	9,500,000	20 December 2019 or on share price target	29 Dec 2022	2.00 pence

Movement in number of options in the period:	31 December 2016 No. Options
Outstanding at 1 January 2016	-
Granted during the period	100,900,000
Forfeited during the period	(7,800,000)
Outstanding at 31 December 2016	93,100,000

All options granted to 27 September have an exercise price of £0.01, 9,500,000 granted on 20 December 2016 have an exercise price of £0.02. No options were exercised or expired during the period. No options were exercisable at 31 December 2016.

The share options outstanding as at 31 December 2016 had a weighted average remaining contractual life of 5.36years.

The weighted average fair value of options granted during the period was 0.0119p.

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking account of the terms and conditions upon which the options were granted.

The key assumptions used to determine the fair value are as follows:

Exercise price	0.01 pence
Share price at valuation date	0.01825 pence
Expected life	6 years
Volatility	100%-40%
Risk free interest rate	From 0.24% - 1.5%
Exit rate of employees	5%

During the year the Group recognised total share-based payment expenses of £0.35 million (31 December 2015: Nil).

12. CASH GENERATED FROM OPERATIONS

	2016 £'000	2015 £'000
Reconciliation of net cash flows from operating activities		
Profit before taxation	499	4,539
Adjustments:		
Finance costs	355	714
Finance income	-	(61)
Depreciation	447	369
Amortisation of intangibles	196	192
Impairment of goodwill	55	965
Exceptional debt write offs	-	(6,018)
Share based payment charges	349	-
Operating cash flows before movements in working capital	1,901	700
Decrease in inventories	13	249
(Increase) in trade and other receivables	(1,357)	(666)
Increase/(Decrease) in trade and other payables	2,639	(925)
Cash generated from/(used in) operating activities	3,196	(642)

13. BUSINESS COMBINATIONS

On 21st March 2016 the Group acquired 100% of the share capital of Jampot Consulting Ltd, an arts marketing consultancy working on ticketing and marketing strategies, and obtained control of the company. 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. In the period ending 31 December 2016 the company has been developing tools in ticketing data analysis, yield maximisation and dynamic pricing. The acquired business contributed no revenues, an EBITDA loss of £0.045 million and net loss before tax of £0.045 million, to the Group for the period from 21 March 2016 to 31 December 2016.

The fair value of the total consideration transferred was £0.055 million, this consideration was in the form of 3,666,666 ordinary shares in r4e at 1.5p per share.

The assets and liabilities as of 21 March 2016 arising from the acquisition were minimal with assets of £0.01 million and liabilities of £0.01 million resulting in nil net asset value. All assets acquired were deemed to be at fair value. The consideration of £0.055 million was therefore goodwill which was written off to the income statement and was not deductible for tax purposes.

If the acquisition had occurred on 1 January 2016, Jampot would have contributed revenue of £0.005 million and loss before tax of £0.043 million to the group in the year.

14. RELATED PARTY DISCLOSURES

During the year ended 31 December 2016, transactions with Key Management Personnel are in relation to Directors of the Group and are presented in Directors Remuneration tables on page 19 and note 6 to the audited financial statements.
Dividend income received in the year ended 31 December 2016 was Nil. In 2015 £0.06 million was from the associate undertaking Theatrenow Limited, in which Dewynters had a 29.91% shareholding until the company was dissolved in September 2016.

Lord Grade (non-executive Director of r4e) is currently a director of Gate Ventures plc, a substantial shareholder in r4e. He is also a co-founder of The GradeLinnit Company Ltd ("GradeLinnit"). Dewynters has an existing agreement in place with GL 42nd Street Limited, a subsidiary company of Gradelinnit, for the provision of marketing and media services for the West End production of 42nd Street, which is due to launch at the Theatre Royal Drury Lane in the first half of 2017. The fees payable to Dewynters under the agreement are on the Company's normal commercial terms and not expected to be material to the Company's annual revenue.

15. TRANSACTIONS WITH DIRECTORS

At 31 December 2016, David Stoller owed the Group £268 (2015: £35,982).

During the year ended December 2016, the Group procured consultancy services totalling £0.05 million (2015: £0.19 million) from Glen House Capital Strategies Ltd., a company owned by Richard Ingham who was a non-executive director of the Board up until his resignation on 11 May 2016. No balance was outstanding at 31 December 2016 (2015: £0.12 million).

During the year ended December 2015, the Group procured consultancy services totalling £0.03 million (2015: £0.03 million) from Springtime Consultants Ltd., a company owned by Marcus Yeoman, a non-executive director of the Board during the period. No balance was outstanding at 31 December 2016 (2015: £0.02 million).

16. SUBSEQUENT EVENTS

On 24 January 2017, 3 new members were appointed to the Board of Directors:

Lord Michael Grade – Non Executive
Claire Hungate – Non Executive
Linzi Allen – Executive (Group Finance Director)

On 31st March 2017 PNC entered into an Amendment, Consent and Waiver agreement with the Group. The waiver covered the Groups beach of covenant in August, September and October of 2016 and was effective from January 2017. The monthly financial covenants were also amended to be measured each month end on a rolling 12 month basis from January 2017 onwards.