Company number 07440171

TIME OUT GROUP HC LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2014

TIME OUT GROUP HC LIMITED
Report and Financial Statements for the year ended 31 December 2014

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TIME OUT GROUP HC LIMITED

DIRECTORS AND ADVISERS

DIRECTORS	John Hughes (Chairman) Peter Dubens Alex Collins Tony Elliott Tim Arthur Matt White
REGISTERED OFFICE	4th Floor 125 Shaftesbury Avenue London WC2H 8AD
BANKERS	HSBC 70 Pall Mall London SW14 SE2
AUDITORS	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
SOLICITORS	Simons Muirhead & Burton 8-9 Frith Street London W1D 3JB
COMPANY NUMBER	07440171

TIME OUT GROUP HC LIMITED

STRATEGIC REPORT

The directors present their Strategic Report on the Group for the year ended 31 December 2014.

Overview of the Business

Time Out was founded in 1968 in London and over the past 46 years it has consistently maintained its status as the 'go to' source of inspiration for urban adventurers, helping them discover the newest and best things to do, see and experience in their city.

Time Out's global distribution network incorporates a comprehensive online presence, an offers and e-commerce platform, mobile applications, city magazines, travel guides, live events and syndicated content partnerships.

There are four primary sources of revenue for the Group:

1. Local businesses that are looking to attract customers to their venues and events;
2. Brands who want to connect with Time Out's highly attractive and influential audience demographic;
3. Consumers who rely on Time Out as part of their social life support system, driving e-commerce revenue from ticket sales, offers, loyalty cards and Time Out exclusive events; and
4. Income from global brand franchisee partners and content partnerships.

Time Out directly manages operations across 45 cities worldwide, and extends that reach through brand franchisee partners in a further 44 cities around the globe. Time Out's combined brand audience (across digital, print and social media) is approximately 37 million fans in 89 cities in 38 countries worldwide.

Review of the Year

The Group continues to make significant progress developing its global brand presence and growing its award-winning digital media offering as it continues to evolve as a multi-platform media business. Key performance indicators in this regard are revenue and audience growth, along with other non-financial indicators including audience engagement and brand awareness.

Time Out's digital audience continues to expand rapidly, and during the year we added 5.8 million new fans to our average monthly website users, a growth rate of 40% year on year. By December 2014 we had surpassed 23.5 million monthly unique visitors (MUV) across the world and we exceeded 1.2 billion page views for the year as a whole, a 43% increase on 2013, demonstrating increased audience engagement on top of the audience growth. London's digital audience grew by 14% to 6.7 million MUV, New York grew its audience by 38% to 4.0 million MUV, and Paris grew 73% to 1.5 million MUV. Other cities across our network also demonstrated very healthy growth including a 40% expansion of our franchisees' digital audience, driving greater brand awareness worldwide.

Time Out extends its digital reach through a highly active and engaged social media audience of nearly 6 million, which grew approximately 70% year on year to further signal increased audience engagement.

There has been significant continuing investment in technology to improve and expand the Group's global digital platform, and further investment in sales and marketing activities to respond to the opportunities presented by the rapid growth of our digital audience.

During 2014 we launched a major upgrade to our website to improve user experience and engagement, and to incorporate device responsive design features. In addition, we completed the integration of three important components to drive improved performance for user registration, user generated reviews/content, and enhanced email integration. We introduced a new e-commerce platform for tickets, offers and merchandise and added a new blogging capability that will underpin the expansion of our global blogger network and sets the framework for increasing community engagement.

In summer 2014 we launched a new local advertising product known as Premium Profiles, providing further opportunity for revenue growth. Premium Profiles allows local venues to raise their profile on Time Out websites and to directly generate more business from our highly engaged audience. The product has now been launched successfully in London and Paris and we will roll it out further across the network in due course.

STRATEGIC REPORT (continued)

In April 2014 our US operating group completed the acquisition of the business and assets of Huge City, a US based software developer who had designed and built an application to automatically compile curated lists of public events and venues sourced from publicly available social media data. Since acquisition we have continued to develop the application under the Time Out World brand and have launched several new city websites based on a mix of community sourced curated data augmented by Time Out editorial content.

Our international presence has continued to grow with the addition of five new franchisee partners during the year in Switzerland, Lebanon, Sri Lanka, South Korea and Angola. We have a very active franchise programme across all continents and are successfully migrating franchise partners to our global digital platform to deliver a consistent brand experience for Time Out consumers across the world. This also gives us greater access to their data and allows for easier content sharing across the network, leading to a more cost-effective dynamic global product.

In September 2014 we combined our UK and US operating groups to put all worldwide operations under the ownership of a single group parent company, overseen by a united global board and management team. As part of this transaction, Time Out Group HC Limited acquired its sister operation, the US based Time Out North America group which was previously held under the common majority ownership of Oakley Capital Private Equity LP. At the same date, the Group took the opportunity to restructure and simplify its share capital by capitalising £39.4 million of shareholder debt in the form of new preference equity. This capital restructuring has significantly improved the group balance sheet and net asset position by eliminating historical interest-bearing preference share instruments, and reduced the annualised interest burden on the business by more than £2 million.

Operating Results
This continued investment is consistent with the Group's long term strategy, to accelerate the Group's transition as a leading global digital brand. The Group's trading loss in 2014 reflects the cost of that investment which is expected to benefit the business significantly in future years.

Total revenue grew to £21.4 million in 2014, a 29% increase on 2013 revenue of £16.6 million. Of this increase, £2.9 million is attributable to the US group post acquisition, and underlying revenue excluding acquisitions therefore grew by 12% to £18.5 million.

Excluding the additional contribution from the US business post acquisition, print revenue increased by 23% in 2014, largely as a result of the success of the London free magazine title which now reaches over 500,000 Londoners every week. Advertisers and audiences have responded very well to the free magazine format and we are enjoying greater engagement with national and global brands as a result, helping to push up magazine advertising revenue by a remarkable 34% year-on-year, totally outstripping the rest of the market.

Also excluding the acquired US revenue, digital revenue increased by 18% in 2014 from a combination of increased display advertising, e-commerce and Premium Profiles revenue.

International franchise revenue fell by 4% in the year which was attributable to a strategic decision to evolve franchisee contracts to longer term revenue share arrangements in substitution for up-front licence fees under previous arrangements.

The Group reported an adjusted EBITDA loss of £3.3 million (2013: £3.3 million) before taking into account exceptional items and depreciation/amortisation discussed below.

The operating loss for the year was £6.4 million (2013: £8.7 million) and included £0.2 million of exceptional charges (2013: £3.1 million) which mainly arose from the costs of restructuring the organisation to better align its skills and resources to an international digital growth strategy (see note 3 of the financial statements). The operating loss also includes depreciation of £0.2 million and amortisation of £2.6 million (2013: £0.2 million and £2.1 million respectively).

STRATEGIC REPORT (continued)

The loss for the year after taxation of £10.0 million (2013: £11.6 million) results primarily from the above, combined with £3.4 million non-cash interest charges on investment funding received by way of preference shares and loan notes (2013: £2.9 million).

Outlook

The operational restructuring of the Group which began in 2013 was completed during the year, and we exited 2014 with the foundations for growth firmly in place. The investments made in the global technology platform and commercial operations are bringing tangible results in terms of audience and revenue growth and this investment will continue through 2015. The Group will continue to expand its presence internationally through a combination of new city roll outs and franchisee expansion, all founded on a single global technology platform.

The Group's digital offering will be further enhanced by a number of important product releases in 2015 including significant new online and mobile web features to improve customer experience and engagement, improved search functionality, improved personalisation features, upgraded and expanded mobile/tablet apps, improved ecommerce functionality and enhanced features for our Premium Profiles product.

We will continue to augment our print and digital content in new ways to increase our relevance and engagement with our audience, including increased user generated content, rich media and curated content. We also plan to replicate the success of the London print magazine by launching as a free weekly title in New York in spring 2015, and we anticipate this will bring increased brand awareness and advertiser engagement to our New York business, which will in turn drive audience and revenue growth opportunity across the digital platform as well.

Time Out's reputation for quality content and trusted editorial opinion underpins all our business operations and the continued growth in our audience over recent years is testament to the fact we are attracting new fans all the time. Time Out's brand reach has never been stronger and we have been collecting industry awards by the sackful over the last twelve months. Over the next twelve months we are looking forward to taking Time Out to new audiences and inspiring them to have the greatest time in their own cities.

We are hugely grateful for the hard work of all the talented Time Out people around the world over the last twelve months; their passion, creativity and innovation has helped us to make some seismic changes to the business. We are in the process of a powerful transformation of an iconic brand, one which will establish Time Out as a major digital inspiration platform with our partners' and users' needs right at the heart of everything we do. We are looking forward to continued sustained growth through 2015 and beyond, and are excited by the considerable potential we see ahead.

The Strategic Report on pages 3 to 5 was approved by the Board of Directors on 20 April 2015 and signed on its behalf by:

Tim Arthur
Chief Executive
20 April 2015

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the Group for the year ended 31 December 2014.

Principal Activity

The Group's principal activity is the publication of digital and print media under the Time Out brand to inspire urban adventurers to discover and enjoy the newest and best things to do, see and experience in their city. The Group's commercial activities include local venue advertising, display advertising, e-commerce, events, brand licensing, print magazine and guide book titles.

Results and Dividend

The results for the year are set out on page 10. A review of the business, including a commentary on the results for the year, is set out in the Strategic Report on pages 3 to 5. The Directors do not recommend the payment of a dividend. During the year the Company disposed of Zimma Limited for consideration of £10,000.

Post Balance Sheet Event

Since the year end the Group has benefited from an additional £6 million cash investment in the form of new preference equity (see note 19 of the financial statements).

Directors

The Directors who served during the year and up to the date of the signing of the financial statements were as follows:

John Hughes (appointed 11 September 2014)
Peter Dubens
Alex Collins
Tony Elliott
Tim Arthur
Matt White

Principal Risks and Uncertainties

The Directors consider that the principal risks and uncertainties facing the Group are:

Competitive Landscape

One of the principal risks to the business is that it fails to respond to changes in the competitive landscape or fails to establish product initiatives which safeguard the competitiveness of its offering. To minimise this risk the Group continues to invest significantly in the development of its digital offering to ensure that it remains innovative, competitive and attractive to its chosen markets. Our focus on the quality of our offering means we are able to respond to changes in the competitive landscape and respond to the needs of our readership audience and commercial partners.

Funding

The Directors consider that the Group has sufficient resources and access to funding to develop the business organically at the planned rates of growth. Where opportunities arise for the acquisition of, or investment in, new business and associated assets, the Directors will consider carefully whether these should be funded from available resources or from new investment.

Foreign Exchange Risk

The Group is exposed to foreign exchange risk as it operates overseas. This has resulted in a currency exposure and a loss on foreign exchange has been recognised in the year. The Group does not hedge its foreign currency risk.

Going Concern

The financial statements have been prepared on a going concern basis as the Group has received a letter of support from the parent company indicating their intention to continue to provide financial support to the Group for a period of not less than twelve months from the approval of the these financial statements.

TIME OUT GROUP HC LIMITED

DIRECTORS' REPORT (continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing the audited consolidated and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to the Auditors

Each of the persons who are a director at the date of approval of this report confirms that:

- so far as that director is aware there is no relevant available information of which the Company's auditors are unaware; and
- that director has taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

The Directors' Report on pages 6 to 7 was approved by the Board of Directors on 20 April 2015 and signed on its behalf by:

Matt White
Director
20 April 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIME OUT GROUP HC LIMITED

Report on the financial statements

Our opinion

In our opinion, Time Out Group HC Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Time Out Group HC Limited's financial statements comprise:

- the Group Balance Sheet as at 31 December 2014;
- the Group Profit and Loss Account and the Group Statement of Total Recognised Gains and Losses for the year then ended;
- the Group Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIME OUT GROUP HC LIMITED (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Sam Taylor (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 April 2015

TIME OUT GROUP HC LIMITED

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2014

	Notes	2014 £	2013 £
Turnover			
Continuing operations	2	**18,521,736**	16,599,935
Acquired operations	2	**2,880,631**	-
		21,402,367	16,599,935
Cost of sales		**(7,295,862)**	(6,749,289)
Gross profit		**14,106,505**	9,850,646
Administrative expenses		**(20,534,890)**	(18,805,107)
Other operating income		**-**	252,923
Operating loss			
Continuing operations	4	**(4,776,615)**	(8,701,538)
Acquired operations	4	**(1,651,770)**	-
		(6,428,385)	(8,701,538)
Analysed as			
Adjusted EBITDA loss		**(3,328,940)**	(3,342,196)
Exceptional items	3	**(248,284)**	(3,054,410)
EBITDA loss		**(3,577,224)**	(6,396,606)
Depreciation of tangible fixed assets	11	**(228,286)**	(163,442)
Amortisation	9 & 10	**(2,622,875)**	(2,141,490)
Operating loss		**(6,428,385)**	(8,701,538)
Loss on disposal of fixed assets		**(5,068)**	(39,834)
Interest payable and similar charges	5	**(3,372,630)**	(2,904,020)
Loss on ordinary activities before taxation		**(9,806,083)**	(11,645,392)
Tax charge on loss on ordinary activities	8	**(197,810)**	(2,510)
Loss for the financial year	20	**(10,003,893)**	(11,647,902)

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents. Amounts attributable to the acquired operations relate to the trading of Time Out New York Limited from the date of acquisition on 12 September 2014. For further information see note 12.

The notes on pages 15 to 31 form part of these financial statements.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2014

	Notes	2014 £	2013 £
Loss for the financial year		**(10,003,893)**	(11,647,902)
Currency translation differences	20	**1,107,535**	-
Total recognised losses relating to the year		**(8,896,358)**	(11,647,902)

The notes on pages 15 to 31 form part of these financial statements.

GROUP BALANCE SHEET
as at 31 December 2014

	Notes	2014 £	2013 £
Fixed assets			
Intangible assets – Goodwill	9	**39,089,111**	9,764,232
Intangible assets – Other	10	**4,573,681**	3,653,731
Total intangible fixed assets		**43,662,792**	13,417,963
Tangible assets	11	**663,933**	312,851
Other fixed asset investments	13	**465**	465
Total fixed assets		**44,327,190**	13,731,279
Current assets			
Stocks	15	**332,116**	252,976
Debtors	16	**7,545,965**	4,596,390
Cash at bank and in hand		**1,232,677**	510,672
		9,110,758	5,360,038
Creditors: amounts falling due within one year	17	**(12,723,998)**	(7,395,595)
Net current liabilities		**(3,613,240)**	(2,035,557)
Total assets less current liabilities		**40,713,950**	11,695,722
Creditors: amounts falling due after more than one year	18	**(15,609,150)**	(36,719,307)
Net assets/(liabilities)		**25,104,800**	(25,023,585)
Capital and reserves			
Called up share capital	19	**763,471**	88,000
Share premium account	20	**58,349,272**	-
Profit and loss account	20	**(34,007,943)**	(25,111,585)
Total shareholders' funds/(deficit)	20	**25,104,800**	(25,023,585)

The financial statements on pages 10 to 31 were authorised for issue and approved by the Board of Directors on 20 April 2015 and were signed on its behalf by:

Matt White
Director

Company registered name: Time Out Group HC Limited
Company registered number: 07440171

The notes on pages 15 to 31 form part of these financial statements.

COMPANY BALANCE SHEET
as at 31 December 2014

	Notes	2014 £	Restated 2013 £
Fixed assets			
Investments	14	**59,875,428**	25,834,000
Current assets			
Debtors	16	**2,680,377**	7,826,526
Creditors: amounts falling due within one year	17	**(3,183,458)**	-
Net current (liabilities)/assets		**(503,081)**	7,826,526
Total assets less current liabilities		**59,372,347**	33,660,526
Creditors: amounts falling due after more than one year	18	**-**	(33,538,931)
Net assets		**59,372,347**	121,595
Capital and reserves			
Called up share capital	19	**763,471**	88,000
Share premium account	21	**58,349,272**	-
Profit and loss account	21	**259,604**	33,595
Total shareholders' funds	21	**59,372,347**	121,595

The financial statements on pages 10 to 31 were authorised for issue and approved by the Board of Directors on 20 April 2015 and were signed on its behalf by:

Matt White
Director

Company registered name: Time Out Group HC Limited
Company registered number: 07440171

The notes on pages 15 to 31 form part of these financial statements.

GROUP CASH FLOW STATEMENT
for the year ended 31 December 2014

	Notes	2014 £	2013 £
Net cash outflow from operating activities	22	**(7,208,962)**	(4,802,690)
Return on investments and servicing of finance			
Interest paid		**(29,622)**	(10,225)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(402,929)**	(109,714)
Payments to acquire intangible fixed assets		**(1,985,985)**	(1,660,129)
		(2,388,914)	(1,769,843)
Acquisitions and disposals			
Payment of deferred consideration in relation to previous acquisitions		-	(98,739)
Cash acquired on acquisition of subsidiary		**336,310**	-
Acquisition costs		**(191,766)**	-
Proceeds from the sale of Zimma Ltd		**10,000**	-
		154,544	(98,739)
Cash outflow before financing		**(9,472,954)**	(6,681,497)
Financing			
Issue of preference shares		**3,700,000**	6,100,000
Issue of loans		**6,700,000**	-
Issue of ordinary shares		-	87,000
Legal fees in relation to financing		**(228,082)**	-
		10,171,918	6,187,000
Effect of foreign exchange		**23,041**	-
Increase/(decrease) in cash in the year	23	**722,005**	(494,497)

The notes on pages 15 to 31 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards and on the going concern basis. A summary of the accounting policies adopted are described below. The critical accounting policies remain unchanged from the prior year and are uniformly applied throughout the group. The accounts have been prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

Basis of consolidation

The Group accounts consolidate the accounts of Time Out Group HC Limited and all its Group undertakings drawn up to 31 December 2014 under the acquisition method. No profit and loss account is presented for Time Out Group HC Limited as permitted by section 408 of the Companies Act 2006. The profit for the Company for the year amounted to £226,009 (2013: £179,895).

Going concern

The Group made a loss after tax of £10,003,893 (2013: £11,647,902), and at 31 December 2014 its current liabilities exceeded its current assets by £3,613,240 (2013: £2,035,557). At 31 December 2014 the Company's current liabilities exceeded its current assets by £503,081 (2013: net current assets of £7,826,526). The financial statements have been prepared on a going concern basis as the Group has received a letter of support from a parent undertaking indicating its intention to continue to provide financial support to the company for a period of not less than twelve months from the approval of the these financial statements.

Goodwill

To the extent that the fair value of the cost of acquisition exceeds the fair value of the net assets acquired, the difference is treated as purchased goodwill and is included within intangible assets in the balance sheet and amortised over its expected useful life of 15 years. In accordance with FRS10 and FRS11, the carrying value of intangible assets is reviewed annually for impairment on the basis stipulated in FRS11 and adjusted to the recoverable amount should this be required. In accordance with FRS6 any additions to goodwill arising upon acquisitions are provisional in the first full financial year following an acquisition dependent upon subsequent information arising that provides better information about the fair values that existed at the acquisition date.

Intangible fixed assets

Trademark assets are stated at cost. No amortisation is charged on copyright or trademark assets as the directors consider that the brand has an indefinite useful economic life. This is based upon the money spent on maintaining and defending the Time Out brand, thereby maintaining the residual value at a level higher than cost. This constitutes a departure from the Companies Act 2006 and the directors consider this is necessary in order for the accounts to give a true and fair view. It is not possible to quantify the potential financial effect on the accounts of this departure. The carrying values are subject to annual review for any impairment in value.

Development costs comprising costs incurred relating to websites and other digital platform elements are written off over a period of four years. The carrying values are subject to annual review for any impairment in value. The cost of internally generated and acquired technology is recognised as an intangible asset providing it satisfies all the conditions set out in the research and development policy below. Assets are subsequently measured and amortised on a straight line basis over their useful economic lives.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

1 Accounting policies (continued)

Research and development

Expenditure on the research phase of an internal project is recognised as an expense in the period in which it is incurred. Development costs incurred on specific projects are capitalised when all of the following conditions are satisfied:

- Completion of the asset is technically feasible so that it will be available for use or sale;
- The group intends to complete the asset and use or sell it;
- The group has the ability to use or sell the asset and the asset will generate probable future economic benefits (over and above cost);
- There are adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. The cost of an internally generated asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee (other than director) costs incurred along with third party costs.

Careful judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new projects are continuously monitored by the directors.

Tangible fixed assets

The cost of fixed assets includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets acquired for more than £250 at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Computer equipment	- at 25% per annum on straight line basis
Fixtures & fittings	- at 25% per annum on straight line basis

Fixed asset investments

Investments are stated at cost less provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

- Raw materials - purchase cost on a first-in, first-out basis
- Work in progress - cost of direct materials and external labour
- Finished goods - cost of direct materials and external labour

Work in progress includes the cost of developing a publication which has not yet been published. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Taxation

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is provided on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that they are considered recoverable in the medium term. Any assets and liabilities recognised have not been discounted.

1 Accounting policies (continued)

Pension costs

The Group contributes to certain employees' personal pension plans on a defined contribution basis. Contributions to the defined contribution schemes are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Leases

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Foreign currencies

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period and the result of foreign subsidiaries are translated at the average exchange rate for the period. Resulting differences on exchange are taken to reserves.

All transactions denominated in foreign currency are translated at the rate of exchange ruling at the time of the transaction. All foreign exchange differences are taken to the profit and loss account in the period in which they arise. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the closing rate.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including preference shares) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability. Where the contractual terms of preference shares do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Turnover

Turnover, which is stated net of sales tax, represents the amounts derived from the sale of goods and services which fall within the Group's ordinary activities.

- Advertising revenue is recognised at the time the advertisement is published.
- Subscription and premium profile income is deferred and recognised as fulfilled over the length of each subscription.
- Circulation income is recognised at the time of sale. Provision is made for returns of books sold.
- E-commerce revenue is recognised at point-of-sale. Adequate provision is made for refunds.
- Licence/Royalty fees are recognised over the contract period in accordance with the substance of the underlying agreement.

Restatement of prior year comparatives

In the Company's individual financial statements, adjustments have been made for the prior year comparatives relating to interest receivable and payable, as well as fixed asset investments.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

2 Turnover

Turnover is analysed geographically by origin as follows:

	2014	2013
	£	£
Europe	**18,521,736**	16,599,935
Americas (post-acquisition)	**2,880,631**	-
	21,402,367	16,599,935

3 Exceptional items

	2014	2013
	£	£
Restructuring costs	**245,075**	1,565,818
Legal fees relating to the group restructure	**3,209**	33,744
Contract termination costs (including disposal of assets)	-	64,685
Impairment of goodwill	-	1,390,163
	248,284	3,054,410

Exceptional items relate to staff severance and legal fees relating to restructuring.

4 Operating loss

is stated after charging:

	2014	2013
	£	£
Operating Leases – Land and Buildings	**862,006**	645,051
Operating Leases – Other	**30,024**	33,563
Depreciation – tangible fixed assets (note 11)	**228,286**	163,442
Amortisation of goodwill and development costs (notes 9 & 10)	**2,622,875**	2,141,490
Impairment of goodwill	-	1,390,163
Auditor's remuneration for the audit of the financial statements	**100,000**	59,000
Loss on foreign exchange	**20,129**	36,240

5 Interest payable and similar charges

	2014	2013
	£	£
Interest on Loan Stock	**337,663**	355,151
Interest on Loan Notes	**334,655**	304,907
Interest on Senior Debt	**112,392**	-
Interest on Mezzanine Debt	**347,299**	-
Interest on Preference shares	**2,210,999**	2,228,810
Other interest and charges	**29,622**	1,184
Amortisation of loan issue costs	-	13,968
	3,372,630	2,904,020

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

6 Employees

	2014	2013
Staff costs:	£	£
Wages and salaries	9,731,923	7,800,046
Social security costs	1,189,456	1,033,595
Other pension costs	337,041	234,887
	11,258,420	9,068,528

Pension costs represent total employer contributions to personal pension plans.

The average monthly number of employees, including directors, during the year was:

	2014	2013
Headcount:	No.	No.
Sales & Marketing	76	58
Editorial & Production	70	55
Product Development	42	39
Administration	24	18
	212	170

7 Directors' remuneration

	2014	2013
	£	£
Emoluments of directors	642,635	515,178
Compensation for loss of office	-	175,455
Pension contributions	38,166	17,833

Two directors had contributions to a defined contribution personal pension scheme. The highest paid director received total emoluments of £409,324 (2013: £368,355) and the company made contributions to a defined contribution personal pension scheme on their behalf of £23,333 (2013: £17,833).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

8 Taxation

	2014	2013
	£	£
Total current tax (charge)/credit	**(10,642)**	41
Movement in deferred tax and other timing differences	**(187,168)**	(2,551)
Total tax charge on loss on ordinary activities	**(197,810)**	(2,510)

	£	£
Loss on ordinary activities before taxation	**(9,806,083)**	(11,645,392)

The tax assessed for the year is different to the standard rate of tax in the UK of 21.49% (2013: 23.25%)

Tax reconciliation

Loss on ordinary activities multiplied by standard rate of	£	£
corporation tax in the UK of 21.49% (2013: 23.25%)	**(2,107,327)**	(2,707,554)
Expenses not deductible for tax purposes	**1,520,664**	2,891,394
Depreciation in excess/(deficit) of capital allowances	**17,146**	(60,024)
Unrecognised tax losses in the year	**1,327,783**	410,147
Income not taxable	**(1,151,921)**	(1,060,239)
Amortisation of goodwill	**305,632**	211,584
Amortisation of loan costs	**-**	3,248
Utilisation of tax losses	**(70,242)**	-
Foreign tax charges	**8,144**	-
Other short term timing differences	**160,763**	311,403
Total current tax charge/(credit)	**10,642**	(41)

The amount of recognised deferred tax asset, is as follows:

	2014	2013
	£	£
Fixed asset timing differences	**-**	174,450
Other timing differences	**-**	12,718
	-	187,168

The amount of unrecognised deferred tax asset, is as follows:

	2014
	£
Unutilised tax losses	**6,277,959**

As at 31 December 2014 the Group has unrecognised potential deferred tax assets of £6,277,959 (2013: £3,829,837). This consisted of unrecognised losses which may be available to be carried forward to offset against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

9 Intangible fixed assets – Goodwill

Group

Cost	**£**
At 1 January 2014	**12,395,818**
Additions (note 12)	**28,704,829**
Movement in deferred consideration	**100,000**
Effect of foreign exchange	**1,962,667**
At 31 December 2014	**43,163,314**
Amortisation	
At 1 January 2014	**2,631,586**
Charge for the year	**1,422,207**
Effect of foreign exchange	**20,410**
At 31 December 2014	**4,074,203**
Net book value	
At 31 December 2014	**39,089,111**
Net book value	
At 31 December 2013	9,764,232

Deferred consideration of £266,000 (2013: £166,000) is provided within the financial statements at 31 December 2014 in respect of amounts potentially due to the previous shareholder of Time Out Group Limited in accordance with the performance criteria specified within the sale and purchase agreement.

There is an adjustment of £199,579 made to brought forward cost and amortisation relating to the difference between amounts being held as investments and therefore amortised in the consolidated financial statements but held as a constant balance in the individual subsidiary company's books.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

10 Intangible fixed assets – other

Group

	Development Costs (restated)	Trade Marks and Copyright (restated)	Total (restated)
Cost	£	£	£
At 1 January 2014	4,059,982	942,791	**5,002,773**
Additions	2,098,347	22,271	**2,120,618**
At 31 December 2014	6,158,329	965,062	**7,123,391**
Amortisation			
At 1 January 2014	1,349,042	-	**1,349,042**
Charge for the year	1,200,668	-	**1,200,668**
At 31 December 2014	2,549,710	-	**2,549,710**
Net book value			
At 31 December 2014	**3,608,619**	**965,062**	**4,573,681**
At 31 December 2013	2,710,940	942,791	3,653,731

The restatement relates to adjustments made to the brought forward cost and amortisation to account for fully amortised items disposed of in the prior year.

11 Tangible fixed assets

Group

	Fixtures and Fittings (restated)	Computer Equipment (restated)	Total (restated)
Cost	£	£	£
At 1 January 2014	170,563	496,493	**667,056**
Acquisition of subsidiary	123,350	45,975	**169,325**
Additions	293,842	109,087	**402,929**
Disposals	-	(871)	**(871)**
Effect of foreign exchange	8,452	3,150	**11,602**
At 31 December 2014	596,207	653,834	**1,250,041**
Depreciation			
At 1 January 2014	87,660	266,545	**354,205**
Charge for the year	105,261	123,025	**228,286**
Disposals	-	(163)	**(163)**
Effect of foreign exchange	2,176	1,604	**3,780**
At 31 December 2014	195,097	391,011	**586,108**
Net book value			
At 31 December 2014	**401,110**	**262,823**	**663,933**
At 31 December 2013	82,903	229,948	312,851

The restatement relates to adjustments made to the brought forward cost and depreciation to account for fully depreciated items disposed of in the prior year.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

12 Acquisition of subsidiary undertakings

Time Out New York Limited
On 12 September 2014, Time Out Group HC Limited, acquired 100% of the issued share capital of Time Out New York Limited.and its subsidiary undertakings for a consideration of £16,111,631 in the form of 16,111,631 Series One Preference shares (see note 19).

The following table sets out the provisional fair value of the assets and liabilities acquired at 12 September 2014:

	Book value £	Provisional fair value adjustments £	Provisional fair value £
Goodwill and intangible assets	16,362,392	(16,362,392)	-
Tangible fixed assets	169,325	-	**169,325**
Cash	336,310	-	**336,310**
Stock	51,397	-	**51,397**
Trade and other debtors	1,979,051	-	**1,979,051**
Trade and other creditors	(3,621,769)	101,076	**(3,520,693)**
Line of credit	(889,240)	-	**(889,240)**
Long term loans	(10,527,582)	-	**(10,527,582)**
Net assets/(liabilities) acquired	3,859,884	(16,261,316)	**(12,401,432)**
Consideration			**16,111,631**
Transaction costs			**191,766**
Goodwill			**28,704,829**

This transaction has been accounted for under acquisition accounting. The transaction costs relate to legal fees and stamp duty paid in connection with the acquisition.

The fair value adjustment made to trade and other creditors relates to a debt factoring premium held in the books of Time Out New York Limited.

In its last financial year to 31 December 2013, Time Out New York Limited made a loss after tax of £6,623,534. For the period since that date to the date of acquisition, Time Out New York Limited management accounts show the following:

	1 Jan 2014 to 12 Sep 2014 £
Turnover	**5,440,344**
Operating loss	**(3,300,247)**
Loss before taxation	**(4,025,234)**
Taxation	**-**
Loss after taxation	**(4,025,234)**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

13 Other fixed asset investments

Group	**£**
Listed investments at cost	**465**
Provisions	**-**
Balance as at 31 December 2014 and 31 December 2013	**465**

14 Fixed asset investments

Company	**Shares in subsidiary undertakings (restated) £**
Cost and carrying value	
At 1 January 2014	**25,834,000**
Acquisition of subsidiary	**16,303,397**
Cash subscription for Ordinary shares in subsidiary	**10,400,000**
Capitalised interest on previously held Preference shares	**7,338,031**
At 31 December 2014	**59,875,428**

The acquisition of subsidiary relates to the acquisition of Time Out New York Limited referred to in note 12. On 12 September 2014, 21,246,000 12% Preference shares held by the Company in Time Out Group MC Limited were cancelled and exchanged for 212,460,000 £0.10 Ordinary shares in Time Out Group MC Limited. Accrued interest on the cancelled Preference shares of £7,338,031 was treated as a capital contribution in the books of the issuing company.

The directors consider the value of the investments to be supported by their underlying assets.

As at 31 December 2014, the Company held more than 10% of the equity of the following undertakings:

Name of company	**Country of registration (or incorporation)**	**Holding**	**Nature of business**
Direct subsidiary			
Time Out Group MC Limited	England and Wales	100%	Holding company
Time Out New York Limited	England and Wales	100%	Holding company
Indirect subsidiaries			
Time Out Group BC Limited	England and Wales	100%	Holding company
Time Out Group Limited	England and Wales	100%	Holding company
Time Out Magazine Limited	England and Wales	100%	Dormant
Time Out Nominees Limited	England and Wales	100%	Dormant
Time Out Digital Limited	England and Wales	100%	Media publishing/commerce
Time Out International Limited	England and Wales	100%	Dormant
Time Out WOS Limited	England and Wales	100%	Dormant
TONY HC Corp	United States of America	100%	Holding company
Time Out New York MC LLC	United States of America	100%	Holding company
Time Out America LLC	United States of America	100%	Media publishing/commerce
Time Out Chicago LLC	United States of America	100%	Media publishing/commerce

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

15 Stocks

	Group		Company	
				Restated
	2014	2013	**2014**	2013
	£	£	**£**	£
Raw materials	**57,251**	8,938	-	-
Work in progress	**93,899**	32,954	-	-
Finished goods	**180,966**	211,084	-	-
	332,116	252,976	-	-

16 Debtors

	Group		Company	
				Restated
	2014	2013	**2014**	2013
	£	£	**£**	£
Trade debtors	**4,617,822**	3,346,409	-	-
Deferred tax asset (note 8)	-	187,168	-	-
Other debtors	**1,355,405**	178,424	**63,067**	-
Prepayments and accrued income	**1,572,738**	644,964	-	-
Corporation tax debtor	-	55,068	-	-
Grant income debtor	-	184,357	-	-
Due from group companies	-	-	**2,617,310**	7,826,526
	7,545,965	4,596,390	**2,680,377**	7,826,526

There are no items falling due after more than one year (2013: £nil). Included within amounts due from Group companies is loan stock with a par value of £2,000,000 which accrues interest of 12% per annum. The loan stock is unsecured and is due for repayment on 30 November 2015. The remaining amounts due from Group companies relate to loans which are non-interest bearing, unsecured and repayable on demand.

17 Creditors: amounts falling due within one year

	Group		Company	
				Restated
	2014	2013	**2014**	2013
	£	£	**£**	£
Trade creditors	**2,518,028**	2,026,179	-	-
Other taxes and social security	**724,708**	1,126,155	-	-
Other creditors	**342,842**	57,858	-	-
Loan stock	**3,183,458**	-	**3,183,458**	-
Line of credit	**2,691,639**	1,755,943	-	-
Accruals and deferred income	**3,263,323**	2,345,629	-	-
Deferred grant income	-	83,831	-	-
	12,723,998	7,395,595	**3,183,458**	-

Loan stock

On 23 November 2010 the Company issued unsecured loan stock at par value totalling £2,000,000 to Time Out (Bermuda) Limited, one of the Company's controlling parties. Interest is charged at 12% per annum and the loan stock is repayable on 30 November 2015. The balance above includes accrued interest of £1,183,458 (2013: £845,795). In 2013 the balance was included in amounts falling due after more than one year.

17 Creditors: amounts falling due within one year (continued)

Line of credit

The Group has accounts receivable financing agreements with two financial institutions. There is an agreement with RBS Invoice Finance Ltd which is automatically renewed each year if certain conditions are met. Under the agreement, accounts receivable are assigned, with recourse, to this financial institution. In return the Group receives an advance of 80% of eligible assigned accounts receivable. The interest rate in effect for the year ended 31 December 2014 was 2.85% above the Bank of England Base Rate. At 31 December 2014, accounts receivable assigned to RBS Invoice Finance Ltd were £3,091,694. There is a similar agreement with Access Capital, Inc, and the same principles apply with an 85% advance of eligible assigned accounts receivable. The rate of interest under this agreement equates to approximately 10%. At 31 December 2014, accounts receivable assigned to Access Capital, Inc were £1,186,467. Both facilities are secured by way of charges over certain of the Group's assets.

18 Creditors: amounts falling due after more than one year

	Group		**Company**	
				Restated
	2014	2013	**2014**	2013
	£	£	**£**	£
Loan stock	-	2,845,795	-	2,845,795
Loan notes	**3,634,630**	3,299,975	-	-
Senior debt	**4,158,081**	-	-	-
Mezzanine debt	**7,550,439**	-	-	-
Deferred consideration	**266,000**	166,000	-	-
12% redeemable 'A' Preference shares	-	23,590,035	-	23,693,136
0% redeemable 'B' Preference shares	-	1,000,000	-	1,000,000
0% redeemable 'C' Preference shares	-	6,000,000	-	6,000,000
Loan issue costs	-	(182,498)	-	-
	15,609,150	36,719,307	-	33,538,931

Loan notes

Loan notes with a par value of £2,000,000 were issued by Time Out Group BC Limited, a subsidiary of the Company, to Oakley Capital Investments Limited (a related party). The loan notes accrue interest at 10% per annum and are repayable on 31 March 2016. The loan notes are secured by fixed charges over the assets and intellectual property of the Group. The balance above includes accrued interest of £1,634,630 (2013: £1,299,975).

Senior debt

As part of the acquisition of Time Out New York Limited, the Group acquired senior loans payable to Oakley Capital Investments Limited, CP-Time Out New York LLC and C&H Holdings, LLC (all of these are related parties). These loans are held in the books of Time Out New York MC LLC (a group company). These loans are secured by substantially all of the assets of the entire Group and interest is accrued at 8.5% per annum. The balance at 12 September 2014 was $6,283,169 (£3,786,290). The balance at 31 December 2014 was $6,458,331 (£4,158,081) of which $1,647,257 (£1,060,557) represented accrued interest calculated at the year-end rate of foreign exchange. These loans fall due for repayment on 26 May 2016.

Mezzanine debt

On 12 September 2014, the Group acquired mezzanine loans payable to Oakley Capital Investment Limited, CP-TONY LLC and C&H Holdings, LLC. These loans are held in the books of TONY MC LLC. These loans are secured by substantially all of the assets of the entire Group and interest is accrued at 15% per annum. The balance at 12 September 2014 was $11,187,916 (£6,741,292). The balance at 31 December 2014 was $11,727,342 (£7,550,439) of which $4,653,105 (£2,995,818) represented accrued interest calculated at the year-end rate of foreign exchange. These loans fall due for repayment on 26 May 2018.

18 Creditors: amounts falling due after more than one year (continued)

Redeemable 'A', 'B' & 'C' preference shares

On 12 September 2014 the Company completed a capital restructuring, as a result of which the preference shares previously issued were cancelled and replaced with new Series One Preference equity shares (see note 19 for details).

19 Share capital

Authorised	**Nominal Value**	**Authorised 2014 No.**	Authorised 2013 No.
Ordinary shares	£1.00	**10,000**	-
'A1' Ordinary shares	£0.10	-	4,250
'A2' Ordinary shares	£0.10	-	4,250
'B' Ordinary shares	£0.10	-	1,500
'C' Ordinary shares	£0.10	-	1
Preferred Ordinary shares	£1.00		87,000
		10,000	97,001
Series One Preference shares	£0.01	**70,237,978**	-
Series Two Preference shares	£0.01	**5,145,120**	-
12% redeemable 'A' Pref shares	£1.00	-	18,746,000
0% redeemable 'B' Pref shares	£1.00	-	1,000,000
0% redeemable 'C' Pref shares	£1.00	-	6,000,000
		75,393,098	25,843,001

Issued	**Nominal Value**	**Issued 2014 £**	Issued 2013 £
Ordinary shares	£1.00	**9,640**	-
'A1' Ordinary shares	£0.10	-	425
'A2' Ordinary shares	£0.10	-	425
'B' Ordinary shares	£0.10	-	150
'C' Ordinary shares	£0.10	-	-
Preferred Ordinary shares	£1.00	-	87,000
		9,640	88,000
Series One Preference shares	£0.01	**702,380**	-
Series Two Preference shares	£0.01	**51,451**	-
12% redeemable 'A' Pref shares	£1.00	-	18,746,000
0% redeemable 'B' Pref shares	£1.00	-	1,000,000
0% redeemable 'C' Pref shares	£1.00	-	6,000,000
		763,471	25,834,000
Less: preference shares presented as debt in 2013			(25,746,000)
Presented as equity in 2013			88,000

19 Share capital (continued)

Series One Preference Shares

On 12 September 2014 the Company undertook a capital reconstruction whereby all the previously issued share capital with a book value of £32,767,040 (including accrued interest on preference shares) was cancelled and replaced by the issue of 43,726,347 Series One Preference shares. On the same date a further 6,700,000 Series One Preference shares were issued to capitalise £6,700,000 of unsecured loan funding received from shareholders during 2014. Also on that date, a further 16,111,631 Series One Preference shares were issued as consideration for the acquisition of shareholder interests in the US group referred to in note 12. A further 3,700,000 Series One Preference shares were subscribed for by shareholders in two tranches in September and November 2014 for cash consideration of £3,700,000. Since the year end a further 6,000,000 Series One Preference shares were subscribed for by shareholders in two tranches in January and April 2015 for cash consideration of £6,000,000.

The Series One Preference shares carry no voting rights or rights to income. They are non-redeemable and carry a preferred right to a return of capital in a winding up or reduction of capital, which is equivalent to £1 per share plus a premium equivalent to 5% per annum compounded annually at 31 December.

Series Two Preference Shares

On 12 September 2014 the Company issued 2,145,120 Series Two Preference shares at par, the subscription price being callable upon demand. In November 2014 the Company issued a further 3,000,000 Series Two Preference shares at par, the subscription price being callable upon demand.

The Series Two Preference shares carry no voting rights or rights to income. They are non-redeemable and carry a preferred right, subordinated to the Series One Preference Shares, to a return of capital in a winding up or reduction of capital, which is equivalent to £1 per share.

Ordinary Shares

On 12 September 2014 the Company issued 8,800 ordinary £1 shares at par, the subscription price being callable upon demand. In November 2014 the Company issued a further 740 ordinary £1 shares at par, the subscription price being callable upon demand. In November 2014 the Company issued a further 100 ordinary £1 shares at £11.62 per share for cash consideration of £1,162.

The ordinary shares rank pari passu and carry full voting rights. They are subordinated to the Series One and Series Two Preferences shares in any return of capital. There are certain restrictions on the payment of dividends while the Series One and Series Two Preferences shares remain in issue, but otherwise each ordinary share ranks equally for any dividends paid thereon.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

20 Reconciliation of shareholders' funds/(deficit) and movements on reserves

Group

	Share capital	Share premium	Profit and loss account	Total
	£	£	£	£
Balance at 1 January 2013	1,000	-	(13,463,683)	**(13,462,683)**
Ordinary shares issued	87,000	-	-	**87,000**
Loss for the year	-	-	(11,647,902)	**(11,647,902)**
Balance at 31 December 2013	88,000	-	(25,111,585)	**(25,023,585)**
Balance at 1 January 2014	88,000	-	(25,111,585)	**(25,023,585)**
Share capital cancelled	(88,000)	-	-	**(88,000)**
Ordinary shares issued	9,640	1,062	-	**10,702**
Series 1 preference shares issued	702,380	58,576,292	-	**59,278,672**
Series 2 preference shares issued	51,451	-	-	**51,451**
Costs of capital restructure	-	(228,082)	-	**(228,082)**
Loss for the year	-	-	(10,003,893)	**(10,003,893)**
Currency translation differences	-	-	1,107,535	**1,107,535**
Balance at 31 December 2014	**763,471**	**58,349,272**	**(34,007,943)**	**25,104,800**

21 Reconciliation of shareholders' funds and movements on reserves

Company

	Share capital	Share premium	Profit and loss account (restated)	Total
	£	£	£	£
Balance at 1 January 2013	1,000	-	(146,300)	**(145,300)**
Ordinary shares issues	87,000	-	-	**87,000**
Profit for the year	-	-	179,895	**179,895**
Balance at 31 December 2013	88,000	-	33,595	**121,595**
Balance at 1 January 2014	88,000	-	33,595	**121,595**
Share capital cancelled	(88,000)	-	-	**(88,000)**
Ordinary shares issued	9,640	1,062	-	**10,702**
Series 1 preference shares issued	702,380	58,576,292	-	**59,278,672**
Series 2 preference shares issued	51,451	-	-	**51,451**
Costs of capital restructure	-	(228,082)	-	**(228,082)**
Profit for the year	-	-	226,009	**226,009**
Balance at 31 December 2014	**763,471**	**58,349,272**	**259,604**	**59,372,347**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

22 Reconciliation of operating loss to net cash outflow from operating activities

	2014 £	2013 £
Operating loss	**(6,428,385)**	(8,701,538)
Amortisation	**2,622,875**	2,141,490
Depreciation	**228,286**	163,442
Impairment of goodwill	**-**	1,390,163
Adjustment to reserves	**(43,151)**	-
Non-cash tax movement	**(197,810)**	-
Effect of foreign exchange	**23,876**	-
(Increase)/decrease in stocks	**(24,222)**	121,729
(Increase)/decrease in debtors	**(2,271,133)**	223,045
Decrease in creditors	**(1,119,298)**	(141,021)
Net cash outflow from operating activities	**(7,208,962)**	(4,802,690)

23 Reconciliation of net cash flow to movement in net debt

	£
Net debt at 1 January 2014	(37,981,076)
Increase in cash	722,005
Current year interest accrued	(3,343,008)
Debt acquired from subsidiary	(11,416,822)
Effect of foreign exchange	(660,603)
Movement in short-term debt	(6,685,531)
Capitalised debt	39,379,465
Net debt at 31 December 2014	**(19,985,570)**

24 Analysis of changes in net debt

	Cash at bank £	Debt due within 1 year £	Debt due after 1 year £	Total £
At 1 January 2014	510,672	(1,755,943)	(36,735,805)	**(37,981,076)**
Cash flow	362,654	(6,685,531)	-	**(6,322,877)**
Change in profile	-	(3,183,458)	3,183,458	-
Debt capitalised	-	6,700,000	32,679,465	**39,379,465**
Acquisitions	336,310	(889,240)	(10,527,582)	**(11,080,512)**
Non-cash interest	-	-	(3,343,008)	**(3,343,008)**
Foreign exchange difference	23,041	(60,925)	(599,678)	**(637,562)**
At 31 December 2014	**1,232,677**	**(5,875,097)**	**(15,343,150)**	**(19,985,570)**

Debt above includes accrued interest, but excludes loan issue costs.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

25 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings 2014	**Other 2014**	Land and Buildings 2013	Other 2013
Group	**£**	**£**	£	£
Leases which expire:				
Within one year	**747,353**	**76,611**	210,000	9,323
In two to five years	**796,888**	**265,328**	-	8,700
	1,544,241	**341,939**	210,000	18,023

26 Pensions

The Group operates defined contribution pension schemes on behalf of its employees. During the year, contributions of £337,041 (2013: £234,887) were made on behalf of employees and at the year-end £164,391 (2013: £34,630) remained outstanding.

27 Ultimate parent undertaking

The ultimate controlling entity is Oakley Capital Private Equity LP, a limited partnership established in Bermuda.

28 Related party transactions

All of the transactions relating to the Loan Notes, Senior Debt and Mezzanine Debt in notes 17 and 18 are considered to be related party transactions and are detailed in those notes accordingly.