Interim Results

RNS Number : 7837B
Reach4Entertainment Enterprises plc
25 September 2018

This announcement contains inside information 25 September 2018

reach4entertainment enterprises plc

("r4e" or the "Company" or the "Group")

Unaudited interim results for the six months ended 30 June 2018

Existing businesses right sized, new agencies launched, laying foundations for growth

reach4entertainment enterprises plc, the integrated, live entertainment communications group, today announces its unaudited interim results for the six months ended 30 June 2018.

Highlights:

- As expected, revenue for the period reduced to £36.0 million (2017: £41.9m) reflecting the residual effect of the closure and loss of shows at SpotCo in 2017
- Following a change in local leadership in 2018, SpotCo wins a series of new Broadway musicals, including Warner Bros production Beetlejuice, Park Avenue Amory, and – following the period end – Alice By Heart, and Magic Mike with opening dates to be announced
- Adjusted EBITDA from existing operations up 25 per cent to £0.5 million (2017: £0.4m)
- Streamlining of existing operations across Dewynters and SpotCo has started to bear fruit
- Profit margins remained steady as a result of early and effective rightsizing actions
- Investment in new operations and emphasis on non-live theatre clients broadens client offering expected to make a positive contribution next year. Related developments in the period include:
    - Dewynters Amsterdam launched in April 2018 and secured multi-billion-dollar European media and entertainment group as its first client
    - Wake the Bear launched in H1 2018 and secured its first clients
    - Dewynters commenced working with Esme Loans, the recently launched innovative UK-based digital lending platform for SMEs, and;
    - Since period end, newly launched Story House has secured significant cornerstone clients
- Strong Balance Sheet with net cash of £2.5 million
- Board and the executive management team strengthened

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

Marc Boyan, CEO of r4e, commented:

"The Group is now in a much stronger position following a difficult 2017. The new management team has been successful in stabilising the traditional business during the first half of the year, and the recent spate of new Broadway musicals won by SpotCo is highly encouraging.

"Importantly, we have also made good progress with the strategy of utilising the Group's skill set and deploying them into new segments, evidenced by work across the Group with non-live entertainment clients."

Lord Michael Grade, Non-Executive Chairman of r4e, commented:

"The launch of Dewynters Amsterdam, Wake the Bear and Story House has further broadened the Group's client offering, creating new and more diversified revenue streams. With r4e's existing operations continuing to demonstrate solid progress, combined with the Group's strategy to expand into further sectors and territories, the Board is confident that the Group will make additional progress through the remainder of 2018 to establish a solid platform for future growth."

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CHIEF EXECUTIVE OFFICER'S STATEMENT

Introduction

During the period, the management team has been focused on both stabilising the traditional business and establishing the Group's market position in the broader live entertainment sector. At the same time, we have also been developing new opportunities to diversify revenue streams from a product, client and market perspective. Significant progress has been made on these and other initiatives, and the benefits of the actions taken so far have started to flow through to the business. The Group's balance sheet is in a much stronger position as a result of the £5.3 million raised (after costs) in December 2017, and we expect to continue to build upon the improvements made, through the remainder of 2018 and beyond.

Performance Overview

Encouragingly, the first-half performance was slightly ahead of the same period last year in terms of profit from existing trading operations despite a significant drop off in revenues in the US. This was achieved following the right sizing of the organisation to match its revenue base, placing greater emphasis on cost control, and implementing more efficient working practices across the core operations. On a Group basis, overall, profit was moderately down due to new operations commencing in the UK and Europe during the period, which we expect to yield positive results during 2019. Furthermore, we took the decision to prepare the business for its next phase of expansion by strengthening r4e's Board and Group executive management team, with notable arrivals including Sir David Michels, joining as Non-Executive Deputy Chairman to bolster the Board, and the senior level appointment of Mark Cox as Head of Corporate Development to spearhead the M&A strategy.

The Group's trading performance for the first six months of 2018 reflects the residual effect of the closure and loss of shows that impacted SpotCo from the middle of 2017. As a result, total Group revenue for the period was £36.0 million (2017: £41.9m) with an Adjusted EBITDA of £0.3 million (2017: £0.4m) and an operating loss of £0.5 million (2017: £0.1m).

r4e continues to be a leader in the live entertainment sector across the three markets in which it has historically operated. The Group has a promising pipeline, particularly on Broadway in New York, where SpotCo has been awarded 15 shows so far this year, which are due to go live at various times between Q4 2018 and 2020. SpotCo is currently working on half of the Broadway shows announced for the 2018 / 2019 launch season, which is great endorsement of the agency's progress under its new management team. r4e has also made good progress in pursuing its new strategic objectives of focusing on geographic expansion (Dewynters Amsterdam), the development of live entertainment opportunities outside of its traditional theatre base (Dewynters Vision), and expanding its communications offering to SMEs and venture and innovation arms of large corporates (Wake the Bear).

Dewynters Amsterdam launched in April 2018 as a joint venture between r4e and Lisette Heemskerk, Ronald Luijendijk and Jacques Kuyf. It has already secured a multi-billion-dollar European media and entertainment group as its first client, providing commercial and business strategies, marketing plans and creative concepts, and is performing in line with our expectations around its breakeven point.

Wake the Bear, also formed in the first half of 2018, is a marketing communications agency that accelerates growth for its clients through finding new customers, taking new products to market and building stronger brands. It has successfully secured its first clients (projects currently under NDA) and is deriving significant benefit from working collaboratively with the talented operators within Dewynters.

Since the period end, the Group has launched Story House, a new live entertainment focused public relations agency – majority-owned by r4e – in partnership with David Bloom, a leading practitioner in the sector, with significant cornerstone clients being supported by the business at launch.

Reflecting the more challenging trading period in the US, the Group generated revenues of £36.0 million in the first six months, 14 per cent below the previous year, which led to the Group recording Adjusted EBITDA* of £0.33 million compared to £0.43 million in the same period last year. Adjusted EBITDA* was slightly down due to the launch of new operations which impacted results by £0.23 million.

Dewynters in London produced a solid first-half performance, increasing its contribution at the EBITDA level over last year.

The Group recorded a loss before tax of £0.62 million (H1 2017 loss £0.28m). This led to the Group recording a loss per share of 0.04p, compared to a loss per share of 0.05p from the prior period last year.

The Group has a strong balance sheet with a net cash position of £2.5 million.

Operational review

Continuing Operations

Unaudited 6 months ended 30 June 2018

	Revenue	Adjusted EBITDA*	Operating profit/(loss)	Profit/(loss) before tax	Profit/(loss) after tax
	£'000	£'000	£'000	£'000	£'000
Existing operations					
SpotCo	19,977	376	91	25	114
Dewynters London	13,753	589	390	318	318
Newman Displays	1,524	82	51	36	36
Jampot Consulting	40	(35)	(35)	(35)	(35)
Dewynters Germany	614	(115)	(118)	(119)	(119)
Existing trading	35,908	897	379	225	314
Head Office	-	(340)	(648)	(612)	(530)
Existing operations	35,908	557	(269)	(387)	(216)
New operations					
Dewynters Amsterdam	76	(149)	(149)	(149)	(149)
Wake the Bear	-	(83)	(81)	(81)	(81)
New operations	76	(232)	(230)	(230)	(230)
Group total	35,984	325	(499)	(617)	(446)

Unaudited 6 months ended 30 June 2017

	Revenue	Adjusted EBITDA*	Operating profit/(loss)	Profit/(loss) before tax	Profit/(loss) after tax
	£'000	£'000	£'000	£'000	£'000
Existing operations					
SpotCo	27,658	425	177	66	34
Dewynters London	12,348	282	134	143	(192)
Newman Displays	1,521	66	29	16	(2)
Jampot Consulting	26	(65)	(65)	(65)	(65)

Dewynters Germany	327	1	(1)	(1)	(1)
Existing trading	41,880	709	274	159	(226)
Head Office	-	(280)	(384)	(439)	(102)
Existing operations	41,880	429	(110)	(280)	(328)
New operations					
Dewynters Amsterdam	-	-	-	-	-
Wake the Bear	-	-	-	-	-
New operations	-	-	-	-	-
Group total	41,880	429	(110)	(280)	(328)

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

Adjusted EBITDA* and operating profit increased by £0.2 million and £0.1 million, respectively, for existing trading operations, i.e. before Head Office costs. These included softer year-on-year results at SpotCo and Dewynters Germany, by £0.1 million each, and an improvement of £0.3 million at Dewynters London.

SpotCo notably remained profitable despite a £5.8 million or 21 per cent decline in revenues (on a constant exchange rate basis). Its revenues were also adversely impacted by £1.9 million due to a weakening of the US Dollar against the British Pound in the first six months year-on-year. Trading since mid-2017 has been affected by a reduction in activity across its client base. However, SpotCo's outlook for the remainder of 2018 has improved with the agency engaged in some of Broadway's most anticipated new shows, which are due to open in 2019 and 2020. The turnaround time required since the impact of the shows that we lost in 2017, reflects the relatively long lead time involved, from the planning of a new show through to the commencement of a new revenue stream for the agency.

By contrast, Dewynters London enjoyed a strong trading period, with revenues up £1.4 million or 11per cent, which flowed through to proportionally stronger profits. The business has benefited from moderate streamlining at the end of 2017 and from the continuation of broad efforts to change the way theatre and live entertainment events are marketed, as well as deploying its skills into new non-live entertainment sectors. By combining digital marketing, programmatic media buying, data-driven analysis and digital distribution of select services – all designed to leverage Dewynters' capabilities – clients have been able to build their audiences while selling more tickets at a higher yield and a lower cost. During the period, Dewynters worked on the market roll out of Esme Loans, the recently launched innovative UK-based digital lending platform for SMEs providing Esme with a range of services including strategy, creative, media planning and buying.

Newman Displays had a steady performance in the first half. 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. Newman Displays also recently strengthened its business development team with a view to protecting and enhancing the top line.

Dewynters Germany has had a more challenging period as it approaches its second anniversary, reflecting underlying changes within its relatively small client base. Hamburg remains an active market, and the agency has already connected well with Dewynters in London, drawing upon company-wide experience and resources.

Dewynters Amsterdam and Wake the Bear both saw a first period of initial start-up losses which are expected to lead to profitability on a monthly results basis within the next six to twelve months. Both operations have strong growth expectations for 2019, and Wake the Bear has recently won a number of new clients.

Summary and Outlook

We are pleased with the significant progress made across the Group in the first half of the year, and we will continue to build on our growth strategy, which is to diversify our offering from traditional theatre into the wider live entertainment sector. We also continue to assess various growth opportunities, which include launching new services and acquiring businesses to complement the Group's offering. The Board believes that r4e now has a much stronger platform, from which to increase market share and, ultimately, build greater shareholder value.

Marc Boyan, CEO
reach4entertainment enterprises plc

25 September 2018

Unaudited Condensed Consolidated Income Statement
For the six months ended 30 June 2018

	Note	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Continuing Operations				
Revenue		35,984	41,880	80,211
Cost of sales		(27,143)	(31,428)	(60,066)
Gross profit		8,841	10,452	20,145
Administrative expenses		(9,340)	(10,562)	(22,539)
Adjusted EBITDA		325	429	976
Share-based payment charges		(294)	(213)	(234)
EBITDA before exceptional administrative items		31	216	742
Exceptional administrative expenses	2	(230)	-	(962)
Impairment of goodwill	5	-	-	(1,533)
Depreciation		(215)	(230)	(452)
Amortisation of intangibles		(85)	(96)	(189)
Operating loss		(499)	(110)	(2,394)
Interest receivable and similar income		6	-	-
Interest payable and similar charges	3	(124)	(170)	(295)
Loss before taxation		(617)	(280)	(2,689)
Taxation		171	(48)	824
Loss for the period		(446)	(328)	(1,865)
Loss for the period attributable to:				
Owners of the company		(380)	(328)	(1,865)
Non-controlling interests		(66)	-	-
		(446)	(328)	(1,865)
Basic and diluted loss per share (p)				
Basic	4	(0.04)	(0.05)	(0.30)
Diluted	4	(0.04)	(0.05)	(0.30)

Unaudited Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2018

	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Loss for the period	(446)	(328)	(1,865)
Other comprehensive income:			
Currency translation loss	(207)	(56)	(33)
Other comprehensive income (net of tax) for the period	(207)	(56)	(33)
Total comprehensive loss for the period	(653)	(384)	(1,898)
Total comprehensive loss for the period attributable to:			
Equity holders of the parent	(587)	(384)	(1,898)
Non-controlling interests	(66)	-	-
	(653)	(384)	(1,898)

Unaudited Condensed Consolidated Balance Sheet
As at 30 June 2018

	Note	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Non-current assets				
Goodwill and intangible assets	5	8,662	10,503	8,635
Property, plant and equipment		2,049	2,457	2,230
Deferred tax asset		213	168	187
		10,924	13,128	11,052
Current assets				
Inventories		140	140	139
Trade and other receivables		10,904	9,340	10,981
Other current assets		653	570	549
Cash and cash equivalents		5,696	2,073	6,758
		17,393	12,123	18,427
Total assets		28,317	25,251	29,479
Current liabilities				
Trade and other payables		(14,362)	(14,255)	(15,773)
Current taxation liabilities		-	(33)	-
Borrowings	6	(3,153)	(2,857)	(2,446)
		(17,515)	(17,145)	(18,219)
Net current (liabilities)/assets		(122)	(5,022)	208
Non-current liabilities				
Deferred taxation		(820)	(1,655)	(785)
Other payables		(987)	(1,169)	(1,194)
Borrowings	6	(91)	(102)	(56)
		(1,898)	(2,926)	(2,035)
Total liabilities		(19,413)	(20,071)	(20,254)
Net assets		8,904	5,180	9,225
Equity				
Called up share capital		5,025	3,074	5,005
Share premium		20,270	16,645	20,252
Deferred shares		1,498	1,498	1,498
Retained earnings		(18,490)	(16,808)	(18,154)
Own shares held		(259)	(259)	(259)
Other reserves	7	926	1,030	883
Attributable to equity holders of the parent		8,970	5,180	9,225
Non-controlling interests		(66)	-	-
Total Equity		8,904	(5,180)	9,225

Unaudited Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2018

	Share capital £'000	Share premium £'000	Deferred shares £'000	Retained earnings £'000	Own shares held £'000	Other reserves £'000	Attributable to equity holders of the parent £'000	Non-controlling interests £'000	Total Equity £'000
At 1 January 2017	**3,074**	**16,645**	**1,498**	**(16,480)**	**(259)**	**873**	**5,351**	**-**	**5,351**
Loss for the period	-	-	-	(328)	-	-	(328)	-	(328)
Other comprehensive income, net of tax:									
Currency translation differences	-	-	-	-	-	(56)	(56)	-	(56)
Total comprehensive loss for the period	**-**	**-**	**-**	**(328)**	**-**	**(56)**	**(384)**	**-**	**(384)**
Transactions with owners in their capacity as owners:									
Share-based payment charge	-	-	-	-	-	213	213	-	213
At 30 June 2017 (Unaudited)	**3,074**	**16,645**	**1,498**	**(16,808)**	**(259)**	**1,030**	**5,180**	**-**	**5,180**
Loss for the period	-	-	-	(1,537)	-	-	(1,537)	-	(1,537)
Other comprehensive income, net of tax:									
Currency translation differences	-	-	-	-	-	23	23	-	23
Total comprehensive loss for the period	**-**	**-**	**-**	**(1,537)**	**-**	**23**	**(1,514)**	**-**	**(1,514)**
Transactions with owners in their capacity as owners:									
Shares issued	1,931	3,607	-	-	-	-	5,538	-	5,538
Share-based payment charge	-	-	-	-	-	21	21	-	21
Share options exercised	-	-	-	191	-	(191)	-	-	-
At 31 December 2017 (Audited)	**5,005**	**20,252**	**1,498**	**(18,154)**	**(259)**	**883**	**9,225**	**-**	**9,225**
Loss for the period	-	-	-	(380)	-	-	(380)	(66)	(446)
Other comprehensive income, net of tax:									
Currency translation differences	-	-	-	-	-	(207)	(207)	-	(207)
Total comprehensive loss for the period	**-**	**-**	**-**	**(380)**	**-**	**(207)**	**(587)**	**(66)**	**(653)**
Transactions with owners in their capacity as owners:									
Shares issued	20	18	-	-	-	-	38	-	38
Share-based payment charge	-	-	-	-	-	294	294	-	294
Share options exercised	-	-	-	44	-	(44)	-	-	-
At 30 June 2018 (Unaudited)	**5,025**	**20,270**	**1,498**	**(18,490)**	**(259)**	**926**	**8,970**	**(66)**	**8,904**

Unaudited Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2018

	Note	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Cash (used in)/generated from operating activities	9	(1,446)	1,952	1,797
Income taxes paid		-	(9)	(44)
Net cash (outflow)/inflow from operating activities		(1,446)	1,943	1,753
Investing activities				
Purchase of property, plant and equipment		(34)	(61)	(115)
Net cash used in investing activities		(34)	(61)	(115)
Financing activities				
Net proceeds from the issue of share capital		38	-	5,538
Finance income		6	-	-
Proceeds from asset-based lending		36,192	47,773	83,722
Repayment of asset-based lending		(35,480)	(49,402)	(85,114)
Repayment of term loan		-	(236)	(788)
Repayments of obligations under finance leases		(7)	(46)	(65)
Interest and fees paid on borrowings		(124)	(140)	(295)
Net cash generated from/(used in) financing activities		625	(2,051)	2,998
Net (decrease)/increase in cash and cash equivalents		(855)	(169)	4,636
Cash and cash equivalents at the beginning of the period		6,758	2,698	2,097
Effect of foreign exchange rate changes		(207)	114	25
Cash and cash equivalents at end of the period		5,696	2,643	6,758

Unaudited notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2018

1 Basis of Presentation

These unaudited condensed consolidated interim financial statements are for the six months ended 30 June 2018. 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 2017, 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 24 September 2018.

The comparative financial information for the year ended 31 December 2017 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 2017 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. 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 2018 and 30 June 2017 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 2017, with exception of standards, amendments and interpretations effective in 2018.

Standards, amendments and interpretations effective in 2018

The following IFRS/IAS are either new, amended or have interpretations mandatory for the first time for the financial year beginning 1 January 2018, but had no material impact on the Group:

- IFRS 9 – Financial Instruments.
- IFRS 15 – Revenue from Contracts with Customers.

The following IFRS/IAS are either new, amended or interpretations have been issued, but are not effective for the financial year beginning 1 January 2018 and have not been early adopted:

- IFRS 16 – Leases.
- IFRIC 23 – Uncertainty over Income Tax Treatments.

Going Concern

As at 30 June 2018 the Group had net assets of £8.9 million (30 June 2017: net assets £5.2m) and made an operating loss in the six months then ended of £0.5 million (H1 2017: loss of £0.1m). In December 2017 the Group conducted a successful equity placing, raising funds of £5.3 million (net of costs).

At the end of 2015 the Group obtained a new three-year secured asset-based debt facility of £9.5 million with PNC Business Credit Services Ltd ("PNC") being made up of a £1.0 million term loan and a revolving credit facility of up to £8.5 million based on qualifying accounts receivable. During 2017 the remaining balance on the term loan was paid off in full. As at 30 June 2018 the total debt owed to PNC – now relating solely to the asset-based lending facility – was £3.1 million (30 June 2017: £2.8m).

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.

All covenants have been met for 2018 to date.

The initial 3-year term of the facility runs to 3 December 2018, and the facility automatically continues in place indefinitely thereafter unless either party gives at least six months' notice on or after 4 June 2018. The directors believe that the relationship with PNC is good, that they remain supportive of the Company, and that they appear likely to want to continue the arrangement after the end of the initial term.

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 including the £5.3 million (net) fund raise of December 2017, the Directors believe that the going concern basis is appropriate and the Group has adequate resources to continuing trading for the foreseeable future.

2 Exceptional administrative expenses

	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Employee contract termination-related costs	230	-	814
Costs relating to reorganisation of the Board	-	-	104
Share issue costs expensed to Income Statement	-	-	44
	230	**-**	**962**

3 Interest payable and similar charges

	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Finance lease interest	10	10	20
Interest on PNC debt	68	96	170
Fees on PNC debt	46	64	108
Net foreign exchange losses	-	-	(3)
	124	**170**	**295**

4 Earnings Per Share

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

	6 months ended 30 June 2018 (Unaudited)	6 months ended 30 June 2017 (Unaudited)	Year ended 31 December 2017 (Audited)
Weighted average number of 0.5 pence ordinary shares in issue during the period	Number	Number	Number
For basic earnings per share	1,003,767,337	614,733,671	627,060,836
Potentially dilutive effect of share options	181,167,771	7,464,201	97,573,736
For diluted earnings per share	1,184,935,108	622,197,872	726,634,572
	£'000	£'000	£'000
Loss attributable to the owners	(380)	(328)	(1,865)

5 Goodwill and Intangible Assets

	Total £'000
Cost	
1 January 2017	22,273
Foreign exchange differences	(433)
30 June 2017	21,840
Foreign exchange differences	(311)
31 December 2017	21,529
Foreign exchange differences	201
30 June 2018	21,730
Net Book Value	
30 June 2018 (unaudited)	8,662
30 June 2017 (unaudited)	10,503
31 December 2017 (audited)	8,635

An impairment of £1.53 million in the year ended 31 December 2017 related to the carrying value of SpotCo's goodwill. After a disappointing year in 2017, management reviewed and cautiously revised the key assumptions for the value-in-use calculations of SpotCo as at the year end, in particular pulling back from revenue growth rate for 2019 onwards from 1.5 per cent to 1.0 per cent, which – on the back of the softened outlook for 2018 – resulted in the impairment. Management will continue to monitor the trading outlook and may revise the key revenue growth assumption upwards again, for future impairment review purposes, if and when they consider that to be an appropriate reflection of an improved forward view.

A review has been undertaken at 30 June 2018 and has not identified any further need for impairment. The directors believe that, at the current time, any reasonably likely change in assumptions is unlikely to cause an impairment in the intangible assets.

6 Borrowings

	30 June 2018 (Unaudited) £'000	30 June 2017 (Unaudited) £'000	31 December 2017 (Audited) £'000
Current:			
Term debt	-	553	-
Asset-based lending facility	3,084	2,241	2,372
Finance leases	69	63	74
	3,153	2,857	2,446
Non-current:			
Finance leases	91	102	56
	91	102	56
Analysis of borrowings			
On demand or within one year:			
Term debt	-	553	-
Asset-based lending facility	3,084	2,241	2,372
Finance leases	69	63	74
	3,153	2,857	2,446
In the second to fifth years inclusive:			
Finance leases	91	102	56
	91	102	56
Amounts due for settlement	3,244	2,959	2,502
Less amounts due within one year	(3,153)	(2,857)	(2,446)
	91	102	56

Term debt

The term debt with PNC had interest payable at 4 per cent over bank base rates. Repayments were in equal monthly instalments and began in March 2016. The Group was able to pay off the remaining balance of £0.55 million in full in July 2017.

Asset-based lending

SpotCo, Dewynters and Newmans all 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 than they would otherwise be, since cash drawdown incurs a higher rate of interest and 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 per cent per annum over Barclays Bank plc. base rate for amounts borrowed in Sterling, or for amounts in Euro or US Dollars 2.25 per cent per annum over the rate published by the central bank or relevant monetary authority. Borrowing facility amounts not utilised incur interest payable at a fixed 0.5 per cent per annum. On top of a fixed and floating charge over its assets, the Group has given PNC an unlimited guarantee in respect of these borrowings.

All covenants have been met in 2018 to date.

The initial 3-year term of the facility runs to 3 December 2018, and the facility automatically continues in place indefinitely thereafter unless either party gives at least six months' notice on or after 4 June 2018. We believe that the relationship with PNC is good, that they remain supportive of the Company, and that they appear likely to want to continue the arrangement after the end of the initial term. The Directors are confident the Group remains a going concern.

7 Other reserves

	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Capital redemption reserve	15	15	15
Share option reserve	642	558	392
Warrant reserve	311	311	311
Foreign exchange reserve	(42)	146	165
Other reserves	926	1,030	883

8 Share-based payments

Equity-settled share option plan

	30 June 2018
Movement in number of options in the period:	No. Options
Outstanding brought forward at 1 January	184,533,520
Exercised during the period	(3,822,432)
Forfeited during the period	(1,245,342)
Outstanding carried forward at 30 June	179,465,746

No options have been granted in the first six months of 2018. All options granted to date have an exercise price of £0.01, £0.015, or £0.02. 1,449,863 options were exercisable at 30 June 2018 (30 June 2017: nil).

The share options outstanding as at 30 June 2018 had a weighted average remaining contractual life of 5.02 years (30 June 2017: 4.88 years). The weighted average share price of exercised options at the date of exercise was 1.77p (30 June 2017: not applicable).

During the period ended 30 June 2018 the Group recognised total share-based payment charges of £0.29 million (30 June 2017: £0.21m).

9 Cash flows from operating activities

	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Unaudited) £'000
Reconciliation of net cash flows from operating activities			
Loss before taxation	(617)	(279)	(2,689)
Finance costs	124	170	295
Depreciation	215	230	452
Amortisation of intangibles	85	96	189
Impairment of goodwill	-	-	1,533
Share-based payment expense	294	209	234
Operating cash flows before movements in working capital	101	426	14
Increase in inventories	(1)	(1)	-
Decrease in trade and other receivables	77	4,922	2,654
Decrease in trade and other payables	(1,411)	(3,395)	(783)
Decrease in other non-current liabilities	(212)	-	(88)
Cash (used in)/generated from operating activities	(1,446)	1,952	1,797

10 Transactions with directors

During the six months to June 2018, the Group procured consultancy services totalling £0.01 million (2017: £0.01m) 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 30 June 2018 (2017: £Nil).

11 Subsequent events

On 29 August 2018, the Group launched Story House, a new live entertainment focused public relations agency – majority-owned by r4e – in partnership with David Bloom, a leading practitioner in the sector, with significant cornerstone clients being supported by the business at launch.

12 Interim report

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

Notes to Editors

reach4entertainment enterprises plc ("r4e") operates a collection of theatrical, film and live entertainment marketing, PR, advertising and display agencies, across the world. The Company uses its extensive experience in the live entertainments space to create value through investing in innovative and established agencies that provide communications services to a range of clients involved with theatre, film, concerts and more.

For further information on r4e you are invited to visit the Company's website at www.r4e.com.

Spot and Company of Manhattan, Inc.

A global leading full-service arts and live entertainment advertising and marketing agency. In an ever-changing media landscape, it stays ahead of the curve with a mix of bold positioning through interactive, broadcast, environmental and print campaigns.

https://www.spotnyc.com

Dewynters Limited

Based in London with sister agencies operating in Amsterdam and Hamburg, Dewynters is a leading independent arts, events and live entertainment marketing specialist. The agency's work in theatre, museums, attractions, sport and music is seen right across the globe.

http://www.dewynters.com

https://www.dewynters.nl/en/

http://www.dewynters.de/en/

Newman Displays Limited

The UK's leading large-scale outdoor signage, front of house, marquee display and installation company. Clients include major West End theatre productions, leading film companies, cinemas and major global events.

http://www.newman-displays.com

Wake the Bear Limited

A marketing communications agency that accelerates growth for its clients through finding new customers, taking new products to market and building stronger brands. The agency delivers end to end marketing communications services for its clients including communications planning, media planning & buying, creative & content creation and digital build.

http://wakethebear.co.uk

Story House PR Limited

A new public relations agency for the theatre and live entertainment industries, operating in the UK and internationally. The agency crafts engaging campaigns for audiences, driven by strategy: the right channel, at the right time, with the right message. Fully integrating PR with paid media and social, ensuring all elements of a campaign are working together, Story House collaborates with its clients to ensure its work is dedicated to realising their ambitions.

www.storyhousepr.co.uk