**Reach Holdings Limited**

# Directors' report and financial statements

Registered number 06262884

For the year ended 31 December 2012

## Contents

# Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2012

## Principal activities

The Company's principal activity is that of a holding company and the Group's principal activities are the provision of sales and marketing services The directors expect the general level of activity of the Group to continue

Having completed the acquisition on 28 March 2011 of Aspen Marketing Group the prior year comparatives represent 9 months trading of the acquired entity, whereas the current year numbers represent a full 12 months trading activity

## Business review

### *Overview*

2012 continued to present a tough trading environment for businesses within the marketing services industry Despite this environment the Group has demonstrated revenue growth In 2012 the Group has continued with its strategy of investing in new product offerings further strengthening its Insight capability and developing new complimentary products

At the end of the year the Group incorporated a new business, ShopSmart Agency Limited ("ShopSmart"), with the intention of establishing a second UK brand through which to transact field marketing services This will facilitate future growth by allowing potentially competing clients to be housed in a separate, standalone business In order to provide the necessary independence ShopSmart will be located in its own offices and will be managed by its own Leadership team recruited specifically to build this new agency from scratch Trading in ShopSmart commenced on 1 January 2013

### *Objectives and strategy*

The Group continues to pursue two primary routes of strategic expansion Firstly the Group is focused on expanding across Europe Secondly the Group has invested in its ability to provide further insight to our clients through the analysis and interpretation of data collected via our field teams augmented with third party data In addition the Group continues to develop new product offerings to add to its portfolio of services

The Group's vision is to be the thought leader and world class provider of sales and channel marketing solutions delivered by the best people with expert insight The Group will achieve this by

- Providing the widest and deepest channel, category and sector contact strategies,
- Providing quality processes to support our advice and solutions,
- Creating and maintaining an employment brand that makes Reach a great place to work,
- Developing, retaining and managing highly capable and motivated individuals, and
- Recruiting and retaining an industry respected senior management team

As part of achieving this vision the Group has defined objectives for growth in both sales and profitability There are also supporting non-financial objectives included for the development of new or enhanced services, for international development and for improvements in added value

### *Markets*

The Company operates in several channels or routes to market on behalf of our clients These include free to buy, independents, convenience (both affiliated and non-affiliated), multiples and foodservice Services provided include contract sales, field marketing, tele-marketing, direct marketing, analysis & insights, channel and consumer activation The business is continuously looking to strengthen all its service offerings and is keen to provide improved return on investment through the appropriate integration of some or all of these services informed by data driven Insight

### *Performance*

As noted above the business continued to perform well during the tough economic environment in 2012 and the Group reports an increase in revenue

# Directors' report *(continued)*

## Business Review *(continued)*

### *Risks and uncertainties*

The principal risk remains the economic uncertainties facing all of the businesses clients The Group mitigates this risk by seeking to expand the range of services available, improving the demonstrable return on investment for our clients and by working with an increasing number of clients in a range of industry sectors, categories and geographies

## Directors

The directors who held office during the year were as follows

G P Mac Manus

P E Handscomb

R F Looker

W Price

I J Glen

S J Gray (resigned 28 February 2013)

## Employees

Our policy is to support our people by training, career development and opportunities for promotion We believe in an open management approach and close consultation on matters of concern to our staff Information is shared on the Group and Company's performance which, together with performance related bonuses, encourages staff involvement The Group's policy provides that disabled persons, whether registered or not, shall be considered for employment, training and career development having regard to their aptitude and abilities

## Donations

During the year the Group made charitable donations of £5,000 *(2011 £2,600)* and no political donations *(2011 £nil)*

## 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/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

# Directors' report *(continued)*

**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

**P E Handscomb**
*Director*

111 Chertsey Road
Woking
Surrey
GU21 5BW

28 March 2013

## Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 year 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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

KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

## Independent auditor's report to the members of Reach Holdings Limited

We have audited the financial statements of Reach Holdings Limited for the year ended 31 December 2012 set out on pages 7 to 24 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 4, 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 (APB'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 web-site 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 the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

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

## Independent auditor's report to the members of Reach Holdings Limited *(continued)*

**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, 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

Derek McAllan

**Derek McAllan (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
**Arlington Business Park**
**Theale**
**Reading**
**RG7 4SD**

28 March 2013

## Consolidated profit and loss account

*for the year ended 31 December 2012*

| | Note | Year ended 31 December 2012 £000 | 2012 £000 | Year ended 31 December 2011 £000 | 2011 £000 |
|---|---|---|---|---|---|
| **Group Turnover** | | | | | |
| Continuing operations | 2 | **50,878** | | - | |
| Acquisitions | | - | | 37,365 | |
| | | | **50,878** | | 37,365 |
| Cost of sales | | | **(38,252)** | | (26,740) |
| **Gross profit** | | | **12,626** | | 10,625 |
| Administrative expenses | | | **(9,568)** | | (8,244) |
| **Group operating profit** | | | | | |
| Continuing operations | | **3,058** | | - | |
| Acquisitions | | - | | 2,381 | |
| **Total operating profit** | | | **3,058** | | 2,381 |
| Other interest receivable and similar income | 6 | | **1** | | 1 |
| Interest payable and similar charges | 7 | | **(1,179)** | | (903) |
| **Profit on ordinary activities before taxation** | 3 | | **1,880** | | 1 479 |
| Tax on profit on ordinary activities | 8 | | **(1,015)** | | (954) |
| **Profit for the financial year** | | | **865** | | 525 |

The group has no recognised gains or losses in either year other than the results shown above and therefore no separate statement of total recognised gains and losses has been prepared All amounts arise from continuing activities

There is no material difference between the group's results as reported and on an unmodified historical cost basis Accordingly, no note of historical profits and losses has been included

The accompanying notes are an integral part of this profit and loss account

## Consolidated and Company Balance sheet

***at 31 December 2012***

Registered Number 06262884

| | *Note* | **2012 Group £000** | **2012 Company £000** | 2011 Group £000 | 2011 Company £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 9 | 30,612 | - | 32,903 | - |
| Tangible assets | 10 | 734 | - | 1,164 | - |
| Investments | 11 | - | 13,362 | - | 13,362 |
| | | 31,346 | 13,362 | 34,067 | 13,362 |
| **Current assets** | | | | | |
| Debtors | 12 | 7,838 | 20,584 | 7,222 | 21,062 |
| Cash at bank and in hand | | 3,382 | - | 1,941 | - |
| | | 11,220 | 20,584 | 9,163 | 21,062 |
| **Creditors**: amounts falling due within one year | 13 | (16,403) | (3,743) | (14,224) | (2,973) |
| **Net current assets/(liabilities)** | | (5,183) | 16,841 | (5,061) | 18,089 |
| **Total assets less current liabilities** | | 26,163 | 30,203 | 29,006 | 31,451 |
| **Creditors** amounts falling due after more than one year | 14 | (20,522) | (20,522) | (24,230) | (24,230) |
| **Net assets** | | 5,641 | 9,681 | 4,776 | 7,221 |
| **Capital and reserves** | | | | | |
| Called up share capital | 15 | 4 | 4 | 4 | 4 |
| Share premium account | 16 | 4,229 | 4,229 | 4,229 | 4 229 |
| Profit and loss account | 16 | 1,408 | 5,448 | 543 | 2,988 |
| **Equity shareholders' funds** | | 5,641 | 9,681 | 4,776 | 7,221 |

The accompanying notes are an integral part of these balance sheets

These financial statements were approved by the board of directors on 28 March 2013 and were signed on its behalf by

**P E Handscomb**
*Director*

## Consolidated cash flow statement

*for the year ended 31 December 2012*

| | Note | Year ended 31 December 2012 £000 | Year ended 31 December 2011 £000 |
|---|---|---|---|
| **Cash flow from operating activities** | *19* | **6,553** | 5,202 |
| **Returns on investments and servicing of finance** | *20* | **(1,178)** | (923) |
| **Taxation** | | **(930)** | (1,747) |
| **Capital expenditure and financial investment** | *20* | **(47)** | (346) |
| **Acquisitions and disposals** | *20* | **-** | (30,875) |
| Cash inflow before financing | | **4,398** | (28,689) |
| **Financing** | *20* | **(2,957)** | 30,630 |
| **Increase in cash in the year** | | **1,441** | 1,941 |

## Reconciliation of net cash flow to movement in net debt

| | Note | 2012 | 2011 |
|---|---|---|---|
| **Increase in cash in the year** | | **1,441** | 1,941 |
| Cash outflow from movement in debt financing | | **2,957** | (27,187) |
| **Movement in net debt in the year** | *21* | **4,398** | (25,246) |
| Net debt at the start of the year | | **(25,246)** | - |
| **Net debt at the end of the year** | | **(20,848)** | (25,246) |

The accompanying notes are an integral part of this cash flow statement

## Reconciliations of movements in equity shareholders' funds
***for the year ended 31 December 2012***

| | Group Year ended 31 December 2012 £000 | Company Year ended 31 December 2012 £000 | Group Year ended 31 December 2011 £000 | Company Year ended 31 December 2011 £000 |
|---|---|---|---|---|
| **Profit/(loss) for the financial year** | 865 | (1,540) | 525 | (1 030) |
| Share option charge | - | - | 18 | 18 |
| Dividends | - | 4,000 | - | 4,000 |
| New Share Capital issued | - | - | 4,233 | 4,233 |
| **Net addition to equity shareholders' funds** | 865 | 2,460 | 4,776 | 7 221 |
| Opening equity shareholders' funds | 4,776 | 7,221 | - | - |
| **Closing equity shareholders' funds** | 5,641 | 9,681 | 4,776 | 7,221 |

# 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 financial statements except as noted below

***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards, and under historical cost accounting rules The financial statements are prepared on a going concern basis which is supported by cash flow forecasts for the forthcoming year

***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2012 The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

The Group has taken advantage of the exemptions contained in Financial Reporting Standard ('FRS') 8 and has therefore not disclosed transactions or balances with entities which form part of the Group

Overseas subsidiaries are consolidated by converting foreign currencies to Sterling at an average rate for the year for all profit & loss balances and at a year end rate for all balance sheet values

***Goodwill***

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1999 is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost

***Turnover***

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business Revenue is recognised on a straight line basis over the period of the contract

***Operating leases***

Costs in respect of operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

***Tangible fixed assets***

Depreciation is provided to write off the cost of fixed assets to their estimated residual value on a straight line basis in equal annual instalments over their estimated useful lives as follows

| | | |
|---|---|---|
| Leasehold improvements | - | 3-5 years |
| Plant, fixtures and IT equipment | - | 2-10 years |

***Pension costs***

The Group operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Group in an independently administered fund The amount charged to the profit and loss account represents contributions payable to the scheme in respect of the accounting year

# Notes *(continued)*

## 1 Accounting policies (continued)

***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19

***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate All exchange differences are included in the profit and loss account

***Loan issue costs***

Costs incurred in respect of loan issues are taken as a reduction in proceeds and charged over the life of the instrument, at a constant rate of interest

***Share based payments***

The share option programme allows employees to acquire shares of the Company The fair value of options granted is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the year during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing 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 variations are due only to share prices not achieving the threshold for vesting

## 2 Turnover

The Group's sole business activity is the provision of marketing services In 2012, 91 2% (*2011 92 2%*) of the revenue was generated within the UK, with 7 5% (*2011 5 8%*) derived from Germany, 0% (*2011 0 5%%*) derived from Spain, 1 3% (*2011 1 5%*) derived from Republic of Ireland

## Notes *(continued)*

### 3 Profit on ordinary activities before taxation

| | **Year ended 31 December 2012 £000** | Year ended 31 December 2011 £000 |
|---|---|---|
| *Profit on ordinary activities before taxation is stated after charging* | | |
| Depreciation | **477** | 398 |
| Amortisation of goodwill | **2,291** | 1,861 |
| Operating lease rentals | | |
| - other | **3,735** | 2,347 |
| - land and buildings | **173** | 207 |
| Share option charge | **-** | 18 |

*Auditors' remuneration*

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Audit of these financial statements | **6** | 6 |
| Amounts receivable by auditors and their associates in respect of | | |
| Audit of financial statements of subsidiaries pursuant to legislation | **32** | 32 |
| Other services relating to taxation | **76** | 80 |

### 4 Remuneration of directors

| | **Year ended 31 December 2012 £000** | Year ended 31 December 2011 £000 |
|---|---|---|
| Directors' emoluments | **728** | 320 |
| Company contributions to money purchase pension schemes | **35** | 19 |

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £280,879 *(2011* £135,016*)*, and Company pension contributions of £20,000 *(2011* £18,997*)* were made to a money purchase scheme on their behalf

Retirement benefits are accruing to two directors (*2011 two*) under money purchase schemes

Included in the above is £153,600 paid to a third party in respect Director's services made available to the Company

# Notes *(continued)*

## 5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows

| | Number of employees | |
|---|---|---|
| | **2012** | 2011 |
| Management and administration | **83** | 64 |
| Production and sales | **920** | 643 |
| | **1,003** | 707 |

The aggregate payroll costs of these persons were as follows

| | **Year ended 31 December 2012 £000** | Year ended 31 December 2011 £000 |
|---|---|---|
| Wages and salaries | **23,141** | 16,357 |
| Social security costs | **2,616** | 1,867 |
| Other pension costs | **238** | 149 |
| | **25,995** | 18 373 |

## 6 Other interest receivable and similar income

| | **Year ended 31 December 2012 £000** | Year ended 31 December 2011 £000 |
|---|---|---|
| Bank interest | **1** | 1 |

## 7 Interest payable and similar charges

| | **Year ended 31 December 2012 £000** | Year ended 31 December 2011 £000 |
|---|---|---|
| On bank loans and overdrafts | **1,179** | 903 |

# Notes *(continued)*

## 8 Taxation

| *Analysis of charge in year* | **Year ended 31 December** | | Year ended 31 December | |
|---|---|---|---|---|
| | **2012** | **2012** | 2011 | 2011 |
| | **£000** | **£000** | £000 | £000 |
| *UK corporation tax* | | | | |
| Current tax on income for the year | **972** | | 890 | |
| Adjustment in respect of prior years | **(214)** | | 12 | |
| | | **758** | | 902 |
| Foreign tax | | **187** | | 80 |
| Total current tax | | **945** | | 982 |
| *Deferred tax (see note 13)* | | | | |
| Origination/reversal of timing differences | **(38)** | | 20 | |
| Adjustments in respect of prior years | **111** | | (52) | |
| Reduction in tax rate | **(3)** | | 4 | |
| Total deferred tax | | **70** | | (28) |
| | | **1,015** | | 954 |

*Factors affecting the tax charge for the current year*

The current tax charge for the year is higher (*2011 higher*) than the standard rate of corporation tax in the UK (24 5%) (*2011 26 49%*) The differences are explained below

| | **Year ended 31 December 2012** | Year ended 31 December 2011 |
|---|---|---|
| | **£000** | £000 |
| *Current tax reconciliation* | | |
| Profit on ordinary activities before tax | **1,880** | 1 479 |
| Current tax at 24 5% (2011 26 49%) | **461** | 392 |
| *Effects of* | | |
| Expenses not deductible for tax purposes (primarily goodwill amortisation) | **579** | 518 |
| Ineligible depreciation | **2** | 2 |
| Depreciation for the year in excess of capital allowances | **41** | 17 |
| Higher tax rates on overseas earnings | **76** | 32 |
| Adjustment to tax charge in respect of prior years | **(214)** | 21 |
| Total current tax charge (see above) | **945** | 982 |

The December 2012 Autumn Statement announced a planned reduction in the UK corporation tax rate to 21% by 2014 The 2013 Budget on 20 March 2013 announced that the rate will reduce to 20% from 1 April 2015 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively Deferred tax balances as at 31 December 2012 have been calculated based on the rate of 23% substantively enacted at the balance sheet date It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax balances accordingly

# Notes *(continued)*

## 9 Intangible fixed assets

| **Group** | **Goodwill** |
|---|---|
| | £000 |
| *Cost* | |
| At beginning of year | 34,764 |
| Additions | - |
| At end of year | 34,764 |
| *Amortisation* | |
| At beginning of year | (1 861) |
| Charged in year | (2,291) |
| At end of year | (4,152) |
| *Net book value* | |
| **At 31 December 2012** | **30,612** |
| At 31 December 2011 | 32,903 |

The goodwill arising on the acquisition of Aspen Marketing Group Limited during 2011 is being amortised over 20 years, which reflects management's estimate of the useful economic life of the business acquired

## 10 Tangible fixed assets

| | **Leasehold improvements** | **Plant, fixture & IT Equipment** | **Total** |
|---|---|---|---|
| **Group** | **£000** | **£000** | **£000** |
| *Cost* | | | |
| At beginning of year | 9 | 1,553 | 1,562 |
| Additions | - | 47 | 47 |
| **At end of year** | **9** | **1,600** | **1,609** |
| *Depreciation* | | | |
| At beginning of year | 5 | 393 | 398 |
| Charge | 2 | 475 | 477 |
| **At end of year** | **7** | **868** | **875** |
| *Net book value* | | | |
| **At 31 December 2012** | **2** | **732** | **734** |
| At 31 December 2011 | 4 | 1,160 | 1,164 |

# Notes *(continued)*

## 11 Fixed asset investments

| | Shares in group undertaking |
|---|---|
| **Company** | **£000** |
| ***Cost and Net book value*** | |
| At beginning of year | 13,362 |
| Investment in subsidiaries | - |
| At end of year | 13,362 |

The undertakings in which the group's interest at the year end is more than 20% are as follows

| *Subsidiary undertakings* | Country of incorporation | Principal activity | Class and percentage of shares held Group | Company |
|---|---|---|---|---|
| ShopSmart Agency Limited | England and Wales | Marketing Services | Ordinary shares 100% | Ordinary shares 100% |
| Aspen Marketing Group Limited | England and Wales | Holding Company | Ordinary shares 100% | Ordinary shares 100% |
| Awesomecorp Limited | England and Wales | Holding Company | Ordinary shares 100% | - |
| Reach Contact Limited | England and Wales | Marketing Services | Ordinary shares 100% | - |
| Channel Marketing Solutions Limited | England and Wales | Dormant | Ordinary shares 100% | - |
| Aspen Marketing Communications Limited | England and Wales | Dormant | Ordinary shares 100% | - |
| Reach Sales and Marketing Services LLC | Turkey | Marketing Services | Ordinary shares 100% | - |
| Reach Australia Pty Limited | Australia | Marketing Services | Ordinary shares 100% | - |
| Reach GmbH | Germany | Marketing Services | Ordinary shares 100% | - |
| Reach Contact SL | Spain | Marketing Services | Ordinary shares 100% | - |
| Reach Contact Ireland Limited | Ireland | Marketing Services | Ordinary shares 100% | - |

All of the above subsidiaries results are included within these consolidated financial statements

## Notes *(continued)*

### 12 Debtors

| | Group 2012 £000 | Group 2011 £000 | Company 2012 £000 | Company 2011 £000 |
|---|---|---|---|---|
| Trade debtors | 6,388 | 5,481 | - | - |
| Deferred tax asset | - | 69 | - | - |
| Amounts owed to group undertakings | - | - | 19,755 | 20,191 |
| Tax recoverable | - | 24 | - | - |
| Recoverable VAT | - | - | 15 | 7 |
| Other debtors | 1,000 | 1,054 | 790 | 790 |
| Prepayments and accrued income | 450 | 594 | 24 | 74 |
| | 7,838 | 7,222 | 20,584 | 21,062 |

The elements of deferred taxation are as follows

| | Group 2012 £000 | Group 2011 £000 | Company 2012 £000 | Company 2011 £000 |
|---|---|---|---|---|
| Difference between accumulated depreciation and amortisation and capital allowances | 27 | 40 | - | - |
| Other timing differences | (27) | 29 | - | - |
| Deferred tax asset | - | 69 | - | - |

### 13 Creditors: amounts falling due within one year

| | Group 2012 £000 | Group 2011 £000 | Company 2012 £000 | Company 2011 £000 |
|---|---|---|---|---|
| Bank loans, loan notes and overdrafts (see note 14) | 3,708 | 2,957 | 3,708 | 2,957 |
| Trade creditors | 1,052 | 857 | 22 | 13 |
| Corporation tax payable | 605 | 613 | - | - |
| Taxation and social security | 2,048 | 1,875 | - | - |
| Accruals and deferred income | 8,990 | 7,922 | 13 | 3 |
| | 16,403 | 14,224 | 3,743 | 2,973 |

### 14 Creditors. amounts falling due after more than one year

| | Group 2012 £000 | Group 2011 £000 | Company 2012 £000 | Company 2011 £000 |
|---|---|---|---|---|
| Loan notes | 3,692 | 5,255 | 3,692 | 5,255 |
| Bank loans and overdrafts | 16,830 | 18,975 | 16,830 | 18,975 |
| | 20,522 | 24,230 | 20,522 | 24,230 |

# Notes *(continued)*

## 14 Creditors. amounts falling due after more than one year *(continued)*

**Analysis of debt:**

| | **Group 2012 £000** | Group 2011 £000 | **Company 2012 £000** | Company 2011 £000 |
|---|---|---|---|---|
| Debt can be analysed as falling due | | | | |
| In one year or less, or on demand | **3,708** | 2,957 | **3,708** | 2 957 |
| Between one and two years | **4,764** | 3,708 | **4,764** | 3 708 |
| Between two and five years | **15,758** | 8,647 | **15,758** | 8,647 |
| After more than 5 years | **-** | 11,875 | **-** | 11,875 |
| | **24,230** | 27,187 | **24,230** | 27 187 |

Debt comprises £6 3 million of loan notes issued on 28 March 2011 and senior bank debt originally totalling £22 0 million, also issued on 28 March 2011 As at 31 December 2012 the loan notes in issue totalled £5 2 million and the bank debt totalled £19 0 million

**Loan Notes**

The loan notes in issue comprise four different types

Loan Stock A £2,000,000 principal amount of fixed rate secured A loan stock 2014 No interest is payable and the notes are repayable over an amortising period between February 2012 and August 2014 at six monthly intervals

Loan Stock B £875,000 principal amount of fixed rate secured B loan stock 2014 No interest is payable and the notes are repayable as a bullet repayment in February 2017

Loan Stock C £1,966,965 principal amount of fixed rate unsecured C loan stock 2014 No interest is payable and the notes are repayable over an amortising period between February 2012 and August 2014 at six monthly intervals

Loan Stock D £1,500,000 principal amount of fixed rate unsecured D loan stock 2014 No interest is payable and the notes are repayable over an amortising period between February 2012 and February 2016 at six monthly intervals

**Senior Bank Debt**

The bank debt comprises three tranches of facility An amortising Sterling loan facility with a maximum principal amount of £11 million reducing via quarterly repayment instalments between June 2011 and March 2016, a bullet repayment facility of £11 million due for repayment in one amount on or before 28 March 2017, and a revolving credit facility which may be drawn in up to ten separate tranches at any one time with an aggregate value of £3 million and remains available until 31 March 2016

Interest is payable at different margins over LIBOR on the three tranches In the case of the amortising facilities the margin will vary between 3 25% and 4 0% dependent on the ratio of net debt to EBITDA over an agreed year, in the case of the bullet facility a margin of 4 5% is applicable, and in the case of the revolving credit facility the margin is identical to that applicable to the amortising loan

# Notes *(continued)*

## 15 Called up share capital

| | 2012 £000 | 2011 £000 |
|---|---|---|
| ***Allotted, called up and fully paid*** | | |
| Equity | | |
| 4,411,300 (*2011 4,411 300*) Ordinary shares of £0 001 (*2011 £0 001*) each | **4** | 4 |
| | **4** | 4 |

Subject to any special rights or restrictions, every shareholder holding equity shares shall have one vote, and on a poll every shareholder shall have one vote for every equity share of which he is the holder The aggregate nominal value of all the shares in issue at 31 December 2012 is £4,411 (*2011 £4,411*)

## 16 Share premium and reserves

| **Group** | **Share premium account £000** | **Profit and loss account £000** |
|---|---|---|
| At beginning of year | 4,229 | 543 |
| Profit for the financial year | - | 865 |
| **At end of year** | **4,229** | **1,408** |

| **Company** | **Share premium account £000** | **Profit and loss account £000** |
|---|---|---|
| At beginning of year | 4,229 | 2,988 |
| Profit for the financial year | - | (1,540) |
| Dividends | - | 4,000 |
| **At end of year** | **4,229** | **5,448** |

## 17 Contingent liabilities

The company has guaranteed the overdrafts of its subsidiaries, the amount outstanding at the year-end was £nil (*2011 £nil*)

## Notes *(continued)*

### 18 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

| Group | 2012 Land and buildings £000 | 2012 Other £000 | 2011 Land and buildings £000 | 2011 Other £000 |
|---|---|---|---|---|
| Operating leases expiring | | | | |
| - within one year | **18** | **399** | 18 | 487 |
| - between two and five years | **154** | **1,611** | 154 | 1,955 |
| | **172** | **2,010** | 172 | 2,442 |

The Company does not have any such commitments

### 19 Reconciliation of operating profit to operating cash flows

| | Year ended 31 December 2012 £000 | Year ended 31 December 2011 £000 |
|---|---|---|
| Operating profit | **3,058** | 2,381 |
| Depreciation, amortisation, share option charge and impairment charges | **2,768** | 2,277 |
| (Increase) / decrease in debtors | **(853)** | 2,694 |
| Increase / (decrease) in creditors | **1,580** | (2,150) |
| **Net cash inflow from operating activities** | 6,553 | 5,202 |

### 20 Analysis of cash flows

| | 2012 £000 | 2012 £000 | 2011 £000 | 2011 £000 |
|---|---|---|---|---|
| **Returns on investment and servicing of finance** | | | | |
| Interest received | **1** | | 1 | |
| Interest paid | **(1,179)** | | (924) | |
| | | **(1,178)** | | (923) |
| **Capital expenditure and financial investment** | | | | |
| Purchase of tangible fixed assets | **(47)** | | (346) | |
| | | **(47)** | | (346) |
| **Acquisitions and disposals** | | | | |
| Purchase of subsidiary undertaking | - | | (32,061) | |
| Cash acquired with subsidiary | - | | 1,186 | |
| | | - | | (30,875) |

# Notes *(continued)*

## 20 Analysis of cash flows *(continued)*

| **Financing** | **2012 £000** | **2012 £000** | 2011 £000 | 2011 £000 |
|---|---|---|---|---|
| Issue of ordinary share capital | - | | 3,443 | |
| Debt due within one year | | | | |
| Increase in short-term borrowing | - | | 4,112 | |
| Repayment of loans | **(2,957)** | | (1,155) | |
| Debt due after one year | | | | |
| New loans repayable in instalments up to 2017 | - | | 18,975 | |
| Loan Stock repayable in instalments up to 2016 | - | | 5,255 | |
| | | **(2,957)** | | 30,630 |

## 21 Analysis of net debt

| | At beginning of year £000 | Cash flow £000 | **At end of year £000** |
|---|---|---|---|
| Cash in hand, at bank | 1,941 | 1,441 | **3,382** |
| Equity loan stock due within one year | (1,087) | (476) | **(1,563)** |
| Equity loan stock due after one year | (5,255) | 1,563 | **(3,692)** |
| Debt due within one year | (1,870) | (275) | **(2,145)** |
| Debt due after one year | (18,975) | 2,145 | **(16,830)** |
| Gross Debt | (27,187) | (2,957) | **(24,230)** |
| **Net Debt** | (25,246) | (4,938) | **(20,848)** |

## 22 Pension scheme

### Group

The Group operates a defined contribution pension scheme The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £238,000 *(2011 £149,000)*

There were no outstanding or prepaid contributions at either the beginning or end of the financial year

## Notes *(continued)*

### 23 Employee share schemes

**Share based payments – Group and Company**

On 28 March 2011 Reach Holdings Limited acquired 100% of the issued share capital in Aspen Marketing Group Limited At acquisition the HMRC approved EMI option scheme operated by Aspen Marketing Group Limited was rolled into Reach Holdings Limited by agreement with HMRC Any options outstanding on 28 March 2011 were cancelled and replaced with new options over shares in Reach Holdings Limited with equivalent value These options retain the same expiration date as their original counterparts and are exercisable at a value equivalent to the original option exercise price

On 15 November 2012 the Company approved the establishment of the Reach Holdings Limited Approved Share Option Plan This new plan allows participants to purchase shares in Reach Holdings Limited under certain conditions No options were granted under this new plan during the year ended 31 December 2012

| Grant date | Number of options | Vesting conditions | Contractual life of options |
|---|---|---|---|
| Equity-settled award on 23 November 2006 | 70,290 | Earliest of<br>a) A Listing on a recognised Exchange,<br>b) A share sale or Institutional Investor exit, or if earlier such date as specified by the Board at the Date of Grant and stated in the Letter of Grant<br>c) The participant ceasing to be a Group employee where the cessation was by reason of the company ceasing to be a Group company<br>d) Death of the option holder<br>e) The option holder ceasing to be a Group employee by reason of injury, ill health, disability or retirement<br>f) The date immediately prior to the tenth anniversary of the Date of Grant | Tenth anniversary of date of grant |

The number and weighted average exercise prices of share options are as follows

| | **2012 Weighted average exercise price (£)** | **2012 Number of options** | 2011 Weighted average exercise price (£) | 2011 Number of options |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 0.229 | 70,290 | - | - |
| Forfeited during the year | - | - | 0 092 | (18,410) |
| Granted as replacement for Aspen Marketing Group options (see above) | - | - | 0 201 | 88,700 |
| Outstanding at the end of the year | 0 229 | 70,290 | - | - |
| Exercisable at the end of the year | 0 229 | 70,290 | - | - |

The options outstanding at the year end have a weighted average exercise price of £0 229 and a weighted average contractual life of 3 9 years

## Notes *(continued)*

### 23 Employee share schemes
*(continued)*

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted The estimate of the fair value of the services received is measured using the Black-Scholes model The expected life of the options (3 years) is used as an input to this model

| | **2012** | 2011 |
|---|---|---|
| | **£** | £ |
| Fair value of each option at measurement date | **0.211** | 0 211 |
| Weighted average share price | **0.054** | 0 054 |
| Exercise price | **0 054** | 0 054 |
| Expected volatility | **45%** | 45% |
| Option life | **3.36 years** | 3 36 years |
| Risk free interest rate (based on national government bonds) | **4 0%** | 4 0% |

The expected volatility is based on the historic volatility of indices of quoted shares which are considered relevant

Share options are granted under a service condition There are no market conditions associated with the share option grants

The total expenses recognised for the year arising from share based payments are as follows

| | **2012** | 2011 |
|---|---|---|
| | **£000** | £000 |
| Equity settled share based payments | **-** | 18 |
| | **-** | 18 |

There is no charge arising in 2012 as the option expenses relating to the outstanding options has been fully expensed in prior years

**Share-based payment transactions**

The share option programme allows employees to acquire shares of the company The fair value of options granted is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the year during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using the Black Scholes model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense reflects the expected number of share options that will vest

### 24 Related party disclosures and ultimate controlling interest

There are no related party transactions

There is no ultimate controlling interest