Castle Street Investments plc

Annual report and financial statements

Registered number SC368538

Year ended 31 December 2015

Contents

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 www.castlestreetinvestments.com

Results highlights

£22.8 million of cash and cash equivalents at 31 December 2015.

Reduced on-going administrative costs to £0.5 million in the year to 31 December 2015 as the operation scaled down significantly following the disposal of its legacy businesses in 2013 and 2014.

Completed the evaluation of various potential investing opportunities, incurring £0.8 million of exceptional costs in respect of acquisitions in early 2016.

Generated profit before tax and loss on disposal of discontinued activities of £1.1 million (2014: loss of £4.1 million) and an EPS of 1.05p (2014: loss per share of 14.93p).

Post period-end highlights

Acquisition of Selection Services Investments Limited and its subsidiary entities ("Selection"), a provider of Managed IT Solutions and Cloud and network services with over 500 active customers, primarily focused on the United Kingdom mid-market.

An oversubscribed £30.0 million fundraising (before expenses) through the issue of 100,000,000 new ordinary shares.

New Group bank facilities with The Royal Bank of Scotland plc.

Acquisition of C4L Group Holdings Limited ("C4L"), a successful and growing network services and data centre hosting business with over 550 active customers. C4L brings a high quality core network infrastructure with substantial capacity for growth and a broad data centre infrastructure.

Experienced management team recruited and Board strengthened.

Chairman's statement

Following the strategic decision in 2014 to dispose of the remaining legacy business, the Company has operated as an Investing Company. During 2015 in line with its investing policy, the Board duly identified and evaluated various potential investing opportunities.

On 21 January 2016, the Company raised £30.0 million before expenses through the issue of 100,000,000 new ordinary shares, which was oversubscribed, to finance the acquisition of the entire issued share capital of Selection Services Investments Limited and its subsidiary entities ("Selection"), strengthen the balance sheet for future acquisitions and for general working capital purposes. Selection is a provider of Managed IT Solutions, Cloud and network services with over 500 active customers, primarily focused on the United Kingdom mid-market, with offices in Croydon, Bromley, Reading and Bristol and approximately 380 staff.

At the same time as this acquisition was announced, Bill Dobbie resigned as Chairman of the Group and became a non-executive Director and I was appointed as Chairman. Andy Ross, Chief Executive Officer, Julian Phipps, Chief Financial Officer and Katherine Ward, non-executive Director were appointed to the Board, replacing Niall Stirling, Chief Financial Officer and Max Royde, non-executive Director who stepped down from the Board.

On 25 January 2016, the Group secured new bank facilities with The Royal Bank of Scotland plc, which comprised a £2.0 million overdraft facility, a five year £7.0 million Revolving Credit Facility and an accordion loan, which allows the total facility to be increased by up to £10.0 million to support organic and acquisitive growth initiatives.

On 16 February 2016, the Company announced the acquisition of the entire issued share capital of C4L Group Holdings Limited and its subsidiary entities ("C4L"). C4L is an infrastructure-rich provider of network and data centre services with over 550 active customers, primarily focused on the United Kingdom market, with offices in Bournemouth (including its own 3MW Tier2/3 data centre) and Docklands, London, and approximately 50 staff. Matt Hawkins, Chairman and founder of C4L, joins the Group Board as Chief Technology Officer and Simon Mewett, Chief Executive Officer of C4L, joins the Group Board as Chief Operating Officer.

I am delighted that the Board's investing policy has culminated in us owning these two exciting, complementary businesses, both with highly energised and motivated staff, and a broad range of products and services across IT Managed Solutions, networks, hosting and cloud services. I look forward to working with my new colleagues on the Board to drive growth and deliver a positive return to shareholders.

Finally, I'd like to express my thanks to our outgoing Directors, Niall Stirling and Max Royde for their efforts in support of the Company.

Jonathan Watts
Non-Executive Chairman

9 March 2016

Review of Performance

Review of 2015

2015 was a year of transition for the Group, with the continued focus on ensuring a smooth exit from the legacy businesses that were sold in 2013 and 2014, whilst at the same time, a new focus on executing against the investment strategy and policy in order to maximise shareholder returns.

Discontinued operations

The Group made a gross profit of £0.2 million on revenue of £0.2 million arising from its legacy business in 2015, with no further revenue anticipated in 2016 from these assets. The Group also released provisions of £1.5 million, once all the property, legal and redundancy claims had been settled in 2015. At the end of 31 December 2015, the Group held provisions of £0.4 million (2014: £3.0 million) for final property, taxation and other potential liability settlements.

Continuing operations

The Group's on going administrative costs during 2015 amounted to £0.5 million as the operation scaled down significantly following the disposal of its legacy businesses.

The Group's investing policy involved the identification and evaluation of potential acquisition opportunities, which resulted in the acquisitions of Selection on 21 January 2016 and C4L on 15 February 2016. In the year to 31 December 2015, the Group incurred £0.8 million of exceptional costs in respect of these acquisitions.

Finance income

Finance income relates primarily to the unwinding of the discount applied to the deferred consideration arising on the legacy business disposal.

Profit before tax

The Group generated a profit before tax and loss on disposal of discontinued activities of £1.1 million (2014: loss of £4.1 million).

Tax charge

The Group has provided for corporation tax to be charged at 20.25%. The tax computation for 2014 showed tax losses of £5.0m, which were utilised against current year and prior year tax charges.

Balance sheet

All the tangible and intangible assets were disposed of in 2014, the Group had £22.8 million of cash and cash equivalents and £0.1 million other assets at 31 December 2015.

Dividend

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

Update and outlook for 2016

On 21 January 2016, the Company raised £30.0 million before expenses through the issue of 100,000,000 new ordinary shares, which was oversubscribed, to finance the acquisition of the entire issued share capital of Selection Services Investments Limited and its subsidiary entities ("Selection"), a United Kingdom focused provider of IT solutions and Cloud Services with over 500 active customers and to fund future growth, including strengthening the balance sheet for future acquisitions. The enterprise value of Selection was £34.8 million, paid as £34.4 million in cash with the balance satisfied by the issue of 1,353,810 new ordinary shares.

Selection's last statutory accounts, prepared under UK GAAP, were for the year ended 30 June 2015. Their performance in the six month period since their last year end is summarised as follows:

Review of Performance *(continued)*

Update and outlook for 2016 *(continued)*

	6 months to 31 December 2015 (Unaudited) £000	12 months to 30 June 2015 (Audited) £000	6 months to 31 December 2014 (Unaudited) £000
Revenue	17,717	34,544	17,121
Gross profit	7,362	13,474	6,742
Gross profit %	42%	39%	39%
EBITDA	1,396	3,199	1,500
EBITDA %	7.9%	9.3%	8.8%
Operating loss	(831)	(1,327)	(787)
Loss before taxation	(2,369)	(3,967)	(2,406)

EBITDA is defined as earnings before interest, tax, depreciation, amortisation, share based payments, acquisition and restructuring costs, release of provisions and exceptional costs.

Note: the above numbers are prepared on a UK GAAP basis. On an IFRS basis, the EBITDA for the 12 months to 30 June 2015 was £3,325,000, the operating profit was £1,334,000 and the loss before taxation was £1,020,000. The differences arise due to differing accounting treatments for amortisation and certain other costs.

Selection has performed satisfactorily since 30 June 2015, winning new business and securing a place on the government G-Cloud 7 contracting framework with the Crown Commercial Service, enabling it to bid for public sector contracts across the United Kingdom.

On 25 January 2016, the Group secured new bank facilities with The Royal Bank of Scotland plc. The facilities comprise a five year £7.0 million Revolving Credit Facility available to the Group until 22 January 2021 and a £2.0 million overdraft facility, renewable annually. In addition, the Revolving Credit Facility also contains an accordion feature that allows the total facility to be increased by up to a further £10.0 million to support organic and acquisitive growth initiatives.

On 16 February 2016, the Company announced the acquisition of C4L Group Holdings Limited ("C4L"), a successful and growing network services and data centre hosting business with over 550 active customers, for a total consideration of £20.2 million, paid as £14.2 million in cash with the balance satisfied by the issue of 18,346,918 new ordinary shares. C4L brings a high quality core network infrastructure with substantial capacity for growth and a broad data centre infrastructure.

C4L’s last statutory accounts, prepared under UK GAAP, were for the year ended 31 October 2015. Their performance in the two month period since their last year end is summarised as follows:

	2 months to 31 December 2015 (Unaudited) £000	12 months to 31 October 2015 (Audited) £000	2 months to 31 December 2014 (Unaudited) £000
Revenue	2,337	13,917	2,239
Gross profit	818	4,626	814
Gross profit %	35%	33%	35%
EBITDA	306	1,040	220
EBITDA %	13.1%	7.5%	9.4%

EBITDA is defined as earnings before interest, tax, depreciation, amortisation, share based payments, acquisition and restructuring costs, release of provisions and exceptional costs.

Review of Performance *(continued)*

Update and outlook for 2016 *(continued)*

C4L has traded well since 31 October 2015 following the successful implementation of a number of hosting and network clients.

Julian Phipps
Chief Financial Officer

9 March 2016

Board of Directors

Jonathan Watts - Non-Executive Chairman

On 21 January 2016, Jonathan was appointed Non-Executive Chairman.

Jonathan is an experienced board executive with corporate governance experience within the IT, Telecommunications and Banking sector in the United Kingdom, Australasia and United States of America. Jonathan was President and Founder of GEO Networks, and has held board positions with Alliance and Leicester, Colt Telecommunications, NB3, Bell South and Control Data Corporation.

Jonathan serves on the Remuneration Committee and the Audit Committee.

Andy Ross - Chief Executive Officer

On 21 January 2016, Andy was appointed Chief Executive Officer.

Andy is a partner in MXC Capital. Andy has over 35 years of experience in the IT industry and has previously held chief executive officer roles at Northgate Managed Services and Valldata, and senior director roles at Atos, EDS, Sema Group and KPMG.

Julian Phipps - Chief Financial Officer and Company Secretary

On 21 January 2016, Julian was appointed Chief Financial Officer and Company Secretary.

Julian is an experienced chief financial officer having spent over 20 years working in the technology sector. He has worked for a number of large IT and Telecommunications businesses including Updata, Northgate Managed Services, SunGard Availability Services and Parity. Prior to working in the technology sector, Julian worked for Coopers and Lybrand in Switzerland, Luxembourg and London.

Matt Hawkins- Chief Technology Officer

On 15 February 2016, Matt was appointed Chief Technology Officer.

Winner of Entrepreneur of the Year 2013, Matt founded C4L in 2000 to provide leading connectivity and infrastructure solutions for United Kingdom businesses. As Chief Technology Officer of Castle Street Investments, Matt will be driving systems innovation, technology strategy and collaborative development within one unified customer-facing business.

Simon Mewett - Chief Operating Officer

On 15 February 2016, Simon was appointed Chief Operating Officer.

Simon has over twenty years' experience within the technology sector, and a proven track record in the field of telecommunications, data centres and network connectivity. As Chief Operating Officer of Castle Street Investments, Simon will be supporting ambitious growth and acquisitions, through delivery of agreed business plans.

Board of Directors *(continued)*

Bill Dobbie – Non-Executive Director

Bill is an experienced entrepreneur and director specialising in internet, telecoms and technology businesses and founder of Castle Street Investments (formerly Cupid plc). Bill founded Cupid following 7 years at Iomart Group plc in roles spanning founder to non-executive positions.

Bill has been a director of Demon Internet, Prestel, Teledata, Scottish Telecom (Thus) and several other companies. Bill is currently a director of Cloudsoft Corporation, a private entity that produces software for managing public and private cloud infrastructure, and Edinburgh Alternative Finance Ltd, a peer to peer lender. He is also a non-executive director of Tag-Games Ltd, a provider of mobile and social games.

On 21 January 2016, Bill resigned as Chairman but remains a Non-Executive Director.

Bill serves on the Audit Committee and chaired the Remuneration Committee in the year ended 31 December 2015. On 21 January 2016, Bill resigned as Chairman of the Remuneration Committee, but still continues to serve on the Remuneration Committee.

Katherine Ward - Independent Non-Executive Director

On 21 January 2016, Katherine was appointed as Independent Non-Executive Director.

Katherine is an experienced Investment Banker having worked at Morgan Stanley and Panmure Gordon. Katherine has extensive experience in advising companies on a range of strategic options, and has worked on multiple IPO launches, equity capital fundraisings and M&A transactions. Katherine is currently Head of Investor Relations and Corporate Communications for Wentworth Resources, a publically listed oil and gas exploration and production company.

Katherine chairs the Remuneration Committee and the Audit Committee.

Niall Stirling - former Chief Financial Officer and Company Secretary

Niall joined Castle Street Investments (formerly Cupid plc) as Chief Financial Officer in January 2013 and has over 20 years' experience in senior financial and operational roles in branded consumer businesses in the United Kingdom, the United States of America and across Europe.

After training with Ernst & Young, Niall 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 set up a premium drinks distributor joint venture turning over £300 million. He then spent 5 years with Red Bull, including 2 years as chief financial officer of Red Bull North America Inc. Prior to joining Castle Street Investments, Niall spent 4 years as chief financial officer and then executive director of operations of the Performing Rights Society.

On 21 January 2016, Niall resigned as Chief Financial Officer and Company Secretary.

Max Royde – former Non-Executive Director

Max was appointed to the Board on 2 February 2015 as Non-Executive Director. 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. On 21 January 2016, Max resigned as a Non-Executive Director.

Prior to his resignation, Max served on the Remuneration Committee and chaired the Audit Committee.

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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 19 times during the year, 10 for scheduled meetings and 9 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. At 31 December 2015, 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 9 March 2016, the Board comprised the Non-Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the Chief Technology Officer, the Chief Operating Officer, one Non-Executive Director and one Independent Non-Executive Director. During the year to 31 December 2015 several Board changes took place: on 2 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.

On 21 January 2016, Bill Dobbie resigned as Chairman but remains a Non-Executive Director, Max Royde resigned as a Non-Executive Director and Niall Stirling resigned as Chief Financial Officer and Company Secretary. On 21 January 2016, Jonathan Watts was appointed Chairman, Andy Ross was appointed Chief Executive Officer, Julian Phipps was appointed Chief Financial Officer and Company Secretary and Katherine Ward was appointed Independent Non-Executive Director. On 15 February 2016, Mathew Hawkins was appointed Chief Technology Officer and Simon Mewett was appointed Chief Operating Officer.

Short biographies of the Directors are given on page 6 and 7.

Corporate governance report *(continued)*

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

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.

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. Due to the Company's investee status during 2015, it was agreed to postpone the review of the Board composition until suitable acquisition targets were identified. New board appointments were made in January 2016.

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. Six 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 once during the year ended 31 December 2015 for a scheduled meeting and comprised of Bill Dobbie and Max Royde, with Max Royde acting as Chair. 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. On 21 January 2016, Max Royde resigned from the Audit Committee following his resignation as Director of the Company. On 21 January 2016, Jonathan Watt and Katherine Ward were appointed to the Audit Committee, with Katherine Ward replacing Max Royde as Chair.

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;
- 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.

The committee has 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

During the year ended 31 December 2015, the Remuneration Committee comprised of Bill Dobbie and Max Royde, with Bill Dobbie acting as Chair. 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 once during the year. On 21 January 2016, Max Royde resigned from the Remuneration Committee following his resignation as Director of the Company. On 21 January 2016, Jonathan Watt and Katherine Ward were appointed to the Remuneration Committee, with Katherine Ward replacing Bill Dobbie as Chair.

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	1	1
George Elliott – Former Non-Executive Chairman	1/1	-	1/1
Bill Dobbie – Non-Executive Chairman	18/19	1/1	
Max Royde – Non-Executive Director	14/18	1/1	1/1
Niall Stirling – Chief Financial Officer	19/19	-	-
Phil Gripton – Chief Executive Officer	4/4	-	-

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.

Corporate governance report *(continued)*

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.

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.

Corporate governance report *(continued)*

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:

Julian Phipps
Company Secretary

9 March 2016

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 in the year ended 31 December 2015 are Bill Dobbie and Max Royde. On 21 January 2016, Max Royde resigned from the Remuneration Committee following his resignation as Director of the Company. On 21 January 2016, Jonathan Watt and Katherine Ward were appointed to the Remuneration Committee, with Katherine Ward replacing Bill Dobbie as Chair. 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; and
- 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.

Remuneration Committee report *(continued)*

Directors' remuneration *(continued)*

(iii) Share Options

The Company operated 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. The scheme was discontinued during the 2015 financial year. A new scheme will be put in place in the next financial year.

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	31 December 2015	21 January 2019	3 months
Niall Stirling	3 January 2013	21 January 2016	3 months
Max Royde	2 February 2015	21 January 2016	1 month

Directors' emoluments

For Directors who held office during the course of the year, emoluments for the year ended 31 December 2015 were as follows:

	Salary/fees	**Redundancy**	**Benefits**	**Bonus**	**2015 total**	**2014 total**
	£	£	£	£	£	£
George Elliott	5,417	16,250	-	-	21,667	65,000
Bill Dobbie	21,250	-	-	-	21,250	37,708
Phil Gripton	60,577	109,000	4,475	40,000	214,052	287,884
Niall Stirling	178,365	-	9,744	70,000	258,109	225,937
Max Royde	27,500	-	-	-	27,500	-
Ian McCaig	-	-	-	-	-	47,213
Russell Shaw	-	-	-	-	-	47,213
Total	**293,109**	**125,250**	**14,219**	**110,000**	**542,578**	**710,955**

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 2015 in options over the ordinary shares of the Company were as follows:

Name of Director	At 31/12/14	Granted	Lapsed	At 31/12/15	Exercise price	Market price at date of award	Date of grant	Date from when exercisable	Expiry date
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	**2,500,000**	**-**	**(2,500,000)**	**-**					

The market price of the Company's shares at the end of the financial period was £0.325 and the range of prices during the period from 1 January 2015 to the end of the financial year was £0.175 to £0.40.

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 2015, together with their interests at 31 December 2014 were as follows:

Name of Director	Number of ordinary shares	
	31 December 2015	31 December 2014
George Elliott	**-**	26,000
Bill Dobbie	**14,676,053**	14,676,053
Max Royde*	**15,235,000**	-
Niall Stirling	**7,588**	7,588
Phil Gripton	**-**	27,333

* The ordinary shares are held by Kestrel Partners LLP, of which, Max Royde is Chief Executive Officer.

Katherine Ward
Chair, Remuneration Committee

9 March 2016

Strategic report

Principal activities

Following the Board's strategy review of the legacy business in September 2014, which led to its disposal on 24 December 2014, the Company became an Investing Company and continued to be an Investing Company for the year ended 31 December 2015.

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 2015 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 Company focus in 2015 was on identifying and exploiting future investment opportunities.

Operational highlights and future developments

In line with the Company's investing policy, the Board duly identified and evaluated various potential investing opportunities throughout 2015. In early 2016, the Company made two acquisitions, further details of which are 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.

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.

Julian Phipps
Director
On behalf of the Board

9 March 2016

24 Dublin Street
Edinburgh
EH1 3PP

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 2015. 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 and up to the date of the Annual Report are as follows:

Bill Dobbie
George Elliott (resigned 2 February 2015)
Phil Gripton (resigned 27 March 2015)
Niall Stirling (resigned 21 January 2016)
Max Royde (appointed 2 February 2015, resigned 21 January 2016)
Andy Ross (appointed 21 January 2016)
Julian Phipps (appointed 21 January 2016)
Jonathan Watts (appointed 21 January 2016)
Katherine Ward (appointed 21 January 2016)
Mathew Hawkins (appointed 15 February 2016)
Simon Mewett (appointed 15 February 2016)

Company Secretary
Julian Phipps (appointed 21 January 2016)
Niall Stirling (resigned 21 January 2016)

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 6 and 7.

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

The Company has 71,201,993 ordinary shares issued and fully paid up as at the closing balance sheet date of 31 December 2015 (2014: 71,201,993).

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 9 March 2016, 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
MXC Capital	43,000,000	22.5%
Kestrel Partners LLP	28,803,894	15.1%
Mathew Hawkins	16,370,627	8.6%
Bill Dobbie	14,676,053	7.7%
Coltrane Asset Management	14,297,562	7.5%
Richard Griffiths & controlled undertakings	9,019,378	4.7%
Elevage Limited	6,666,668	3.5%
Liontrust Asset Management	6,169,721	3.2%

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

On 21 January 2016, the Company raised £30.0 million before expenses through the issue of 100,000,000 new ordinary shares, which was oversubscribed.

On 21 January 2016, the Company announced the acquisition of the entire issued share capital of Selection Services Investments Limited and its subsidiary entities ("Selection"), a United Kingdom focused provider of IT solutions and Cloud Services with over 500 active customers. The enterprise value of the acquisition was £34.8 million, paid as £34.4 million in cash with the balance satisfied by the issue of 1,353,810 new ordinary shares.

On 25 January 2016, the Group secured new bank facilities with The Royal Bank of Scotland plc. The facilities comprise a five year £7.0 million Revolving Credit Facility available to the Group until 22 January 2021 and a £2.0 million overdraft facility, renewable annually. In addition, the Revolving Credit Facility also contains an accordion feature that allows the total facility to be increased by up to a further £10.0 million to support organic and acquisitive growth initiatives.

Directors' report *(continued)*

Post year-end events *(continued)*

On 15 February 2015, the Company acquired C4L Group Holdings Limited ("C4L"), a successful and growing network services and data centre hosting business with over 550 active customers, for a total consideration of £20.2 million, paid as £14.2 million in cash with the balance satisfied by the issue of 18,346,918 new ordinary shares. C4L brings a high quality core network infrastructure with substantial capacity for growth and a broad data centre infrastructure.

Dividend

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

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.

Julian Phipps
Director
On behalf of the Board

9 March 2016

24 Dublin Street
Edinburgh
EH1 3PP

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

The Directors are responsible for preparing the Annual 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 United Kingdom 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 2015 set out on pages 24 to 53. 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 Statement of Directors' responsibilities set out on page 22, 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 2015 and of the group's profit 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

9 March 2016

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

		Continuing operations 2015 £000	Discontinued operations 2015 £000	Total 2015 £000	Discontinued Total 2014 £000
Revenue		**-**	**146**	**146**	12,569
Cost of sales		**-**	**29**	**29**	(11,960)
Gross profit		**-**	**175**	**175**	609
Administrative expenses		**(1,273)**	**1,552**	**279**	(6,817)
Operating profit/(loss)		**(1,273)**	**1,727**	**454**	(6,208)
Analysed as:					
Earnings/(loss) before interest, tax, depreciation, amortisation, share based payments, acquisition and restructuring costs and exceptional costs		**(513)**	**650**	**137**	(873)
Depreciation of plant and equipment		**-**	**-**	**-**	(233)
Amortisation of intangible assets		**-**	**-**	**-**	(2,001)
Release of provisions		**-**	**1,535**	**1,535**	-
Exceptional costs		**(760)**	**(458)**	**(1,218)**	(3,101)
Finance income				**659**	2,148
Profit/(loss) before taxation				**1,113**	(4,060)
Taxation (charge)/credit				**(363)**	470
Profit/(loss) for the year after taxation				**750**	(3,590)
Loss on disposal of discontinued activities net of tax				**-**	(7,038)
Profit/(loss) for the financial year – discontinued operations				**750**	(10,628)
Other comprehensive income:					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign exchange translation differences – equity accounted investments				**-**	2
Profit/(loss) for the financial year and total comprehensive income all attributable to equity holders of the parent				**750**	(10,626)
Basic and diluted earnings/(loss) per share	8				
Basic (p per share)				**1.05p**	(14.93p)
Diluted (p per share)				**1.05p**	(14.93p)

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.

Statements of Financial Position

As at 31 December 2015

	Note	Group		Company	
		2015	2014	**2015**	2014
		£000	£000	**£000**	£000
Non-current assets					
Property, plant and equipment	*9*	**-**	-	**-**	-
Intangible assets	*10*	**-**	-	**-**	-
Investments	*11*	**-**	-	**-**	1,108
Financial assets	*12*	**74**	-	**-**	-
		74	-	**-**	1,108
Current assets					
Trade and other receivables	*13*	**80**	11,974	**194**	12,101
Cash and cash equivalents	*14*	**22,769**	12,139	**22,741**	11,963
Tax recoverable		**-**	1,033	**-**	720
		22,849	25,146	**22,935**	24,784
Total assets		**22,923**	25,146	**22,935**	25,892
Current liabilities					
Trade and other payables	*16*	**1,146**	1,840	**2,277**	10,411
Provisions	*15*	**438**	2,753	**320**	2,444
Tax payable		**290**	-	**274**	-
		1,874	4,593	**2,871**	12,855
Non-current liabilities					
Provisions	*15*	**-**	254	**-**	226
		-	254	**-**	226
Total liabilities		**1,874**	4,847	**2,871**	13,081
Net assets		**21,049**	20,299	**20,064**	12,811
Equity attributable to equity holders of the parent					
Share capital	*18*	**1,780**	1,780	**1,780**	1,780
Share premium		**-**	18,025	**-**	18,025
Capital redemption reserve		**-**	347	**-**	347
Retained earnings		**19,437**	1,576	**18,284**	(6,080)
Foreign currency translation reserve		**(168)**	(168)	**-**	-
Merger reserve		**-**	(1,261)	**-**	(1,261)
Total equity		**21,049**	20,299	**20,064**	12,811

These financial statements were approved by the Board of Directors on 9 March 2016 and were signed on its behalf by:

Julian Phipps
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 2014	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**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	750	-	-	750
Transactions with owners recorded directly in equity								
Cancellation of share premium reserve	-	(18,025)	-	-	18,025	-	-	-
Cancellation of capital redemption reserve	-	-	-	(347)	347	-	-	-
Release of merger reserve	-	-	-	-	(1,261)	-	1,261	-
Balance at 31 December 2015	**1,780**	**-**	**-**	**-**	**19,437**	**(168)**	**-**	**21,049**

Statements of Changes in Equity *(continued)*

Company	**Share capital**	**Share premium**	**Share options reserve**	**Capital redemption reserve**	**Retained earnings**	**Merger reserve**	**Total**
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2014	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**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	7,253	-	7,253
Transactions with owners recorded directly in equity							
Cancellation of share premium reserve	-	(18,025)	-	-	18,025	-	-
Cancellation of capital redemption reserve	-	-	-	(347)	347	-	-
Release of merger reserve	-	-	-	-	(1,261)	1,261	-
Balance at 31 December 2015	**1,780**	**-**	**-**	**-**	**18,284**	**-**	**20,064**

On 23 December 2014, the Company passed a number of resolutions including the cancellation of the Company's capital redemption reserve. The court order approving the reduction of capital was registered with the Companies House on 28 August 2015.

In the year ended 31 December 2015, following the sale of the of the traditional dating business, the merger reserve created in 2009 as result of the acquisition of the trade and assets of the Easydate Limited under a common control transaction, was released to retained earnings.

Consolidated Statement of Cash Flows
for the year ended 31 December 2015

	Note	**2015** **£000**	2014 £000
Cash flows from operating activities			
Profit/(loss) for the year		**750**	(10,628)
Adjustments for:			
Depreciation and amortisation		**-**	2,234
Financial income		**(659)**	(2,148)
Taxation		**363**	(997)
Loss on disposal of discontinued activities		**-**	7,565
Gain on disposal of fixed assets		**(22)**	-
Other reserve movements		**-**	2
		432	(3,972)
Decrease in trade and other receivables		**187**	1,863
Decrease in trade and other payables		**(694)**	(6,096)
(Decrease)/increase in provisions		**(2,569)**	3,007
		(2,644)	(5,198)
Tax refund/(paid)		**960**	(638)
Net cash from operating activities		**(1,684)**	(5,836)
Cash flows from investing activities			
Interest received		**-**	73
Acquisition of property, plant and equipment	*9*	**-**	(57)
Capitalised development expenditure	*10*	**-**	(1,171)
Acquisition of other intangible assets	*10*	**-**	(80)
Proceeds from sale of discontinued operations 2014		**12,366**	1,680
Proceeds from sale of discontinued operations 2013		**-**	7,000
Proceeds from sale of property, plant and equipment		**22**	59
Net cash from investing activities		**12,388**	7,504
Cash flows from financing activities			
Dividends paid	*18*	**-**	(2,136)
Acquisition of financial assets	*12*	**(74)**	-
Net cash from financing activities		**(74)**	(2,136)
Net increase/(decrease) in cash and cash equivalents		**10,630**	(468)
Cash and cash equivalents at 1 January		**12,139**	12,607
Cash and cash equivalents at 31 December	*14*	**22,769**	12,139

Notes to the consolidated 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 United Kingdom. Its registered office is at 24 Dublin Street, Edinburgh EH1 3PP.

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 Section 408 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, following its acquisition of Selection and C4L, which the Directors believe is appropriate.

The Directors have prepared cash flow forecasts for the Group following its acquisition of Selection and C4L. 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.

On 25 January 2016, the Group secured new bank facilities with The Royal Bank of Scotland plc. The facilities comprise a five year £7.0 million Revolving Credit Facility available to the Group until 22 January 2021 and a £2.0 million overdraft facility, renewable annually. In addition, the Revolving Credit Facility also contains an accordion feature that allows the total facility to be increased by up to a further £10.0 million to support organic and growth initiatives.

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.

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.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

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 - 5 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.

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.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

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.

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.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

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 future acquisitions will be dependent upon the investment decision made.

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.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

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 2015 but did not have an impact on the financial statements of the Group.

Annual Improvements to IFRSs – 2010-2012 Cycle (Mandatory for years commencing on or after 1 July 2014.)

Annual Improvements to IFRSs – 2011-2013 Cycle (Mandatory for years commencing on or after 1 July 2014.)

Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 (Mandatory for years commencing on or after 1 July 2014)

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.

Provisions

A number of provisions exist at the year end. By their nature these provisions are judgemental. The entity has considered the range of possible outcomes 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.

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 transaction.

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.

Notes to the consolidated financial statements *(continued)*

2 Exceptional Costs

Exceptional costs in 2015 include £0.8m (2014: £nil) in respect of acquisition costs incurred pre 31 December 2015, £nil (2014: £1.2m) for costs associated with termination of employee contracts, £nil (2014: £1.1m) for the actual or expected settlement of patent and trademark infringement claims in the US, and £0.5m (2014: £0.8m) for committed costs under onerous contracts, including property leases in France. See also note 24 relating to contingent liabilities for further information.

Provisions released in 2015 include £0.3m (2014: nil) following termination of employee contracts, £0.9m (2014: £nil) as a result of the actual settlement of patent and trademark infringement claims in the United States of America and £0.3m (2014: £nil) following settlement of onerous contracts, including property leases in the United Kingdom and France.

3 Segmental analysis

During the year ended 31 December 2015, the Company operated as an Investing Company. As a result, the internal reporting structure from prior years, based on operating segments by geographical territories is irrelevant for the Company as an investing company. Consequently, no segmental analysis has been prepared for the 2015 financial year.

At 31 December 2014, all of the Company's online dating assets had been disposed of. Throughout the 2014 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** (United Kingdom, 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 in 2014 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.

Notes to the consolidated financial statements *(continued)*

3 Segmental analysis *(continued)*

2014	**Established Markets** £000	**New Markets** £000	**Developing Territories** £000	**Total** £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, and acquisition and restructuring costs and exceptional costs				(5,335)
Operating loss				(6,208)
Finance income				2,148
Loss before tax and gain on disposal of discontinued operations				(4,060)

4 Expenses and auditor's remuneration

Included in statement of comprehensive income are the following:

	2015 **£000**	2014 £000
Depreciation of tangible assets - owned	**-**	233
Amortisation of intangibles	**-**	2,001

Auditor's remuneration:

	2015 **£000**	2014 £000
Audit of these financial statements	**15**	25
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the company	**2**	2
Tax compliance services	**17**	48
Other tax advisory services	**23**	59
Total	**57**	134

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

Notes to the consolidated financial statements *(continued)*

5 Staff numbers and costs

At 31 December 2015, the Group employed 4 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	
	2015	2014
Support	**-**	30
Technical	**-**	105
Marketing	**2**	36
Administration	**2**	34
Directors	**3**	7
	7	212

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	**619**	3,080
Social security costs	**96**	346
	715	3,426

6 Directors' remuneration

	2015	2014
	£000	£000
Directors' emoluments	**418**	679
Redundancy and settlement costs	**125**	-
	543	679

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £258,109 (2014: £230,000).

	Number of Directors	
	2015	**2014**
The number of Directors who exercised share options was	-	-
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 to the consolidated financial statements *(continued)*

7 Taxation

Recognised in the income statement	**2015**	2014
	£000	£000
Current tax expense/(credit)		
Current year	**363**	(1,237)
Adjustments for prior years	**-**	466
Current tax expense/(credit)	**363**	(771)
Deferred tax credit	**-**	(226)
Total tax expense/(credit)	**363**	(997)
Tax credit on sale of discontinued operations	**-**	(527)
Total tax expense/(credit) before tax on sale of discontinued operations	**363**	(470)

Reconciliation of effective tax rate	**2015**	2014
	£000	£000
Profit/(loss) for the year	**750**	(10,628)
Total tax expense/(credit)	**363**	(997)
Profit/(loss) before taxation	**1,113**	(11,625)
Tax using the United Kingdom corporation tax rate of 20.25% *(2014: 21.5%)*	**225**	(2,499)
Non-deductible expenses	**252**	32
Under provided in prior years	**-**	466
Difference between book value and tax base of disposed assets	**(4)**	1,089
Difference due to profit taxed overseas	**-**	(58)
Income not taxable	**(110)**	
Other differences	**-**	(27)
Total tax expense/(credit)	**363**	(997)

Reductions in the United Kingdom corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly.

Notes to the consolidated financial statements *(continued)*

8 Earnings/(loss) per share

Total Group	Earnings 2015 £000	Weighted average no. of shares 2015 '000	Earnings per share 2015	Loss 2014 £000	Weighted average no. of shares 2014 '000	Loss per share 2014
Basic earnings/(loss) per share	750	71,202	1.05p	(10,628)	71,202	(14.93)p
Dilution for options	-	-		-	-	-
Diluted earnings/(loss) per share	750	71,202	1.05p	(10,628)	71,202	(14.93)p
Amortisation of intangible assets (ex R&D)	-			1,154		
Loss on disposal	-			7,565		
Tax impact of adjusted items	-			(775)		
Adjusted profit/(loss) for the year	750			(2,684)		
Basic adjusted earnings/(loss) per share		71,202	1.05p		71,202	(3.77)p
Diluted adjusted earnings/(loss) per share		71,202	1.05p		71,202	(3.77)p

Basic earnings/(loss) per share

The calculation of basic earnings per share at 31 December 2015 was based on the profit attributable to ordinary shareholders of £750,000 *(2014: loss of £10,628,000)* and a weighted average number of ordinary shares outstanding of 71,201,993 *(2014: 71,201,642)* calculated as follows:

Weighted average number of ordinary shares

	Note	**2015 Number**	2014 Number
Issued ordinary shares at start of year	*18*	**71,201,993**	83,371,971
Effect of share options exercised		-	1,649
Effect of shares held in treasury		-	(12,171,978)
Weighted average number of ordinary shares at 31 December		**71,201,993**	71,201,642

Diluted earnings/(loss) per share

There were no options in issue at 31 December 2015 (2014: nil) and as a result, there was no difference between basic and diluted earnings/(loss) per share.

Weighted average number of ordinary shares (diluted)

There were no options in issue at 31 December 2015 (2014: nil) and as a result, no weighted average number of ordinary shares has been calculated.

Notes to the consolidated financial statements *(continued)*

9 Property, plant and equipment

Group

	Plant and equipment £000
Cost	
Balance at 1 January 2014	1,123
Additions	57
Disposal	(1,180)
Balance at 31 December 2014, 1 January 2015 and 31 December 2015	-
Depreciation	
Balance at 1 January 2014	676
Depreciation charge for the year	233
On disposals	(909)
Balance at 31 December 2014, 1 January 2015 and 31 December 2015	-
Net book value	
At 31 December 2015 and at 31 December 2014	**-**

Company

	Plant and equipment £000
Cost	
Balance at 1 January 2014	689
Additions	38
Disposal	(727)
Balance at 31 December 2014, 1 January 2015 and 31 December 2015	-
Depreciation	
Balance at 1 January 2014	379
Depreciation charge for the year	191
On disposals	(570)
Balance at 31 December 2014, 1 January 2015 and 31 December 2015	-
Net book value	
At 31 December 2015 and at 31 December 2014	**-**

Notes to the consolidated financial statements *(continued)*

10 Intangible assets

Group

	Development costs £000	Goodwill £000	Intellectual property £000	Customer databases £000	Total £000
Cost					
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, 1 January 2015 and 31 December 2015	-	-	-	-	-
Amortisation and impairment					
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, 1 January 2015 and 31 December 2015	-	-	-	-	-
Net book value					
At 31 December 2015 and 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.

Amortisation charge

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

	2015 £000	2014 £000
Administrative expenses	-	2,001

Impairment testing

As goodwill was disposed as part of the sale of the traditional dating business on 24 December 2014, no impairment testing was required in the years ended 31 December 2014 and 31 December 2015.

Notes to the consolidated financial statements *(continued)*

10 Intangible assets – *(continued)*

Company

	Development costs £000	**Goodwill £000**	**Intellectual property £000**	**Customer databases £000**	**Total £000**
Cost					
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, 1 January 2015 and 31 December 2015	-	-	-	-	-
Amortisation and impairment					
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, 1 January 2015 and 31 December 2015	-	-	-	-	-
Net book value					
At 31 December 2015 and 31 December 2014	**-**	**-**	**-**	**-**	**-**

Amortisation charge

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

	2015 £000	2014 £000
Administrative expenses	**-**	976

Impairment testing

As goodwill was disposed as part of the sale of the traditional dating business on 24 December 2014, no impairment testing was required in the years ended 31 December 2014 and 31 December 2015.

Notes to the consolidated financial statements *(continued)*

11 Investments in subsidiaries – Company

	£000
At 1 January 2015	1,108
Impairment of investment in subsidiary companies	(1,108)
At 31 December 2015	-

The Company has the following investments in subsidiaries:

	Country of Incorporation	**Class of shares held**	**Ownership**	
			2015	2014
Group and Company				
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%
Cupid Labs Limited	Scotland	Ordinary	**100%**	100%
Global Digital Corporation Limited	Scotland	Ordinary	**100%**	100%
Hooya Digital Limited	Cyprus	Ordinary	**100%**	100%
Yarra Digital Limited	Cyprus	Ordinary	**-**	100%
EZD Digital Limited	Cyprus	Ordinary	**-**	100%
Frindr Limited	England	Ordinary	**100%**	100%
Tangle Labs Limited	England	Ordinary	**100%**	100%

All of the subsidiary companies were non-trading at 31 December 2015. As a result, the carrying value of investments in subsidiary companies were written down to nil at 31 December 2015.

On 18 December 2015, following payment of the final instalment of the deferred consideration due in respect of the sale of the Traditional Dating Business on 24 December 2014, the transfer of the registered title to the shares in Yarra Digital Limited and EZD Digital Limited was completed.

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)
Cupid Labs Limited (registered number SC361239)
Frindr Limited (registered number 07731874)
Tangle Labs Limited (registered number 08543759)

12 Financial assets

	Group		**Company**	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Rent deposit	**74**	-	**-**	-

Financial assets consists of a rent deposit held in Cyprus.

Notes to the consolidated financial statements *(continued)*

13 Trade and other receivables

	Group		Company	
Current	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Inter-company balances	**-**	-	**140**	8,709
Other trade receivables	**-**	177	**-**	149
Prepayments and other debtors	**80**	90	**54**	74
Deferred consideration on disposal of discontinued operations	-	11,707	-	3,169
	80	11,974	**194**	12,101

14 Cash and cash equivalents

	Group		Company	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Cash and cash equivalents	**22,769**	12,139	**22,741**	11,963

15 Provisions

Group	**Property £000**	**Legal claims £000**	**Redundancy £000**	**Other £000**	**Total £000**
Balance at 1 January 2015	588	1,005	985	429	3,007
Provisions made during the year	43	2	-	413	458
Provisions used during the year	(273)	(136)	(732)	(351)	(1,492)
Provisions released during the year	(305)	(871)	(253)	(106)	(1,535)
Balance at 31 December 2015	53	-	-	385	438
Non-current					-
Current					438

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

Company	**Property £000**	**Legal claims £000**	**Redundancy £000**	**Other £000**	**Total £000**
Balance at 1 January 2015	495	1,005	741	429	2,670
Provisions made during the year	43	2	-	348	393
Provisions used during the year	(238)	(136)	(561)	(351)	(1,286)
Provisions released during the year	(300)	(871)	(180)	(106)	(1,457)
Balance at 31 December 2015	-	-	-	320	320
Non-current					-
Current					320

Notes to the consolidated financial statements *(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 note 24.

16 Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Current				
Inter-company balances	**-**	-	**1,162**	8,894
Other trade payables	**40**	615	**12**	457
Non-trade payables and accrued expenses	**1,106**	1,225	**1,103**	1,060
	1,146	1,840	**2,277**	10,411

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	
	2015	2014	**2015**	2014
	Number	Number	**Number**	Number
Opening balance	**3,640,000**	2,031,964	**3,640,000**	2,031,964
Granted during the year	-	3,700,000	-	3,700,000
Exercised during the year	-	(2,000)	-	(2,000)
Lapsed during the year	**(3,640,000)**	(2,089,964)	**(3,640,000)**	(2,089,964)
Closing balance	-	3,640,000	-	3,640,000

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

Grant Date	**Expiry Date**	**Exercise Price (£)**	**Fair Value at Grant Date (£)**	**Vesting Date**	**Group (Number)**		**Company (Number)**	
					2015	2014	**2015**	2014
01/05/14	01/05/24	0.44	0.13	01/05/17	-	3,640,000	-	3,640,000
					-	3,640,000	-	3,640,000

Notes to the consolidated financial statements *(continued)*

17 Employee benefits *(continued)*

Conditions of the options

Following the sale of the traditional dating assets on 24 December 2014, the options lapsed on 22 June 2015, with no options being exercised in the 180 day period following the sale date.

18 Called up share capital – Group and Company

Share capital

	Number
At 1 January 2014	83,371,971
Cancellation of shares held on treasury	(12,169,978)
In issue at 31 December 2014, 1 January 2015 and 31 December 2015 – fully paid	71,201,993

	2015	2014
	£	£
Allotted, called up and fully paid		
A Ordinary shares of 2.5p	**1,780,050**	1,780,050
Shares classified in shareholders' funds	**1,780,050**	1,780,050

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.

The Company has 71,201,993 ordinary shares issued and fully paid up as at the closing balance sheet date of 31 December 2015.

On 21 January 2016 in order to fund future acquisitions, 100,000,000 new ordinary shares were issued, raising £30.0 million before expenses. On 21 January 2016, the Company announced the acquisition of the entire issued share capital of Selection Services Investments Limited and its subsidiary entities (the "Selection Group"). The enterprise value of the acquisition was £34.8 million, paid as £34.4 million in cash with the balance satisfied by the issue of 1,353,810 new ordinary shares. On 15 February 2016, the Company acquired C4L Group Holdings Limited ("C4L"), a successful and growing network services and data centre hosting business, for a total consideration of £20.2 million, paid as £14.2 million in cash with the balance satisfied by the issue of 18,346,918 new ordinary shares.

Dividends

The following dividends were recognised during the year:

	2015	2014
	£000	£000
2013 final dividend	-	2,136

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 had no intention of seeking to recover the amounts involved. 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 was passed on 20 January 2016.

Notes to the consolidated financial statements *(continued)*

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

	2015 Loans and receivables £000	2014 Loans and receivables £000
Non-current financial assets	**74**	-
Trade receivables	**-**	177
Cash and cash equivalents	**22,769**	12,139
Deferred consideration on disposal of discontinued operations	**-**	11,707
Total	**22,843**	24,023

Company

	2015 Loans and receivables £000	2014 Loans and receivables £000
Trade receivables	**-**	149
Cash and cash equivalents	**22,741**	11,963
Deferred consideration on disposal of discontinued operations	**-**	3,169
Total	**22,741**	15,281

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.

Group

	2015 Other financial liabilities at amortised cost £000	2014 Other financial liabilities at amortised cost £000
Trade payables	**40**	615
Total	**40**	615

Company

	2015 Other financial liabilities at amortised cost £000	2014 Other financial liabilities at amortised cost £000
Trade payables	**12**	457
Total	**12**	457

Notes to the consolidated financial statements *(continued)*

19 Risk management *(continued)*

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.

Fair value of financial assets and financial liabilities

Group

Financial assets

	2015		2014	
	Book value £000	**Fair value £000**	Book Value £000	Fair value £000
Non-current financial assets	**74**	**74**	-	-
Cash and cash equivalents	**22,769**	**22,769**	12,139	12,139
Deferred consideration on disposal of discontinued operations	**-**	**-**	11,707	11,707
Total financial assets	**22,843**	**22,843**	23,846	23,846

Company

Financial assets

	2015		2014	
	Book Value £000	**Fair value £000**	Book value £000	Fair value £000
Cash and cash equivalents	**22,741**	**22,741**	11,963	11,963
Deferred consideration on disposal of discontinued operations	**-**	**-**	3,169	3,169
Total financial assets	**22,741**	**22,741**	15,132	15,132

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 to the consolidated financial statements *(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 2015 £000**	Carrying amount 2014 £000
IAS 39 categories of financial instruments		
Non-current financial assets (note 12)	**74**	-
Cash and cash equivalents (note 14)	**22,769**	12,139
Trade receivables (note 13)	**-**	177
Deferred consideration on disposal of discontinued operations	**-**	11,707
Total financial assets	**22,843**	24,023

	Carrying amount 2015 £000	Carrying amount 2014 £000
Trade payables (note 16)	**40**	615
Total financial liabilities measured at amortised cost	**40**	615
Total financial instruments	**22,803**	23,408

Notes to the consolidated financial statements *(continued)*

19 Risk management *(continued)*

Company	**Carrying amount 2015 £000**	Carrying amount 2014 £000
IAS 39 categories of financial instruments		
Cash and cash equivalents (note 14)	**22,741**	11,963
Trade receivables (note 13)	**-**	149
Deferred consideration on disposal of discontinued operations	**-**	3,169
Total financial assets	**22,741**	15,281

	Carrying amount 2015 £000	Carrying amount 2014 £000
Trade payables (note 16)	**12**	457
Total financial liabilities measured at amortised cost	**12**	457
Total financial instruments	**22,729**	14,824

(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. Following receipt of the deferred consideration, the Group was exposed to an immaterial amount of credit risk at the year end.

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:

	2015 £000	2014 £000
United Kingdom	**-**	163
Europe (not including United Kingdom)	-	14
	-	177

Notes to the consolidated financial statements *(continued)*

19 Risk management *(continued)*

Company

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

	2015	2014
	£000	£000
United Kingdom	**-**	149

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:

	2015	2014
	£000	£000
Third party receivables	**-**	177

Company

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

	2015	2014
	£000	£000
Third party receivables	**-**	149

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
	2015	**2015**	2014	2014
	£000	**£000**	£000	£000
Not past due	**-**	**-**	177	-

None of the trade debtor balances were secured.

Company

	Gross	**Impairment**	Gross	Impairment
	2015	**2015**	2014	2014
	£000	**£000**	£000	£000
Not past due	**-**	**-**	149	-

Notes to the consolidated financial statements *(continued)*

19 Risk management *(continued)*

(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

		2015			
	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	**40**	**40**	**-**	**-**	**-**

Company

		2015			
	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	**12**	**12**	**-**	**-**	**-**

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.

(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 2015	**Sterling £000**	**Euro £000**	**US Dollar £000**	**Other £000**	**Total £000**
Non-current financial assets	**-**	**74**	**-**	**-**	**74**
Cash and cash equivalents	**22,470**	**91**	**192**	**16**	**22,769**
Trade payables	**(12)**	**(28)**	**-**	**-**	**(40)**
Balance sheet exposure	**22,458**	**137**	**192**	**16**	**22,803**

Notes to the consolidated financial statements *(continued)*

19 Risk management *(continued)*

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 £104,000 (2014: £260,000).

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

	2015 £000	2014 £000
Group		
Less than one year	**17**	150
Due within 2 to 5 years	**-**	123
Company		
Less than one year	**2**	108
Due within 2 to 5 years	**-**	108

21 Commitments

Group and Company

There are no capital commitments at 31 December 2015 (2014: 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 42.0% of the voting shares of the Company at 31 December 2015. 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**	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Key management emoluments, including social security costs	**602**	679	**602**	679

Other related party transactions	**Administrative expenses recharged to**		**Administrative expenses incurred from**	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Interactive Dating & Entertainment Ltd	**-**	13	**-**	-
Maxymiser Ltd	**-**	-	**-**	61
Biebod Properties Limited	**-**	-	**2**	-
	-	13	**2**	61

There are no receivables or payables outstanding at 31 December 2015 and 31 December 2014.

Notes to the consolidated financial statements *(continued)*

22 Related parties *(continued)*

Company

Identity of related parties with which the Company has transacted

Other related party transactions

	Administrative expenses recharged to		Administrative expenses incurred from	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Interactive Dating & Entertainment Ltd	**-**	13	**-**	-
Maxymiser Ltd	**-**	-	**-**	61
Biebod Properties Limited	**-**	-	**2**	-
	-	13	**2**	61

There are no receivables or payables outstanding at 31 December 2015 and 31 December 2014.

23 Post balance sheet events

On 21 January 2016 in order to fund future acquisitions, 100,000,000 new ordinary shares were issued, raising £30.0 million before expenses of £0.7 million.

After the Board duly identified and evaluated various potential investing opportunities throughout 2015, on 21 January 2016, the Company announced the acquisition of the entire issued share capital of Selection Services Investments Limited and its subsidiary entities (“Selection”), a United Kingdom focused provider of IT solutions and Cloud Services. The enterprise value of the acquisition was £34.8 million, paid as £34.4 million in cash with the balance satisfied by the issue of 1,353,810 new ordinary shares. Acquisition costs amounted to £0.8 million.

On 25 January 2016, the Group secured new bank facilities with The Royal Bank of Scotland plc. The facilities comprise a five year £7.0 million Revolving Credit Facility available to the Group until 22 January 2021 and a £2.0 million overdraft facility, renewable annually. In addition, the Revolving Credit Facility also contains an accordion feature that allows the total facility to be increased by up to a further £10.0 million to support organic and growth initiatives. Costs of setting up the bank facility amounted to £0.1 million.

On 15 February 2016, the Company acquired C4L Group Holdings Limited ("C4L"), a successful and growing network services and data centre hosting business, for a total consideration of £20.2 million, paid as £14.2 million in cash with the balance satisfied by the issue of 18,346,918 new ordinary shares. C4L brings a high quality core network infrastructure with substantial capacity for growth and a broad data centre infrastructure. Acquisition costs amounted to £0.8 million.

24 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. At 31 December 2015, the Directors estimated that the maximum amount of any additional liabilities is £2.2 million (2014: £4.0 million) but are confident they will be settled within the amounts provided in the financial statements.

In the year ended 31 December 2015, provisions of £1.5 million were utilised with a further £1.5 million released to the income statement.