

Date: 24 March 2015  
On behalf of: Castle Street Investments plc ('CSI', the 'Company' or the 'Group')  
Embargoed until: 0700hrs

## Castle Street Investments plc

### Final Results for the year ended 31 December 2014

Castle Street Investments plc (AIM: CSI), the investing company, is pleased to announce its final results for the year ended 31 December 2014 ('FY 2014').

#### Results highlights

- Transition of the Company from an online dating business to an investment vehicle completed in December 2014
- Completion of Disposal of Traditional Dating Assets for a consideration of £3m
- Payment of a reduced deferred consideration for casual assets has been accelerated with £11.5m to be received by 15 December 2015
- Cash at the end of December 2014 ahead of expectations at £12.1m

#### Post period highlights

- The deferred consideration of £0.75m in respect of the traditional asset sale was received in February 2015
- A further £4m of deferred consideration received since 31 December 2014
- Cash at the end of December 2015 expected to be £2m ahead of forecast at £20m, £0.28 per share
- Distributable reserves anticipated to be in excess of £19m following approval of capital reduction

#### Commenting on the results, Bill Dobbie, Chairman of Castle Street Investments plc, said:

*"As stated in our December 2014 circular, the Company has now transitioned from an online dating company into a well capitalised investment vehicle. We are beginning to review selective opportunities that meet our investment criteria, and are considering a combination of cash returns and finding an attractive investment opportunity to propose to shareholders."*

#### For further information please contact:

Castle Street Investments plc  
Phil Gripton, CEO  
Niall Stirling, CFO

Tel: +44 (0)131 526 3600

Peel Hunt LLP (Nominated Adviser and Broker)  
Richard Kauffer  
Edward Fox

Tel: +44 (0)207 418 8900

#### Notes to Editors:

- Castle Street Investments plc is an Investing Company under Rule 15 of the AIM Rules.
- Further information on the Company can be found at [castlestreetinvestments.com](http://castlestreetinvestments.com)

## Chairman's statement

In the 2013 Annual Report, we identified a three-year strategy focused around enhancing the core dating offering while identifying new opportunities outside dating with our digital capability. This was a challenging assignment and we made significant operational progress in the first six months of 2014, delivering a series of key products and initiatives. At the same time the rate of change in the dating market accelerated as applications like Tinder gained share and put pressure on traditional models. Accordingly in September 2014 the Board announced that, in response to the accelerating rate of change in the dating market, which was having a damaging impact on our business and delaying the trading recovery, it was carrying out a strategic review of its dating business with the intention of maximising shareholder value and arresting the Company's cash burn.

We reported back to our shareholders on 5 December 2014 that the Group had conditionally agreed to sell its Traditional Dating Assets to Tradax IP Licensing Limited, Together Networks Holdings Limited, and Together Networks Limited, for a total consideration of £3m. Given the proposed disposal of the traditional dating assets and the change of status to an investing company, it was considered advantageous for shareholders to effect the repayment of the deferred consideration in a shorter timeframe, making funds available to shareholders earlier and reducing the payment risk. We therefore further reported that in order to more quickly realise the outstanding deferred consideration owed by Grendall in relation to the disposal of the Company's Casual Dating business in July 2013, the amount would be reduced from £20m to £12.5m and payment would be accelerated such that all the Casual Dating Payments will be received by 15 December 2015 (previously 15 November 2016).

The transaction was approved at a General Meeting of the shareholders on 23 December 2014 and the transaction completed on 24 December 2014.

The Disposal also resulted in the Company becoming an Investing Company, and its Investing Policy was duly approved by the Shareholders at the same General Meeting.

Since that point we have been focused on ensuring a smooth exit from the dating business and related liabilities and turning the Company into a well-capitalised cash shell that can be utilised for new opportunities in line with our proposed Investing Policy or to support a return to shareholders. I am pleased to be able to say that we now expect to close 2015 with a net £20m available for investment and/or return, £2m better than anticipated. We are proceeding with the planned reduction of capital, which is expected to be heard by the Scottish Courts at the end of April 2015 and, if successful, will create distributable reserves of approximately £19m. No dividend is proposed in respect of 2014 at this point but, subject to appropriate investment opportunities, we anticipate bringing a proposal to shareholders for an initial distribution, probably by way of a tender offer, before the end of December 2015.

In February 2015 we welcomed Max Royde onto our Board. Mr Royde is a Partner at Kestrel Partners LLP, a significant shareholder. Mr Royde brings a wealth of relevant experience to support the identification and evaluation of potential opportunities in line with our Investing Policy.

Finally, I'd like to express my thanks to our three outgoing directors, George Elliott, Ian McCaig and Russ Shaw for their efforts in support of the Company.

Bill Dobbie  
Non-Executive Chairman  
24 March 2015

## Review of Performance

### Review of 2014

2014 was a very challenging year for the Company. We started the year full of optimism but with no illusions as to the scale of the challenge ahead if we were to succeed in transforming an underperforming traditional dating business and to prepare the way for an evolution into a broad based digital services business. Whilst we made some significant progress in many areas in the early part of the year it became clear that the market was undergoing a sea change that would seriously delay our recovery. Strenuous efforts to reduce the underlying cost base resulted in us successfully reducing the rate of loss, but with trading deteriorating a return to profitability was receding. Following a review of the strategic options open to us it became clear that the best course for our investors was to sell the remaining business, and conserve as much cash as possible for a return to shareholders or a new investment opportunity. With the backing of our shareholders we completed the disposal on Christmas Eve. In summary, the impact of this decision on the results for the year was as follows:

	<b>2014</b>
	<b>£m</b>
(Loss) arising on disposal of casual dating assets after taxation	(5.5)
(Loss) arising on disposal of traditional dating assets after taxation	(1.5)
(Loss) arising from operations in the year after taxation	(3.6)
<b>(Loss) for the financial year after taxation</b>	<b>(10.6)</b>

### Financial review

The 2014 financial performance of the business reflects the impact of the disposal in 2013, the challenging year in general and the consequences of restructuring the mainstream core dating assets. The underlying trading demonstrates the efforts to throttle back costs and invest tactically in marketing while revenue softened. The net result was a significantly lower trading loss.

### Group (loss)/profit

At a headline level our revenues including discontinued operations fell 78% to £12.6m (FY 2013: £56.1m) and adjusted EBITDA<sup>1</sup> fell to a loss of £0.9m (FY 2013: profit of £0.5m). Depreciation and amortisation fell to £2.2m (FY 2013: £6.9m) reflecting the disposal of the casual assets and lower website development expenditure. Exceptional costs include £1.2m for costs associated with termination of employee contracts, £1.1m for the actual or expected settlement of patent and trademark infringement claims in the US, and £0.8m for committed costs under onerous contracts, including property leases in the UK and France.

To present a picture of the underlying performance of the traditional dating business it is necessary to back out £2.25m of one-off adjustments to accruals and other provisions. On a pro forma basis revenue fell by £10m (45%). Despite the impact of new launches in 2014, tactical deployment of marketing meant that contribution improved to 31%. Stringent control of costs meant that direct and administrative expenses were reduced by £7.2m (51%) and consequently the adjusted EBITDA loss improved to £3.1m (FY 2013: loss £7.4m).

<b>Discontinued business</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Revenue	12.1	22.0	28.0
Direct marketing	(8.4)	(15.4)	(15.8)
Other direct costs	(4.1)	(6.4)	(6.6)
<b>Pro forma Gross (loss) profit</b>	<b>(0.4)</b>	<b>0.2</b>	<b>5.6</b>
Contribution %	31%	30%	44%
GP%	-3%	1%	20%
Administrative expenses	(2.7)	(7.6)	(5.4)
<b>Pro forma Adjusted EBITDA<sup>1</sup></b>	<b>(3.1)</b>	<b>(7.4)</b>	<b>0.2</b>

<sup>1</sup>Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, share based payments, acquisition costs and restructuring costs and exceptional costs.

### Loss on disposal

The pre-tax loss on disposal of £7.6m reflects both the adjustment to the 2013 sale of the casual assets and the disposal of the traditional dating business in 2014. The pre-tax loss on disposal of the traditional dating assets is

£1.3m. After adjusting for the unwinding of the financial discount the previously reported gain on the casual disposal is reduced by £6.2m before tax. The remaining value of the consideration from the sale of the casual assets of £11.5m has been discounted by £0.5m in accordance with IFRS 13. This discount is expected to unwind by the end of 2015 as the terms of the deferred consideration payments are fulfilled.

#### ***Tax charge***

The effective tax rate is 8.6% (FY 2013: 9.1%). The lower effective tax rate in 2014 is due largely to the book value of the disposed assets being higher than the tax base.

#### ***Finance income***

Finance income mainly relates to the unwinding of the discount on the casual dating deferred consideration.

#### ***Balance sheet***

All intangible assets were removed on disposal or written off. With the acceleration of the payment of the deferred consideration there are no longer any non-current assets. The deferred consideration debtor after discounting in line with IFRS 13 is £11.7m, comprising £11.5m relating to the casual asset disposal, £0.7m relating to the traditional asset disposal, offset by a £0.5m discount. All payments due to date under the sale have been received in line with the agreed schedule. The fall in trade and other receivables reflects the closure of the business. Trade and other payables have similarly decreased by £6.1m. Reserves are reduced by £2.1m as a consequence of the dividend paid in respect of the prior year and by £10.6m in respect of the loss for the year.

#### ***Cash flow***

Our closing cash position remains strong at £12.1m (FY 2013: £12.6m). The operating cash outflow is £5.8m (FY 2013: inflow £3.6m) with the trading loss and the reduction in trade payables. Disposal proceeds reflect the £2.25m received to date for the 2014 disposal, less costs, plus receipts from Grendall in respect of the 2013 disposal. £1.2m was capitalised in respect of software development (FY 2013: £2.5m). £2.1m has been returned to shareholders in dividend payments.

#### ***Dividend***

The directors do not propose a dividend in respect of the current financial year.

#### ***Update and outlook for 2015***

Since the end of the year we have successfully completed the majority of the transition of the dating business with payment processing migration, the main outstanding area, expected to be substantially complete by the end of June 2015.

The deferred consideration of £0.75m in respect of the traditional asset sale was received in February 2015. The Mimir Data business has been reassessed and now closed with a saving of £0.25m against forecast.

The majority of December 2014 accruals and trade creditors will be settled by the end of March 2015 but significant provisions remain in respect of closure costs, patent claims and employment tribunals. Compared to the 5 December estimate we are making positive progress. Closure costs and other provisions are £1m lower than expected and this coupled with careful management of costs in the last quarter means that the expected net cash balance in December 2015 will be approximately £20m, £2m better than the previous forecast.

The application to the Court to effect the cancellation of reserves is under way and the Court hearing to approve the reduction is expected to take place at the end of April 2015. If successful this will create a distributable reserve of approximately £19m, £2m better than expected. Conditional upon the cancellation of reserves becoming effective, the Board expects to offer all Shareholders the opportunity to realise some of their investment in the Company by means of a tender offer. Any such tender offer will be subject to separate Shareholder approval at the appropriate time. The extent of any such tender offer will also be dependent on investment plans at that point in time.

**Phil Gripton**  
Chief Executive Officer  
24 March 2015

**Niall Stirling**  
Chief Financial Officer

**Consolidated statement of comprehensive income**  
**for year ended 31 December 2014**  
*Unaudited*

	<b>Discontinued</b>	Discontinued
Note	<b>Total</b>	Total
	<b>2014</b>	2013
	<b>£000</b>	£000
Revenue	<b>12,569</b>	56,060
Cost of sales	<b>(11,960)</b>	(47,216)
Gross profit	<b>609</b>	8,844
Administrative expenses	<b>(6,817)</b>	(16,813)
Operating loss	<b>(6,208)</b>	(7,969)
Analysed as:		
(Loss)/Earnings before interest, tax, depreciation, amortisation, share based payments, acquisition and restructuring costs and exceptional costs	<b>(873)</b>	475
Acquisition and restructuring costs	-	(80)
Share based payments	-	(175)
Depreciation of plant and equipment	<b>(233)</b>	(547)
Amortisation of intangible assets	<b>(2,001)</b>	(6,318)
Exceptional costs	<b>(3,101)</b>	(1,324)
Finance income	<b>2,148</b>	70
Loss before taxation	<b>(4,060)</b>	(7,899)
Taxation credit	<b>470</b>	1,481
Loss for the year after taxation	<b>(3,590)</b>	(6,418)
(Loss)/gain on disposal of discontinued activities net of tax	<b>(7,038)</b>	20,508
(Loss)/ profit for the financial year – discontinued operations	<b>(10,628)</b>	14,090
<b>Other comprehensive income:</b>		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign exchange translation differences – equity accounted investments	<b>2</b>	203
<b>(Loss)/ profit for the financial year and total comprehensive income all attributable to equity holders of the parent</b>	<b>(10,626)</b>	14,293
Basic and diluted (loss) earnings per share	<b>(14.93p)</b>	18.10p
Basic (p per share)	<b>(14.93p)</b>	18.10p
Diluted (p per share)	<b>(14.93p)</b>	18.10p

There are no results relating to continuing operations.

## Consolidated balance sheet

As at 31 December 2014

Unaudited

	Note	2014 £000	2013 £000
<b>Non-current assets</b>			
Property, plant and equipment		-	447
Intangible assets		-	4,718
Trade and other receivables	5	-	15,564
		-	20,729
<b>Current assets</b>			
Trade and other receivables	5	11,974	8,690
Cash and cash equivalents		12,139	12,607
Tax receivable		1,033	-
		25,146	21,297
<b>Total assets</b>		25,146	42,026
<b>Current liabilities</b>			
Trade and other payables	6	1,840	7,938
Provisions	7	2,753	-
Tax payable		-	383
		4,593	8,321
<b>Non-current liabilities</b>			
Deferred tax liabilities		-	644
Provisions	7	254	-
		254	644
<b>Total liabilities</b>		4,847	8,965
<b>Net assets</b>		20,299	33,061
<b>Equity attributable to equity holders of the parent</b>			
Share capital	8	1,780	2,084
Share premium	8	18,025	18,025
Share options reserve	8	-	635
Capital redemption reserve	8	347	43
Retained earnings	8	1,576	13,705
Foreign currency translation reserve	8	(168)	(170)
Merger reserve	8	(1,261)	(1,261)
<b>Total equity</b>		20,299	33,061

## Statement of changes in equity

Unaudited

	Share capital	Share premium	Share options reserve	Capital redemption reserve	Retained earnings	Foreign currency translation reserve	Merger reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 January 2013</b>	2,127	18,021	1,447	-	13,318	(373)	(1,261)	33,279
<i>Total comprehensive income for the year</i>								
Profit for the year	-	-	-	-	14,090	-	-	14,090
Exchange rate differences	-	-	-	-	-	203	-	203
<i>Transactions with owners recorded directly in equity</i>								
Charge for the year	-	-	175	-	-	-	-	175
Dividends paid	-	-	-	-	(2,502)	-	-	(2,502)
Deferred tax on share based payments	-	-	(175)	-	-	-	-	(175)
Cancellation of options	-	-	(812)	-	812	-	-	-
Issue of ordinary shares	-	4	-	-	-	-	-	4
Share buyback	(43)	-	-	43	(2,985)	-	-	(2,985)
Shares held in treasury	-	-	-	-	(9,028)	-	-	(9,028)
<b>Balance at 31 December 2013</b>	<b>2,084</b>	<b>18,025</b>	<b>635</b>	<b>43</b>	<b>13,705</b>	<b>(170)</b>	<b>(1,261)</b>	<b>33,061</b>
<i>Total comprehensive income for the year</i>								
Loss for the year	-	-	-	-	(10,628)	-	-	(10,628)
Exchange rate differences	-	-	-	-	-	2	-	2
<i>Transactions with owners recorded directly in equity</i>								
Dividends paid	-	-	-	-	(2,136)	-	-	(2,136)
Cancellation of options	-	-	(635)	-	635	-	-	-
Cancellation of shares held in treasury	(304)	-	-	304	-	-	-	-
<b>Balance at 31 December 2014</b>	<b>1,780</b>	<b>18,025</b>	<b>-</b>	<b>347</b>	<b>1,576</b>	<b>(168)</b>	<b>(1,261)</b>	<b>20,299</b>

**Cash flow statement**  
**for year ended 31 December 2014**  
*Unaudited*

	<i>Note</i>	<b>2014</b>	2013
		<b>£000</b>	£000
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year		<b>(10,628)</b>	14,090
<i>Adjustments for:</i>			
Depreciation and amortisation		<b>2,234</b>	6,865
Financial income		<b>(2,148)</b>	(70)
Equity settled share-based payment expenses		-	175
Taxation		<b>(997)</b>	1,406
Loss/(gain) on disposal of discontinued activities	10	<b>7,565</b>	(23,395)
Other reserve movements		<b>2</b>	203
		<b>(3,972)</b>	(726)
Decrease in trade and other receivables		<b>1,863</b>	8,351
Decrease in trade and other payables		<b>(6,096)</b>	(1,276)
Increase in provisions		<b>3,007</b>	-
		<b>(5,198)</b>	6,349
Tax paid		<b>(638)</b>	(2,704)
<b>Net cash from operating activities</b>		<b>(5,836)</b>	3,645
<b>Cash flows from investing activities</b>			
Interest received		<b>73</b>	70
Acquisition of subsidiary, net of cash acquired		-	(3,416)
Acquisition of property, plant and equipment		<b>(57)</b>	(635)
Capitalised development expenditure		<b>(1,171)</b>	(2,535)
Acquisition of other intangible assets		<b>(80)</b>	(72)
Proceeds from sale of discontinued operations – 2014	10	<b>1,680</b>	-
Proceeds from sale of discontinued operations – 2013		<b>7,000</b>	6,652
Proceeds from sale of property, plant and equipment		<b>59</b>	267
<b>Net cash from investing activities</b>		<b>7,504</b>	331
<b>Cash flows from financing activities</b>			
Payment of finance lease liabilities		-	(13)
Share buy-back		-	(2,981)
Dividends paid	8	<b>(2,136)</b>	(2,502)
<b>Net cash from financing activities</b>		<b>(2,136)</b>	(5,496)
Net decrease in cash and cash equivalents		<b>(468)</b>	(1,520)
Cash and cash equivalents at 1 January 2014		<b>12,607</b>	14,127
<b>Cash and cash equivalents at 31 December 2014</b>		<b>12,139</b>	12,607

All cash flows are attributable to the operating, investing and financing activities of discontinued operations.



## Notes

### (forming part of the financial statements)

#### 1 Background and basis of preparation

Castle Street Investments plc is a company incorporated and domiciled in the UK. Its registered office is at 7 Castle Street, Edinburgh EH2 3AH.

The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 31 December 2014 or 2013. The financial information for 2013 is derived from the statutory accounts for 2013, which have been delivered to the registrar of companies. The auditor has reported on the 2013 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2014 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course.

#### 2 Exceptional costs

Exceptional costs include £1.2m for costs associated with termination of employee contracts, £1.1m for the actual or expected settlement of patent and trademark infringement claims in the US, and £0.8m for committed costs under onerous contracts, including property leases in the UK and France. See also note 11 (contingent liabilities).

#### 3 Taxation

##### Recognised in the income statement

	2014	2013
	£000	£000
Current year	(1,237)	1,503
Adjustments for prior years	466	173
Current tax (credit) /expense	(771)	1,676
Deferred tax credit	(226)	(270)
Total tax (credit) /expense	(997)	1,406
Tax (credit) /expense on sale of discontinued operations	(527)	2,887
Total tax (credit) before tax on sale of discontinued operations	(470)	(1,481)

##### Tax recognised directly in equity (i.e. not in comprehensive income)

	2014	2013
	£000	£000
Current tax recognised directly in equity	-	-
Deferred tax recognised directly in equity	-	(175)
Total tax recognised directly in equity	-	(175)

##### Reconciliation of effective tax rate

	2014	2013
	£000	£000
(Loss)/profit for the year	(10,628)	14,090
Total tax (credit)/expense	(997)	1,406
(Loss)/profit before taxation	(11,625)	15,496
Tax using the UK corporation tax rate of 21.5% (2013: 23.25%)	(2,499)	3,603
Non-deductible expenses	32	52
Under provided in prior years	466	173
Difference between book value and tax base of disposed assets	1,089	-
Share option relief	-	(22)
Difference due to profit taxed overseas	(58)	(311)
Income not taxable (gain on disposal)	-	(2,556)
Deferred tax credits written off	-	460
Other differences	(27)	7
Total tax (credit)/expense	(997)	1,406

Reductions in the UK corporation tax rate to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

#### 4 (Loss)/Earnings per share

Total Group	(Loss)/	Weighted	(Loss)/	(Loss)/	Weighted	(Loss)/
	earnings	average no.	earnings	earnings	average no.	earnings
	2014	of shares	per share	2013	of shares	per share
	£000	2014 '000	2014	£000	2013 '000	2013
<b>Basic (loss)/earnings per share</b>	(10,628)	71,202	(14.93)p	14,090	77,862	18.10p
Dilution for options		-	-		2	-
<b>Diluted (loss)/earnings per share</b>		71,202	(14.93)p		77,864	18.10p
Amortisation of intangible assets (ex R&D)	1,154			4,735		
Acquisition and restructuring costs	-			80		
Share based payments	-			175		
Loss/(gain) on disposal	7,565			(23,395)		
Tax impact of adjusted items	(775)			1,727		
<b>Adjusted (loss) for the period</b>	<b>(2,684)</b>			<b>(2,588)</b>		
Basic adjusted (loss) per share		71,202	(3.77)p		77,862	(3.32)p
Diluted adjusted (loss) per share		71,202	(3.77)p		77,864	(3.32)p

#### Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share at 31 December 2014 was based on the loss attributable to ordinary shareholders of £10,628,000 (2013: £14,090,000 profit) and a weighted average number of ordinary shares outstanding of 71,201,642 (2013: 77,862,287) calculated as follows:

Weighted average number of ordinary shares	2014 Number	2013 Number
Issued ordinary shares at start of year	83,371,971	85,091,971
Effect of share options exercised	1,649	72,719
Effect of share buyback	-	(1,570,538)
Effect of shares held in treasury	(12,171,978)	(5,731,865)
Weighted average number of ordinary shares at 31 December	<b>71,201,642</b>	<b>77,862,287</b>

#### Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share at 31 December 2014 was based on the loss attributable to ordinary shareholders of £10,628,000 (2013: £14,090,000 profit) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of nil (2013: 1,630), calculated as follows:

Weighted average number of ordinary shares (diluted)	2014 Number	2013 Number
Weighted average number of ordinary shares (basic)	71,201,642	77,862,287
Effect of share options on issue	-	1,630
Weighted average number of ordinary shares (diluted) at 31 December	<b>71,201,642</b>	<b>77,863,917</b>

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding. The measure of adjusted (loss)/earnings per share, as calculated above, is a non-statutory measure that we believe is useful to investors and is commonly used to evaluate the performance of businesses where M&A activity is significant.

## 5 Trade and other receivables

	2014 £000	2013 £000
<b>Non-current</b>		
Deferred consideration on disposal of discontinued operations	-	15,564
	<u>-</u>	<u>15,564</u>
<b>Current</b>		
Deferred consideration on disposal of discontinued operations	11,707	6,562
Prepayments and other debtors	90	1,198
Other trade receivables	177	930
	<u>11,974</u>	<u>8,690</u>

## 6 Trade and other payables

	2014 £000	2013 £000
<b>Current</b>		
Trade payables due to related parties	-	35
Other trade payables	615	1,122
Non-trade payables and accrued expenses	1,225	6,781
	<u>1,840</u>	<u>7,938</u>

## 7 Provisions

	Property £000	Legal claims £000	Redundancy £000	Other £000	Total £000
Balance at 1 January 2014	-	-	-	-	-
Provisions made during the year	588	1,140	985	429	3,142
Provisions used during the year	-	(135)	-	-	(135)
Balance at 31 December 2014	<u>588</u>	<u>1,005</u>	<u>985</u>	<u>429</u>	<u>3,007</u>
Non-current	254	-	-	-	254
Current	334	1,005	985	429	2,753

## 8 Capital and reserves

Share capital	Number
At 1 January 2013	85,091,971
Share buyback	(1,725,000)
Issued on exercise of share options	5,000
In issue at 31 December 2013 – fully paid	<u>83,371,971</u>
At 1 January 2014	83,371,971
Cancellation of shares held on treasury	(12,169,978)
In issue at 31 December 2014 – fully paid	<u>71,201,993</u>
	<b>2014</b>
	<b>2013</b>
	<b>£</b>
<i>Allotted, called up and fully paid</i>	
A Ordinary shares of 2.5p	<u>1,780,050</u>
	2,084,299
Shares classified in shareholders' funds	<u>1,780,050</u>
	2,084,299

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and the level of dividends to ordinary shareholders.

12,169,978 shares held on treasury were cancelled in December 2014. The result is that the Company has 71,201,993 ordinary shares issued and fully paid up as at the closing balance sheet date of 31 December 2014.

No further new ordinary shares have been issued since the end of the financial year to the date of this report.

### Share premium account

At 1 January 2014 and 31 December 2014	<b>£000</b> <u>18,025</u>
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### Reserves

Castle Street Investments plc has five reserves other than share capital, namely the foreign currency translation reserve, share options reserve, capital redemption reserve, retained earnings, and merger reserve (where the difference between the consideration paid and the capital of the acquiree on any common control transaction is reflected).

	Foreign currency translation reserve £000	Share options reserve £000	Capital redemption reserve £000	Retained earnings £000	Merger reserve £000	Total £000
At 1 January 2013	(373)	1,447	-	13,318	(1,261)	13,131
Profit for the year	-	-	-	14,090	-	14,090
Dividends paid	-	-	-	(2,502)	-	(2,502)
Charge for the year	-	175	-	-	-	175
Deferred tax on share based payments	-	(175)	-	-	-	(175)
Share buyback	-	-	43	(2,985)	-	(2,942)
Shares held in treasury	-	-	-	(9,028)	-	(9,028)
Transfer to profit and loss reserve	-	(812)	-	812	-	-
Exchange rate differences	203	-	-	-	-	203
At 31 December 2013	(170)	635	43	13,705	(1,261)	12,952
Loss for the year	-	-	-	(10,628)	-	(10,628)
Dividends paid	-	-	-	(2,136)	-	(2,136)
Cancellation of shares held in treasury	-	-	304	-	-	304
Transfer to profit and loss reserve	-	(635)	-	635	-	-
Exchange rate differences	2	-	-	-	-	2
At 31 December 2014	<b>(168)</b>	<b>-</b>	<b>347</b>	<b>1,576</b>	<b>(1,261)</b>	<b>494</b>

### Dividends

The following dividends were recognised during the period:

	<b>2014</b> <b>£000</b>	2013 £000
2012 final dividend	-	2,502
2013 final dividend	<b>2,136</b>	-
Total	<b>2,136</b>	2,502

## 9 Principal risks and uncertainties

The directors believe that the principal risks and uncertainties of the business are:

### *Deferred consideration*

At the balance sheet date, there is a deferred consideration receivable of £12.2m in relation to the disposal of the casual assets in July 2013 and the disposal of the traditional assets in December 2014. There is a risk that the full amount due is not received, but the Group has applied a discount of £0.5m to the gross amount to reflect the perceived default risk. The full amount due is also secured on the assets of the purchaser and a further £1m is held in escrow.

### *Provisions and other amounts payable relating to discontinued business*

At the balance sheet date the Directors have made provisions and recorded payables which due to their nature are judgemental. While the provisions reflect the Directors' best estimates of the likely outflow of funds there is a risk that additional amounts may be payable in a worst case scenario.

## 10 Discontinued operations

The assets disposed of were as follows:

	Casual Assets £000	Traditional Assets £000	Total Assets £000
Intangible assets	-	3,968	3,968
Property, plant and equipment	-	208	208
Other	-	(7)	(7)
Deferred taxation	-	(418)	(418)
Net identifiable assets and liabilities	-	3,751	3,751
Consideration received, satisfied in cash	-	2,250	2,250
Expenses of sale	-	(570)	(570)
Net proceeds	-	1,680	1,680
Net cash inflow in respect of disposals	-	1,680	1,680
Net proceeds cash	-	1,680	1,680
Deferred consideration	-	750	750
Total net proceeds	-	2,430	2,430
Reduction in deferred consideration for 2013 disposal	(7,500)	-	(7,500)
Related discount on reduction in casual dating consideration	1,799	-	1,799
Discounting of future cash flows	(543)	-	(543)
	(6,244)	2,430	(3,814)
Loss on disposal (before tax)	(6,244)	(1,321)	(7,565)

The total tax credit attributable to the disposal of all discontinued operations amounts to £527,000.

## 11 Contingent liabilities

Following the disposal of the dating assets of the business in 2013 and 2014 and the resulting cessation of trade, the Directors have made estimations of liabilities associated with the settlement of patent and trademark infringement claims, labour disputes, onerous lease contracts, legal and warranty claims, and taxation. In each of these matters some degree of judgement has necessarily been applied and where appropriate the Directors have sought external advice. The Directors estimate that the maximum amount of any additional liabilities is £4.0m but are confident they will be settled within the amounts provided in the financial statements.

## 12 Posting of report and accounts

The Report and Accounts will be published around 26 March 2015 on the Company's website:

[castlestreetinvestments.com/investors/results-reports/](http://castlestreetinvestments.com/investors/results-reports/)