

Date: 15 September 2015

On behalf of: Castle Street Investments plc ('Castle Street Investments', the 'Company' or the 'Group')

## Castle Street Investments plc

### Half Yearly Report

Castle Street Investments plc (AIM: CSI), today announces its unaudited half-year results for the six months ended 30 June 2015 ("H1 2015").

#### Period highlights

- Operating profit of £1.5m (H1 2014: loss £4.2m)
- Profit after tax of £1.6m (H1 2014: loss £2.4m)
- Earnings per share of 2.30p (H1 2014: loss 3.31p)
- Strong cash position of £18m at 30 June 2015 (31 Dec 2014: £12.1m) plus deferred consideration of £4.8m receivable in instalments by December 2015.

#### Post period highlights

- A further £2.7m of deferred consideration has been received since 30 June 2015
- Net cash at the end of December 2015, expected to be in excess of £21.5m, 30.5p per share
- Capital reduction approved on 28 August 2015
- Distributable reserves anticipated to be in excess of £21m by December 2015

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

*"We have continued to make strong progress in closing out our liabilities on favourable terms, thereby preserving cash for shareholders. Accordingly, the Directors anticipate that the Company's cash balance at December 2015, net of liabilities, is likely to be in excess of £21.5m. On this basis, estimated net cash balances at the year-end would represent 30.5p per share. With the reduction of capital approved we will have distributable reserves in excess of £21m.*

*We continue to evaluate acquisition targets in line with our stated investment policy, as an alternative to a cash distribution to shareholders."*

#### For further information please contact:

##### Castle Street Investments plc

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Further information on the Company can be found at [www.castlestreetinvestments.com](http://www.castlestreetinvestments.com).

## **Chairman's Statement**

### **Introduction**

Since the completion of the disposal of our Traditional Dating assets in December 2014 we have been focused on ensuring a smooth exit from the dating business and related liabilities and on 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. Outgoings are being kept to a minimum and significant progress has been made in closing the various of its liabilities on satisfactory terms, thereby preserving cash for shareholders. The Directors anticipate that the Company's cash balance at December 2015, net of liabilities, is likely to be in excess of £21.5m. On this basis, estimated net cash balances at the year-end would represent 30.5p per share.

We continue to evaluate acquisition targets in line with our stated investment policy, as an alternative to a cash distribution to shareholders. In the absence of identifying one or more suitable investment opportunities, we anticipate bringing a proposal to shareholders for an initial distribution before the end of December 2015.

### **Financial Review**

Following the disposal of the trading assets in December 2014 revenue for the Group was insignificant. A profit before tax of £2m reflected the success in closing out historic liabilities. Provisions of £1.6m established in December in respect of US legal claims and UK property costs were released in the period being no longer required.

Financial income of £0.5m is largely due to the financial discount on the proceeds of sale of the casual dating business which unwinds as the terms of the deferred consideration are fulfilled. £6.7m of deferred consideration has been received in line with the agreed schedule.

Trade and other receivables of £4.7m relate to the remaining deferred consideration.

Provisions fell to £0.4m (December 2014: £3m) with £0.9m of costs absorbed and the balance released.

### **Events after the balance sheet date**

A further £2.7m of deferred consideration has been received on schedule since June 2015. In addition the tax repayment has been received as expected. A number of smaller liabilities have been resolved and residual provisions are now c £0.2m.

The application to cancel the share premium account and the capital redemption reserve was heard by the Court and approved on 28 August 2015. Consequently, as at the end of August the Company had distributable reserves of £21.5m. A Company balance sheet as at 31 August is attached by way of illustration.

**Bill Dobbie**

*Chairman*

**Castle Street Investments plc**  
**Interim Results FY2015**  
**Consolidated interim statement of comprehensive income**

<i>Six months ended 30 June 2015</i> <i>Unaudited</i>	Discontinued Total H1 2015 £000	Discontinued Total H1 2014 £000
<b>Revenue</b>	88	7,177
Cost of sales	(31)	(8,416)
Gross profit/ (loss)	57	(1,239)
Administrative expenses	1,492	(2,926)
Operating profit/(loss)	1,549	(4,165)
Analysed as:		
Earnings before interest, tax, depreciation, amortisation, share based payments, and exceptional costs	(135)	(2,824)
Share based payments	-	(11)
Depreciation of plant and equipment	-	(123)
Amortisation of intangible assets	-	(1,207)
Release of exceptional cost provision	1,684	-
Financial income	467	1,125
Gain on sale of tangible assets	11	-
Profit/(loss) before taxation	2,027	(3,040)
Taxation (charge)/ credit	(391)	683
Profit/(loss) for the period after taxation	1,636	(2,357)
<b>Other comprehensive income:</b>		
Items that are or may be classified subsequently to profit or loss:		
Foreign exchange translation differences – equity accounted investments	9	(79)
<b>Profit/(loss) for the period and total comprehensive income all attributable to equity holders of the parent</b>	<b>1,645</b>	<b>(2,436)</b>
Basic and diluted earnings per share		
Basic (p per share)	2.30	(3.31)
Diluted (p per share)	2.30	(3.31)

Castle Street Investments plc  
Interim Results FY2015  
Consolidated interim statement of financial position at 30 June 2015

	Unaudited H1 2015 £000	Unaudited H1 2014 £000	Audited FY 2014 £000
<b>Non-current assets</b>			
Plant and equipment	-	348	-
Intangible assets	-	4,167	-
Trade and other receivables	-	11,749	-
	-	16,264	-
<b>Current assets</b>			
Trade and other receivables	4,760	10,969	11,974
Taxation	557	1,276	1,033
Cash and cash equivalents	17,954	11,355	12,139
	23,271	23,600	25,146
<b>Total assets</b>	<b>23,271</b>	<b>39,864</b>	<b>25,146</b>
<b>Current liabilities</b>			
Trade and other payables	936	8,675	1,840
Provisions	391	-	2,753
	1,327	8,675	4,593
<b>Non-current liabilities</b>			
Deferred tax liabilities	-	553	-
Provisions	-	-	254
	-	553	254
<b>Total liabilities</b>	<b>1,327</b>	<b>9,228</b>	<b>4,847</b>
<b>Net assets</b>	<b>21,944</b>	<b>30,636</b>	<b>20,299</b>
<b>Equity attributable to equity holders of the parent</b>			
Called up share capital	1,780	2,084	1,780
Share premium account	18,025	18,025	18,025
Share options reserve	-	11	-
Foreign currency translation reserve	(159)	(249)	(168)
Merger reserve	(1,261)	(1,261)	(1,261)
Capital redemption reserve	347	43	347
Retained earnings	3,212	11,983	1,576
<b>Total equity</b>	<b>21,944</b>	<b>30,636</b>	<b>20,299</b>

Castle Street Investments plc

Interim Results FY2015

Consolidated interim statement of changes in equity for the six months ended 30 June 2015

	Share capital	Share premium	Share options reserve	Retained earnings	Foreign currency translation reserve	Merger reserve	Capital redemption reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2014	2,084	18,025	635	13,705	(170)	(1,261)	43	33,061
<b>Total comprehensive income for the period</b>								
Loss for the period	-	-	-	(2,357)	-	-	-	(2,357)
Exchange rate differences	-	-	-	-	(79)	-	-	(79)
<b>Transactions with owners recorded directly in equity</b>								
Charge for the year	-	-	11	-	-	-	-	11
Cancellation of options	-	-	(635)	635	-	-	-	-
At 30 June 2014	2,084	18,025	11	11,983	(249)	(1,261)	43	30,636
<b>Total comprehensive income for the period</b>								
Loss for the period	-	-	-	(8,271)	-	-	-	(8,271)
Exchange rate differences	-	-	-	-	81	-	-	81
<b>Transactions with owners recorded directly in equity</b>								
Charge for the year	-	-	(11)	-	-	-	-	(11)
Dividends paid	-	-	-	(2,136)	-	-	-	(2,136)
Cancellation of shares held in treasury	(304)	-	-	-	-	-	304	-
At 31 Dec 2014	1,780	18,025	-	1,576	(168)	(1,261)	347	20,299
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	1,636	-	-	-	1,636
Exchange rate differences	-	-	-	-	9	-	-	9
At 30 June 2015	1,780	18,025	-	3,212	(159)	(1,261)	347	21,944

**Castle Street Investments plc****Interim Results FY2015****Consolidated interim cash flow statement for the six months ended 30 June 2015**

	Unaudited H1 2015 £000	Unaudited H1 2014 £000	Audited FY 2014 £000
Profit/(loss) for the period	1,636	(2,357)	(10,628)
<i>Adjustments for:</i>			
Depreciation and amortisation	-	1,330	2,234
Financial income	(467)	(1,125)	(2,148)
Equity settled share-based payment expenses	-	11	-
Taxation	391	(683)	(997)
Loss on disposal of discontinued activities	-	-	7,565
Gain on disposal of property, plant and equipment	(11)	-	-
Other reserve movements	9	(79)	2
	1,558	(2,903)	(3,972)
Decrease in trade and other receivables	214	120	1,863
(Decrease)/ increase in trade and other payables	(906)	738	(6,096)
(Decrease)/increase in provisions	(2,616)	-	3,007
	(1,750)	(2,045)	(5,198)
Tax recovered /(paid)	85	(1,069)	(638)
Net cash from operating activities	(1,665)	(3,114)	(5,836)
<i>Cash flow from investing activities</i>			
Interest received	52	41	73
Acquisition of plant and equipment	-	(49)	(57)
Capitalised development expenditure	-	(599)	(1,171)
Acquisition of other intangible assets	-	(57)	(80)
Proceeds from sale of discontinued operations 2014	750	-	1,680
Proceeds from sale of discontinued operations 2013	6,667	2,526	7,000
Proceeds from sale of property, plant and equipment	11	-	59
Net cash from investing activities	7,480	1,862	7,504
<i>Cash flows from financing activities</i>			
Dividends paid	-	-	(2,136)
Net cash used in financing activities	-	-	(2,136)
Net increase/(decrease) in cash and cash equivalents	5,815	(1,252)	(468)
Cash and cash equivalents at 1 January 2015	12,139	12,607	12,607
Cash and cash equivalents at 30 June 2015	17,954	11,355	12,139

**Castle Street Investments plc****Interim Results FY2015****Notes to the Interim Statements**

## 1. Basis of preparation

The interim financial statements set out above contain the interim financial information of Castle Street Investments plc (the "Company") for the six month period ended 30 June 2015. The interim financial statements are prepared by applying the recognition and measurement requirements of IFRSs as adopted by the EU. The Company has elected not to prepare the interim statements in accordance with IAS 34 as adopted by the EU. The interim statements do not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the company as at and for the year ended 31 December 2014 which were prepared in accordance with IFRS as adopted by the EU.

These interim financial statements were authorised for issue by the Board of Directors on 15 September 2015. A copy of this half-yearly financial report is available on the Company's website at [www.castlestreetinvestments.com](http://www.castlestreetinvestments.com).

Where shown, the comparative figures for the financial year ended 31 December 2014 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor 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 interim financial information for the six month period ended 30 June 2015 and the six month period ended 30 June 2014 is unaudited. This statement has not been reviewed by the Company's auditor.

The Group's projections, taking into account all risks and uncertainties indicate that the Group will continue to be self-funding. As a result, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## 2. Earnings per share

	Earnings	Weighted average no. of shares	Earnings per share Pence	Earnings	Weighted average no. of shares	Earnings per share Pence
	H1 2015	H1 2015	H1 2015	H1 2014	H1 2014	H1 2014
	£000	'000		£000	'000	
<b>Basic earnings/(loss) per share</b>	1,636	71,202	2.30	(2,357)	71,201	(3.31)
Dilution for options	-	-	-	-	-	-
<b>Diluted earnings/(loss) per share</b>	1,636	71,202	2.30	(2,357)	71,201	(3.31)
Adjustments:						
Amortisation of intangible assets (ex R&D)	-			804		
Share based payments	-			11		
Release of exceptional cost provisions	(1,684)			-		
Tax impact of adjusted items	362			(175)		
<b>Adjusted earnings/(loss) for the period</b>	314			(1,717)		
Adjusted basic earnings/(loss) per share	314	71,202	0.44	(1,717)	71,201	(2.41)
<b>Adjusted diluted earnings/(loss) per share</b>	314	71,202	0.44	(1,717)	71,201	(2.41)

The measure of adjusted earnings per share, as calculated above, is a non-statutory measure, which we believe is useful to investors and is commonly used to evaluate the performance of businesses where M&A activity is significant.

# **Castle Street Investments plc**

Parent company unaudited interim  
financial statements

Registered number SC368538

31 August 2015



**Castle Street Investments plc**  
**Parent company balance sheet (unaudited)**

*At 31 August 2015*

	<i>Note</i>	<b>31 Aug 2015</b>	31 Dec 2014
		<b>£000</b>	£000
<b>Non-current assets</b>			
Investments	3	1,108	1,108
		<hr/>	<hr/>
		<b>1,108</b>	1,108
		<hr/>	<hr/>
<b>Current assets</b>			
Trade and other receivables	4	3,039	12,101
Cash and cash equivalents		19,280	11,963
Tax recoverable		436	720
		<hr/>	<hr/>
		<b>22,755</b>	24,784
		<hr/>	<hr/>
<b>Total assets</b>		<b>23,863</b>	25,892
		<hr/> <hr/>	<hr/> <hr/>
<b>Current liabilities</b>			
Trade and other payables	6	1,717	10,411
Provisions	5	151	2,444
		<hr/>	<hr/>
		<b>1,868</b>	12,855
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Provisions	5	-	226
		<hr/>	<hr/>
		-	226
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>1,868</b>	13,081
		<hr/> <hr/>	<hr/> <hr/>
<b>Net assets</b>		<b>21,995</b>	12,811
		<hr/> <hr/>	<hr/> <hr/>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	7	1,780	1,780
Share premium	7	-	18,025
Capital redemption reserve	7	-	347
Retained earnings	7	21,476	(6,080)
Merger reserve	7	(1,261)	(1,261)
		<hr/>	<hr/>
<b>Total equity</b>		<b>21,995</b>	12,811
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 15 September 2015 and were signed on its behalf by:

**Niall Stirling**

*Director*

Company registered number: SC368538

## Notes to the unaudited interim parent company financial statements (forming part of the financial statements)

### 1 Background and basis of preparation

The accounts have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board have reviewed the Company's projections for the next twelve months and beyond, including cash flow forecasts and regulatory capital surpluses.

As a result of this review the Directors have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

### 2 Accounting policies

Refer to the parent company financial statements contained within Castle Street Investments plc 2014 Annual Report for the accounting policies applied during the periods.

### 3 Investments in subsidiaries

	<b>£000</b>
At 1 January 2015 and 31 August 2015	1,108

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership	
			2015	2014
Castle Digital Services Inc	USA	Ordinary	<b>100%</b>	100%
Cupid.com Inc	USA	Ordinary	<b>100%</b>	100%
Assistance Genie Logiciel	France	Ordinary	<b>100%</b>	100%
Global Digital Corporation Limited	Scotland	Ordinary	<b>100%</b>	100%
Hooya Digital Limited	Cyprus	Ordinary	<b>100%</b>	100%
Yarra Digital Limited	Cyprus	Ordinary	<b>100%</b>	100%
EZD Digital Limited	Cyprus	Ordinary	<b>100%</b>	100%
Frindr Limited	England	Ordinary	<b>100%</b>	100%
Tangle Labs Limited	England	Ordinary	<b>100%</b>	100%
Cupid Labs Limited	Scotland	Ordinary	<b>100%</b>	100%

### 4 Trade and other receivables

	<b>2015</b>	2014
	<b>£000</b>	£000
<b>Current</b>		
Inter-company balances	<b>87</b>	8,709
Other trade receivables	<b>24</b>	149
Prepayments and other debtors	-	74
Deferred consideration on disposal of discontinued operations	<b>2,928</b>	3,169
	<b>3,039</b>	12,101

## Notes to the unaudited interim parent company financial statements *(continued)*

### 5 Provisions

<b>Due within one year</b>	<b>Property £000</b>	<b>Legal claims £000</b>	<b>Redundancy £000</b>	<b>Other £000</b>	<b>Total £000</b>
Balance at 1 January 2015	269	1,005	741	429	2,444
Provisions used or released during the period	(269)	(1,005)	(725)	(294)	(2,293)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 August 2015	-	-	16	135	151
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Due after one year</b>	<b>Property £000</b>	<b>Legal claims £000</b>	<b>Redundancy £000</b>	<b>Other £000</b>	<b>Total £000</b>
Balance at 1 January 2015	226	-	-	-	226
Provisions used or released during the period	(226)	-	-	-	(226)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 August 2015	-	-	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### Provisions and other amounts payable relating to discontinued business in 2014

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.

### 6 Trade and other payables

	<b>2015 £000</b>	<b>2014 £000</b>
<b>Current</b>		
Inter-company balances	<b>1,167</b>	8,894
Other trade payables	<b>9</b>	457
Non-trade payables and accrued expenses	<b>541</b>	1,060
	<hr/>	<hr/>
	<b>1,717</b>	10,411
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the unaudited interim parent company financial statements *(continued)*

### 7 Capital and reserves

#### Share capital

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
In issue at 31 December 2014 and 31 August 2015 – fully paid		71,201,993
		<u>                    </u>
<i>Allotted, called up and fully paid</i>		
A Ordinary shares of 2.5p	<b>1,780</b>	1,780
	<u>                    </u>	<u>                    </u>
Shares classified in shareholders' funds	<b>1,780</b>	1,780
	<u>                    </u>	<u>                    </u>

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.

#### Share premium account

	<b>£000</b>
At 1 January 2015	18,025
Capital reduction	(18,025)
	<u>                    </u>
At 31 August 2015	-
	<u>                    </u>

At a general meeting on 23 December 2014 shareholders passed a special resolution approving a reduction of capital and the cancellation of the share premium account and capital redemption reserve. This was confirmed by an Order in the Court of Sessions, Scotland on 27 August 2015, and registered with Companies House on 28 August 2015.

#### Reserves

Castle Street Investments plc has two reserves other than share capital, namely 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).

	<b>Capital redemption reserve</b>	<b>Retained earnings</b>	<b>Merger reserve</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 31 December 2014	347	(6,080)	(1,261)	(6,994)
Profit for the period	-	9,184	-	9,184
Capital reduction	(347)	18,372	-	18,025
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
At 31 August 2015	-	<b>21,476</b>	<b>(1,261)</b>	<b>20,215</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>