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reach4entertainment enterprises plc
20 September 2017

reach4entertainment enterprises plc ('r4e', 'the Company' or 'the Group')

Unaudited interim results for the six months ended 30 June 2017

r4e, the transatlantic media and entertainment Company, today announces its unaudited interim results for the six months ended 30 June 2017.

Highlights

	Unaudited six months to 30 June 2017	Unaudited six months to 30 June 2016	Change
Revenue	£41.9m	£49.0m	-14.5%
Gross Profit	£10.5m	£11.5m	-8.7%
Adjusted EBITDA[1]	£0.4m	£1.6m	-73.3%
Operating (loss)/profit	£(0.1)m	£1.0m	-110%

[1] Adjusted EBITDA is stated before exceptional items and share based payment charges

- PNC borrowing reduced by a further £1.564 million since 30 June 2016 with the outstanding term debt balance of £0.55 million repaid in July 2017;
- the new start up agency, Dewynters Germany, set up using proceeds from the fund raise in 2016, has had a very strong start with some positive contract wins resulting in a break-even performance in its first 9 months;
- against the prior period, Dewynters has produced a stronger adjusted EBITDA performance on a reduced turnover (2.2% increase versus 1.8% in prior period);
- SpotCo affected by a reduction in activity across its client base, increased competition and critically it has been involved in fewer new production launches;
- second half of current financial year expected to be satisfactory, but 2018 forecasts already looking like a return to form from the key companies with support from the new initiatives of Dewynters Germany and Jampot.

David Stoller, Executive Chairman, commented:

"The launch of new theatre productions is a key driver of profitability for the Group and historically has varied year to year. Whilst we are seeing fewer such launches this year, which has impacted upon our trading performance, there is a good pipeline of new shows for 2018.

We have significantly reduced group borrowings further enhancing the Group's financial base, and have seen our new venture Dewynters Germany complete a better than expected first year, aided by important new client wins.

Our strategy remains focused on providing unmatched service to the world's leading entertainment companies from our operations in London, New Yok and Hamburg, the three largest live entertainment centres globally, and advancing our core strategies focussed on increasing digitalisation of our services, development of our data and analytics business, and expansion into new geographies and non-theatre live entertainment business."

Enquiries:

reach4entertainment enterprises plc	
David Stoller, Executive Chairman	+44 (0) 20 7968 1655
Allenby Capital (Nominated Adviser and Broker)	+44 (0) 20 3328 5656
Jeremy Porter/James Reeve (Corporate Finance)	
Katrina Perez/Kelly Gardiner (Corporate Broking)	
Novella Communications (Financial PR)	+44 (0) 20 3151 7008
Tim Robertson/Toby Andrews	

EXECUTIVE CHAIRMAN'S STATEMENT

Introduction

r4e has had a relatively modest first six months compared to the same period in 2016 which was a very strong year, but the group has made good progress in building a strong pipeline of new business for 2018. The trading performance for the first six months of 2017 reflects this with revenues generated of £41.9 million (period ending 30 June 2016: £49.0 million), EBITDA of £0.4 million (period ending 30 June 2016: £1.6 million) and operating loss of £(0.1 million) (period ending 30 June 2016: £1.0 million).

In 2017 the Group has been involved in fewer launches of new theatre productions, particularly in the US, which is a key driver of profitability. This is mainly due to new industry competition in New York; shortage of theatres for new musical openings in London; and the effect of recent terrorist attacks in 2017 in the UK in on film premieres and events. However, r4e continues to be a leader in this sector across the three markets in which it operates, has a solid base of 2018 business expected, and has made good progress in pursuing its strategic objectives, focussing particularly on geographic expansion (like Hamburg), development of opportunities outside of its traditional theatre business, (Dewynters Vision) and building its data driven marketing and analytics business (through Jampot).

Dewynters Germany, launched in 2016, has had an excellent first year and has expanded the Company geographically into the world's third largest live entertainment market. In March 2016, the Company acquired Jampot, a data driven marketing and analytics business, which is now providing a significantly enhanced digital capability across each of the Company's agencies. Finally, in the last year the Group has seen significantly increased collaboration between our three offices with a focus on supporting individual shows in all three markets.

As previously announced, I will be stepping down from the Board on 30 Sept 2017, although I will remain involved with the Company as Chairman of SpotCo. I would like to thank everyone I have worked with over the last 7 years for their help and support. I leave with a great optimism for the future, with important financial and strategic building blocks in place.

The Company expects to make an announcement regarding the appointment of a new CEO shortly.

Trading performance

The results for the 6 months ended 30 June 2017 show the following:

<u>Summary of results</u>

	Unaudited 6 months ended 30 June 2017 £'000	Unaudited 6 months ended 30 June 2016 £'000
Revenue from continuing operations	41,880	48,963
Adjusted EBITDA[1] from continuing operations	429	1,598
Share based payment charges	(213)	(174)
Impairment of goodwill (note 4)	-	(55)
Group EBITDA	**216**	**1,369**
Operating (loss)/profit	(110)	1,015
(Loss)/profit before tax	(280)	834
(Loss)/profit after tax	(328)	311

[1] Adjusted EBITDA is EBITDA before exceptional items and share based payment costs

Reflecting a more challenging trading period, the Group generated revenues of £41.9 million, 14.5% below the prior year which led to the Group recording an adjusted EBITDA of £0.43 million compared to £1.60 million in same period last year. The EBITDA margin was lower primarily due to the change in the mix of revenues which included less income from the launch of new theatre productions.

Dewynters in London has produced a solid first-half performance, increasing its contribution at the EBITDA level over last year, and Dewynters Germany had a strong first year; the main change in trading has resulted from a more modest performance of SpotCo in New York, as compared with a very strong 2016. This was the result of significant reduction in activity across SpotCo' s client base and fewer new shows. In addition, Newmans experienced a more challenging trading environment during the first half of the year.

The Company recorded a loss before tax of £0.28 million (H1 2016 profit before tax: £0.834 million). This led to the Company recording a loss per share of 0.053p, compared to earnings per share of 0.07p from the prior period last year.

In July 2017, the Group agreed a variation of the covenants on its 3-year secured asset based debt facility with PNC Business Credit ('PNC') to reflect the shift in the weighting of the Group's revenues in 2016 and 2017 which affected the 12-month rolling covenant test. The Company has met all the covenants to date in 2017 but a more recent shift in revenues towards the end of the year and into 2018 may result in a potential breach of the monitoring covenants in the third quarter; however, the Company does expect to still be comfortably within the banking covenants for the full year. The Company and PNC are monitoring the position carefully and remain in close correspondence, but the Directors of the Company understand that PNC remains supportive of r4e.

In addition to the July covenant amendments, the Company has been able to repay its Cash Flow Term Debt facility with PNC of £0.55 million. The repayment will result in reduced interest costs in 2017. Total borrowings with PNC as at 30 June 2017 were £2.79 million (31 December 2016: £4.36 million).

Operational review

Continuing Operations

	Unaudited 6 months ended 30 June 2017				
Company	Revenue	Adjusted EBITDA*	Operating (loss)/profit	(Loss)/profit before tax	(Loss)/profit after tax
	£'000				
Dewynters	12,348	282	134	143	(192)
Newmans	1,521	66	29	16	(2)
Jampot	26	(65)	(65)	(65)	(65)
Dewynters GmbH	327	1	(1)	(1)	(1)
SpotCo	27,658	425	177	66	34
Head Office	-	(280)	(384)	(439)	(102)
TOTAL	**41,880**	**429**	**(110)**	**(280)**	**(328)**

Company	Unaudited 6 months ended 30 June 2016				
	Revenue	Adjusted EBITDA*	Operating (loss)/profit	(Loss)/profit before tax	(Loss)/profit after tax
	£'000				
Dewynters	13,467	245	107	71	(185)
Newmans	1,939	216	193	185	185
Jampot	0	0	0	0	0
Dewynters GmbH	0	0	0	0	0
SpotCo	33,557	1,355	1,099	967	490
DAI	-	(5)	(1)	(1)	(1)
Head Office	-	(213)	(383)	(388)	(178)
TOTAL	**48,963**	**1,598**	**1,015**	**834**	**311**

*Adjusted EBITDA is EBITDA before exceptional administrative items and share based payment costs.

SpotCo has had a modest first six months in 2017, particularly compared to the exceptionally strong performance it enjoyed in the prior year. Trading in 2017 has been affected by a reduction in activity across its client base, increased competition and fewer new production launches. However, the outlook in 2018 for SpotCo is much improved, the agency has already been engaged in some of Broadway's most anticipated new shows, and the management team expects to see a return to previous trading levels.

Dewynters has had a good trading period, increasing its contribution to the Group and successfully supporting the launch of new shows such as Bat Out of Hell and Annie. The business has benefitted from the re-organisation completed in 2016, driven by Dewynters' new CEO, James Charrington, and the broad effort to change the way theatre and live entertainment events are marketed, combining digital marketing, programmatic media buying, data-driven analysis and digital distribution of select services all designed to leverage Dewynters' capabilities, and enable our clients to build their audience while selling more tickets at a higher yield and lower cost.

Launched in September 2016, Dewynters Germany has had a very good first year, surpassing expectations and offering a good indication of the future potential of this new venture. Hamburg is an active market and is already linking well with SpotCo and Dewynters in London, drawing upon Company wide experience and resources.

Newmans' performance in the first 6 months of this financial year was affected by the cancellation of live events in the wake of the Manchester and London terror incidents and more generally from a fewer number of new theatre shows opening. That said, the second half of the year has begun positively and the division is expected to make up ground to achieve a satisfactory result for the year as a whole. The division continues to benefit from bringing printing and cutting in-house and enjoys a good mix of business from live events, theatre production and film premieres.

Summary and Outlook

Whilst 2017 is proving to be a more challenging period for the business, for reasons indicated above, the base business is strong and we are anticipating a significant improvement in all activity levels for 2018 with a strengthened financial base and a continuing growth from the key strategic initiatives launched over the last year.

David Stoller, Executive Chairman
reach4entertainment enterprises plc

20 September 2017

Unaudited Condensed Consolidated Income Statement
For the six months ended 30 June 2017

	Note	6 months ended 30 June 2017 (Unaudited) £000's	6 months ended 30 June 2016 (Unaudited) £000's	Year ended 31 December 2016 (Audited) £000's
Continuing Operations				
Revenue		41,880	48,963	96,606
Cost of sales		(31,428)	(37,431)	(73,779)
Gross profit		10,452	11,532	22,827
Administrative expenses		(10,562)	(10,517)	(21,973)
EBITDA before exceptional administrative items		216	1,369	1,552
Impairment of goodwill	4	-	(55)	(55)
Depreciation		(230)	(204)	(447)
Amortisation of intangibles		(96)	(95)	(196)
Operating (loss)/profit		(110)	1,015	854
Finance costs	2	(170)	(181)	(355)
(Loss)/profit before taxation		(280)	834	499
Taxation		(48)	(523)	(409)
(Loss)/profit for the period		(328)	311	90

The (loss)/profit is attributable to the owners of the parent

	Note			
(Loss)/earnings per share (pence)				
Basic	3	(0.05)	0.07	0.02
Diluted	3	(0.05)	0.06	0.02

Unaudited Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2017

	6 months ended 30 June 2017 (Unaudited) £000's	6 months ended 30 June 2016 (Unaudited) £000's	Year ended 31 December 2016 (Audited) £000's
(Loss)/profit for the period	(328)	311	90
Other comprehensive income:			
Currency translation (loss)/gain	(56)	44	94
Other comprehensive income (net of tax) for the period	(56)	44	94
Total comprehensive (loss)/income for the period attributable to owners of the parent	(384)	355	184

Unaudited Condensed Consolidated Balance Sheet
As at 30 June 2017

	Note	6 months ended 30 June 2017 (Unaudited) £000's	6 months ended 30 June 2016 (Unaudited) £000's	Year ended 31 December 2016 (Audited) £000's
Non-current assets				
Goodwill	4	7,055	6,874	7,365
Intangible assets		3,448	3,620	3,581
Property, plant and equipment		2,457	2,659	2,720
Deferred tax asset		168	145	167
		13,128	13,298	13,833
Current assets				
Inventories		140	135	139
Trade and other receivables		9,340	12,166	14,263
Other current assets		570	551	601
Cash and cash equivalents		2,073	522	2,097
		12,123	13,374	17,100
Total assets		25,251	26,672	30,933
Current liabilities				
Trade and other payables		(14,255)	(15,489)	(17,582)
Current taxation liabilities		(33)	(77)	-
Borrowings	5	(2,857)	(3,893)	(4,489)
		(17,145)	(19,459)	(22,071)
Net current liabilities		(5,022)	(6,085)	(4,971)
Non-current liabilities				
Deferred taxation		(1,655)	(1,615)	(1,733)
Borrowings	5	(102)	(702)	(537)
Other payables	6	(1,169)	(1,496)	(1,241)
		(2,926)	(3,813)	(3,511)
Total liabilities		(20,071)	(23,272)	(25,582)
Net assets		5,180	3,400	5,351
Equity				
Called up share capital		3,074	2,397	3,074
Share premium		16,645	15,371	16,645
Deferred shares		1,498	1,498	1,498
Capital redemption reserve		15	15	15
Share option reserve		558	174	349
Warrant reserve		311	311	311
Retained earnings		(16,808)	(16,259)	(16,480)
Own shares held		(259)	(259)	(259)
Foreign exchange reserve		146	152	198
Total equity attributable to owners of the parent		(5,180)	3,400	5,351

Unaudited Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2017

	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 1 January 2016	**2,374**	**15,329**	**1,498**	**15**	**-**	**311**	**(16,570)**	**(259)**	**108**	**2,807**
Profit for the period	-	-	-	-	-	-	311	-	-	311
Other comprehensive income, net of tax:										
Currency translation differences	-	-	-	-	-	-	-	-	44	44
Total comprehensive income for the period	-	-	-	-	-	-	311	-	44	355
Transactions with owners in their capacity as owners: Shares issued	23	42	-	-	-	-	-	-	-	65
Share based payment charge	-	-	-	-	174	-	-	-	-	174
At 30 June 2016 (Unaudited)	**2,397**	**15,371**	**1,498**	**15**	**174**	**311**	**(16,259)**	**(259)**	**152**	**3,400**
At 1 July 2016	2,397	15,371	**1,498**	**15**	**174**	**311**	(16,259)	(259)	152	**3,400**
Loss for the period	-	-	-	-	-	-	(221)	-	-	(221)
Other comprehensive income, net of tax:										
Currency translation differences									50	50
Total comprehensive income for the period	-	-	**-**	**-**	**-**	**-**	**(221)**	**-**	**50**	**(171)**
Transactions with owners in their capacity as owners: shares issued										
Share re-organisation	677	1,274	-	-	-	-	-	-	-	1,951
Share based payment charge	-	-	-	-	171	-	-	-	-	171
At 31 December 2016 (Audited)	**3,074**	**16,645**	**1,498**	**15**	**345**	**311**	**(16,480)**	**(259)**	**202**	**5,351**
At 1 January 2017	3,074	16,645	1,498	15	345	311	(16,480)	(259)	202	5,351
Loss for the period	-	-	-	-	-	-	(328)	-	-	(328)
Other comprehensive income, net of tax:										
Currency translation differences	-	-	-	-	-	-	-	-	(56)	(56)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(328)**	**-**	**(56)**	**(384)**
Transactions with owners in their capacity as owners:										
Share based payment charge	-	-	-	-	213	-	-	-	-	213
At 30 June 2017 (Unaudited)	**3,074**	**16,645**	**1,498**	**15**	**558**	**311**	**(16,808)**	**(259)**	**146**	**5,180**

Unaudited Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2017

		6 months ended 30 June 2017 (Unaudited) £000's	6 months ended 30 June 2016 (Unaudited) £000's	Year ended 31 December 2016 (Audited) £000's
Cash generated from operating activities	8	1,952	3,111	3,196
Income taxes paid		(9)	(408)	(436)
Net cash inflow from operating activities		1,943	2,703	2,760
Investing activities				
Purchase of property, plant and equipment		(61)	(156)	(356)
Purchase of finance lease equipment	5	-	-	(133)
Net cash used in investing activities		(61)	(156)	(489)
Financing activities				
Net proceeds from the issue of share capital		-	-	1,909
Proceeds from asset based lending		47,773	55,188	108,684
Repayment of asset based lending		(49,402)	(58,112)	(111,396)
Repayment of term loan		(236)	(87)	(287)
Repayments of obligations under finance leases		(46)	(3)	(13)
Interest paid		(140)	(106)	(338)
Net cash (used in)/generated from financing activities		(2,051)	(3,120)	1,441
Net (decrease)/increase in cash and cash equivalents		(169)	(573)	830
Cash and cash equivalents at the beginning of the period		2,698	1,160	1,160
Effect of foreign exchange rate changes		114	(65)	107
Cash		2,073	522	2,097
Cash equivalents		570	551	601
Cash and cash equivalents at end of the period		2,643	522	2,097

Unaudited notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

1 Basis of Presentation

These unaudited condensed consolidated interim financial statements are for the six months ended 30 June 2017. They have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union. This report should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and International Financial Reporting Interpretations Committee ('IFRIC') Interpretations and the Companies Act 2006, as applicable to companies reporting under IFRS.

The financial information in this interim announcement does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The unaudited interim financial statements were approved and authorised for issue by the Board on 20 September 2017.

The comparative financial information for the year ended 31 December 2016 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The statutory accounts of reach4entertainment enterprises plc for the year ended 31 December 2016 have been reported on by the Company's auditor, RSM UK Audit LLP, and have been delivered to the Registrar of Companies. The report of the auditor was unqualified but contained an emphasis of matter statement with regard to going concern. The auditor's report did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006.

The financial information for the six months ended 30 June 2017 and 30 June 2016 is unaudited.

Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, with exception of standards, amendments and interpretations effective in 2016.

Standards, amendments and interpretations effective in 2017

The following IFRS/IAS are either new, amended or have interpretations mandatory for the first time for the financial year beginning 1 January 2017, but had no significant impact on the Group:

- IFRS 12 - Disclosure of Interests in Other Entities.
- IAS 7 – Statement of Cash Flows.
- IAS 12 – Income Taxes.

The following IFRS/IAS are either new, amended or interpretations have been issued, but are not effective for the financial year beginning 1 January 2017 and have not been early adopted:

- IFRS 2 – Classification and measurement on share based payment transactions.
- IFRS 9 – Financial Instruments.
- IFRS 15 – Revenue from Contracts with Customers.
- IFRS 16 - Leases
- IAS 28 - Interests in Associates and Joint Ventures.
- IFRIC 23 – Uncertainty over Income Tax Treatments

Going Concern

These interim condensed consolidated financial statements have been prepared on a going concern basis.

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 June 2017 the debt owed to PNC totalled £2.79 million (2016: £3.75 million), a reduction of £.96 million. Subsequent to 30 June 2017, the balance of the term debt being £0.55 million, has been repaid in full, leaving only the revolving credit (asset based facility) with PNC remaining.

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 on 20 July 2017. The financial covenants are measured monthly and there have been no breaches in the 7 months through to 30 July 2017 but the weaker trading performance in the current financial year and in particular the shift in revenues towards the end of the year and into 2018 may result in a potential breach of the monitoring covenants in the third quarter this year. However, the Company does expect to be comfortably within the banking covenants for the full year. The Company and PNC are monitoring the position carefully and remain in close correspondence, but the Directors of the Company understand that PNC remains supportive of r4e.

The performance for the full year 2017 is forecast to be weaker than 2016 due to: new industry competition in New York; shortage of theatres for new musical openings in London; and the effect of recent terrorist attacks in 2017 in the UK in on film premieres and events. Although these events have impacted the Group in 2017, the outlook for 2018 is already expected to be more positive due to significant new musical wins in SpotCo which will generate revenue next year and stronger looking pipeline for both Dewynters and Newman's. In addition, Dewynters Germany has had a very strong start to its first year of operation and this is expected to continue.

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 and forecast for 2018 onwards, the Directors believe that the going concern basis is appropriate and the Group has adequate resources to continuing trading for the foreseeable future.

2 Finance Costs

	6 months ended 30 June 2017 (Unaudited) £000's	6 months ended 30 June 2016 (Unaudited) £000's	Year ended 31 December 2016 (Audited) £000's
Finance lease interest	10	3	13
Interest on term loans	25	27	-
Interest on asset based finance	71	78	200
Fees on asset based finance	44	71	137
Fees on amendment to debt facility	20	-	-
Net foreign exchange losses	-	2	5
	170	**181**	**355**

3 (Loss)/earnings Per Share

The calculations of earnings per share are based on the following results and numbers of shares.

	6 months ended 30 June 2017 (Unaudited)	6 months ended 30 June 2016 (Unaudited)	Year ended 31 December 2016 (Audited)
	Number	Number	Number
Weighted average number of 0.5 pence ordinary shares in issue during the period			
For basic earnings/(loss) per share	614,733,671	477,273,154	500,208,593
Potentially dilutive effect of share options	7,464,201	22,024,476	483,688
For diluted (loss)/earnings per share	622,197,872	499,297,630	500,692,281
	£000's	£000's	£000's
(Loss)/profit	**(327)**	**311**	**90**

4 Goodwill

	Total £000's
Cost:	
1 January 2016	6,339
Acquired goodwill	55
Impairment to goodwill	(55)
Foreign exchange differences	535
30 June 2016	6,874
Foreign exchange differences	491
31 December 2016	7,365
Foreign exchange differences	(310)
30 June 2017	7,056
Net Book Value:	
30 June 2017 (unaudited)	**7,055**
30 June 2016 (unaudited)	**6,874**
31 December 2016 (audited)	**7,365**

In the prior period ending 30 June 2016, an impairment of £0.55m related to the purchase of Jampot Consulting Ltd. 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. As this benefit is related to the group as a whole and future revenues cannot be specifically allocated to the acquired company, the goodwill in Jampot has been written off.

A review has been undertaken at 30 June 2017 and has not identified any further need for impairment. The directors believe that at the current time no reasonably possible change in assumptions will cause an impairment in the intangible assets.

5 Borrowings

	30 June 2017 (Unaudited) £000's	30 June 2016 (Unaudited) £000's	31 December 2016 (Audited) £000's
Current:			
Term debt	553	336	378
Asset based lending facility	2,241	3,409	4,037
Finance leases	63	148	74
	2,857	3,893	4,489
Non-current:			
Term debt	-	611	410
Finance leases	102	91	127
	102	702	537
Analysis of borrowings			
On demand or within one year:			
Term debt	553	336	378
Asset based lending facility	2,241	3,409	4,037
Finance leases	63	148	74
In the second to fifth years inclusive:			
Term debt	-	611	410
Finance leases	102	91	127

Term debt
When drawn down, the term debt with PNC was split between SpotCo and Dewynters based on expected future cash flows of the Companies and 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 were due to end in October 2018. £0.24 million was repaid in the period (30 June 2016: £0.03m).

Subsequent to the period end, on 20 July 2017, the Group repaid the remaining balance of the term debt of £0.55 million.

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 30 June 2017 and also at the most recent measurement date of 31 July 2017. Along with the term debt repayment in July 2017, the Company also agreed a variation of the financial covenants in place with PNC to reflect the shift in the weighting of the Group's revenues in 2016 and 2017 which affected the 12-month rolling covenant test .

6 Other payables

Landlord reimbursement accrual

Amounts in non-current other payables of £0.61 million (30 June 2016: £0.66 million) relate to the re-imbursement of leasehold improvement costs from SpotCo's landlord at the new New York office which was moved into during 2013. As with many US leases SpotCo, as tenant, had to undertake a programme of complete refurbishment of the property and some of these expenses, related to the provision of basic utilities and services, were then refunded by the landlord. In line with SIC 15 this reimbursement has been recognised as a liability and will be unwound to the income statement reducing rental costs over the period of the lease. During the 6 months period to 30 June 2017, £0.04 million was unwound and credited to the income statement (30 June 2016: £0.03 million).

Amounts in current liabilities relating to the reimbursement total £0.07 million (30 June 2016: £0.07 million).

	30 June 2017 (Unaudited) £000's	30 June 2016 (Unaudited) £000's	31 December 2016 (Audited) £000's
Within one year	70	68	74
Within second to fifth years	279	270	296
More than five years	335	391	315
	614	661	611

Rent holiday accrual

Other amounts in non-current other payables of £0.56 million (30 June 2016: £0.84 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 which were moved into during 2013. In line with SIC Interpretation 15 the accrual will be released to the income statement over the term of the lease reducing rent costs.

	30 June 2017 (Unaudited) £000's	30 June 2016 (Unaudited) £000's	31 December 2016 (Audited) £000's
Within one year	124	148	133
Within second to fifth years	403	595	393
More than five years	152	240	237
	555	835	630

Total non-current other payables	30 June 2017 (Unaudited) £000's	30 June 2016 (Unaudited) £000's	31 December 2016 (Audited) £000's
Landlord reimbursement accrual	614	661	611
Rent holiday accrual	555	835	630
Total non-current payables	1,169	1,496	1,241

7 Share-based payments

Equity-settled share option plan

The following options to subscribe for the Company's shares have been granted to directors and eligible employees in the period and had not lapsed at 30 June 2017:

Granted to	Date of Option	Number of Shares	First exercisable	Expiry date	Exercise Price
Eligible Employees	1 March 2017	1,000,000	1 March 2020	1 March 2023	2.00 pence
Eligible Employees	25 April 2017	1,000,000	25 April 2020	25 April 2023	1.50 pence

Movement in number of options in the period:	30 June 2017 No. Options
Outstanding at 1 January 2017	93,100,000
Granted during the period	2,000,000
Forfeit during the period	-
Outstanding at 30 June 2017	95,100,000

All options granted to date have an exercise price of £0.01, £0.015, or £0.02. No options were exercised or expired during the period. No options were exercisable at 30 June 2017.

The share options outstanding as at 30 June 2017 had a weighted average remaining contractual life of 4.88years (30 June 2016: 5.75 years).

The weighted average fair value of options granted during the period was 0.011p. 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 during the 6 months to 30 June 2017 are as follows:

Exercise price	1.5 – 2.00 pence
Expected life	6 years
Volatility	100%-40%
Risk free interest rate	1.5%
Exit rate of employees	5%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

During the period ended 30 June 2017, the Group recognised total share-based payment expenses of £0.21 million (30 June 2016: £0.17 million).

8 Cash flows from operating activities

	6 months ended 30 June 2017 (Unaudited) £000's	6 months ended 30 June 2016 (Unaudited) £000's	Year ended 31 December 2016 (Unaudited) £000's
Reconciliation of net cash flows from operating activities			
(Loss)/profit before taxation	(279)	834	499
Finance costs	170	181	355
Depreciation	230	204	447
Amortisation of intangibles	96	95	196
Impairment of goodwill	-	55	55
Share based payment expense	209	178	349
Operating cash flows before movements in working capital	426	1,547	1,901
(Increase)/decrease in inventories	(1)	17	13
Decrease/(increase) in trade and other receivables	4,922	740	(1,357)
Increase/(decrease) in trade and other payables	(3,395)	807	2,639
Cash flows from operating activities	**1,952**	**3,111**	**3,196**

9 Related Party Disclosures

Richard Ingham, a non-executive director of the Board in the prior period up until his resignation on 11 May 2016, is the owner of Glen House Capital Strategies Ltd., a company which provides financial consultancy services. During the 4 months leading up to Mr Ingham's resignation on 11 May 2016, the Group procured services from Glen House Capital Strategies Ltd. totalling £0.05 million. £0.13 million was outstanding to Glen House Capital Strategies at 30 June 2016 and was fully paid up by 31 December 2016. No services were procured from Mr Ingham or his consultancy company in the period to 30 June 2017.

During the 6 months to 30 June 2017, the Group procured consultancy services totalling £0.01 million (2016: £0.01m) from Springtime Consultants Ltd., a company owned by Marcus Yeoman, a non-executive director of the Board during the period. £Nil was outstanding at 30 June 2017 (2016: £Nil).

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 launched at the Theatre Royal Drury Lane earlier this year. 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.

10 Transactions with Directors

At 30 June 2016, David Stoller owed the Group £Nil (30 June 2016: £37,258). The outstanding amount in the prior period 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. Mr. Stoller repaid the amounts and no balance was outstanding as at 31 December 2016.

11 Subsequent events

On 20 July 2017, the Company agreed a variation of the covenants on its 3-year secured asset based debt facility (the 'Facility') with PNC Business Credit ('PNC') to reflect the shift in the weighting of the Group's revenues in 2016 and 2017 which affected the 12-month rolling covenant test. This variation of the covenants agreement follows on from the statement made in the Company's full year results for the year ended 31 December 2016, announced on 26 April 2017, regarding potential breaches of one of the covenants given by the Company to PNC due to the unusual weighting of revenues towards the first half of 2016.

In addition, on 20 July 2017, the Company repaid its Cash Flow Term Debt facility with PNC of £0.55 million. Repayment was made from unutilised proceeds from the October 2016 share placing, which have not been required for investment into the Company's new initiatives as a result of these initiatives performing better than expected in 2017.

12 Interim Report

This document is available on the Group's website at www.r4e.com.