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

Preliminary results for the year ended 31 December 2013

r4e, the transatlantic media and entertainment company, today announces its preliminary results for the year ended 31 December 2013.

Financial Highlights

	2013	2012	Change
Revenue	**£75.8m**	**£69.3m**	+9.4%
Adjusted EBITDA[1]	**£1.9m**	**£1.3m**	+46.0%
Profit before tax	**£0.31m**	**£0.16m**	+90.1%
Earnings per share[2]	**0.54p**	**1.02p**	-47.1%

[1] Adjusted EBITDA is EBITDA before exceptional items

[2] Reduction in earnings per share reflects decrease in tax credit, which reduced from £547,000 in 2012 to £93,000 in 2013

Highlights

- Continued improvement in trading performance, in line with market expectations, with Adjusted EBITDA[1] and profit before tax increased by 46 per cent and 90 per cent respectively;
- Stable performance from London operations with Adjusted EBITDA[3] of £1.3 million (2012: £1.4 million);
- Strong improvement in trading from New York operations, which delivered Adjusted EBITDA[3] of £1.1 million (2012: £0.4 million).

[3] Adjusted EBITDA is EBITDA before exceptional items and Head Office cost allocations

Post Period End Highlights

- r4e granted 17 per cent shareholding in Stage 17 Incorporated ('Stage17'), a digital platform that will deliver a range of Broadway and arts related entertainment content, in lieu of staff support provided by r4e to Stage17 during its development;
- Successful bank refinancing, with a new, six-year agreement signed with Allied Irish Bank ('AIB') on 7 April 2014 that provides a meaningful reduction in the interest rate against the Group's previous facility with AIB.

David Stoller, Executive Chairman, r4e, commented:

"This set of results provides further evidence that the extensive efforts that have been made restructuring and improving our Group operations in recent years is working.

"We have established a very stable and profitable trading platform, addressed our cost base – an area which we continue to monitor very carefully and in which we still believe we can make further savings – and integrated our operations in order to create a more collaborative and effective working culture.

"Following the recent refinancing with AIB, the Group has a solid financial platform, which enables us to now focus on growth, both through further developing our market-leading operations on both sides of the Atlantic and continuing to look for associated strategic opportunities by leveraging the strength of our existing client and industry relationships.

"I am more confident about the Group's future now than at any time since I became involved with r4e and believe that we will continue to make progress throughout this year and beyond."

31 December 2013 Full Report and Accounts

The Company will shortly post its report and accounts for the year ended 31 December 2013 to shareholders and will be available on its website www.r4e.com.

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EXECUTIVE CHAIRMAN'S STATEMENT

Stable trading platform established in a year of progression

2013 was a year of further progress for r4e. The Group has undergone substantial change in the recent past, which is clearly delivering results, with meaningful increases achieved in Group revenue and profit before tax.

r4e is now a streamlined, focused business with a clear strategic direction. Our two live events marketing businesses, Dewynters Ltd ('Dewynters') in London and Spot & Company of Manhattan Inc ('SpotCo') in New York further cemented their market-leading positions in 2013, while also proving successful in expanding their offering to associated market sectors. The two businesses are also working on an increasingly collaborative basis, with an effective knowledge exchange programme in place that ensures transatlantic support when required.

Across the Group, we continue to manage our cost base very carefully, ensuring that operations are appropriately sized for their operating environments. Further cost reductions at head office level were achieved in 2013.

Improved financial performance, in-line with market expectations

The Group delivered an improved financial performance in 2013, in-line with market expectations, with growth in revenue, adjusted EBITDA and profit before tax. Group revenue increased by £6.5 million, to £75.8 million (2012: £69.3 million), with stronger revenue generation in the second half of the financial year, as anticipated. The gross margin of 25.6 per cent achieved was broadly consistent when compared to last year (2012: 25.9 per cent).

In-line with the improved revenue performance, there were meaningful increases in both adjusted EBITDA and profit before tax. Adjusted EBITDA increased by 46.0 per cent to £1.9 million (2012: £1.3 million), while profit before tax nearly doubled to £0.31 million (2012: £0.16 million).

Earnings per share from total operations for the year is 0.54p (2012: 1.02p), with the decrease largely attributable to a large tax credit in the prior financial year.

Robust performance from London operations supported by strong improvement from New York operations

The Group's London operations, Dewynters and Newman Displays Limited ('Newmans'), delivered a robust performance in 2013, generating increased revenue of £36.0 million (2012: £33.2 million) and adjusted EBITDA of £1.3 million (2012: £1.4 million), broadly in-line with that achieved in 2012.

Dewynters' revenue increased by £3.3 million to £32.3 million (2012: £29.0 million). Adjusted EBITDA also increased from £0.75 million to £0.79 million, with a change in the sales mix meaning that the revenue increase delivered was not proportionally reflected in profit terms.

During 2013, Dewynters delivered opening campaigns for several large West End shows and continued to work with a number of established, long running shows, while increasing its footprint into exhibitions, sport, music and other live events.

Early signs indicate Dewynters will deliver a similarly robust performance in 2014.

Newmans delivered marginally lower revenue and adjusted EBITDA of £3.7 million (2012: £4.2 million) and £0.47 million (2012: £0.61 million) respectively.

Newmans' performance was impacted by the cancellation of certain long standing events. Cancellations occurred at short notice, leaving insufficient time to seek new opportunities and hence, a lower than expected revenue performance for the year. It is anticipated that Newmans' performance in 2014 will return to prior levels and hence display an improvement on 2013.

SpotCo traded strongly in 2013, reporting revenue of £39.4 million (2012: £34.0 million), an increase of £5.4 million, and adjusted EBITDA improved by 133 per cent to £1.1 million (2012: £0.5 million).

Trading was strong due to a combination of factors. A number of Broadway shows SpotCo delivered opening campaigns for enjoyed impressive commercial success, leading to them running into multiple seasons, while SpotCo's strategic diversification away from Broadway continued to prove successful.

The division has enjoyed a strong start to 2014, continuing to deliver ongoing campaigns for a number of shows that opened in 2013, augmented by new mandates secured in 2014 for show openings that will occur throughout the year.

Further cost savings delivered; debt refinancing provides solid financial platform

Eliminating cost was a key part of the extensive restructuring that the Group has carried out in the recent past. A specific focus was placed on reducing central office costs to a more realistic level. Further progress was made in this area in 2013 and over £0.7 million of annualised head office costs have been eliminated during the past two financial years.

The cost conscious culture we have established is now firmly ingrained in the business and further savings will be made where possible, although with the restructuring now materially complete it is expected that further savings will come from driving efficiencies as opposed to directly cutting costs.

Post year end, the Company announced the successful refinancing of its £14.8 million revolving credit facility with Allied Irish Bank ('AIB'). The new agreement established a six year term from April 2014 and a new interest rate of 3 per cent over LIBOR, which provides a meaningful reduction in the interest rate against the Group's previous facility of 4 per cent over LIBOR, rising to 5 per cent over LIBOR from 26 April 2014. For this financial year, we expect the new arrangements to deliver an annual interest saving of around £220,000.

Focus on driving growth through new, strategic initiatives in associated market sectors

The focus for our core live events marketing businesses remains unchanged, namely to leverage the strength of each business in order to further develop their market-leading positions. We will continue to ensure that Dewynters and SpotCo work in a joined up manner in order to support business development, while both companies are increasingly seeking to expand their offering into associated market sectors in order to reduce reliance on their core theatre sectors and capture growth opportunities.

We are also enthusiastic about the opportunity for our businesses to leverage the strengths of the relationships our people have within the industry and develop new business streams for the Group. One such example is the recent Stage17 initiative, in which the Group was granted a 17 per cent shareholding in return for support provided by r4e to Stage17 during its development. Stage17 is a rich digital platform that will deliver a range of Broadway and arts related entertainment. Stage17 is still at an early stage of its development, with the full site expected to go live by the end of April 2014. However, over the short-medium term, I believe Stage17 offers very exciting potential and will seek to monetise its offering through a combination of digital advertising, premium membership subscriptions and e-commerce that will be integrated into the site. The Group continues to progress other initiatives that present genuine growth opportunities and I expect to be in a position to report further on this during the course of this financial year.

Confident of making further progress in 2014 and beyond

This set of results provides further evidence that the extensive efforts that have been made restructuring and improving our Group operations in recent years is working.

We have established a very stable and profitable trading platform, addressed our cost base – an area which we continue to monitor very carefully and in which we still believe we can make further savings – and integrated our operations in order to create a more collaborative and effective working culture.

Following the post year end refinancing with AIB, the Group has a solid financial platform, which enables us to now focus on growth, both through further developing our market-leading operations on both sides of the Atlantic and continuing to look for associated strategic opportunities by leveraging the strength of our existing client and industry relationships.

I am more confident about the Group's future now than at any time since I became involved with r4e and believe that we will continue to make progress throughout this year and beyond.

David Stoller
Executive Chairman
9 April 2014

REVIEW OF PERFORMANCE BY COMPANY

Year ended 31 December 2013

	Dewynters	Newmans	**London Total**	SpotCo	DAI	**New York Total**	Head Office	**Group Total**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**	£'000	**£'000**
Revenue	32,299	3,704	**36,003**	39,380	366	**39,746**	-	**75,749**
Adjusted EBITDA*	787	466	**1,253**	1,123	(30)	**1,093**	(439)	**1,907**

Year ended 31 December 2012

	Dewynters	Newmans	**London Total**	SpotCo	DAI	**New York Total**	Head Office	**Group Total**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**	£'000	**£'000**
Revenue	29,014	4,205	**33,219**	34,011	2,096	**36,107**	-	**69,326**
Adjusted EBITDA*	754	611	**1,365**	481	(44)	**437**	(496)	**1,306**

*Adjusted EBITDA is before exceptional administrative expenses.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £'000	2012 £'000
Continuing operations			
Revenue	1	75,749	69,326
Cost of sales	5	(56,348)	(51,354)
GROSS PROFIT		19,401	17,972
Administrative expenses	5	(18,333)	(17,749)
EBITDA before exceptional items		1,907	1,306
Exceptional administrative expenses	2	(790)	(188)
Exceptional administrative income	2	907	-
Impairment of goodwill	8	(181)	-
Depreciation		(313)	(282)
Amortisation of intangible assets	8	(462)	(613)
OPERATING PROFIT		1,068	223
Gain on rescheduling of deferred consideration payment	3/10	-	507
Finance income	3	121	120
Finance costs	4	(881)	(688)
PROFIT BEFORE TAXATION		308	162
Taxation	6	93	547
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		401	709
Discontinued operations			
Loss for the year from discontinued operations		-	(16)
PROFIT FOR THE YEAR		401	693

The profit is attributable to the equity holders of the parent

		2013	2012
Basic and diluted earnings/(loss) per share			
From continuing operations		0.54	1.04
From discontinued operations		-	(0.02)
Total operations	7	0.54	1.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £'000	2012 £'000
PROFIT FOR THE YEAR	401	693
Other comprehensive income:		
Currency translation differences	(107)	(389)
Other comprehensive income for the year	(107)	(389)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	294	304

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013 £'000	2012 £'000
NON-CURRENT ASSETS			
Goodwill and intangible assets	8	17,158	17,886
Property, plant and equipment		2,496	514
Deferred tax asset		163	-
		19,817	18,400
CURRENT ASSETS			
Inventories		281	228
Trade and other receivables		10,343	9,758
Other current assets	9	445	-
Cash and cash equivalents		1,876	2,316
		12,945	12,302
TOTAL ASSETS		32,762	30,702
CURRENT LIABILITIES			
Trade and other payables		(13,848)	(12,813)
Current taxation liabilities		-	(115)
Borrowings	10	(634)	(646)
		(14,482)	(13,574)
NET CURRENT LIABILITIES		(1,537)	(1,272)
NON-CURRENT LIABILITIES			
Deferred taxation		(1,224)	(1,162)
Other payables	11	(1,250)	-
Borrowings	10	(15,803)	(16,257)
		(18,277)	(17,419)
TOTAL LIABILITIES		(32,759)	(30,993)
NET ASSETS/(LIABILITIES)		3	(291)
EQUITY			
Called up share capital		1,872	1,872
Share premium		13,501	13,501
Capital redemption reserve		15	15
Retained earnings		(14,843)	(15,244)
Own shares held		(259)	(259)
Foreign exchange reserve		(283)	(176)
TOTAL EQUITY/(DEFICIT) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		3	(291)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2013

	Share capital £'000	Share premium £'000	Capital Redemption reserve £'000	Retained earnings £'000	Own Shares held £'000	Foreign Exchange reserve £'000	Total Equity £'000
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
At 31 December 2011	**1,649**	**13,332**	**15**	**(15,937)**	**(259)**	**213**	**(987)**
Profit for the year	-	-	-	693	-	-	693
Other comprehensive income, net of tax:							
Currency translation differences	-	-	-	-	-	(389)	(389)
Total comprehensive income for the year	-	-	-	693	-	(389)	304
Transactions with owners in their capacity as owners:							
Shares issued	223	169	-	-	-	-	392
Total transactions with owners in their capacity as owners	223	169	-	-	-	-	392
At 31 December 2012	**1,872**	**13,501**	**15**	**(15,244)**	**(259)**	**(176)**	**(291)**
Profit for the year	-	-	-	401	-	-	401
Other comprehensive income, net of tax:							
Currency translation differences	-	-	-	-	-	(107)	(107)
Total comprehensive income for the year	-	-	-	401	-	(107)	294
At 31 December 2013	**1,872**	**13,501**	**15**	**(14,843)**	**(259)**	**(283)**	**3**

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2013

	Note	2013 £'000	2012 £'000
Cash generated from operating activities	12	2,485	779
Income taxes paid		(136)	(24)
Net cash generated from operating activities		2,349	755
Investing activities			
Finance income		1	1
Purchases of property, plant and equipment		(2,444)	(193)
Proceeds from disposal of property, plant and equipment		1	4
Proceeds from landlord reimbursement towards property, plant and equipment	11	836	-
Proceeds from sale of investments		20	-
Payment of deferred consideration	10	(645)	(131)
Dividends received from associated undertaking	3	93	-
Receipt of deferred sales proceeds		-	11
Net cash used in investing activities		(2,138)	(308)
Financing activities			
Repayments of borrowings	10	(15)	-
Proceeds from loan granted by related party	13	388	-
Repayment of loan granted by related party	13	(388)	-
Net cash proceeds from issue of shares		-	392
Interest paid		(656)	(663)
Net cash used in financing activities		(671)	(271)
Net (decrease)/increase in cash and cash equivalents		(460)	176
Cash and cash equivalents at the beginning of the year		2,316	2,289
Effect of foreign exchange rate changes		20	(149)
Cash and cash equivalents at the end of the year		1,876	2,316

BASIS OF PRESENTATION

The above unaudited financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The above figures for the year ended 31 December 2013 are an abridged version of the Company's accounts which have been reported on by the Company's auditor but have not been dispatched to the shareholders or filed with the Registrar of Companies. These accounts received an audit report which was unqualified and did not include a statement under section 498(2) or section 498(3) of the Companies Act 2006. The audit report included a reference to matters to which the auditors drew attention by way of emphasis without qualifying their report in relation to going concern, as follows:

EMPHASIS OF MATTER

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure set out on page 31 of the financial statements concerning the group's ability to continue as a going concern. The group had net current liabilities of £1.54 million as at 31 December 2013 and non-current borrowings of £15.8 million. There are quarterly financial covenants attached to the group’s non-current bank borrowings of £14.8 million and quarterly repayments are due in relation to deferred consideration outstanding.

These conditions, along with the other matters explained on page 31 of the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group and the parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

SIGNIFICANT ACCOUNTING POLCIES

GOING CONCERN

As at 31 December 2013 the Group had net assets of £0.003 million (31 December 2012: £0.29 million) and made an operating profit in the year then ended of £1.07 million (year ended 31 December 2012: £0.22 million).

In the prior the year the Group agreed a debt repayment schedule for the remaining deferred consideration in relation to the SpotCo acquisition in 2008. During the 2013 year £0.65 million was repaid against this debt and no outstanding payments were due as at 31 December 2013. The remaining balance of £1.65 million plus interest is repayable over 2014 - 2015 (see note 10). Subsequent to the year end the Group agreed a debt repayment schedule in relation to the AIB Group bank debt of £14.8 million. 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 £0.2m is due in April 2015 with accelerated capital repayments thereafter. 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. The Directors have prepared and reviewed detailed forecasts going out until 2020, which indicate that the Group will have sufficient cash flow to meet in full the deferred consideration debt obligation, required facility repayments, and to 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.

Whilst the Directors believe that the going concern basis is appropriate, the existence of the bank debt repayments from 2015 onwards, the need to meet quarterly bank covenants, the use of estimates in the forecasts, and the continuing challenge of the trading environment represents uncertainties which may cast doubt upon the Group’s ability to continue as a going concern and that, therefore, the Group may be unable to discharge its liabilities in the normal course of business.

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

financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

IMPAIRMENT OF ASSETS (INTANGIBLE AND PROPERTY, PLANT AND EQUIPMENT)

Goodwill is not subject to amortisation but is tested annually or whenever there is an indication that the asset may be impaired. For the purpose of impairment testing, assets are grouped at the lowest levels for which they have separately identifiable cash flows, known as cash generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangibles assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

DEFERRED CONSIDERATION

Deferred consideration liability is recognised at present value. The difference between the present value and the total amount payable at a future date gives rise to a finance charge which will be charged to the income statement and credited to the liability over the period of the deferral.

EXCEPTIONAL ITEMS

Exceptional items represent income or expenses, which based on their materiality, frequency or non-operating nature, have been separately disclosed to facilitate the assessment of the Group’s underlying operating profitability

NOTES

1. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments
For management purposes, the Group is currently organised into three operating segments – New York operations, London operations and Head Office. These divisions are the basis on which the Group reports its segment information.

Principal continuing activities are as follows:

New York (NY) – marketing, design, advertising, promotions, digital media services, publishing and merchandising.

London – marketing, design, advertising, promotions, digital media services, publishing and merchandising, signage and fascia displays.

Head Office – finance and administration services for the Group.

Segment information for continuing operations of the Group for the year ended 31 December 2013 is presented below.

	NY operations £'000	London operations £'000	Head Office £'000	Group £'000
Sale of goods	366	2,196	-	2,562
Provision of services	39,380	33,807	-	73,187
Revenue (all external customers)	39,746	36,003	-	75,749
Adjusted EBITDA*	1,093	1,253	(439)	1,907
Exceptional administrative expense	(393)	(393)	(4)	(790)
Exceptional administrative income	-	907	-	907
Depreciation	(180)	(120)	(13)	(313)
Amortisation and impairment	(401)	(242)	-	(643)
Operating profit/(loss)	119	1,405	(456)	1,068
Finance income	2	93	26	121
Finance costs	(4)	(4)	(873)	(881)
Profit/(Loss) before tax and discontinued operations	117	1,494	(1,303)	308
Tax credit/(charge)	107	(1,027)	1,013	93
Profit/(Loss) after tax and before discontinued operations	224	467	(290)	401

Management fees charged at an arm's-length basis between reportable segments are reflected in the figures above on the basis that this is a true reflection of the operating costs of each segment.

*Adjusted EBITDA is before exceptional items.

	NY operations £'000	London operations £'000	Head Office operations £'000	Group £'000
Capital additions:				
Property, plant and equipment	1,690	749	5	2,444
Balance sheet:				
Segment assets				
Non-current assets	7, 144	12,649	24	19,817
Current assets	6,429	6,310	206	12,945
Total segment assets	13,573	18,959	230	32,762
Liabilities				
Total segment liabilities	(8,437)	(6,482)	(17,840)	(32,759)

Segment information for continuing operations of the Group for the year ended 31 December 2012 is presented below

	NY operations £'000	London operations £'000	Head Office £'000	Intergroup eliminations £'000	Group £'000
Sale of goods	2,096	2,007	-	-	4,103
Provision of services	34,011	31,212	-	-	65,223
Revenue (all external customers)	36,107	33,219	-	-	69,326
Adjusted EBITDA*	437	1,365	(496)	-	1,306
Exceptional items	(12)	(32)	(144)	-	(188)
Depreciation	(185)	(69)	(28)	-	(282)
Amortisation and impairment	(79)	(534)	-	-	(613)
Operating profit/(loss)	161	730	(668)	-	223
Gain on rescheduling of deferred consideration		-	507	-	507
Finance income	14	58	119	(71)	120
Finance costs	-	(35)	(724)	71	(688)
Profit/(Loss) before tax and discontinued operations	175	753	(766)	-	162
Tax	(34)	(746)	1,327	-	547
Profit after tax and before discontinued operations	141	7	561	-	709

*Adjusted EBITDA is before exceptional items.

	NY operations £'000	London operations £'000	Head Office operations £'000	Group £'000
Capital additions:				
Property, plant and equipment	96	87	10	193
Balance sheet:				
Segment assets				
Non-Current asset	6,157	12,218	25	18,400
Current assets	5,973	6,123	206	12,302
Total segment assets	12,130	18,341	231	30,702
Liabilities				
Total segment liabilities	(6,568)	(6,585)	(17,840)	(30,993)

2. EXCEPTIONAL ADMINISTRATIVE ITEMS

	2013 £'000	2012 £'000
Office move costs	(790)	-
Employee contract termination related costs	-	(188)
Exceptional administrative expenses	(790)	(188)
Office move Landlord reimbursement	907	-
Exceptional administrative income	117	(188)

Exceptional office move costs in the year ended 31 December 2013 relate to relocation of SpotCo offices in New York and the Dewynters offices in London. Costs include search fees, legal and removal costs, plus rent required to be paid on both new and old offices during the build-out of the moves. Operating profit for London was boosted by exceptional income from Dewynters of £0.91 million. This was compensation received as the lease was under the scope of the Landlords and Tenants Act 1954, resulting from the enforced move of Dewynters to enable redevelopment of the premises.

Employee contract termination costs in the prior year ended 31 December 2012 are considered exceptional as they result from the Group's recent period of restructure. Discounted interest on the deferred consideration balance in 2012 is being unwound and charged to the income statement over the period of the agreement being November 2012 to November 2015.

3 FINANCE INCOME

	2013 £'000	2012 £'000
Bank interest received	1	1
Dividend income from associated undertaking	93	-
Foreign exchange gain on borrowings	2	-
Foreign exchange gain on deferred consideration (note 10)	25	119
	121	120
Exceptional finance income	-	507

Dividend income received in the year ended 31 December 2013 of £92,727 (2012: Nil) is from the associate undertaking Theatrenow Limited, in which Dewynters Limited has a 29.91% shareholding.

Exceptional finance income of £nil (2012: £0.51 million) relates to the gain on renegotiation of deferred consideration liability (note 10).

4 FINANCE COSTS

	2013 £’000	2012 £’000
Bank interest	2	-
Interest on bank loans	644	652
Interest on related party loan (note 14)	10	-
Amortisation of arrangement fees for bank loan	4	1
Unwinding of discounting on deferred consideration (note 10)	220	35
Foreign exchange loss on trade	1	-
	881	688

5 EXPENSES BY NATURE

	2013 £’000	2012 £’000
Media, marketing and promotional services	55,693	50,717
Staff costs	12,558	11,640
Depreciation, amortisation and impairment	956	895
Exceptional administrative (income)/expense (note 2)	(117)	188
General office expenses	2,773	2,663
Operating lease payments:		
Land and buildings	1,334	1,245
Plant and machinery	337	353
Professional costs	707	1,032
Travelling	370	318
Other	70	52
Total cost of sales and administrative expenses	74,681	69,103

6 TAXATION

	2013 £'000	2012 £'000
Current tax:		
UK corporation tax on profit of the year	-	115
Overseas tax on losses of the year	(3)	-
Adjustment in respect of previous periods	-	21
Adjustment in respect of previous periods for overseas tax	-	(44)
Transfer to foreign currency reserve	-	(57)
Total current tax (credit)/charge	(3)	35
Deferred tax:		
Deferred tax credit for the year	(137)	(59)
Deferred tax rate change	(88)	(59)
Deferred tax – adjustment in respect of previous periods	135	(464)
Total deferred tax	(90)	(582)
Tax credit on loss of ordinary activities	(93)	(547)

Factors affecting the tax credit for the year:

	2013 £'000	2012 £'000
The tax assessed for the year differs from the effective average rate of corporation tax in the UK 23.25% (2012: 24.5%). The differences are explained below:		
Profit on ordinary activities before tax	308	162
Profit on ordinary activities multiplied by effective average rate of corporation tax in the UK 23.25% (2012: 24.5%)	72	40
Effects of:		
Expenses not deductible for tax purposes	175	8
Income not subject to tax	(232)	-
Depreciation on non-qualifying assets	5	2
Unwinding of discount on deferred consideration	-	(34)
Difference in tax rates on overseas earnings	3	(31)
UK losses not utilised	42	65
Overseas losses utilised	(104)	-
Newly recognised deferred tax	(104)	-
Use of losses brought forward	-	(30)
Change in corporation tax rates	(85)	(59)
Adjustment in respect of previous periods	135	(508)
Total tax credit for the year	(93)	(547)

The £0.14 million deferred tax charge arises following a change in estimate of the tax deduction in relation to goodwill arising on the acquisition of SpotCo in the United States (2012: £0.5 million).

A deferred tax asset of approximately £0.69 million (2012: £0.76 million) has not been recognised due to uncertainty over future profitability. At 31 December 2013, the Group had losses carried forward of £3.5 million (2012: £3.3 million), available for offset against future profits.

Taxation is calculated at the rates prevailing in the respective jurisdictions. The standard tax rates in each jurisdiction are 40% in the United States (2012: 40%) and 23% in the United Kingdom (2012: 24%).

7 EARNINGS/(LOSS) PER SHARE

The calculations of earnings/(loss) per share are based on the following profits/(losses) and number of shares:

Profits/(Losses) attributable to equity holders of the company

	2013 £'000	2012 £'000
For basic and diluted loss per share		
Loss from discontinued operations	-	(16)
Profit from continuing operations	401	709
Profit for financial year	401	693
Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	74,635,792	67,512,987

Earnings/(Loss) per share (pence) after tax

	2013	2012
Basic and diluted earnings/(loss) per share after tax		
From continuing operations after tax	0.54	1.04
From discontinued operations after tax	-	(0.02)
Total operations after tax	0.54	1.02

8 GOODWILL AND INTANGIBLE ASSETS

	Brands £'000	Customer relationships £'000	Purchased goodwill £'000	Total £'000
Cost				
01 January 2012	4,188	4,271	13,597	22,056
Adjustment to consideration (note 14)	-	-	130	130
Foreign exchange differences	(102)	(117)	(249)	(468)
31 December 2012	4,086	4,154	13,478	21,718
Foreign exchange differences	(34)	(39)	(85)	(158)
31 December 2013	4,052	4,115	13,393	21,560
Amortisation				
01 January 2012	645	2,702	-	3,347
Charged in the year	167	446	-	613
Foreign exchange differences	(39)	(89)	-	(128)
31 December 2012	773	3,059	-	3,832
Charged in the year	155	307	-	462
Impairment charge	-	-	181	181
Foreign exchange differences	(24)	(49)	-	(73)
31 December 2013	904	3,317	181	4,402
Net book value				
31 December 2013	3,148	798	13,212	17,158
31 December 2012	3,313	1,095	13,478	17,886
31 December 2011	3,543	1,569	13,597	18,709

Goodwill relates to the anticipated profitability and future operating synergies arising on the acquisition of subsidiaries. Adjustments to consideration of £Nil (2012: £0.13 million) relate to a reduction in the estimation of deferred consideration payable on acquisitions (note 10).

All amortisation and impairment charges have been recognised as administrative expenses in the income statement.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGU's) identified according to the operations as grouped upon acquisition. An operating level summary of the goodwill allocation is presented below:

	2013 £'000	2012 £'000
Dewynters Group (Dewynters, Newmans, DAI)	8,745	8,927
SpotCo	4,467	4,551
Total Goodwill	13,212	13,478

An impairment charge of £0.18 million was incurred in the year on Dewynters Advertising Inc. (DAI) due to the reduced level of cash flows expected from this CGU in future years. At 31 December 2012 the group outsourced the operational fulfilment of the activities of DAI. Whilst this has reduced the losses being made by DAI in 2013, a reduced level of operations has also resulted in a smaller cash flow projection therefore resulting in an impairment charge of £0.18m. As at 31 December 2013 the recoverable amount of DAI is £0.22 million. No class of asset other than goodwill was deemed impaired.

The recoverable amount of CGU's has been determined based on value-in-use calculations which cover a period of 20 years. These calculations use pre-tax cash flow projections based on financial budgets for the year ended 31 December 2014 as approved by management and cash flows beyond the one-year period are extrapolated using straight line growth rates stated below. Management are confident that projections over the five year period are reliable given historical experience of these projections and the prudent nature of the assumptions used.

The key assumptions used for the value-in-use calculations in 2013 are as follows:

	Dewynters Group	SpotCo
Revenue (fall)/growth – 1 year	(3.8%)	2.1%
Revenue growth - remainder	2%	1.5%
Cost (fall)/growth – employee/overheads 1 year	(1.3%)	4.4%
Cost growth – employee/overheads years 2-3	2%	2%
Cost growth – employee/overheads years 4 onwards	2.5%	1.5%
Discount rate	12%	12%

Management have determined budgeted gross margin, revenue growth and costs based on past performance and expectations of the market development for each CGU. The discount rates are pre-tax and reflect management's assessment of the risks relating to each CGU.

Initial growth rates in year 1 are taken from the CGU's 2014 operational budgets, and so in some cases can show a difference to the straight line growth rates applied to subsequent years.

Growth after year 1 has been determined on the basis of general industry market growth and so the rate reduces and remains consistent. The growth rates used are considered by management to be in line with general trends in which each CGU operates and deemed by management to be a reasonable expectation for the media CGU.

The key assumptions used for the value-in-use calculations in 2012 are as follows:

	Dewynters Group	SpotCo
Revenue (fall)/growth – 1 year	(0.1%)	13.5%
Revenue growth - remainder	2%	1.5%
Cost (fall) – employee/overheads 1 year	(0.9%)	(0.9%)
Cost growth – employee/overheads remainder	2.5%	1.5%
Discount rate	12.0%	12.0%

The following table reflects the level of movements required in revenue or costs which could result in a potential impairment per the value in use calculation. A percentage (fall)/increase in any one of these key assumptions could result in a removal of the headroom the value-in-use calculations in 2013:

	Dewynters Group	SpotCo
Revenue (fall)– 1 year	(0.8%)	(4%)
Revenue (fall) - remainder	(0.2%)	(1%)
Cost growth – employee/overheads 1 year	1.7%	6%
Cost growth – employee/overheads years 2-3	0.8%	4.7%
Cost growth – employee/overheads years 4 onwards	0.4%	1.3%
Discount rate	1%	8%

In SpotCo and Dewynters, management concluded that there is sufficient headroom on the calculated value in use exceeding the carrying value of goodwill, although there is recognition that falls in revenue, gross profit or increases in overheads, as reflected above, will have the potential to incur an impairment.

Brands and customer relationships are all derived from acquisitions; there are no internally generated intangible assets.

The brand allocated to the Dewynters Limited CGU totalling £2.26 million (2012: £2.26 million) is determined to have an indefinite life. It is subject to an annual impairment review using the same assumptions as for goodwill.

The brand allocated to SpotCo CGU totalling £0.88 million (2012: £1.05 million) is being amortised over 15 years and has 10 years remaining.

The useful economic life for customer relationships within Dewynters is 20 years of which 14 are remaining as at 31 December 2013. It has a carrying value of £0.80 million and £0.06 million was charged to amortisation in the year. Customer relationships within SpotCo had an economic life of 5 years and was fully amortised in the year resulting in a carrying value of £nil at year end (2012: £0.24 million).

Where there are any indications of impairment within these businesses the Group carries out impairment reviews on brands and customer relationships using the same assumptions as for goodwill.

9 OTHER CURRENT ASSETS

Bank deposit	445	-

The bank deposit of £0.45 million is used as security for a letter of credit guaranteeing lease payments in relation to the SpotCo office lease in New York. This letter of credit has a 12 month term but is expected to be renewed on expiry. The balance will reduce from $0.74 million to $0.49 million on the 5th anniversary of the lease commencement date, and then to $0.33 million on the 9th anniversary.

10 BORROWINGS

	2013 £'000	2012 £'000
Current:		
Deferred consideration	634	646
	634	646
Non-current:		
Bank loans	14,785	14,800
Deferred consideration	1,018	1,457
Analysis of borrowings:		
On demand or within one year		
Deferred consideration	634	646
	634	646
In the second to fifth years inclusive		
Bank loan – revolving facility	14,785	14,800
Deferred consideration	1,018	1,457
	15,803	16,257
Amounts due for settlement	16,437	16,903
Less amounts due within one year	(634)	(646)
Amounts due for settlement after one year	15,803	16,257

Analysis of borrowings by currency

	Sterling £'000	USD £'000	Total £'000
31 December 2013			
Bank loans	14,785	-	14,785
Deferred consideration	-	1,652	1,652
	14,785	1,652	16,437

	Sterling £'000	USD £'000	Total £'000
31 December 2012			
Bank loans	14,800	-	14,800
Deferred consideration	-	2,103	2,103
	14,800	2,103	16,903

The revolving credit facility (bank loan) with AIB Group has interest payable at a rate 4% over LIBOR (2012: 3.5% over LIBOR). On top of a fixed and floating charge over its assets, the Group has given AIB Group an unlimited guarantee in respect of these borrowings. The Group has a set of financial covenants with AIB Group in relation to loan which are measured quarterly and were met in full as at 31 December 2013.

As at 31 December 2013 the revolving credit facility was repayable on 21 May 2015. Subsequent to year end the Group agreed new covenants and a debt repayment schedule for the facility with AIB Group. 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 has a lower interest rate of 3 per cent over LIBOR.

DEFERRED CONSIDERATION

Deferred consideration is payable as follows:

	2013 £'000	2012 £'000
Within one year	634	646
Between one and two years	1,018	646
Between two and five years	-	811
	1,652	2,103

Movements on deferred consideration during the year are as follows:

	2013 £'000	2012 £'000
Opening balance	2,103	2,694
Adjustments to existing deferred consideration	-	131
Discounting of new deferred consideration balance (note 3)	-	(507)
Unwinding of discounting on deferred consideration (note 4)	220	35
Payments of deferred consideration – cash	(645)	(130)
Foreign exchange differences	(26)	(120)
Closing balance	1,652	2,103

Deferred consideration results from the Group's acquisition of SpotCo in 2008. On 14 November 2012 a debt repayment agreement was entered into and the fixed outstanding debt was discounted at that date. Interest from this discounting is unwinding over the term of the repayment agreement. Details on the assumptions used in the discount rate used on deferred consideration are the same as those used to test goodwill for impairment and are disclosed in note 8.

Repayments which started on 1 January 2013, are being made in 12 quarterly cash instalments of US$0.25 million. As at 31 December 2013 8 payments remain.

Once the repayments have been made, r4e has the right to require the remaining US$1 million deferred consideration due to be satisfied by the subscription of Ordinary Shares at the prevailing mid-market price. If the number of Ordinary Shares so issued would cause an obligation to make a mandatory offer for the entire issued share capital of r4e under Rule 9 of the City Code on Takeovers and Mergers, the vendor shall be obliged to subscribe only for such number of Ordinary Shares as would not trigger such obligation, and the balance of the debt due will be written off.

11 OTHER NON CURRENT PAYABLES

Landlord reimbursement accrual

Amounts in non-current other payables of £0.67 million (31 December 2012: Nil) relate to the re-imbursement of leasehold improvement costs from SpotCo's landlord at the new New York office. 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. £0.84 million ($1.25 million USD) was received in cash from the Landlord during the year. In line with SIC Interpretation 15 this reimbursement has been recognised as a liability and is being unwound to the income statement over the period of the lease, reducing rental costs. £0.05 million was unwound during the year (31 December 2012: Nil). Amounts in current liabilities relating to the reimbursement total £0.05 million (31 December 2012: Nil).

	2013 £'000	2012 £'000
Within one year	55	-
Between two and five years	218	-
More than five years	454	-
	672	-

Rent holiday accrual

Other amounts in non-current other payables of £0.58 million (31 December 2012: 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. In line with SIC Interpretation 15 the accrual will be released to the income statement over the term of the lease reducing rent costs.

	2013 £'000	2012 £'000
Within one year	36	-
Between two and five years	238	-
More than five years	340	-
	578	-
Total non current payables	1,250	-

12 CASH GENERATED FROM OPERATIONS

	2013 £'000	2012 £'000
Reconciliation of net cash flows from operating activities		
Profit before taxation (continuing operations)	308	162
Loss before taxation (discontinued operations)	-	(16)
Adjustments:		
Finance costs	881	688
Finance income	(121)	(120)
Depreciation	313	282
Amortisation of intangibles	462	613
Impairment of goodwill	181	-
Adjustments to deferred consideration	-	(342)
Loss on sale of property, plant and equipment	-	(4)
Profit on sale of investment	(20)	
Operating cash flows before movements in working capital	2,004	1,263
(Increase)/decrease in inventories	(54)	207
(Increase) in trade and other receivables	(1,031)	(1,760)
Increase in trade and other payables	1,566	1,069
Cash generated from operating activities	2,485	779

13 RELATED PARTY DISCLOSURES

During the year ended 31 December 2013, transactions with Key Management Personnel are in relation to Directors of the Group and are presented in Directors Remuneration tables on page 17 and note 6 to the accounts.

During the year, SpotCo entered into a bridge loan facility agreement (the "Facility Agreement") with Stoller Family Partners LP to augment internal cash-flows to finance the up-front refurbishment costs of the office relocation in New York. A maximum of $0.6 million could be drawn down under the Facility Agreement which fell due for repayment within 90 days of SpotCo having been reimbursed by the landlord. Under the terms of the lease agreement entered into by SpotCo, the landlord had a contractual obligation to repay a maximum of $1.25 million of refurbishment costs incurred by SpotCo, once the works have been completed. 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 year end.

Stoller Family Partners LP 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 General Partner and a substantial shareholder in Stoller Family Partners LP.

Dividend income received in the year ended 31 December 2013 of £92,727 (2012: Nil) is from the associate undertaking Theatrenow Limited, in which Dewynters Limited has a 29.91% shareholding.

14 TRANSACTIONS WITH DIRECTORS

At 31 December 2013, the Group owed David Stoller £1,026 (2012: £3,490 was owed to the group by David Stoller and was repaid in February 2013). The loan was non-interest bearing and no terms and conditions were attached.

15 CAPITAL COMMITMENTS

During the year ended 31 December 2013, the Group entered into a contract to receive IT services for £0.01 million (2012: £0.5 million to receive architectural services). These commitments are expected to be settled in the following financial year.

16 SUBSEQUENT EVENTS

17% investment in new company

On 23 January 2014 r4e announced that it had been granted a 17 percent shareholding in Stage17 in lieu of support provided by r4e to Stage17 during its development. The investment will be held through reach4entertainment Inc., a company incorporated in the USA and a 100% subsidiary of reach4entertainment plc.

Stage17, which has been funded and developed by Stoller Family Partners, of which David Stoller, Executive Chairman of r4e is the general partner, will launch in the first half of 2014. In the short to medium-term, Stage17's strategic goal is to monetise its offering through a combination of digital advertising, premium membership subscriptions and e-commerce that will be integrated into its digital platform. r4e will be a preferred supplier of advertising services, marketing and technical support to Stage17.

As David Stoller is a director of r4e, the Stage17 transaction is deemed to be a related party transaction under the AIM Rules.

AIB Group credit facility agreement and covenants

In April 2014 the Group agreed new terms for the £14.8 million revolving credit facility with AIB Group (UK) p.l.c. 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. A new set of financial covenants have also been agreed. The covenants shall be measured quarterly and take effect from 31 March 2014.

AIB Group continues to charge interest on the credit facility at LIBOR + 3.0% per annum.