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Reach4Entertainment Enterprises PLC
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reach4entertainment enterprises plc ('r4e', 'the Company' or 'the Group')

Unaudited interim results for the six months ended 30 June 2014

Strong trading performance delivers significant improvement in profitability

r4e, the transatlantic media and entertainment company, today announces its unaudited interim results for the six months ended 30 June 2014.

Financial Highlights

	Unaudited six months to 30 June 2014	Unaudited six months to 30 June 2013	Change
Revenue	**£41.5m**	£35.0m	+18%
Adjusted EBITDA[1]	**£1.4m**	£0.7m	+111%
Profit/(loss) before tax	**£0.7m**	(£0.1m)	Improved by £0.8m
Earnings per share	**0.42p**	0.03p	Improved by 0.39p

[1] Adjusted EBITDA is stated before exceptional items

- Encouraging performance, in line with market expectations;
- Marked improvement in all profitability metrics, with adjusted EBITDA[1] more than doubling and profit before tax improving by £0.8 million;
- Very strong performance from New York operations, with Spot & Company of Manhattan Inc. ('SpotCo') increasing revenue by 47 per cent to £24.8 million (2013: £16.9 million) and adjusted EBITDA[1] by 183 per cent to £1.2 million (2013: £0.4 million);
- Solid performance from Dewynters Ltd ('Dewynters') with revenue of £14.8 million (2013: £16.2 million) and adjusted EBITDA[1] of £0.5 million (2013: £0.6 million);
- Successful bank refinancing in April 2014; new agreement with Allied Irish Bank Group (UK) plc ('AIB') established a six year term from 7 April and a new interest rate of 3 per cent over LIBOR, for r4e's £14.8 million revolving credit facility, providing a meaningful reduction in the interest rate against the Group's previous facility;
- Borrowing reduced by £0.3 million since 31 Dec 2013, as the Company continues to meet its debt repayment obligations relating to its acquisition of SpotCo.

David Stoller, Executive Chairman, commented:

"These results reflect the significant and encouraging progress the Group has made following the extensive efforts that we've made to restructure and enhance Group operations.

"Our New York operation has delivered a stellar performance so far in 2014, benefitting from buoyant conditions in the Broadway market. The London market has been a little subdued, with the cancellation of a number of long running shows, yet Dewynters' market leading position and strong reputation has ensured a continuing solid performance.

"The Group's divisions continue to develop their offering in order to exploit growth opportunities in existing and new, associated market sectors.

"This is an exciting time for r4e. The Group is performing well, and I am confident that we will, at the very least, meet market expectations for the full year."

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EXECUTIVE CHAIRMAN'S STATEMENT

Sustainable profit delivery and stabilised financial position

These results reflect the significant and encouraging progress the Group has made following the extensive efforts to restructure and enhance Group operations.

r4e is now delivering profitability on a sustainable basis, while the successful conclusion of our recent debt refinancing with AIB puts the Group on a firmer financial footing.

Improved trading performance, in line with market expectations

The results for the 6 months ended 30 June 2014 show the following:

Summary of results

	Unaudited 6 months ended 30 June 2014 £'000	Unaudited 6 months ended 30 June 2013 £'000
Total Revenue from continuing operations	41,500	35,024
Adjusted EBITDA[1] from continuing operations	1,405	666
Net exceptional (costs)/income (see note 5)	(9)	148
Group EBITDA	**1,396**	**814**

[1]Adjusted EBITDA is stated before exceptional items.

The Group delivered a significant improvement in revenue growth, adjusted EBITDA and profit before tax in the six months to 30 June 2014.

Group revenue increased by 18.5 per cent to £41.5 million (2013: £35.0 million), driven by a very strong performance at SpotCo.

The Group's underlying profitability (Adjusted EBITDA) improved by 111.0 per cent to £1.4 million (2013: £0.7 million), while profit before tax increased by £0.8 million to £0.7 million (2013: loss of £0.1 million).

Profit after tax increased to £0.3 million (2013: £0.02 million), taking into account a tax charge of £0.4 million that is largely attributable to SpotCo's strong profitable performance. Having used up its brought forward tax losses, SpotCo's profits are now fully chargeable for tax and this accounts for £0.2 million of the tax charge at 30 June 2014. In addition a £0.1 million tax asset recognised at 31 December 2013 on brought forward losses in SpotCo has now been charged to the income statement.

Earnings per share from total operations for the six months to 30 June 2014 is 0.42p (2013: 0.03p), an improvement of 0.39p.

r4e's financial performance has historically been weighted towards the second half of its financial year. However, due to SpotCo's exceptionally strong performance in the first half of the year, it is expected that trading will be more equally balanced between half year periods of the current financial year.

Strong performance from SpotCo supported by solid performance from London operations, Dewynters and Newmans

Our operations now comprise the market-leading London and New York based theatre and live entertainment marketing businesses of Dewynters and SpotCo respectively, together with the London based signage and fascia business, Newman Displays Ltd ('Newmans'). Operations of the New York based merchandising business, Dewynters Advertising Inc ('DAI') was outsourced in 2012.

Continuing Operations

	Unaudited 6 months ended 30 June 2014		**Unaudited 6 months ended 30 June 2013**	
Company	Revenue	Adjusted EBITDA*	Revenue	Adjusted EBITDA*
	£'000		£'000	
Dewynters	14,803	469	16,159	573
Newmans	1,714	162	1,804	236
SpotCo	24,843	1,219	16,850	430
DAI	140	9	211	(30)
Head Office	-	(454)	-	(543)
TOTAL	**41,500**	**1,405**	**35,024**	**666**

*Adjusted EBITDA before exceptional administrative items. Adjusted EBITDA figures are shown before intergroup management fees. Note that the report and financial statements at 31 December 2013 reflect company numbers after accounting for intergroup management fees.

SpotCo traded very strongly in the six months ended 30 June 2014, reporting a 47 per cent revenue increase to £24.8 million (2013: 16.9 million), and an improvement in adjusted EBITDA[1] of 183 per cent to £1.2 million (2013: £0.4 million).

This performance was achieved through a combination of buoyant market conditions on Broadway and the continued growth of its client base, supplemented through the delivery of a number of significant one-off projects.

The Group's London operations, Dewynters and Newmans, delivered a solid performance, generating combined revenue of £16.5 million (2013: £18.0 million) and adjusted EBITDA of £0.6 million (2013: £0.8 million).

The decrease in revenue in the period was largely the result of the unanticipated cancellation of a number of shows. Nevertheless, Dewynters' performance was solid, as it continues to lead the market, as evidenced by its continuing success with a number of long-running West End shows. In addition, it continues to grow its Non-West End related work of theatrical and musical projects in Europe whilst the Touring Division, established two years ago to provide marketing services to touring productions of theatre and other live events, continues to expand in the UK and Europe.

Newmans' performance was impacted by the decision by a major central London cinema to digitalise its external advertising hoardings, but remained solid and in line with management expectations. Its performance is traditionally weighted towards the second half of the year due to the significant launch of pre-Christmas films as well as the film industry moving towards Oscar season and we expect a similar pattern to occur in this financial year.

Focus to expand core businesses in associated market sectors and exploit strategic opportunities

The Group continues to actively seek to expand its business, both through exploiting opportunities for its core operations in associated market sectors and capitalising on strategic opportunities as they present themselves. On the latter point, Stage17 (http://stage17.tv/), the digital platform that delivers a range of Broadway and arts related entertainment content in which r4e holds a 17 per cent stake, has now officially launched and is seeing a steady increase in visitors and subscribers.

Successful debt refinancing completed on more attractive terms

On 8 April the Company announced the completion of a successful bank refinancing agreement with Allied Irish Bank Group (UK) plc ('AIB') to restructure its existing £14.8 million revolving credit facility.

The agreement, for which covenants have been agreed, establishes a six year term from 7 April and a new interest rate of 3 per cent over LIBOR. The new agreement replaces r4e's previous agreement with AIB which was due to expire in 2015 and had an interest rate of 4 per cent over LIBOR, rising to 5 per cent over LIBOR from 26 April 2014.

The Board expects there to be an annual interest saving of around £220,000 in the year ending 31 December 2014.

In addition, the Company continues to fulfill its debt repayment obligations agreed in November 2012 relating to its acquisition of SpotCo. Since the outstanding debt obligation was renegotiated in November 2012, US$1.95 million has been repaid.

Summary and Outlook

I am delighted with the improved trading performance that the Group has delivered, reflecting our recent restructuring efforts, the quality of our market-leading operations and the benefits we are deriving from the collaborative culture we have instilled throughout Group operations.

The Group is very well placed, and the Board is confident of meeting market expectations for the full year, however performance is likely to be more evenly weighted between first and second half than is traditionally the case in light of SpotCo's exceptional first half performance.

r4e is in good shape, financially stable and I am confident it will deliver sustainable profit growth over the medium-term.

David Stoller, Executive Chairman
reach4entertainment enterprises plc

Unaudited Condensed Consolidated Income Statement
For the six months ended 30 June 2014

		6 months ended 30 June 2014 (Unaudited) £000's	6 months ended 30 June 2013 (Unaudited) £000's	Year ended 31 December 2013 (Audited) £000's
Continuing Operations				
Revenue		41,500	35,024	75,749
Cost of sales		(31,637)	(25,855)	(56,348)
Gross profit		9,863	9,169	19,401
Administrative expenses		(8,733)	(8,739)	(18,333)
EBITDA before exceptional administrative items		1,405	666	1,907
Exceptional administrative expense	5	(9)	(759)	(790)
Exceptional administrative income	5	-	907	907
Impairment of goodwill	6	-	-	(181)
Depreciation		(170)	(138)	(313)
Amortisation of intangibles		(96)	(246)	(462)
Operating profit		1,130	430	1,068
Finance income	2	44	56	121
Finance costs	3	(465)	(563)	(881)
Profit/(loss) before taxation		709	(77)	308
Taxation		(395)	100	93
Profit for the period		314	23	401

The profit is attributable to the owners of the parent

Basic and diluted earnings per share (pence)	4	0.42	0.03	0.54

Unaudited Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2014

	6 months ended 30 June 2014 (Unaudited) £000's	6 months ended 30 June 2013 (Unaudited) £000's	Year ended 31 December 2013 (Audited) £000's
Profit for the period	314	23	401
Other comprehensive income:			
Currency translation differences	(126)	326	(107)
Other comprehensive income (net of tax) for the period	188	349	(107)
Total comprehensive income for the period attributable to owners of the parent	188	349	294

Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2014

	Note	6 months ended 30 June 2014 (Unaudited) £000's	6 months ended 30 June 2013 (Unaudited) £000's	Year ended 31 December 2013 (Audited) £000's
Non-current assets				
Goodwill	6	13,072	13,805	13,212
Intangible assets		3,823	4,252	3,946
Property, plant and equipment		2,388	2,381	2,496
Deferred tax asset		58	-	163
		19,341	20,438	19,817
Current assets				
Inventories		303	257	281
Trade and other receivables		8,971	6,032	10,343
Other current assets		432	-	445
Cash and cash equivalents		3,115	3,124	1,876
		12,821	9,413	12,945
Total assets		32,162	29,851	32,762
Current liabilities				
Trade and other payables		(13,079)	(10,867)	(13,848)
Current taxation liabilities		(175)	(110)	-
Borrowings	7	(814)	(950)	(634)
		(14,068)	(11,927)	(14,482)
Net current liabilities		(1,247)	(2,514)	(1,537)
Non-current liabilities				
Deferred taxation		(1,250)	(1,137)	(1,224)
Borrowings	7	(15,356)	(16,141)	(15,803)
Other payables	8	(1,297)	(588)	(1,250)
		(17,903)	(17,866)	(18,277)
Total liabilities		(31,971)	(29,793)	(32,759)
Net assets		191	58	3
Equity				
Called up share capital		1,872	1,872	1,872
Share premium		13,501	13,501	13,501
Capital redemption reserve		15	15	15
Retained earnings		(14,529)	(15,221)	(14,843)
Own shares held		(259)	(259)	(259)
Foreign exchange reserve		(409)	150	(283)
Total equity attributable to owners of the parent		191	58	3

Unaudited Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2014

ATTRIBUTABLE TO OWNERS OF THE PARENT	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Own shares held £000	Foreign exchange reserve £000	Total Equity £000
At 1 January 2013	1,872	13,501	15	(15,244)	(259)	(176)	(291)
Profit for the period	-	-	-	23	-	-	23
Other comprehensive income:							
Currency translation differences	-	-	-	-	-	326	326
Total comprehensive income for the period	-	-	-	23	-	326	349
At 30 June 2013 (Unaudited)	1,872	13,501	15	(15,221)	(259)	150	58
At 1 July 2013							
Profit for the period	-	-	-	378	-	-	378
Other comprehensive income:							
Currency translation differences	-	-	-	-	-	(433)	(433)
Total comprehensive income for the period	-	-	-	378	-	(433)	(85)
At 31 December 2013 (Audited)	1,872	13,501	15	(14,843)	(259)	(283)	3
At 1 January 2014							
Profit for the period	-	-	-	314	-	-	314
Other comprehensive income:							
Currency translation differences	-	-	-	-	-	(126)	(126)
Total comprehensive income for the period	-	-	-	314	-	(126)	174
At 30 June 2014 (Unaudited)	1,872	13,501	15	(14,529)	(259)	(409)	191

Unaudited Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2014

		6 months ended 30 June 2014 (Unaudited) £000's	6 months ended 30 June 2013 (Unaudited) £000's	Year ended 31 December 2013 (Audited) £000's
Cash generated from operating activities	9	1,890	2,498	2,485
Income taxes paid		(67)	-	(136)
Net cash inflow from operating activities		1,823	2,498	2,349
Investing activities				
Finance income		-	56	1
Purchase of property, plant and equipment		(122)	(1,345)	(2,444)
Proceeds from disposal of property, plant and equipment		-	-	1
Proceeds from landlord reimbursement towards property, plant and equipment		-	-	836
Proceeds from sale of investments		-	-	20
Payment of deferred consideration		(307)	(321)	(645)
Dividends received from associated undertaking		-	-	93
Net cash used in investing activities		(429)	(1,590)	(2,138)
Financing activities				
Repayment of borrowings		-	-	(15)
Proceeds from loan granted by Related Party	10	-	390	388
Repayment of loan granted by Related Party	10	-	(132)	(388)
Interest paid		(235)	(305)	(656)
Net cash used in financing activities		(235)	(47)	(671)
Net increase/(decrease) in cash and cash equivalents		1,159	861	(460)
Cash and cash equivalents at the beginning of the period		1,876	2,316	2,316
Effect of foreign exchange rate changes		80	(53)	20
Cash and cash equivalents at end of the period		3,115	3,124	1,876

Unaudited notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

1 Basis of Presentation

These unaudited condensed consolidated interim financial statements are for the six months ended 30 June 2014. 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 2013, 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 434 of the Companies Act 2006. The unaudited interim financial statements were approved by the Board on 15 September 2014.

The comparative financial information for the year ended 31 December 2013 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts of reach4entertainment enterprises plc for the year ended 31 December 2013 have been reported on by the Company's auditor, Baker Tilly 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 2014 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 2013, with exception of standards, amendments and interpretations effective in 2014.

Standards, amendments and interpretations effective in 2014

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2014, but had no significant impact on the Group:

- IFRS 2 – Share Based Payment – Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 – Joint arrangements
- IFRS 12 - Disclosure of Interests in Other Entitles/ IAS 27 - Separate Financial Statements – Amendments for investment entities
- IAS 19 – Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service

1 Basis of Presentation (continued)

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

- IFRS 7 - Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures and additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9
- IFRS 8 – Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)
- IFRS 9 – Financial Instruments - Incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.
- IFRS 11 – Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IAS 16 – Property, Plant and Equipment - Proportionate restatement of accumulated depreciation on revaluation; amendments regarding the clarification of acceptable methods of depreciation and amortisation.
- IAS 38 – Intangible Assets - Proportionate restatement of accumulated depreciation on revaluation and amendments regarding the clarification of acceptable methods of depreciation and amortisation

Going Concern

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

During the year ended 31 December 2012 the Group agreed a debt repayment schedule for the remaining $4.2 million of deferred consideration in relation to the SpotCo acquisition in 2008. The repayment period is over 2013 – 2015. During the six months ending 30 June 2014, $0.5 million has been repaid in-line with the schedule, leaving an outstanding balance of $2.5 million (£1.4 million after discounting and translation to GBP), see note 7.

On 7 April 2014, the Group agreed a debt repayment schedule in relation to the AIB Group bank debt of £14.8million. The facility matures in April 2020 and numerous capital repayments will be made over the term of the facility at amounts and dates specified in the facility agreement. The first repayment of £0.2 million is due in April 2015 with accelerated capital repayments thereafter. The new agreement established an interest rate of 3 per cent over LIBOR and a new set of financial covenants have also been agreed with AIB Group in relation to this debt. The covenants will be measured quarterly over the remaining term of the facility. All banking covenants had been met as at 30 June 2014.

Repayment of financial obligations and adherence to the financial covenants are key areas of management focus. The Directors have prepared and reviewed detailed forecasts which indicate that the Group will have sufficient cash flow to meet in full the deferred consideration debt obligation, and meet future covenant requirements. The Board is confident that these matters will be concluded in a manner which enables the going concern basis of accounting to be applicable.

After making enquiries and considering the uncertainty noted above, the Directors have concluded that the Group has adequate resources to continue trading for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the Group interim financial statements.

2 Finance Income

	6 months ended 30 June 2014 (Unaudited) £000's	6 months ended 30 June 2013 (Unaudited) £000's	Year ended 31 December 2013 (Audited) £000's
Bank interest	1	1	1
Dividends received from associated undertaking	-	55	93
Foreign exchange gains on borrowings	-	-	2
Foreign exchange gains on deferred consideration	43	-	25
	44	**56**	**121**

The foreign exchange gain for the period ended 30 June 2014 of £0.04 million (30 June 2013: £Nil) is unrealised and relates to the revaluation of deferred consideration denominated in US$. For the period ended 30 June 2013 this was an exchange loss of £0.13 million (note 2).

3 Finance Costs

	6 months ended 30 June 2014 (Unaudited) £000's	6 months ended 30 June 2013 (Unaudited) £000's	Year ended 31 December 2013 (Audited) £000's
Bank interest	-	1	2
Interest on bank loans	298	309	644
Interest on related party loan	-	-	10
Amortisation of issue costs of bank loan	83	2	4
Unwinding of discounting on deferred consideration	83	119	220
Net foreign exchange losses on trade	1	-	1
Foreign exchange losses on deferred consideration	-	132	-
	465	**563**	**881**

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 2014 (Unaudited)	6 months ended 30 June 2013 (Unaudited)	Year ended 31 December 2013 (Audited)
	Number	Number	Number
Weighted average number of 2.5 pence ordinary shares in issue during the period			
For basic earnings per share	74,635,792	74,635,792	74,635,792
	£000's	£000's	£000's
Profit for the period	**314**	**23**	**401**

There were no share options in issue at 30 June 2014, 31 December 2013 or 30 June 2013.

5 Exceptional Items

	6 months ended 30 June 2014 (Unaudited) £000's	6 months ended 30 June 2013 (Unaudited) £000's	Year ended 31 December 2013 (Audited) £000's
Office relocation costs	(9)	(759)	(790)
Exceptional expenses	(9)	(759)	(790)
Landlord reimbursement income	-	907	907
Net exceptional administrative (expenses)/income	**(9)**	**148**	**117**

Exceptional costs in the 6 month period to 30 June 2014 relate to the relocation of Newmans offices and Dewynters warehouse in London. Costs include surveys for new premises and necessary archive incineration. The office/warehouse move will take place towards the end of 2014. Landlord compensation will be received and is expected to cover expenses of the move.

Expenses and income in the prior year ended 31 December 2013 relate to relocation of SpotCo offices in New York and the Dewynters/r4e plc offices in London. Costs included search fees, legal and removal costs, plus rent required to be paid on the office which remained unoccupied in each location prior to/after the move. In London the relocation was at the requirement of the Landlord who is renovating the premises, therefore compensation was received of £907k as the tenancy was within the scope of the Landlords and Tenants Act 1954.

6 Goodwill

	Total £000's
Cost:	
1 January 2013	13,478
Foreign exchange differences	327
30 June 2013	13,805
Impairment charge	(181)
Foreign exchange differences	(412)
31 December 2013	13,212
Foreign exchange differences	(140)
30 June 2014	13,072
Net Book Value:	
30 June 2014 (unaudited)	**13,072**
30 June 2013 (unaudited)	**13,805**
31 December 2013 (audited)	**13,212**

An impairment charge of £0.18 million was incurred during 2013 on Dewynters Advertising Inc. (DAI) due to the reduced level of cash flows expected from DAI in future years. At 31 December 2012 the Group outsourced the operational fulfillment of the activities of DAI. Whilst this reduced the losses being made by DAI in 2013, a reduced level of operations also resulted in a smaller cash flow projection therefore resulting in an impairment charge of £0.18 million.

A review has been undertaken at 30 June 2014 and has not identified any further need for impairment.

7 Borrowings

	30 June 2014 (Unaudited) £000's	30 June 2013 (Unaudited) £000's	31 December 2013 (Audited) £000's
Current:			
Bank loans	200	-	-
Deferred consideration	614	692	634
Related party loan	-	258	-
	814	950	634
Non-current:			
Bank loans	14,585	14,800	14,785
Deferred consideration	771	1,341	1,081
	15,356	16,141	15,803
Analysis of borrowings			
On demand or within one year:			
Bank loans	200	-	-
Deferred consideration	614	692	634
In the second to fifth years inclusive:			
Bank loan – revolving facility	7,190	14,800	14,785
Deferred consideration	771	1,341	1,081
More than five years:			
Bank loan – revolving facility	7,395	-	-

A new agreement over the existing bank loan was entered into on 7 April 2014 with the lender Allied Irish Bank (AIB Group (UK)) plc. AIB Group (UK) is charging interest on the revolving credit facility at LIBOR + 3% per annum until the facility matures in April 2020. £0.2 million is repayable within 12 months with accelerated capital repayments thereafter.

The Group has also agreed a new set of financial covenants with AIB Group (UK) in relation to the revolving credit facility. The covenants are measured quarterly and took effect from 30 June 2014. All banking covenants had been met as at 30 June 2014.

7 Borrowings (*continued*)

Deferred consideration

Movements on deferred consideration during the year are as follows:

	30 June 2014 (Unaudited) £000's	30 June 2013 (Unaudited) £000's	31 December 2013 (Audited) £000's
Opening balance	1,652	2,103	2,103
Unwinding of discounting on deferred consideration	83	119	220
Payment of deferred consideration - cash	(307)	(321)	(645)
Foreign exchange differences	(43)	132	(26)
Closing balance	**1,385**	**2,033**	**1,652**

8 Other payables

Landlord reimbursement accrual

Amounts in non-current other payables of £0.62 million (30 June 2013: £0.59 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 2014 £0.03 million was unwound and credited to the income statement (30 June 2013: Nil).

Amounts in current liabilities relating to the reimbursement total £0.05 million (30 June 2013: £0.05 million).

	30 June 2014 (Unaudited) £000's	30 June 2013 (Unaudited) £000's	31 December 2013 (Audited) £000's
Within one year	53	46	55
Within second to fifth years	212	183	218
More than five years	412	405	454
	624	588	672

8 Other payables (*continued*)

Rent holiday accrual

Other amounts in non-current other payables of £0.68 million (30 June 2013: Nil) 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 2014 (Unaudited) £000's	30 June 2013 (Unaudited) £000's	31 December 2013 (Audited) £000's
Within one year	53	-	36
Within second to fifth years	523	-	238
More than five years	150	-	340
	673	-	578

Total non-current accruals	30 June 2014 (Unaudited) £000's	30 June 2013 (Unaudited) £000's	31 December 2013 (Audited) £000's
Landlord reimbursement accrual	624	588	672
Rent holiday accrual	673	-	578
Total non-current payables	1,297	588	1,250

9 Cash flows from operating activities

	6 months ended 30 June 2014 (Unaudited) £000's	6 months ended 30 June 2013 (Unaudited) £000's	Year ended 31 December 2013 (Unaudited) £000's
Reconciliation of net cash flows from operating activities			
Profit/(loss) before taxation	709	(77)	308
Finance costs	465	563	881
Finance income	(44)	(56)	(121)
Depreciation	170	138	313
Amortisation of intangibles	96	246	462
Impairment of goodwill	-	-	181
Profit on sale of investments	-	(20)	(20)
Operating cash flows before movements in working capital	1,396	794	2,004
Increase in inventories	(21)	(29)	(54)
Decrease/(increase) in trade and other receivables	1,372	3,725	(1,031)
(Decrease)/increase in trade and other payables	(857)	(1,992)	1,566
Cash flows from operating activities	**1,890**	**2,498**	**2,485**

10 Related Party Disclosures

During the prior year ending 31 December 2013, SpotCo entered into a bridge loan facility agreement (the "Facility Agreement") with Stoller Family Partners LLC to augment internal cash-flows to finance the up-front refurbishment costs of the office relocation in New York. $0.6 million was drawn down under the Facility Agreement. The Facility had an arrangement fee of $5,000 and interest was charged on funds drawn down at a rate of 8 per cent per annum.

As at 31 December 2013, the $0.6 million loan plus arrangement fee and £0.01 million of interest had been repaid to Stoller Family Partners LP leaving no outstanding balance as at 31 December 2013.

Stoller Family Partners LLC is classified as a related party of the Company by virtue of being an existing substantial shareholder in the Company and also due to David Stoller, Executive Chairman of the Company, being a director and a substantial shareholder in Stoller Family Partners LLC.

11 Transactions with Directors

At 30 June 2014 David Stoller owed the Group £1,312 (30 June 2013: £2,424) which was repaid in July 2014. The loan is non-interest bearing and no terms and conditions are attached.

12 Interim Report

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