Castle Street Investments plc
(formerly Cupid plc)

Annual report and financial statements

Registered number SC368538

31 December 2014

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Company profile

- 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

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

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

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:

	2014
	£m
(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)
(Loss) for the financial year after taxation	**(10.6)**

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[1] 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 other direct costs and administrative expenses were reduced by £7.2m (51%) and consequently the adjusted EBITDA loss improved to £3.1m (FY 2013: loss £7.4m).

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

[1] Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, share based payments, acquisition 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 a further £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 2014 disposal less costs plus receipts from Grendall in respect of the 2013 disposal. £1.2m was capitalised in respect of software development (FY2013: £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 December 5th 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.

Niall Stirling
Chief Financial Officer

Board of directors

Bill Dobbie – Non-Executive Chairman

Bill founded the Company and following seven years as Chief Executive Officer was initially appointed Non-Executive Director in December 2013 and then Chairman in February 2015. Bill is an experienced entrepreneur and director specialising in internet, telecoms and technology businesses. He has led a number of successful private equity funded businesses and recently retired from a seven year spell at Iomart PLC (IOM) spanning founder to non-executive positions. Bill has been a director of Demon Internet, Prestel, Teledata, Scottish Telecom (Thus) and several other companies. His early career was with Unisys in the UK and Australia. Bill is currently a non-executive director of Maxymiser Ltd, a provider of online marketing software and services, and Tag-Games Ltd.
Bill has an Honours degree in Pure Mathematics from the University of St. Andrews, and an MBA from the University of Glasgow. Bill serves on the Audit Committee and chairs the Remuneration Committee.

Niall Stirling - Chief Financial Officer and Company Secretary

Niall joined Castle Street Investments plc as CFO on 3 January 2013. He brings over 20 years' experience in senior financial and operational roles in branded consumer businesses in the UK, US and across Europe. Having trained with Ernst & Young he worked at Coca-Cola Schweppes and then as Finance Director Brands for Highland Distillers, owners of The Famous Grouse and The Macallan. As Commercial Director at Maxxium he successfully set up what was then a new joint venture, a premium drinks distributor turning over £300m. He then spent five years with Red Bull, including two years as CFO of Red Bull North America Inc. Prior to joining Castle Street Investments Niall spent four years as CFO and then Executive Director of Operations of the Performing Rights Society. Niall has an MA in Pure Mathematics from the University of St Andrews and is a Scottish CA.

Max Royde - Non-Executive Director

Max was appointed to the Board on 2 February 2015.
Max is a Partner at Kestrel Partners LLP, a smaller company fund management business. He is also a non-executive director of Gresham Computing plc. Max serves on the Remuneration Committee and chairs the Audit Committee.

Corporate governance report

The Board of Directors ("The Board") acknowledges the importance of the principles set out in The Combined Code on Corporate Governance as applicable under the Listing Rules of the UK Listing Authority (the "Code"). Although the Code is not compulsory for AIM listed companies and the Board has not adopted the Code, the Board recognises the importance of good corporate governance practices and has therefore modelled its governance principles having regard to the principles set out in the Code. This Report and the Remuneration Committee Report summarises the Board's approach to corporate governance.

The Board

The Company requires to have an effective Board whose role is to develop strategy and provide leadership to the Company as a whole, as well as ensuring a framework of controls exist which allow for the identification, assessment and management of risk, ultimately taking collective responsibility for the success of the Company.
Through the leadership of the Chairman, the Board sets the Company's strategic goals, ensuring obligations to shareholders are met. There is a formal schedule of matters reserved for the Board for decision, which include approval of Group strategy, annual budgets and business plans, acquisitions, disposals, business development, annual reports, interim statements, and any significant funding and capital expenditure plans.
The Board met nineteen times during the year, eleven for scheduled meetings and eight unscheduled additional meetings, to discuss and agree on the various matters brought before it, including trading results. The Company has a highly committed and experienced Board, which is supported by a senior management team, with the qualification and experience necessary for the running of the Group. In addition, there is regular communication between Executive and Non-Executive Directors, where appropriate, to update the Non-Executive Directors on matters requiring attention prior to the next Board meeting. The Non-Executive Directors meet at least annually without Executive Directors being present and further meet annually without the Chairman present. Through these and the measures outlined below, the Board believes it has met its requirements in this area.

Role of the Chairman and Chief Executive Officer

The Board has determined that there should be a clear division of responsibilities between the running of the Board and the executive responsible for the Company's business, so as to ensure that no one person has unrestricted powers of decision-making. The Board has met this requirement by establishing clearly defined and well understood roles for Bill Dobbie as Chairman of the Company, and the Chief Executive Officer. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once strategic and financial objectives have been agreed by the Board, it is the Chief Executive Officer's responsibility to ensure they are delivered upon. To facilitate this, the Chief Executive Officer chairs the Group's Executive Board which additionally comprises the Chief Financial Officer and the Senior Management Team. The day-to-day operation of the Group's business is managed by this Board, subject to clearly defined authority limits. The Chairman, Bill Dobbie, holds other directorships, as detailed in his biography. The Board has considered the time commitment required by his other roles and has concluded that they do not detract from his chairmanship of the Company.

Composition of and appointments to the Board

The Board has determined that there should be a balance of Executive and Non-Executive Directors and when appointing new Directors to the Board that there should be a formal, rigorous and transparent procedure.
As at 31 March 2015 the Board comprised a Non-Executive Chairman, Chief Financial Officer, and one Non-Executive Director. During the year to 31 December 2014 several Board changes took place: on 24 December 2014 Ian McCaig and Russ Shaw resigned as Non-Executive Directors; and on 5 February 2015 Max Royde was appointed Non-Executive Director, George Elliott resigned as Chairman and Non-Executive Director and Bill Dobbie was appointed Chairman. Phil Gripton resigned as Chief Executive Officer on 27 March 2015. Short biographies of the directors are given on page 5.

The Board is satisfied with this balance between Executive and Non-Executive Directors. The Board considers that its composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between Executive and Non-Executive Directors.
Each member of the Board brings different experience and skills to the Board and its various committees. The Board composition is kept under review as this mix of skills and business experience is a major contributor to the proper functioning of the Board, helping to ensure matters are fully debated and that no individual or group dominates the Board decision-making process.

Corporate governance report *(continued)*

Composition of and appointments to the Board *(continued)*

When a new appointment to the Board is made, consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition. A formal process is then undertaken, usually involving external recruitment agencies, with appropriate consideration being given, in regards to Executive appointments, to internal and external candidates. Before undertaking the appointment of a Non-Executive Director, the Chairman establishes that the prospective Director can give the time and commitment necessary to fulfil their duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times.

Information and development

Information of a sufficient quality should be supplied to the Board in a timely manner. The Chairman, in conjunction with the Company Secretary, agrees Board agendas and ensures the Board is supplied with information that is timely, accurate and clear on all aspects of the Company's business, thereby enabling the Board to fulfil its duties.
The Chairman is responsible for ensuring that all the Directors continually update their skills, knowledge and familiarity with the Group in order to fulfil their role on the Board and the Board's committees. Updates dealing with changes in legislation and regulation relevant to the Group's business are provided to the Board by the Company Secretary/Chief Financial Officer and through the Board committees.
All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring the Board procedures are properly complied with and that the discussions and decisions are appropriately minuted. Directors may seek independent professional advice at the Company's expense in furtherance of their duties as Directors.
Training in matters relevant to their role on the Board is available to all Board Directors. New directors are provided with an induction in order to introduce them to the operations and management of the business.

Performance Evaluation

The Board undertakes a formal and rigorous evaluation of its own performance annually and that of its committees and individual Directors. In 2014 the performance of the Board was reviewed formally by the Chairman by means of a detailed questionnaire the results of which are collated and presented to the Board. This evaluation included a review of the performance of individual Directors, the Chairman and Board committees. It was concluded that the composition of the Board should be reviewed in early 2015.

Re-election

The Board has determined that directors should offer themselves for re-election at regular intervals and under the Company's Articles of Association, at every Annual General Meeting, at least one third of the directors who are subject to retirement by rotation, are required to retire and may be proposed for re-election. In addition, any director who was last appointed or re-appointed three years or more prior to the AGM is required to retire from office and may be proposed for re-election. Such retirement will count in obtaining the number required to retire at the AGM. New directors, who were not appointed at the previous AGM, automatically retire at their first AGM and, if eligible, can seek re-appointment. Two directors will retire from office at the Company's forthcoming AGM and stand for re-appointment.

Corporate governance report *(continued)*

Board Committees

The Board has established two committees to deal with specific aspects of the Board's affairs: Audit and Remuneration Committees. The terms of reference of these committees are available on request from the Company.
The committees review their terms of reference and their effectiveness annually and, if necessary, recommend any changes to the Board. The minutes of the committee meetings are available to all directors and oral updates are given at Board meetings.

The Audit Committee

The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to the internal and external audits and controls. The committee met twice during the year for scheduled meetings and comprises Bill Dobbie and Max Royde. The Chief Financial Officer, Chief Executive Officer and other senior management attend meetings by invitation and the committee also meets the external auditors without management present. The Audit Committee is chaired by Max Royde.
During the year, the Audit Committee, operating under its terms of reference, discharged its responsibilities, including reviewing and monitoring:

- interim and annual reports, information including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- developments in accounting and reporting requirements;
- external auditors' plans for the year-end audit of the Company and its subsidiaries;
- the committee's effectiveness;
- the Risks and Controls Report covering the systems of internal control and their effectiveness, reporting and making new recommendations to the Board on the results of the review and receiving regular updates on key risk areas of financial control;
- the requirements or otherwise for an internal audit function;
- the performance and independence of the external auditors concluding in a recommendation to the Board on the reappointment of the auditors by shareholders at the Annual General Meeting. The auditors provide annually a letter to the committee confirming their independence and stating the methods they employ to safeguard their independence;
- non-audit fees charged by the external auditors; and
- the formal engagement terms entered into with the external auditors.

During the year, the committee considered the requirement for internal audit and concluded, due to the current size and complexity of the Company, that a formal internal audit function was not required.
Under its terms of reference the Audit Committee is responsible for monitoring the independence, objectivity and performance of external auditors, and for making a recommendation to the Board regarding the appointment of external auditors on an annual basis. The Group's external auditors, KPMG LLP, were first appointed as external auditor of the Company for the period ended 31 December 2009.
The Audit Committee has also implemented procedures relating to the provision of non-audit services by the Company auditors, which include requiring non-audit work and any related fees over and above a de-minimis level to be approved in advance by the Chairman of the Audit Committee.

Corporate governance report *(continued)*

The Remuneration Committee
The Remuneration Committee comprises Bill Dobbie and Max Royde. It is usual for the Chief Executive Officer to be invited to attend meetings except where matters under review by the committee relate to him. The committee met five times during the year for scheduled meetings. The Remuneration Committee is chaired by Bill Dobbie.

The committee has responsibility for making recommendations to the Board on the remuneration packages of the Executive Directors, and monitoring the level and structure of remuneration for senior management, including:
- making recommendations to the Board on the Company's policy on directors' and senior staff remuneration, and to oversee long term incentive plans (including share option schemes);
- ensuring remuneration is both appropriate to the level of responsibility and adequate to attract and/or retain Directors and staff of the calibre required by the Company; and
- ensuring that remuneration is in line with current industry practice.

In addition, the committee reviews the Board structure and size and evaluates Executive Director succession plans.

Attendance at Board and Committee Meetings
Attendances of directors at Board and committee meetings convened in the year, and which they were eligible to attend, are set out below:

	Board	**Remuneration Committee**	**Audit Committee**
Number of meetings in year	19	5	2
George Elliott – Non-Executive Chairman	17/19	5/5	2/2
Bill Dobbie – Non-Executive Director	18/19		
Ian McCaig – Non-Executive Director	18/19	4/5	2/2
Russell Shaw – Non-Executive Director	17/19	5/5	2/2
Niall Stirling – Chief Financial Officer	18/18		
Phil Gripton – Chief Executive Officer	18/18		

Internal control and risk management
The directors are responsible for the Group's system of internal control and have established systems to ensure that an appropriate level of oversight and control is provided. The systems are reviewed for effectiveness annually by the Audit Committee and the Board. The Group's systems of internal control are designed to help the Company meet its business objectives by appropriately managing, rather than eliminating, the risks to those objectives. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss.
Executive Directors and senior management meet to review both the risks facing the business and the controls established to minimise those risks and their effectiveness in operation on an on-going basis. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified and appropriate action taken at an early stage.
The Board confirms that procedures to identify, evaluate and manage the significant risks faced by the Group have been in place throughout the year and up to the date of approval of the Annual Report.

Corporate governance report *(continued)*

Financial control

The annual financial plan is reviewed and approved by the Board. Financial results with comparisons to plan and forecast results are reported on monthly to the Board together with a report on operational achievements, objectives and issues encountered. Forecasts are updated monthly in the light of market developments, the underlying performance and expectations. Significant variances from plan are discussed at Board meetings and actions set in place to address them.

Approval levels for authorisation of expenditure are set and cascaded through the management structure with any expenditure in excess of predefined levels requiring approval from the Executive Directors and selected senior managers.

Quality of personnel and employee involvement

The Group is committed to attracting and retaining the highest level of personnel. It strives to do this through, amongst other things, the application of high standards in recruitment.

The Group is aware of the importance of good communication in relationships with its staff. The Group follows a policy of encouraging training and regular meetings between management and staff in order to provide a common awareness on the part of the staff of the financial and economic circumstances affecting the Company's performance. A number of employees participate in the growth of the business through the ownership of share options with many employees also participating in the Group bonus scheme.

Commitment to continuous improvement

Measures continue to be taken to review and embed internal controls and risk management procedures into the business processes of the organisation and to deal with areas of improvement which come to the management's and the Board's attention. Metrics and quality objectives continue to be actively implemented and monitored as part of a continual improvement programme.

Business ethics

The Board recognises that the Company is accountable to its shareholders and, at the same time, seeks to take into account the interests of all its stakeholders including customers, suppliers and subcontractors, employees, as well as the local community, and the environment in which it operates.

The Group maintains core values of Respect, Openness, Education, Innovation, One Team and Quality and actively promotes these values in all activities undertaken on behalf of the Group.

Customers

The Group treats all its customers with the utmost respect and seeks to be honest and fair in all relationships with them. The Group provides its customers with products of high quality.

Suppliers and subcontractors

Relationships with suppliers and subcontractors are based on mutual respect, and the Group seeks to be honest and fair in its relationships with suppliers and subcontractors, and to honour the terms and conditions of its agreements in place with such suppliers and subcontractors.

Employees

The Group recognises the importance of its employees and that the success of the Group is due to their efforts. The Group respects the dignity and rights of all its employees. The Group provides clean, healthy and safe working conditions. An inclusive working environment and a culture of openness are maintained by the regular dissemination of information. The Group endeavours to provide equal opportunities for all employees and facilitates the development of employees' skill sets. A fair remuneration policy is adopted throughout the Group.

The Group does not tolerate any sexual, physical or mental harassment of its employees. The Group operates an equal opportunities policy and specifically prohibits discrimination on grounds of colour, ethnic origin, gender, age, religion, political or other opinion, disability, or sexual orientation.

Corporate governance report *(continued)*

Community
The Group seeks to be a good corporate citizen respecting the laws of the countries in which it operates and adheres to best social practice where feasible. It aims to be sensitive to the local community's cultural, social and economic needs.

Environment
The Group recognises that the nature of its business has inherently limited impact on the environment. However, every effort is made to ensure the environmental impact of the Group's operational practices is kept to a minimum, including strict adherence to all statutory requirements. To this end, a policy of minimising and recycling waste and conserving energy is pursued.

Relations with shareholders
The Chief Executive Officer and Chief Financial Officer have, where appropriate, had regular dialogue with shareholders and analysts to discuss strategic and other issues including the Company's financial results.
The Company engages in full and open communication with both institutional and private investors and responds promptly to all queries received. In conjunction with the Company's brokers and other financial advisers all relevant news is distributed in a timely fashion through appropriate channels to ensure shareholders are able to access material information on the Company's progress. The Company's website has a section for investors, which contains all publicly available financial information and news on the Company.

Going concern
The Directors, having made suitable enquiries and analysis of the accounts, consider that the Group has adequate resources to continue in business for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. In making this assessment, the Directors have considered the Group budgets, the cash flow forecasts and associated risks.

AIM Rule compliance report
Castle Street Investments plc is quoted on AIM and as a result the Company has complied with AIM Rule 31 which requires the following:

- Have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- Seek advice from its Nominated Advisor ("Nomad") regarding its compliance with the Rules whenever appropriate and take that advice into account;
- Provide the Company's Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nominated Advisors, including any proposed changes to the Board and provision of draft notifications in advance;
- Ensure that each of the Company's directors accepts full responsibility, collectively and individually, for compliance with the AIM rules; and
- Ensure that each director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the director.

Approved by the Board of Directors and signed on behalf of the Board by:

Niall Stirling
Company Secretary

31 March 2015

Remuneration Committee report

This report sets out Castle Street Investments plc's remuneration and benefits for the financial year under review. A resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be presented for approval.

Remuneration Committee

The Company has a Remuneration Committee in accordance with the recommendations of the Combined Code. The members of the committee are Bill Dobbie and Max Royde. Each of the committee members are Non-Executive directors and none of them has any personal financial interests, other than as shareholders, in matters directly decided by this committee, nor are there any conflicts of interests arising from cross directorships or day to day involvement in the running of the business.

The Company's Chief Executive Officer often attends meetings, at the invitation of the Committee, to advise on operational aspects of implementing existing and proposed policies. The Company Secretary acts as secretary to the committee. Under the committee chairman's direction, the Chief Executive Officer and the Company Secretary have responsibility for ensuring the committee has the information relevant to its deliberations. In formulating its policies, the committee has access, as required, to professional advice from outside the Company and to publicly available reports and statistics.

The remuneration of the Non-Executive directors is determined by the Board as a whole within limits set out in the Articles of Association.

Policy

Executive remuneration packages are designed to attract, motivate and retain directors of the calibre necessary to achieve the Group's growth objectives and to reward them for enhancing shareholder value. The main elements are:

- Basic salary and benefits in kind
- Annual performance related bonus
- Share Option awards

The Company's policy is that a substantial proportion of the remuneration of Executive Directors should be performance related.

Directors' remuneration

In assessing all aspects of the package provided, the committee compares packages offered by similar AIM listed companies. The committee has designed the overall director's remuneration packages to ensure both the short and long term objectives of the Company are met and potentially exceeded and also that the Directors are incentivised to maximise return to the Company's shareholders.

The remuneration package comprises:

(i) Basic Salary

This is normally reviewed annually, usually in December, or when an individual's position or responsibilities change and is normally paid as a fixed cash sum monthly.

(ii) Annual Performance Related Bonus

Under the annual performance related bonus plan Executive Directors are eligible to earn a cash bonus payment based on targets that are set by the committee. In determining these targets, the committee's objective is to set targets that reflect challenging financial performance in the current year, but also provide for the future growth of the Group, measures adopted relate to profitability growth and personal contribution to the expansion of the business during the year.

(iii) Share Options

The Company operates the Castle Street Investments Employees' Share Option Plan ("Share Option Plan) from which, and at the discretion of the committee, Executive Directors and other employees (including senior management) may be awarded share options under this scheme.

Remuneration Committee report *(continued)*

Service contracts
The Executive Directors and the Non-Executive Directors are employed under individual employment arrangements or letters of appointment where appropriate. Details of these service contracts are set out below.

	Contract date	**Contract expiry date**	**Normal notice period**
Bill Dobbie	1 December 2013	30 November 2015	3 months
Niall Stirling	3 January 2013	23 June 2015	6 months
Max Royde	2 February 2015	1 February 2016	1 month

Directors' emoluments
For directors who held office during the course of the year, emoluments for the year ended 31 December 2014 were as follows:

	Salary/fees £	**Benefits** £	**Bonus** £	**2014 total** £	**2013 total** £
George Elliott	65,000	-	-	65,000	83,900
Bill Dobbie	37,708	-	-	37,708	199,167
Phil Gripton	229,924	17,960	40,000	287,884	70,051
Niall Stirling	178,830	7,107	40,000	225,937	234,904
Mark Doughty	-	-	-	-	78,462
Ian McCaig	47,213	-	-	47,213	45,000
Russell Shaw	47,213	-	-	47,213	45,000
Total	**605,888**	**25,067**	**80,000**	**710,955**	**756,484**

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company held by directors.

Accrued bonuses are included in the above and were approved by the Remuneration Committee.

Remuneration Committee report *(continued)*

Directors' interests in share options

The interests of the directors at 31 December 2014 in options over the ordinary shares of the Company were as follows:

Name of director	At 31/12/13	Granted	Lapsed	At 31/12/14	Exercise price	Market price at date of award	Date of grant	Date from when exercisable	Expiry date
Niall Stirling	500,000	-	(500,000)	-	£1.80	£1.80			
Phil Gripton	500,000	-	(500,000)	-	£1.80	£1.80			
Niall Stirling	-	500,000	-	500,000	£0.44	£0.44	1 May 2014	24 Dec 2014	22 June 2015
Phil Gripton	-	2,000,000	-	2,000,000	£0.44	£0.44	1 May 2014	24 Dec 2014	22 June 2015
Total	**1,000,000**	**2,500,000**	**(1,000,000)**	**2,500,000**					

The market price of the Company's shares at the end of the financial period was £0.18 and the range of prices during the period from 1 January 2014 to the end of the financial year was £0.17 to £0.70. The options became exercisable on the completion of the Disposal on 24 December 2014.

Directors' interests in shares

The interests of the directors at the end of the year in the ordinary shares of the Company at 31 December 2014, together with their interests at 31 December 2013 were as follows:

Name of director	Number of ordinary shares	
	31 December 2014	31 December 2013
George Elliott	**26,000**	26,000
Bill Dobbie	**14,676,053**	14,676,053
Niall Stirling	**7,588**	7,588
Phil Gripton	**27,333**	27,333

On behalf of the Remuneration Committee

William Dobbie

31 March 2015

Strategic report

Principal activities
The principal activity of the Company until 24 December 2014 was the development and sale of online dating services. The Company is now classified as an Investing Company.

Business review
The Companies Act 2006 requires the Company to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2014 including an analysis of the Group at the end of the financial year. The information that fulfils these requirements can be found in the following sections of the Annual Report which are incorporated into this report by reference:

- the Chairman's Statement
- the Review of Performance

Market position and products
The business is currently focused on identifying and exploiting future investment opportunities, as outlined in the Chairman's Statement.

Operational highlights and future developments
Due to changes taking place in the market, Castle Street Investments plc decided to sell its dating business during 2014. The business is currently focused on identifying and exploiting future investment opportunities, as outlined in the Chairman's Statement and the Review of Performance.

Principal risks and uncertainties
The Board has established a formal process to identify risks and uncertainties through the production and maintenance of a risk register. There are a number of potential risks and uncertainties, set out below, that have been identified as a result of this process, which could have a material impact on the Group's future performance. These are not all the risks that the Board has identified but those that the directors currently consider to be the most material. In addition to these risks note 19 contains details of financial risks.

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.

By order of the board
Niall Stirling
Director

7 Castle Street
Edinburgh
EH2 3AH

31 March 2015

Directors' report

The directors of Castle Street Investments plc (the "Company") present their Annual Report to shareholders together with the audited financial statements of Castle Street Investments plc and its subsidiaries ("the Group") for the year ended 31 December 2014. The Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results to differ from those anticipated. Nothing in this Annual Report should be construed as a profit forecast.

Directors
The directors who held office during the period were as follows:
Bill Dobbie
George Elliott (resigned 2 February 2015)
Phil Gripton (resigned 27 March 2015)
Ian McCaig (resigned 24 December 2014)
Russ Shaw (resigned 24 December 2014)
Niall Stirling
Max Royde (appointed 2 February 2015)

Company Secretary
Niall Stirling

Details of the directors and Company Secretary of the Company in office at the date of this report, and each officer's qualifications, experience and special responsibilities are set out on page 5.
The Directors have the power to manage the business of the Company, subject to the provisions of the Companies Act, The Memorandum and Articles of Association of the Company, and to any directions given by Special Resolution, including the Company's power to purchase its own shares. The Company's Articles of Association may only be amended by a Special Resolution of the Company's shareholders.
Details of the directors' service contracts and their respective notice terms are detailed in the Remuneration Committee report.

Share capital
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.
Details concerning the structure of the Company's capital can be found in note 18 to the accounts. There are no restrictions on the transfer of securities and there are no holders of securities with special rights. None of the shares held in the employee share scheme have attached rights nor are there any agreements between holders of securities.

Financial risk management policy
The Group's policies for managing financial risks and use of financial instruments are given in note 19.

Directors' report *(continued)*

Substantial Shareholders

At 31 March 2015 the following interests in 3% or more of the issued ordinary share capital had been notified to the Company:

Shareholder name	Number of ordinary shares	Percentage of issued share capital
Bill Dobbie	14,676,053	20.6%
Kestrel Partners LLP	14,450,000	20.3%
Richard Griffiths & controlled undertakings	7,844,378	11.0%
Majedie Asset Management	5,503,120	7.7%

Indemnity of directors and officers

Under the Company's Articles of Association and subject to the provisions of the Companies Act, the Company may indemnify and has indemnified all directors or other officers against liability incurred by him in the execution or discharge of his duties or exercise of his powers, including but not limited to any liability for the costs of legal proceedings where judgement is given in his favour. In addition, the Company has purchased and maintains appropriate insurance cover against legal action brought against directors and officers.

There was no qualifying pension scheme indemnity provision in force during the year for any of the directors.

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the period.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered. Training and career development, as far as possible, is treated identically for all employees. Should an employee become disabled during employment, every effort would be made to ensure that their employment continues.

Change in control

Should a change in control occur, there would be no significant agreements affected and in the event of a takeover bid, there are no agreements that provide for compensation for directors or employees.

Post year-end events

There are no post year-end events to be reported.

Dividend

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

Directors' report *(continued)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board
Niall Stirling
Director

7 Castle Street
Edinburgh
EH2 3AH

31 March 2015

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Castle Street Investments plc

We have audited the financial statements of Castle Street Investments plc for the year ended 31 December 2014 set out on pages 21 to 59. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements
In our opinion:
- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
191 West George Street
Glasgow
G2 2LJ

31 March 2015

Consolidated statement of comprehensive income

for year ended 31 December 2014

	Note	**Discontinued Total 2014 £000**	Discontinued Total 2013 £000
Revenue	*3*	**12,569**	56,060
Cost of sales		**(11,960)**	(47,216)
Gross profit		**609**	8,844
Administrative expenses		**(6,817)**	(16,813)
Operating loss		**(6,208)**	(7,969)
Analysed as:			
(Loss)/Earnings before interest, tax, depreciation, amortisation, share based payments, acquisition and restructuring costs and exceptional costs		**(873)**	475
Acquisition and restructuring costs		**-**	(80)
Share based payments		**-**	(175)
Depreciation of plant and equipment		**(233)**	(547)
Amortisation of intangible assets		**(2,001)**	(6,318)
Exceptional costs	*2*	**(3,101)**	(1,324)
Finance income		**2,148**	70
Loss before taxation		**(4,060)**	(7,899)
Taxation credit	*7*	**470**	1,481
Loss for the year after taxation		**(3,590)**	(6,418)
(Loss)/gain on disposal of discontinued activities net of tax	*24*	**(7,038)**	20,508
(Loss)/ profit for the financial year – discontinued operations		**(10,628)**	14,090
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences – equity accounted investments		**2**	203
(Loss)/ profit for the financial year and total comprehensive income all attributable to equity holders of the parent		**(10,626)**	14,293
Basic and diluted (loss) earnings per share	*8*		
Basic (p per share)		**(14.93p)**	18.10p
Diluted (p per share)		**(14.93p)**	18.10p

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company statement of comprehensive income.

There are no results relating to continuing operations.

Balance sheets
At 31 December 2014

	Note	Group		Company	
		2014	2013	**2014**	2013
		£000	£000	**£000**	£000
Non-current assets					
Property, plant and equipment	*9*	**-**	447	**-**	310
Intangible assets	*10*	**-**	4,718	**-**	1,990
Trade and other receivables	*13*	**-**	15,564	**-**	9,884
Investments	*11*	**-**	-	**1,108**	4,301
		-	20,729	**1,108**	16,485
Current assets					
Trade and other receivables	*13*	**11,974**	8,690	**12,101**	9,139
Cash and cash equivalents	*14*	**12,139**	12,607	**11,963**	11,281
Tax recoverable		**1,033**	-	**720**	-
		25,146	21,297	**24,784**	20,420
Total assets		**25,146**	42,026	**25,892**	36,905
Current liabilities					
Trade and other payables	*16*	**1,840**	7,938	**10,411**	14,285
Provisions	*15*	**2,753**	-	**2,444**	-
Tax payable		**-**	383	**-**	1,285
		4,593	8,321	**12,855**	15,570
Non-current liabilities					
Deferred tax liabilities	*12*	**-**	644	**-**	55
Provisions	*15*	**254**	-	**226**	-
		254	644	**226**	55
Total liabilities		**4,847**	8,965	**13,081**	15,625
Net assets		**20,299**	33,061	**12,811**	21,280
Equity attributable to equity holders of the parent					
Share capital	*18*	**1,780**	2,084	**1,780**	2,084
Share premium	*18*	**18,025**	18,025	**18,025**	18,025
Share options reserve	*18*	**-**	635	**-**	635
Capital redemption reserve	*18*	**347**	43	**347**	43
Retained earnings	*18*	**1,576**	13,705	**(6,080)**	1,754
Foreign currency translation reserve	*18*	**(168)**	(170)	**-**	-
Merger reserve	*18*	**(1,261)**	(1,261)	**(1,261)**	(1,261)
Total equity		**20,299**	33,061	**12,811**	21,280

These financial statements were approved by the board of directors on 31 March 2015 and were signed on its behalf by:

Niall Stirling
Director
Company registered number: SC368538

Statements of changes in equity

Group	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
Balance at 1 January 2013	2,127	18,021	1,447	-	13,318	(373)	(1,261)	33,279
Total comprehensive income for the year								
Profit for the year	-	-	-	-	14,090	-	-	14,090
Exchange rate differences	-	-	-	-	-	203	-	203
Transactions with owners recorded directly in equity								
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)
Balance at 31 December 2013	**2,084**	**18,025**	**635**	**43**	**13,705**	**(170)**	**(1,261)**	**33,061**
Total comprehensive income for the year								
Loss for the year	-	-	-	-	(10,628)	-	-	(10,628)
Exchange rate differences	-	-	-	-	-	2	-	2
Transactions with owners recorded directly in equity								
Dividends paid	-	-	-	-	(2,136)	-	-	(2,136)
Cancellation of options	-	-	(635)	-	635	-	-	-
Cancellation of shares held in treasury	(304)	-	-	304	-	-	-	-
Balance at 31 December 2014	**1,780**	**18,025**	**-**	**347**	**1,576**	**(168)**	**(1,261)**	**20,299**

Company	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
Balance at 1 January 2013	2,127	18,021	1,447	-	12,895	-	(1,261)	33,229
Total comprehensive income for the year								
Profit for the year	-	-	-	-	2,562	-	-	2,562
Transactions with owners recorded directly in equity								
Dividends paid	-	-	-	-	(2,502)	-	-	(2,502)
Charge for the year	-	-	175	-	-	-	-	175
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)
Balance at 31 December 2013	**2,084**	**18,025**	**635**	**43**	**1,754**	**-**	**(1,261)**	**21,280**
Total comprehensive income for the year								
Loss for the year	-	-	-	-	(6,333)	-	-	(6,333)
Transactions with owners recorded directly in equity								
Dividends paid	-	-	-	-	(2,136)	-	-	(2,136)
Cancellation of options	-	-	(635)	-	635	-	-	-
Cancellation of shares held in treasury	(304)	-	-	304	-	-	-	-
Balance at 31 December 2014	**1,780**	**18,025**	**-**	**347**	**(6,080)**	**-**	**(1,261)**	**12,811**

Cash flow statements
for year ended 31 December 2014

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Cash flows from operating activities					
(Loss)/profit for the year		**(10,628)**	14,090	**(6,333)**	2,562
Adjustments for:					
Depreciation and amortisation		**2,234**	6,865	**1,167**	3,080
Financial income		**(2,148)**	(70)	**(813)**	(69)
Equity settled share-based payment expenses		**-**	175	**-**	175
Taxation		**(997)**	1,406	**(895)**	2,790
Loss/(gain) on disposal of discontinued activities	*7,24*	**7,565**	(23,395)	**16,305**	(8,704)
Other reserve movements		**2**	203	**-**	-
		(3,972)	(726)	**9,431**	(166)
Decrease/(increase) in trade and other receivables		**1,863**	8,351	**(3,959)**	7,512
(Decrease)/ increase in trade and other payables		**(6,096)**	(1,276)	**(3,857)**	971
Increase in provisions		**3,007**	-	**2,670**	-
		(5,198)	6,349	**4,285**	8,317
Tax paid		**(638)**	(2,704)	**(1,000)**	(1,298)
Net cash from operating activities		**(5,836)**	3,645	**3,285**	7,019
Cash flows from investing activities					
Interest received		**73**	70	**71**	69
Acquisition of subsidiary, net of cash acquired		**-**	(3,416)	**(62)**	(3,416)
Acquisition of property, plant and equipment	*9*	**(57)**	(635)	**(38)**	(533)
Capitalised development expenditure	*10*	**(1,171)**	(2,535)	**(1,171)**	(2,414)
Acquisition of other intangible assets	*10*	**(80)**	(72)	**(146)**	(72)
Proceeds from sale of discontinued operations 2014	*24*	**1,680**	-	**598**	-
Proceeds from sale of discontinued operations 2013		**7,000**	6,652	**281**	3,731
Proceeds from sale of property, plant and equipment		**59**	267	**-**	33
Net cash from investing activities		**7,504**	331	**(467)**	(2,602)
Cash flows from financing activities					
Payment of finance lease liabilities		**-**	(13)	**-**	(13)
Share buy-back		**-**	(2,981)	**-**	(2,981)
Dividends paid	*18*	**(2,136)**	(2,502)	**(2,136)**	(2,502)
Net cash from financing activities		**(2,136)**	(5,496)	**(2,136)**	(5,496)
Net (decrease)/ increase in cash and cash equivalents		**(468)**	(1,520)	**682**	(1,079)
Cash and cash equivalents at 1 January 2014		**12,607**	14,127	**11,281**	12,360
Cash and cash equivalents at 31 December 2014	*14*	**12,139**	12,607	**11,963**	11,281

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

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

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 group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income and related notes that form a part of these approved financial statements.

The financial statements of the Group and Company are presented in pounds sterling. All financial information has been rounded to the nearest thousand.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the appropriate note and below.

The Company has applied the following:

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements have been prepared on a going concern basis, which the directors believe is appropriate for the following reasons.

The directors have prepared cash flow forecasts. These forecasts show that the Group expects to meet its liabilities from cash resources as they fall due for a period in excess of 12 months from date of approval of these financial statements. Available cash resources will include deferred consideration instalments to be received in connection with the sale of discontinued operations.

The Company is committed to identifying opportunities for new investment, in line with the investing policy, and there is no intention to liquidate the company.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Deferred consideration on disposal of discontinued operations

Deferred consideration on disposal of discontinued operations is calculated based on expected future cash flows discounted at a risk-adjusted discount rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- plant and equipment 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. Goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

Other intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is expensed in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Notes *(continued)*

1 Accounting policies *(continued)*

The amount initially recognised for internally generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Internally generated assets are amortised over their estimated lifespan depending on each asset. The asset lifespan is estimated by management based on experience of similar assets in the past.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- intellectual property over estimated asset lifespan, currently between two years and ten years.
- internally generated development costs over estimated asset lifespan, currently between 15 months and three years.
- customer databases over a maximum period of two years.

Basis of consolidation

Subsidiaries

Subsidiaries are entities over which the Group exercises power. The financial statements of subsidiaries are included in the consolidated financial statements from the date that power is first exercised until the date that this power ceases to be exercised. The accounting policies of subsidiaries are aligned with the policies adopted by the Group. In the Company investments are carried at cost less any necessary impairment cost.

Acquisitions

The purchase method of accounting is used to account for the acquisitions of subsidiary undertakings. The cost of an acquisition including any deferred or contingent consideration is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date control passes to the Group. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of acquisition over the fair value of the Group's share of assets and liabilities is recorded as goodwill.

Common control transactions

A business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination, and where that control is not transitory, is a common control transaction. The group applies book value accounting where a new holding company is inserted as part of a common control transaction: as a result, assets and liabilities acquired are transferred at book value with an adjustment in equity to reflect any difference between the consideration paid and the capital of the acquiree.

Impairment excluding deferred tax assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment; there is an indication of impairment of a financial asset if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the relevant cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of the Group's receivables is calculated as amortised cost.

The recoverable amount of other assets is the greater of their 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when the conditions giving rise to the impairment loss no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of options granted to employees/external contractors is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees/external contractors become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

Revenue

Website membership income is recognised on a straight line basis over the length of the membership subscribed for. When the Group has an underlying obligation to provide services because, for example, of membership being paid in advance, revenue is recognised as the service is performed and amounts billed or secured in advance are treated as deferred income and excluded from current revenue.

The accounting policy for revenue generated by the Group's continuing business as an Investing Company will be dependent upon the investment decisions made.

Notes *(continued)*

1 Accounting policies *(continued)*

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Effective standards

The accounting policies have been applied consistently to all periods presented. The following amendments to existing standards were effective for the first time in the financial period commencing on 1 January 2014 but did not have an impact on the financial statements of the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (Mandatory for year commencing on or after 1 January 2014.) This is part of a new suit of standards that replaces the existing accounting for subsidiaries and joint ventures.

IFRS 12 Disclosure of Interests in Other Entities (Mandatory for year commencing on or after 1 January 2014.) This standard contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

IAS 27 Separate Financial Statements (Mandatory for year commencing on or after 1 January 2014.) This standard carries forward the existing accounting and disclosure requirements of IAS 21 (2008) for separate financial statements with minor clarifications.

Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (Mandatory for year commencing on or after 1 January 2014.)

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (Mandatory for year commencing on or after 1 January 2014.)

Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" (Mandatory for year commencing on or after 1 January 2014.)

IFRIC Interpretation 21 Levies (Mandatory for year commencing on or after 1 January 2014.)

Notes *(continued)*

1 Accounting policies *(continued)*

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred consideration

Determining the recoverability of deferred consideration (note 13) requires judgement around the ability of the counterparty to meet the terms of the agreed payment schedule. A discount to reflect both the time value of money and credit risk has been estimated and applied to the gross amounts recoverable in order to reflect this uncertainty.

Provisions

A number of provisions including provisions for tax payable/recoverable (see Strategic Report and note 15) exist at the year end. By their nature these provisions are judgemental. The entity has considered the range of possible outcomes, some of which may be dependent upon court proceedings, and made provision on the basis of this.

Foreign currency

The consolidated financial statements are presented in sterling, which is the Group's functional and presentation currency. The income and expenses of foreign entities are translated at the average exchange rate for the period in which the activity occurred. The assets and liabilities of such entities are translated at the exchange rate prevailing at the balance sheet date. Exchange differences arising upon translation are reported as a separate component of equity.

Monetary assets and liabilities denominated in foreign currency are translated to the presentation currency at the exchange rate ruling at each balance sheet date. Foreign currency differences arising on retranslation of these monetary items are recognised as a profit or a loss in the period.

Exceptional costs

The Group has disclosed additional information in respect of exceptional items on the face of the consolidated statement of comprehensive income in order to aid understanding of the Group's financial performance. An item is treated as exceptional if it is considered that by virtue of its nature, scale, or incidence it is of such significance that separate disclosure is required for the financial statements to be properly understood. These items are not part of the Group's normal ongoing operations.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

2 Exceptional Costs

Exceptional costs in 2014 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 25 relating to contingent liabilities for further information. (The prior year exceptional cost charge of £1.3m consisted of legal and professional fees incurred following allegations made against the Group (£0.6m), a provision for costs associated with patent infringement claims (£0.5m), and employee contract termination costs (£0.2m)).

Notes *(continued)*

3 Segmental analysis

At the balance sheet date, all of the Company's online dating assets had been disposed of. Throughout the year until the date of disposal of the assets of 24 December 2014, the chief operating decision-maker was identified as the Chief Executive Officer ("CEO") of the Company. The CEO reviewed the Group's internal reporting in order to assess performance and to allocate resources. The Company determined its operating segments based on these reports. The Group had three reportable segments, which are based upon geographical territories. The location of the user was the basis for determining the segment.

The three segments were:

- **Established Markets** (UK, Australia, New Zealand, Ireland, South Africa)
- **New Markets** (USA, Canada, France, Italy, Spain, Germany plus any newly entered countries)
- **Developing Territories** (Brazil, India)

Each of the three segments had different performance characteristics within its Key Performance Indicators as they were at different levels of maturity and critical mass for the Group. The CEO used this basis of assessing progress due to the volume of countries in which the Group operates increasing, and the characteristics being better aligned by maturity rather than international region.

None of the revenues or costs of the Company in the year to 31 December 2014 are attributable to the Company's new status as an Investing Company.

Information regarding the operation of the reportable segments is included below. The CEO assessed the performance of the business at the operating segment level based on revenue and revenue less direct marketing costs, which gives a measure of the effectiveness and contribution after deduction of direct marketing costs.

The segment information is prepared using accounting policies consistent with those of the Group as a whole.

Therefore none of the Group's assets and liabilities are segmental assets and liabilities and all are unallocated for segmental disclosure purposes. Segmental assets and liabilities are not presented to the CEO and on this basis the Group has not disclosed details of segmental assets and liabilities. All segments relate to discontinued operations. No customer accounts for more than 10% of external revenues. There are no inter-segment transactions.

2014	**Established Markets**	**New Markets**	**Developing Territories**	**Total**
	£000	£000	£000	£000
Revenue	6,401	5,989	179	12,569
Direct marketing costs	(4,548)	(3,889)	-	(8,437)
Revenue less direct marketing costs	1,853	2,100	179	4,132
Other direct costs				(3,523)
Gross profit				609
Operating expenses (excluding depreciation, amortisation, share based payments, acquisition and restructuring costs, and exceptional costs)				(1,482)
Adjusted EBITDA				(873)
Depreciation, amortisation, share based payments, acquisition and restructuring costs, and exceptional costs				(5,335)
Operating loss				(6,208)
Finance income				2,148
Loss before tax and loss on disposal of discontinued operations				(4,060)

Notes *(continued)*

3 Segmental analysis (*continued*)

2013	Established Markets £000	New Markets £000	Developing Territories £000	Total £000
Revenue	23,461	30,913	1,686	56,060
Direct marketing costs	(13,801)	(19,592)	(1,142)	(34,535)
Revenue less direct marketing costs	9,660	11,321	544	21,525
Other direct costs				(12,681)
Gross profit				8,844
Operating expenses (excluding depreciation, amortisation, share based payments, and acquisition and restructuring costs)				(8,369)
Adjusted EBITDA				475
Depreciation, amortisation, share based payments, and acquisition and restructuring costs				(8,444)
Operating loss				(7,969)
Finance income				70
Loss before tax and gain on disposal of discontinued operations				(7,899)

The CEO assesses the performance of the Operating Segments before deduction of other direct costs. Other direct costs are shown above to provide reconciliation to reported Gross Profit. Revenues generated in UK for the year ended 31 December 2014 were £4.3m *(2013: £19.7m)*.

4 Expenses and auditor's remuneration

Included in (loss)/profit are the following:

	2014 £000	2013 £000
Depreciation of tangible assets:		
Owned assets	**233**	547
Amortisation of intangibles	**2,001**	6,318

Auditor's remuneration:

	2014 £000	2013 £000
Audit of these financial statements	**25**	48
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the company	**2**	2
Audit-related assurance services	**-**	18
Tax compliance services	**48**	48
Other tax advisory services	**59**	55
Other assurance services	-	287
Total	**134**	458

Tax advisory services include costs associated with the disposal of the dating business and tax advice in relation to overseas operations.

Notes *(continued)*

5 Staff numbers and costs

At 31 December 2014, the Group employed 18 staff (including directors). The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Group	Group
	2014	2013
Support	**30**	104
Technical	**105**	272
Marketing	**36**	81
Administration	**34**	44
Directors	**7**	7
	212	508

The aggregate payroll costs of these persons were as follows:

	Group	Group
	2014	2013
	£000	£000
Wages and salaries	**3,080**	8,501
Social security costs	**346**	1,013
	3,426	9,514

6 Directors' remuneration

	2014	2013
	£000	£000
Directors' emoluments	**679**	883

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £230,000 *(2013: £235,000)*.

	Number of directors	
	2014	**2013**
The number of directors who exercised share options was	**-**	1
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	**-**	-

There were no directors' advances, credits and guarantees (Section 413 Companies Act 2006).

Directors' emoluments are included within the Remuneration Committee report.

Notes *(continued)*

7 Taxation

Recognised in the income statement	**2014**	2013
	£000	£000
Current tax (credit)/expense		
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.

Notes *(continued)*

8 (Loss)/Earnings per share

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

	Note	**2014 Number**	2013 Number
Issued ordinary shares at start of year	*18*	**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		**71,201,642**	77,862,287

Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share at 31 December 2014 was based on 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	**71,201,642**	77,863,917

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

Notes *(continued)*

9 Property, plant and equipment

Group

	Plant and equipment £000
Cost	
Balance at 1 January 2013	1,861
Additions	635
Disposal	(1,373)
Balance at 31 December 2013	1,123
Balance at 1 January 2014	1,123
Additions	57
Disposal	(1,180)
Balance at 31 December 2014	-
Depreciation and impairment	
Balance at 1 January 2013	799
Depreciation charge for the year	547
On disposals	(670)
Balance at 31 December 2013	676
Balance at 1 January 2014	676
Depreciation charge for the year	233
On disposals	(909)
Balance at 31 December 2014	-
Net book value	
At 31 December 2012	1,062
At 31 December 2013	447
At 31 December 2014	**-**

Notes *(continued)*

9 Property, plant and equipment (continued)

Company

Cost	**Plant and equipment £000**
Balance at 1 January 2013	1,294
Additions	533
Disposals	(1,138)
Balance at 31 December 2013	689
Balance at 1 January 2014	689
Additions	38
Disposal	(727)
Balance at 31 December 2014	-
Depreciation and impairment	
Balance at 1 January 2013	474
Depreciation charge for the year	415
On disposals	(510)
Balance at 31 December 2013	379
Balance at 1 January 2014	379
Depreciation charge for the year	191
On disposals	(570)
Balance at 31 December 2014	-
Net book value	
At 31 December 2012	820
At 31 December 2013	310
At 31 December 2014	**-**

Notes *(continued)*

10 Intangible assets

Group

	Development costs £000	Goodwill £000	Intellectual property £000	Customer databases £000	Total £000
Cost					
Balance at 1 January 2013	5,309	5,639	10,774	13,419	35,141
Acquisitions through business combinations	-	(284)	-	-	(284)
Other additions – internally developed	2,535	-	-	-	2,535
Other additions – externally purchased	-	-	72	-	72
Disposals	(5,114)	(4,386)	(7,826)	(9,492)	(26,818)
Balance at 31 December 2013	2,730	969	3,020	3,927	10,646
Balance at 1 January 2014	2,730	969	3,020	3,927	10,646
Other additions – internally developed	1,171	-	-	-	1,171
Other additions – externally purchased	-	-	80	-	80
Disposals	(3,901)	(969)	(3,100)	(3,927)	(11,897)
Balance at 31 December 2014	-	-	-	-	-
Amortisation and impairment					
Balance at 1 January 2013	1,891	-	3,404	5,172	10,467
Amortisation for the year	1,583	-	3,641	1,094	6,318
On disposals	(1,954)	-	(4,790)	(4,113)	(10,857)
Balance at 31 December 2013	1,520	-	2,255	2,153	5,928
Balance at 1 January 2014	1,520	-	2,255	2,153	5,928
Amortisation for the year	847	-	367	787	2,001
On disposals	(2,367)	-	(2,622)	(2,940)	(7,929)
Balance at 31 December 2014	-	-	-	-	-
Net book value					
At 1 January 2013	3,418	5,639	7,370	8,247	24,674
At 31 December 2013 and 1 January 2014	1,210	969	765	1,774	4,718
At 31 December 2014	**-**	**-**	**-**	**-**	**-**

Development costs are costs incurred in relation to the creation of new products, systems, and processes which help to drive future revenue generation. Only specific costs incurred on specific projects that meet the capitalisation criteria specified in accounting standards are capitalised.

Intellectual property relates mainly to web domains. Any other component of this balance is not considered sufficiently material as to require separate disclosure.

Other externally purchased intangibles include the acquisition of other web domains and customer databases.

Notes *(continued)*

10 Intangible assets *(continued)*

Group *(continued)*

Amortisation charge

The amortisation charge is recognised in the following line item in the consolidated statement of comprehensive income:

	2014	2013
	£000	£000
Administrative expenses	**2,001**	6,318

No impairment charges have been booked.

Impairment testing

Goodwill considered significant in comparison to the Group's total carrying amount of such assets has been allocated to cash generating units or groups of cash generating units as follows:

	Goodwill	Goodwill
	2014	2013
	£000	£000
Established Markets	**-**	408
New Markets	**-**	544
Developing Territories	**-**	17
	-	969

The recoverable amount of goodwill has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	2014	2013
Period on which management approved forecasts are based	-	5 years
Growth rate applied beyond approved forecast period to revenues and costs	-	5%
Average discount rate (pre-tax)	-	15%

Notes *(continued)*

10 Intangible assets – *(continued)*

Company

	Development costs £000	Goodwill £000	Intellectual property £000	Customer databases £000	Total £000
Cost					
Balance at 1 January 2013	5,081	580	4,505	3,439	13,605
Other additions – internally developed	2,414	-	-	-	2,414
Other additions – externally purchased	-	-	72	-	72
Disposals	(4,764)	(404)	(3,360)	(2,469)	(10,997)
Balance at 31 December 2013	2,731	176	1,217	970	5,094
Balance at 1 January 2014	2,731	176	1,217	970	5,094
Other additions – internally developed	1,171	-	-	-	1,171
Other additions – externally purchased	-	-	146	-	146
Disposals	(3,902)	(176)	(1,363)	(970)	(6,411)
Balance at 31 December 2014	-	-	-	-	-
Amortisation and impairment					
Balance at 1 January 2013	1,883	-	1,949	2,070	5,902
Amortisation for the year	1,501	-	1,103	61	2,665
On disposals	(1,864)	-	(2,089)	(1,510)	(5,463)
Balance at 31 December 2013	1,520	-	963	621	3,104
Balance at 1 January 2014	1,520	-	963	621	3,104
Amortisation for the year	847	-	129	-	976
On disposals	(2,367)	-	(1,092)	(621)	(4,080)
Balance at 31 December 2014	-	-	-	-	-
Net book value					
At 1 January 2013	3,198	580	2,556	1,369	7,703
At 31 December 2013 and 1 January 2014	1,211	176	254	349	1,990
At 31 December 2014	**-**	**-**	**-**	**-**	**-**

Amortisation charge

The amortisation charge is recognised in the following line items in the income statement:

	2014 £000	2013 £000
Administrative expenses	**976**	2,665

No impairment charges have been booked.

Impairment testing

Goodwill considered significant in comparison to the Company's total carrying amount of such assets has been allocated to cash generating units or groups of cash generating units as follows:

Notes *(continued)*

10 Intangible assets – *(continued)*

Company *(continued)*

	Goodwill 2014 £000	Goodwill 2013 £000
Established Markets	**-**	159
Developing Territories	**-**	17
	-	176

The recoverable amount of goodwill has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	2014	2013
Period on which management approved forecasts are based	**-**	5 years
Growth rate applied beyond approved forecast period	**-**	5%
Discount rate (pre-tax)	**-**	15%

11 Investments in subsidiaries – Company

	£000
At start of year	4,301
Purchase of Tangle Labs Ltd	62
Disposal of NSI (Holdings) Limited	(2,107)
Disposal of traditional dating assets	(1,148)
At 31 December 2014	1,108

The Company has the following investments in subsidiaries:

	Country of Incorporation	**Class of shares held**	**Ownership 2014**	2013
Group and Company				
Easydate Ukraine	Ukraine	Ordinary	**-**	100%
Easydate Dnepro	Ukraine	Ordinary	**-**	100%
Castle Digital Services Inc (formerly Datingbiz Inc)	USA	Ordinary	**100%**	100%
Cupid.com Inc	USA	Ordinary	**100%**	100%
Assistance Genie Logiciel	France	Ordinary	**100%**	100%
NSI (Holdings) Limited	England	Ordinary	**-**	100%
Global Digital Corporation Limited	Scotland	Ordinary	**100%**	100%
Hooya Digital Limited	Cyprus	Ordinary	**100%**	100%
Yarra Digital Limited	Cyprus	Ordinary	**100%**	100%
EZD Digital Limited	Cyprus	Ordinary	**100%**	100%
Frindr Limited	England	Ordinary	**100%**	100%
Tangle Labs Ltd	England	Ordinary	**100%**	-

Easydate Ukraine, Easydate Dnepro, and NSI (Holdings) Limited were disposed of as part of the sale of the traditional dating assets on 24 December 2014. Each of the remaining subsidiary companies was non-trading at 31 December 2014. The subsidiary undertakings identified below are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this company has guaranteed the subsidiary company under Section 479C of the Act.

Global Digital Corporation Limited (registered number SC398521)
Frindr Limited (registered number 07731874)

Notes *(continued)*

12 Deferred tax assets and liabilities

Group	Share based payments £000	Total deferred tax assets £000	Tangible and intangible assets £000	Total deferred tax liability £000	Net deferred tax liabilities £000
At 1 January 2013	(558)	(558)	3,064	3,064	2,506
Charge/(credit) to the income statement	383	383	(653)	(653)	(270)
Debit to equity	175	175	-	-	175
Released on disposal	-	-	(1,767)	(1,767)	(1,767)
At 31 December 2013	-	-	644	644	644
Credit to the income statement	-	-	(226)	(226)	(226)
Released on disposal	-	-	(418)	(418)	(418)
At 31 December 2014	-	-	-	-	-

The deferred tax on acquired assets arises from intangible assets acquired through the acquisition of 100% of the share capital of AGL and NSI (Holdings) Limited on which amortisation is charged but on which there are no capital allowances or other tax deductions available.

Any deferred tax in relation to share based remuneration arises from the anticipated future tax relief on the exercise of share options.

The deferred tax asset arising on share options has been fully written down at the balance sheet date as a result of the exercise price of the share options being significantly higher than the share price at the balance sheet date.

Company	Share based payments £000	Total deferred tax assets £000	Tangible and intangible assets £000	Total deferred tax liability £000	Net deferred tax liabilities £000
At 1 January 2013	(558)	(558)	425	425	(133)
Charge/(credit) to the income statement	383	383	(4)	(4)	379
Debit to equity	175	175	-	-	175
Released on disposal	-	-	(366)	(366)	(366)
At 31 December 2013	-	-	55	55	55
Charge to the income statement	-	-	110	110	110
Released on disposal	-	-	(165)	(165)	(165)
At 31 December 2014	-	-	-	-	-

Notes *(continued)*

13 Trade and other receivables

Non-current	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Deferred consideration on disposal of discontinued operations (note 24)	**-**	15,564	**-**	9,884
	-	15,564	**-**	9,884

Current	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Inter-company balances	**-**	-	**8,709**	3,458
Other trade receivables	**177**	930	**149**	648
Prepayments and other debtors	**90**	1,198	**74**	867
Deferred consideration on disposal of discontinued operations (note 24)	**11,707**	6,562	**3,169**	4,166
	11,974	8,690	**12,101**	9,139

14 Cash and cash equivalents

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Cash and cash equivalents	**12,139**	12,607	**11,963**	11,281

15 Provisions

Group	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	588	1,005	985	429	3,007
Non-current	254	-	-	-	254
Current	334	1,005	985	429	2,753

Provisions consist of costs associated with termination of employee contracts, legal claims for the actual or expected settlement of patent and trademark infringement claims in the US, and committed costs under onerous contracts, including property leases in the UK and France.

Company	Property £000	Legal claims £000	Redundancy £000	Other £000	Total £000
Balance at 1 January 2014	-	-	-	-	-
Provisions made during the year	495	1,140	741	429	2,805
Provisions used during the year	-	(135)	-	-	(135)
Balance at 31 December 2014	495	1,005	741	429	2,670
Non-current	226	-	-	-	226
Current	269	1,005	741	429	2,444

Notes *(continued)*

15 Provisions *(continued)*

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. See also note 25.

16 Trade and other payables

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Current				
Trade payables due to related parties	**-**	35	**-**	35
Inter-company balances	**-**	-	**8,894**	4,457
Other trade payables	**615**	1,122	**457**	501
Non-trade payables and accrued expenses	**1,225**	6,781	**1,060**	9,292
	1,840	7,938	**10,411**	14,285

17 Employee benefits

Share-based payments

Castle Street Investments plc established an employee option plan, designed to provide a long-term incentive for employees and Directors of the Group. It allows them to participate in Castle Street Investments plc's future growth and provides them with an incentive to increase profitability and returns to shareholders.

The share options hold no voting or dividend rights, and are not transferable.

Movements in the number of share options held by directors, employees and consultants are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	Number	Number	**Number**	Number
Opening balance	**2,031,964**	7,249,699	**2,031,964**	7,249,699
Granted during the year	**3,700,000**	-	**3,700,000**	-
Exercised during the year	**(2,000)**	(207,494)	**(2,000)**	(207,494)
Lapsed during the year	**(2,089,964)**	(5,010,241)	**(2,089,964)**	(5,010,241)
Closing balance	**3,640,000**	2,031,964	**3,640,000**	2,031,964

Notes *(continued)*

17 Employee benefits

Details of share options held by Directors, employees and consultants outstanding as at the end of year:

Grant Date	Expiry Date	Exercise Price (£)	Fair Value at Grant Date (£)	Vesting Date	Group (Number)		Company (Number)	
					2014	2013	**2014**	2013
15/12/09	15/06/20	0.1625	0.08	15/12/11	-	2,000	-	2,000
22/09/10	22/09/20	0.94	0.13	22/09/11	-	55,689	-	55,689
22/09/10	22/09/20	0.94	0.13	22/09/12	-	74,801	-	74,801
22/09/10	22/09/20	0.94	0.13	22/09/13	-	80,579	-	80,579
17/12/10	17/12/20	1.09	0.24	17/12/11	-	1,667	-	1,667
17/12/10	17/12/20	1.09	0.24	17/12/12	-	1,667	-	1,667
17/12/10	17/12/20	1.09	0.24	17/12/13	-	1,666	-	1,666
03/06/11	03/06/21	1.76	0.26	03/06/12	-	181,690	-	181,690
03/06/11	03/06/21	1.76	0.26	03/06/13	-	211,102	-	211,102
03/06/11	03/06/21	1.76	0.26	03/06/14	-	211,103	-	211,103
30/06/12	30/06/22	1.90	0.26	30/06/13	-	70,000	-	70,000
30/06/12	30/06/22	1.90	0.26	30/06/14	-	70,000	-	70,000
30/06/12	30/06/22	1.90	0.26	30/06/15	-	70,000	-	70,000
04/12/12	04/12/22	1.80	0.27	04/12/13	-	333,334	-	333,334
04/12/12	04/12/22	1.80	0.27	04/12/14	-	333,333	-	333,333
04/12/12	04/12/22	1.80	0.27	04/12/15	-	333,333	-	333,333
01/05/14	01/05/24	0.44	0.13	01/05/17	**3,640,000**	-	**3,640,000**	-
				Total	**3,640,000**	2,031,964	**3,640,000**	2,031,964

Conditions of the options

Each option will convert into 1 ordinary share.

Options existing at 31 December 2013 lapsed on 15 January 2014, six months after the date of the disposal of the casual business.

Following the sale of the traditional dating assets, all remaining options vested. Any such options not exercised will lapse 180 days after the sale of the traditional dating assets, or two months after cessation of employment of the option holder if earlier.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of employee share options is measured using a Black-Scholes model. Measurement inputs and assumptions are as follows:

Grant date 1 May 2014	
Fair value at measurement date	£0.13
Weighted average share price	£0.41
Exercise price	£0.44
Expected volatility	50%
Option life	10 years
Expected dividends	5%
Risk-free interest rate (based on national government bonds)	1%

Notes *(continued)*

17 Employee benefits *(continued)*

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

The weighted average share price at the date of the exercising of options in the year was £0.615

The total expenses recognised within the profit and loss account and charged to share options reserve for the year from share-based payments are as follows:

	2014	2013
	£000	£000
Equity settled share based payment expense	**-**	175

18 Capital and reserves – Group and Company

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	83,371,971
At 1 January 2014	83,371,971
Cancellation of shares held on treasury	(12,169,978)
In issue at 31 December 2014 – fully paid	71,201,993

	2014	2013
	£	£
Allotted, called up and fully paid		
A Ordinary shares of 2.5p	**1,780,050**	2,084,299
Shares classified in shareholders' funds	**1,780,050**	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 – Group and Company

	£000
At 1 January 2014 and 31 December 2014	18,025

Notes *(continued)*

18 Capital and reserves – Group and Company *(continued)*

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).

Group	**Foreign currency translation reserve**	**Share options reserve**	**Capital redemption reserve**	**Retained earnings**	**Merger reserve**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£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	**(168)**	**-**	**347**	**1,576**	**(1,261)**	**494**

Company	**Foreign currency translation reserve**	**Share options reserve**	**Capital redemption reserve**	**Retained earnings**	**Merger reserve**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 January 2013	-	1,447	-	12,895	(1,261)	13,081
Profit for the year	-	-	-	2,562	-	2,562
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	-	-
At 31 December 2013	-	635	43	1,754	(1,261)	1,171
Loss for the year	-	-	-	(6,333)	-	(6,333)
Dividends paid	-	-	-	(2,136)	-	(2,136)
Cancellation of shares held in treasury	-	-	304	-	-	304
Transfer to profit and loss reserve	-	(635)	-	635	-	-
At 31 December 2014	**-**	**-**	**347**	**(6,080)**	**(1,261)**	**(6,994)**

Notes *(continued)*

18 Capital and reserves – Group and Company *(continued)*

Dividends

The following dividends were recognised during the period:

	2014 **£000**	2013 £000
2012 final dividend	**-**	2,502
2013 final dividend	**2,136**	-
Total	**2,136**	2,502

The dividend of £2,136,000 paid to shareholders in July 2014 was potentially unlawful because no financial statements demonstrating that the company had distributable profits were lodged with Companies House. At the date of approval of these financial statements a contingent asset relating to the potential recovery from shareholders of this dividend exists. The directors have no intention of seeking to recover the amounts involved and intend to resolve the issue by putting a deed of resolution to a general meeting absolving the directors of any fault and the shareholders from any claims for recovery of the dividend.

19 Risk management

(a) Fair values of financial instruments

The financial instruments held by the Group and Company are categorised in the following tables:

Assets as per balance sheets

Group

	2014 **Loans and receivables** **£000**	2013 Loans and receivables £000
Trade receivables	**177**	930
Cash and cash equivalents	**12,139**	12,607
Deferred consideration on disposal of discontinued operations	**11,707**	22,126
Total	**24,023**	35,663

Company

	2014 **Loans and receivables** **£000**	2013 Loans and receivables £000
Trade receivables	**149**	648
Cash and cash equivalents	**11,963**	11,281
Deferred consideration on disposal of discontinued operations	**3,169**	14,050
Total	**15,281**	25,979

Cash and cash equivalents held by the Group comprise short term deposits with an original maturity of three months or less or bank balances held in overnight accounts with immediate access. The carrying amount of these assets is equivalent to their fair value.

Notes *(continued)*

19 Risk management *(continued)*

Group

	2014 Other financial liabilities at amortised cost £000	2013 Other financial liabilities at amortised cost £000
Trade payables	**615**	1,122
Contingent consideration	**-**	81
Total	**615**	1,203

Company

	2014 Other financial liabilities at amortised cost £000	2013 Other financial liabilities at amortised cost £000
Trade payables	**457**	501
Contingent consideration	**-**	81
Total	**457**	582

The trade and other payables presented excludes other taxes and social security costs as statutory liabilities do not fall under the definition of a financial instrument. Trade and other payables are detailed in note 16.

Fair value hierarchy

IFRS 7 requires all financial instruments carried at fair value to be analysed under the following levels:

Level 1: quoted prices (adjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from market data)

Level 3: inputs for the asset or liability that are not based on observable market data

The Group has not entered into any derivative financial instruments in the current or preceding periods. However, deferred consideration, which is measured at fair value with any charges reflected within the income statement, is measured under level 3. All other financial instruments are level 2.

Notes *(continued)*

19 Risk management *(continued)*

Fair value of financial assets and financial liabilities

Group

Financial assets

	2014 Book value £000	2014 Fair value £000	2013 Book value £000	2013 Fair value £000
Cash and cash equivalents	**12,139**	**12,139**	12,607	12,607
Deferred consideration on disposal of discontinued operations	**11,707**	**11,707**	22,126	22,126
Total financial assets	**23,846**	**23,846**	34,733	34,733

Financial liabilities

	2014 Book value £000	2014 Fair value £000	2013 Book value £000	2013 Fair value £000
Contingent consideration	**-**	**-**	81	81
Total financial liabilities	**-**	**-**	81	81

Company

Financial assets

	2014 Book Value £000	2014 Fair value £000	2013 Book value £000	2013 Fair value £000
Cash and cash equivalents	**11,963**	**11,963**	11,281	11,281
Deferred consideration on disposal of discontinued operations	**3,169**	**3,169**	14,050	14,050
Total financial assets	**15,132**	**15,132**	25,331	25,331

Financial liabilities

	2014 Book value £000	2014 Fair value £000	2013 Book value £000	2013 Fair value £000
Contingent consideration	**-**	**-**	81	81
Total financial liabilities	**-**	**-**	81	81

The fair value of current trade and other receivables and current trade and other payables with a maturity of less than one year is deemed to approximate to the book value.

Notes *(continued)*

19 Risk management *(continued)*

Deferred consideration on disposal of discontinued operations

Deferred consideration is calculated based on expected future cash flows discounted at a risk-adjusted discount rate.

Trade and other payables

The fair value of trade and other payables is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is receivable on demand. Where it is not receivable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

There is no material difference between the fair value and carrying amount of any finance leases.

Fair values

The fair values for each class of financial assets and financial liabilities shown in the balance sheet are considered close to book value.

Group	**Carrying amount 2014 £000**	Carrying amount 2013 £000
IAS 39 categories of financial instruments		
Cash and cash equivalents (note 14)	**12,139**	12,607
Trade receivables (note 13)	**177**	930
Deferred consideration on disposal of discontinued operations	**11,707**	22,126
Total financial assets	**24,023**	35,663

	Carrying amount 2014 £000	Carrying amount 2013 £000
Trade payables (note 16)	**615**	1,122
Contingent consideration	**-**	81
Total financial liabilities measured at amortised cost	**615**	1,203
Total financial instruments	**23,408**	34,460

Notes *(continued)*

19 Risk management *(continued)*

Company	**Carrying amount 2014 £000**	Carrying amount 2013 £000
IAS 39 categories of financial instruments		
Cash and cash equivalents (note 14)	**11,963**	11,281
Trade receivables (note 13)	**149**	648
Deferred consideration on disposal of discontinued operations	**3,169**	14,050
Total financial assets	**15,281**	25,979

	Carrying amount 2014 £000	Carrying amount 2013 £000
Trade payables (note 16)	**457**	501
Contingent consideration	-	81
Total financial liabilities measured at amortised cost	**457**	582
Total financial instruments	**14,824**	25,397

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's deferred consideration on disposal of discontinued operations.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was trade receivables and deferred consideration being the total of the carrying amount of loans and receivables shown above. The main risk within this balance is the deferred consideration which has been discounted at an appropriate discount rate.

Group

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographic region was:

	2014 £000	2013 £000
UK	**163**	833
Europe (not including UK)	**14**	27
Rest of World	**-**	70
	177	930

Notes *(continued)*

19 Risk management *(continued)*

Company

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographic region was:

	2014	2013
	£000	£000
UK	**149**	608
Europe (not including UK)	**-**	-
USA	**-**	-
Rest of World	**-**	40
	149	648

The directors believe that the most meaningful method of reporting credit risk by geographic region is based on the country of domicile of the debtor counterparty, e.g. the location of the payment processing company. An analysis of receivables by currency can be seen in note 19(d).

Group

The maximum exposure to credit risk for trade receivables at the balance sheet date by type of counterparty was:

	2014	2013
	£000	£000
Third party receivables	**177**	930

Company

The maximum exposure to credit risk for trade receivables at the balance sheet date by type of counterparty was:

	2014	2013
	£000	£000
Third party receivables	**149**	648

Credit quality of financial assets and impairment losses

The aging of third party trade receivables at the balance sheet date was:

Group

	Gross	**Impairment**	Gross	Impairment
	2014	**2014**	2013	2013
	£000	**£000**	£000	£000
Not past due	**177**	**-**	910	-
Past due 0-30 days	**-**	**-**	3	-
Past due 31-120 days	**-**	**-**	-	-
More than 120 days	**-**	**-**	17	-
	177	**-**	930	-

None of the trade debtor balances are secured.

Notes *(continued)*

19 Risk management *(continued)*

Company

	Gross 2014 £000	**Impairment 2014 £000**	Gross 2013 £000	Impairment 2013 £000
Not past due	**149**	**-**	628	-
Past due 0-30 days	**-**	**-**	3	-
Past due 31-120 days	**-**	**-**	-	-
More than 120 days	**-**	**-**	17	-
	149	**-**	648	-

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

Group

		2014			
	Carrying amount £000	**Contractual cash flows £000**	**1 year or less £000**	**1 to <2years £000**	**2 to <5years £000**
Non-derivative financial liabilities					
Trade payables	**615**	**615**	**615**	**-**	**-**
Contingent consideration	**-**	**-**	**-**	**-**	**-**
	615	**615**	**615**	**-**	**-**

Company

		2014			
	Carrying amount £000	**Contractual cash flows £000**	**1 year or less £000**	**1 to <2years £000**	**2 to <5years £000**
Non-derivative financial liabilities					
Trade payables	**457**	**457**	**457**	**-**	**-**
Contingent consideration	**-**	**-**	**-**	**-**	**-**
	457	**457**	**457**	**-**	**-**

The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. The Group reviews its cash flow requirements on a monthly basis.

Notes *(continued)*

19 Risk management *(continued)*

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Following the disposal of the Group's assets and the cessation of trade, the Group is exposed to an immaterial level of currency risk on a continuing basis. In principle, the Group aims to minimise exposure to foreign exchange risk by matching the currency of income and related expenditure flows where possible. Depending on the future operations of the Group, structured hedging of currency risk will be considered in the next twelve months.

The Group has no variable interest debt and is therefore not exposed to interest rate risk.

Market risk - Foreign currency risk

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments.

31 December 2014	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
Cash and cash equivalents	11,345	595	94	105	12,139
Trade receivables	63	51	43	20	177
Trade payables	(457)	(158)	-	-	(615)
Balance sheet exposure	10,951	488	137	125	11,701

Sensitivity analysis

Following the disposal of the Group's assets, and the company's policy of holding surplus cash in the Group's functional currency (GBP), the company is no longer exposed to a material degree of currency risk.

20 Operating leases

Lease payments under operating leases recognised as an expense in the year were £260,000 (2013: £474,000).

Non-cancellable operating lease rentals in relation to other assets are payable as follows:

	2014 £000	2013 £000
Group		
Less than one year	150	244
Due within 2 to 5 years	123	315
Company		
Less than one year	108	122
Due within 2 to 5 years	108	237

Notes *(continued)*

21 Commitments

Group and Company

There are no capital commitments at 31 December 2014 *(2013: nil).*

22 Related parties

Group

Identity of related parties with which the Group has transacted

Expenses charged by related parties relate primarily to technical projects and marketing. The companies listed are under the control of a director or former director of Castle Street Investments plc. No interest is charged or payable on any of the balances.

Transactions with key management personnel

The directors of the Company, and their immediate relatives, control 20.7 per cent of the voting shares of the Company at 31 December 2014. Details of the share options granted to directors are shown in the Remuneration Committee report. The compensation of key management personnel (including the directors) is as follows:

	Group		**Company**	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Key management emoluments including social security costs	**679**	1,135	**679**	1,135
Share based payments	**-**	122	**-**	122
	679	1,257	**679**	1,257

Other related party transactions

	Administrative expenses recharged to		**Administrative expenses incurred from**	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Biebod (Ukraine) Ltd	**-**	-	**-**	29
Interactive Dating & Entertainment Ltd (formerly Amorix Ltd)	**1**	13	**-**	-
Maxymiser Ltd	**-**	-	**61**	15
	1	13	**61**	44

Notes *(continued)*

22 Related parties *(continued)*

Group *(continued)*

	Receivables outstanding		Payables outstanding	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Interactive Dating & Entertainment Ltd (formerly Amorix Ltd)	**-**	-	**-**	35
Maxymiser Ltd	**-**	30	**-**	-
	-	30	**-**	35

Company

Identity of related parties with which the Company has transacted

Other related party transactions

	Administrative expenses recharged to		Administrative expenses incurred from	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Biebod (Ukraine) Ltd	**-**	-	**-**	29
Interactive Dating & Entertainment Ltd (formerly Amorix Ltd)	**1**	13	**-**	-
Maxymiser Ltd	**-**	-	**61**	15
	1	13	**61**	44

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	Receivables outstanding		Payables outstanding	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Interactive Dating & Entertainment Ltd (formerly Amorix Ltd)	**-**	-	**-**	35
Maxymiser Ltd	**-**	30	**-**	-
	-	30	**-**	35

Notes *(continued)*

23 Post balance sheet events

There are no post balance sheet events to be reported.

24 Discontinued operations

Group

The assets disposed of were as follows:

	Casual Assets £000	Traditional Assets £000	Total £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 cash proceeds	-	1,680	1,680
Net cash inflow in respect of disposals	-	1,680	1,680
Net cash proceeds	-	1,680	1,680
Deferred consideration	-	750	750
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.

The Company reported to shareholders on 5 December 2014 that the Group had conditionally agreed to sell its Traditional Dating Assets. 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).

Notes *(continued)*

24 Discontinued operations *(continued)*

Company

The assets disposed of were as follows:

	Casual Assets £000	Traditional Assets £000	Total £000
Intangible assets	-	2,331	2,331
Investments written off	-	3,255	3,255
Property, plant and equipment	-	156	156
Other assets and liabilities	-	(16)	(16)
Deferred taxation	-	(165)	(165)
Net identifiable assets and liabilities	-	5,561	5,561
Consideration received, satisfied in cash	-	980	980
Expenses of sale	-	(382)	(382)
Net cash proceeds	-	598	598
Net cash inflow in respect of disposals	-	598	598
Net cash proceeds	-	598	598
Deferred consideration	-	220	220
Reduction in casual dating consideration	(3,695)	-	(3,695)
Related discount on reduction in casual dating consideration	644	-	644
Revised allocation of casual dating proceeds	(9,440)	-	(9,440)
Discount on revised allocation of casual dating proceeds	1,075	-	1,075
Discounting of future cash flows	(146)	-	(146)
	(11,562)	818	(10,744)
Loss on disposal (before tax)	(11,562)	(4,743)	(16,305)

The total tax credit attributable to the disposal of all discontinued operations amounts to £704,000.

25 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.