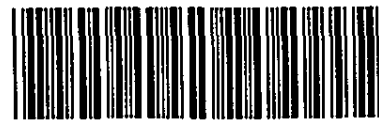


(Registered Number 07227708)

LivingSocial Limited
Annual Report and Financial Statements
For the year ended 31 December 2012

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Company Information

Directors

Peter Briffett
John Bax
Daniel Federico

Registered Office

25 Wellington Street
London
WC2E 7DA

Bankers

NatWest
30 Market Place
Newbury
Berkshire
RG14 5AJ

Bank of America
2 King Edward Street
London
EC1A 1HQ

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
The Atrium
1 Harefield Road
Uxbridge
UB8 1EX

LivingSocial Limited for the year ended 31 December 2012

Directors' Report For the year ended 31 December 2012

The directors present their report and the audited financial statements of LivingSocial Limited ("the Company") for the year ended 31 December 2012

Principal activities

The LivingSocial worldwide group is a leader in the on-line "social commerce" industry. The Company contracts with merchants to create offers marketed online to subscribers of the Company's service. These offers typically provide discounted products and services from featured merchants in selected markets.

In exchange for significant discounts from merchants, LivingSocial drives thousands of new customers to local businesses. For consumers, LivingSocial provides great experiences to enjoy in their city of choice from restaurants and spas to skydiving and boat cruises.

Results and Dividends

The Company's loss for the year ended 31 December 2012 was £9,327,820 (Restated 2011 £19,250,459). The Company is funded by the provision of loans from other group companies. No dividend was paid during the year (2011: £nil).

As the group is now medium sized it has adopted FRS 20 'Share Based Payments' and recognised the share based expense restating the comparative amounts for the prior year.

Business Review

The key financial highlights are as follows:

	2012	2011
Turnover	£12,798,312	£7,855,266
Gross Profit	£9,894,401	£6,308,380
Loss before tax	(£9,327,820)	(£19,250,459)

The Company experienced strong growth during 2012. It continued to build its customer base during the first half of the year by investing heavily in marketing which helped to drive a 63% increase in turnover for the year. The loss for the year narrowed largely as a result of reduced marketing investments during the second half of the year.

The Company is now focused on customer retention and ensuring that existing subscribers are activated into purchasers.

Improvement of the customer and merchant experience continues to be key for the Company and it has invested heavily in developing these areas.

LivingSocial Limited for the year ended 31 December 2012

Directors' Report For the year ended 31 December 2012 (continued)

Political and charitable donations

The Company made a charitable donation of £13,142 to Children in Need for the year ended 31 December 2012

Principal risks and uncertainties

The Company faces a range of financial, market, strategic and operational risks. These risks are continually reviewed with a view to improving the internal control framework to help mitigate them, where possible. The principal risk factors and uncertainties that were faced during the year, which are still likely to be faced well into the future are highlighted below.

Financial risk management

The Company is exposed to a number of financial and business risks. The Company takes a proactive approach to risk management with the aim of protecting its employees, merchants and subscribers and safeguarding the interests of the Company and its shareholder.

The Company has specific policies in place to evaluate and manage risks at the appropriate level within the business.

Credit risk

The Company's policy in respect of credit risk is to assess the risk of contracting with each merchant and set credit limits and payment terms that are carefully monitored. If a significant risk is identified merchant payment terms are adjusted accordingly.

Interest rate risk

The Company has both interest-bearing assets and interest-bearing liabilities.

Exposures to interest rate risk on interest-bearing financial liabilities are monitored on an ongoing basis.

The only interest-bearing financial asset of the Company is cash at bank which is principally denominated in sterling.

Liquidity risk

Management is responsible for managing the Company's liquidity and seeing that the Company has sufficient available funds for operations as they arise.

The Company had borrowings from other group companies at 31 December 2012 of £3,078,451 (2011: £1,426,018). The Company also had short term accounts payable to other group companies of £18,582,663 (2011: £14,408,402) at 31 December 2012.

Directors' Report
For the year ended 31 December 2012 (continued)

Market Risk

Companies offering daily deals are increasingly competitive in terms of both price and service offering. The Company continuously monitors its competitors and regularly reviews strategic and tactical objectives.

Key Performance Indicators

The Company uses a number of measures in order to monitor the performance of the business. Some of these key indicators include the following:

- Monthly financial results
- Merchant satisfaction surveys
- Subscriber complaints
- Subscriber base analysis
- KPI reporting metrics - Net Revenue, Revenue per Email (RPE), Net Revenue per Deal (NRPD) and Net Revenue per Subscriber (NRPS)

Directors

The directors who held office during the year are given below:

Peter Briffett

John Bax

Eric Eichmann (resigned 14 December 2012)

Lisa Mayr (appointed 14 December 2012 and resigned 12 July 2013)

Daniel Federico (appointed 12 July 2013)

Qualifying third party indemnity provisions

No qualifying third-party indemnity provisions and/or qualifying pension scheme indemnity provision are in place for the benefit of one or more of the directors or one or more directors of an associated company.

Employees

Applications for employment by disabled persons are always considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that employees are aware of the performances of their business units and of

Directors' Report
For the year ended 31 December 2012 (continued)

the company as a whole. Communication with employees continues through the in-house newspaper and newsletters and briefing groups.

Going Concern

The directors believe the going concern basis is appropriate for the accompanying financial statements based on the Company's current operating plan into 2014. In addition, the Company's ultimate parent has indicated its intent to provide support to the Company based on the current operating plan and not to call for repayment of amounts due from the Company until the Company has the financial ability to make such repayments without any significant curtailment to its operations. Accordingly, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Report
For the year ended 31 December 2012 (continued)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant information needed by the Company's auditor and to establish that the auditor is aware of that information.

Independent Auditors

As part of the board's commitment to good governance, the directors have undertaken a review of the audit arrangements of the group. This included, amongst other things, a reflection on the duration of service of the incumbent auditors. Following this process, a recommendation was made to the board to reappoint PricewaterhouseCoopers LLP as auditors.

The directors have prepared their report in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

By order of the board of directors and signed on its behalf by,

A handwritten signature in black ink, appearing to read 'P Briffett', is written over a horizontal line.

Peter Briffett
Director

Date: 18 October 2013

LivingSocial Limited for the year ended 31 December 2012

Independent Auditors' Report to the members of LivingSocial Limited

We have audited the financial statements of LivingSocial Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7 and 8, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss and cashflows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

LivingSocial Limited for the year ended 31 December 2012

Independent Auditors' Report to the members of LivingSocial Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



Archie Wilson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

Date: 18 October 2013

LivingSocial Limited for the year ended 31 December 2012

Profit and Loss Account For the year ended 31 December 2012

		2012 £	Restated 2011 £
	<i>Note</i>		
Turnover	2	12,798,312	7,855,266
Cost of sales		<u>(2,903,911)</u>	<u>(1,546,886)</u>
Gross profit		9,894,401	6,308,380
Administrative expenses		<u>(19,069,818)</u>	<u>(25,515,902)</u>
Operating loss	8	(9,175,417)	(19,207,522)
Interest receivable and similar income	3	30	355
Interest payable and similar charges	4	<u>(152,433)</u>	<u>(43,292)</u>
Loss on ordinary activities before taxation		(9,327,820)	(19,250,459)
Tax on Loss on ordinary activities	9	<u>-</u>	<u>-</u>
Loss for the financial year	18, 19	<u>(9,327,820)</u>	<u>(19,250,459)</u>

The results for both financial years are derived from continuing operations

There are no recognised gains or losses other than the loss for the financial years and therefore no separate statement of total recognised gains and losses has been presented

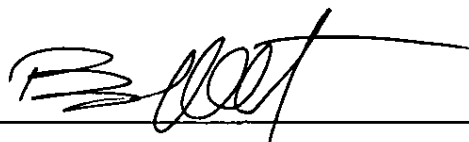
There are no material differences between the loss on ordinary activities before taxation and the loss for the financial years stated above and their historical cost equivalents

LivingSocial Limited for the year ended 31 December 2012

Balance Sheet As at 31 December 2012

	Note	2012 £	Restated 2011 £
Fixed assets			
Tangible assets	10	605,076	1,082,055
		<u>605,076</u>	<u>1,082,055</u>
Current assets			
Stocks	11	30,523	6,490
Debtors	12	1,883,099	1,514,039
Cash at bank and in hand		1,987,681	823,049
		<u>3,901,303</u>	<u>2,343,578</u>
Creditors amounts falling due within one year	13	(29,087,921)	(19,869,863)
Net current liabilities		<u>(25,186,618)</u>	<u>(17,526,285)</u>
Total assets less current liabilities		(24,581,542)	(16,444,230)
Provisions for liabilities	14	(1,512,806)	(1,800,661)
Net liabilities		<u>(26,094,348)</u>	<u>(18,244,891)</u>
Capital and reserves			
Called up share capital	16	10	10
Other reserves	18	5,280,681	3,802,318
Profit and loss account	18	(31,375,039)	(22,047,219)
Total shareholders' deficit	19	(26,094,348)	(18,244,891)

These financial statements of LivingSocial Limited, registered number 07227708, on pages 11 to 25 were approved and authorised for issue by the Board of Directors on 18 October 2013 and signed on its behalf by



Peter Briffett
Director

Date: 18 October 2013

LivingSocial Limited for the year ended 31 December 2012

Cash Flow Statement For the year ended 31 December 2012

	Notes	2012 £	2011 £
Net cash outflow from operating activities	A	(5,951,380)	(14,896,346)
Returns on investments and servicing of finance			
Interest received		30	355
Interest paid		(152,433)	(43,292)
Net cash inflow/(outflow) from returns on investments and servicing of finance		-	-
Taxation		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(36,643)	(1,311,341)
Net cash outflow from capital expenditure and financial investment		(36,643)	(1,311,341)
Financing			
Increase in borrowings		7,305,057	16,802,553
Net cash inflow from financing activities		7,305,057	16,802,553
Increase in cash in the year	B, C	1,164,631	551,929

**Notes to the Cash Flow Statement
For the year ended 31 December 2012**

A. Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	2012 £	2011 £
Operating loss	(9,175,417)	(19,207,522)
Depreciation charge	513,621	254,039
(Increase) in debtors	(369,060)	(1,443,167)
(Increase) in stocks	(24,033)	(6,490)
Increase in creditors	3,391,364	3,765,353
(Decrease) / increase in provisions	(287,855)	1,741,441
Net cash outflow from continuing operations	(5,951,380)	(14,896,346)

B. Reconciliation of net cash flow to movement in net debt

	2012 £	2011 £
Increase in cash in the year	1,164,631	551,929
Movement in debt in the year	(5,826,693)	(15,775,216)
Opening net funds / (debt)	(15,011,371)	211,916
Closing net debt	(19,673,433)	(15,011,371)

C. Analysis of changes in net debt

	2012 £	Cash flows £	Other non- cash changes £	2011 £
Cash at bank and in hand	1,987,680	1,164,631	-	823,049
Debt due within 1 year	(21,661,113)	(5,826,693)	-	(15,834,420)
Debt due after 1 year	-	-	-	-
Total net debt	(19,673,433)	(4,662,062)	-	(15,011,371)

LivingSocial Limited for the year ended 31 December 2012

Notes to the financial statements For the year ended 31 December 2012

1. Accounting policies

The principal accounting policies, which have been applied consistently throughout the period with the exception of the share based payment policy, are set out below. As the group is now medium sized it has adopted FRS 20 'Share Based Payments', and restated the comparative amounts accordingly. The impact is follows

	2012	2011
Share Based Expense	£1,478,363	£1,027,337

There was no impact on net assets

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and in accordance with the applicable accounting standards in the United Kingdom

Going concern

The directors' believe the going concern basis is appropriate for the accompanying financial statements based on the Company's current operating plan into 2014. In addition, the Company's ultimate parent has indicated its intent to provide support to the Company based on the current operating plan and not to call for repayment of amounts due from the Company until the Company has the financial ability to make such repayments without any significant curtailment to its operations. Accordingly, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Turnover

The Company recognises turnover net of value added tax principally from "Daily Deals". Turnover is recognised on deals on the date the deal is purchased from the website. The Company evaluates the presentation of turnover on a gross versus net basis. The Company assesses whether it acts as a principal in the transaction or as an agent acting on behalf of others. Where the Company has the risks and rewards of a principal in the transaction, the transaction is recorded on a gross basis. If the Company does not act as a principal in the transaction, the transactions are recorded on a net basis.

The Company's Deals with the exception of "product" deals (see below) currently comprise the vast majority of the Company's turnover transactions. The Company's Deal merchants assume the majority of the contractual risks, which include providing the goods or service and the risk of unsold inventory. As such, all Deal transactions are recorded at the net amount, which is the amount charged to the purchaser less the amount to be paid to the merchant. The net amount recorded as turnover represents the Company's negotiated commission percentage with the merchants.

The Company acts as the principal in its "product" deals, pursuant to which its subscribers may purchase products directly from the Company. Because the Company assumes the majority of the contractual risks, product transactions are recorded at the gross amount, which is the amount charged to the purchaser. Amounts paid to the underlying merchants for the products are recorded as costs of turnover in the periods incurred.

1. Accounting policies (continued)

The Company records a provision for estimated refunds based on historical refund patterns. Refunds are recorded as a reduction of turnover and are adjusted as appropriate as actual refund activity occurs.

All turnover arises in the United Kingdom.

Fixed Assets

Tangible fixed assets are stated at original cost less accumulated depreciation. Depreciation is calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life at the following rates:

- Computer hardware and office equipment – three years straight line
- Fixtures and Fittings – over the term of the lease
- Leasehold Improvements – over the term of the lease

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Foreign exchange

Transactions denominated in currencies other than Sterling are translated into Sterling at the rates of exchange prevailing on the dates on which the transactions were made. Monetary assets and liabilities denominated in currencies other than Sterling are translated at the rates ruling on the balance sheet date. Differences arising from changes in exchange rates are dealt with through the profit and loss account.

Pension Scheme

The Company operates a defined contribution pension scheme for its employees. The assets of the scheme are held within independently administered funds.

Operating leases

Rentals on operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Stock

Stock is valued at the lower of cost and net realisable value less provisions for slow moving and obsolete stock.

Share based payments

The Parent Company operates a number of equity-settled, share-based compensation plans. The

LivingSocial Limited for the year ended 31 December 2012

1. Accounting policies (continued)

fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions.

(for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account. Recharges made by the ultimate parent company in respect of options granted are recorded as a debit in equity.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

2. Turnover

Analysis by geographical destination.	2012 £	2011 £
Europe		
- UK	12,798,312	7,855,266
	<u>12,798,312</u>	<u>7,855,266</u>

The company's activities originate wholly in the UK and constitute the commission on deals facilitated through the company website and product transactions which are recorded gross.

Analysis by class of business	2012 £	2011 £
Daily deals	12,208,725	7,855,266
Product deals	589,587	-
	<u>12,798,312</u>	<u>7,855,266</u>

3. Interest receivable and similar income

	2012 £	2011 £
Bank interest receivable	30	355
	<u>30</u>	<u>355</u>

LivingSocial Limited for the year ended 31 December 2012

4. Interest payable and similar charges

	2012 £	2011 £
Interest payable on inter-company loans	152,433	43,292
	<u>152,433</u>	<u>43,292</u>

5. Employees

The average number of employees in the company including directors during the year is shown below

	2012 No.	2011 No
Directors	1	1
Management	5	3
Administration	118	54
Sales	137	93
	<u>261</u>	<u>151</u>

The wages and salaries paid to employees and charged through the profit and loss account during the year were as follows,

	2012 £	Restated 2011 £
Wages and salaries	10,939,667	6,413,096
Social security costs	1,222,137	736,079
Other pension costs (Note 7)	193,685	57,163
Share based compensation costs (Note 17)	1,478,363	1,027,337
Total staff costs	<u>13,833,852</u>	<u>8,233,675</u>

LivingSocial Limited for the year ended 31 December 2012

6. Directors' Emoluments

	2012 £	2011 £
Aggregate Emoluments	184,668	85,291
Share options exercised	-	-
Company contributions to defined contribution scheme	8,034	3,250
	192,702	88,541
Highest Paid Director		
Aggregate emoluments	184,668	85,291
Share options exercised	-	-
Company contributions to defined contribution scheme	8,034	3,250
	192,702	88,541

There was one director with benefits accruing under the company pension scheme in 2012 (2011 one)

7. Pension Commitments

The Company operates a defined contribution scheme. The pension charge for the year amounted to £193,685 (2011 £57,163). There are no prepayments or accruals outstanding at the year end (2011 £nil).

8. Operating Loss

	2012 £	2011 £
Operating loss is stated after charging/(crediting)		
Depreciation on owned tangible fixed assets (Note 10)	517,532	254,039
Auditors' remuneration		
- Audit fees	74,350	35,000
Foreign exchange (gain) / loss	(708,147)	598,892
Operating lease charges		
- Land and buildings	449,635	196,096

9. Tax on Loss on Ordinary Activities

Analysis of taxation charge for the year:

	2012 £	2011 £
Current tax charge for the year	-	-
Tax charged to the profit and loss account	-	-

LivingSocial Limited for the year ended 31 December 2012

9. Tax on Loss on Ordinary Activities (continued)

The tax assessed for the year is higher (2012 higher) than the standard rate of corporation tax in the UK (24.5%). The differences are explained below

Current tax reconciliation	2012 £	Restated 2011 £
Loss on ordinary activities before tax	(9,327,820)	(19,250,459)
UK corporation tax at 24.5% (2011 26%) based on losses for the year	(2,285,316)	(5,005,519)
Effects of		
Depreciation in excess of Capital allowances	81,715	-
Expenses not deductible for tax purposes	19,564	-
Losses not recognised	2,184,037	5,005,519
Current tax charge for the year	-	-

Factors that may affect future tax charges

Finance Act 2012, which was substantively enacted on 3 July 2012, includes legislation reducing the main UK corporation tax rate from 26% to 24%, effective from 1 April 2012. A further reduction to 23% was also substantively enacted on this date and will be effective from 1 April 2013. The deferred tax balances have been re-measured to reflect this reduction.

In addition to the changes in rates of Corporation tax disclosed above, further changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. As the changes had not been substantively enacted at the balance sheet date, their effects are not included in these financial statements. The effect on the Company of these proposed changes will be reflected in the Company's financial statements in future years, as appropriate, once the proposals have been substantively enacted.

Deferred Tax

A deferred tax asset has not been recognised in respect of taxable losses carried forward and timing differences arising on fixed assets as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £7,054,236 (2011 £6,192,912). This asset will carry forward to be recovered over an extended period of years when the business achieves ongoing profitability.

LivingSocial Limited for the year ended 31 December 2012

10. Tangible Assets

	Leasehold Improvements £	Furniture and Fixtures £	Computer Equipment £	Total £
Cost				
At 1 January 2012	491,084	196,379	652,161	1,339,624
Additions	-	11,643	41,608	53,251
Disposals	-	(3,849)	(12,760)	(16,609)
At 31 December 2012	<u>491,084</u>	<u>204,173</u>	<u>681,009</u>	<u>1,376,266</u>
Accumulated depreciation				
At 1 January 2012	(115,482)	(42,271)	(99,817)	(257,570)
Charge for the year	(204,874)	(87,169)	(225,489)	(517,532)
Disposals	-	1,480	2,431	3,911
At 31 December 2012	<u>(320,356)</u>	<u>(127,960)</u>	<u>(322,875)</u>	<u>(771,191)</u>
Net book amount				
At 31 December 2012	<u>170,728</u>	<u>76,213</u>	<u>358,134</u>	<u>605,076</u>
At 31 December 2011	<u>375,603</u>	<u>154,108</u>	<u>552,344</u>	<u>1,082,055</u>

11. Stocks

	2012 £	2011 £
Products stock	30,523	-
Prepaid vouchers	-	6,490
	<u>30,523</u>	<u>6,490</u>

12. Debtors

	2012 £	2011 £
Trade debtors	385,813	318,340
Amounts owed by group undertakings	1,067,758	870,116
Other debtors	255,123	240,573
Prepayments and accrued income	174,405	85,010
	<u>1,883,099</u>	<u>1,514,039</u>

Amounts owed from group undertakings are unsecured, interest free and repayable on demand

LivingSocial Limited for the year ended 31 December 2012

13. Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	5,307,598	2,850,977
Amounts owed to group undertakings	21,661,113	15,834,420
Other taxation and social security	1,067,428	369,511
Other creditors	-	814,955
Accruals and deferred income	1,051,782	-
	29,087,921	19,869,863

Amounts owed to group undertakings are unsecured and repayable on demand. Interest is paid on amounts owed to group undertakings at variable rates prevailing in individual loan agreements.

14. Provisions for liabilities

	2012 £	2011 £
Provisions brought forward at 1 January 2012	1,800,661	59,219
Additions in the year	6,566,687	1,741,442
Provisions utilised during the year	(6,854,542)	-
Provisions carried forward at 31 December 2012	1,512,806	1,800,661

The Company records a provision for estimated refunds based on historical refund patterns. Refunds are recorded as a reduction of turnover and are adjusted as appropriate as actual refund activity occurs.

15. Operating Lease Commitments

At 31 December 2012, the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land & Buildings 2012 £	Other 2012 £	Land & Buildings 2011 £	Other 2011 £
Within one year	303,999	-	331,635	-
Between two and five years	-	-	303,999	-
	303,999	-	635,634	-

The operating lease has been renewed in 2013.

LivingSocial Limited for the year ended 31 December 2012

16. Called Up Share Capital

	2012 £	2011 £
Authorised Share Capital:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid:		
100 ordinary shares of £0.10 each	<u>10</u>	<u>10</u>

17. Share-based compensation

Under the LivingSocial, Inc. 2008 Equity Incentive Plan and Restated 2010 Equity Incentive Plan ("the Plans"), an aggregate of 1,756,210 options were outstanding for 63 employees and 1 director of LivingSocial Limited at 31 December 2012. Options granted under the Plan may be incentive stock options ("ISOs") or nonqualified stock options. ISOs may only be granted to employees.

The grant dates of the options granted to employees of LivingSocial Limited were 11 May 2010, 17 June 2010, 20 October 2010, 9 February 2011, 1 April 2011, 16 June 2011, 25 July 2011, 8 September 2011, 27 October 2011, 8 December 2011, 5 April 2012, 7 June 2012 and 10 December 2012.

The board of directors of LivingSocial, Inc. determines the period over which options become vested and exercisable, which has generally been four years. The term of the options is up to ten years.

The Share Based expense for the years ended 31 December 2012 and 31 December 2011 was as follows:

	2012 £	2011 £
Share Based Expense	1,478,363	1,027,337
	<u>1,478,363</u>	<u>1,027,337</u>

LivingSocial Limited for the year ended 31 December 2012

17. Share-based compensation (continued)

A summary of option activity for employees of LivingSocial Limited for the years ended 31 December 2012 and 31 December 2011 is presented below

	# of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Yrs)	Aggregate Intrinsic Value
Outstanding at 31/12/2011	1,326,380	\$1.18	8.59	\$7,788,755
Granted	645,810	\$0.43	-	-
Exercised	-	-	-	-
Expired/Forfeited	(215,980)	\$3.22	-	-
Outstanding at 31/12/2012	1,756,210	\$0.33	8.34	\$45,600
Vested/Exercisable at 31/12/2012	711,709	\$0.32	7.37	\$30,387
Vested and Expected to Vest	1,731,298	\$0.33	8.32	\$45,600

The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock option grants. The determination of the fair value of stock-based compensation grants is affected by estimates of the fair value of LivingSocial, Inc.'s stock price as well as assumptions regarding a number of variables, including stock price volatility, risk-free interest rate, and actual and projected stock option exercise behaviours. The Company estimated the fair value for these stock options at the grant date, using the following assumptions:

	2012	2011
Risk-free interest rate	0.88% - 1.56%	1.35% - 3.05%
Expected dividend yield	0.00%	0.00%
Expected volatility	40.4% - 46.9%	49.4% - 49.9%
Expected term (years)	6.25	6.25

The ultimate parent company LivingSocial, Inc. does not currently anticipate paying dividends on common stock during the expected term of the grants, therefore, the dividend rate was assumed to be zero. Expected volatility is estimated by considering the historical volatility of similar publicly-traded companies for which share price information is available. The expected term represents the period of time the stock options are expected to be outstanding. LivingSocial, Inc. estimated the expected term using the "simplified-method" as it does not have sufficient historical exercise data to provide a reasonable estimate.

LivingSocial Limited for the year ended 31 December 2012

18. Reserves

	Other Reserves 2012 £	Profit and Loss account 2012 £
At 1 January 2012 (restated)	3,802,318	(22,047,219)
Share Based Payments	1,478,363	-
Loss for the financial year	-	(9,327,820)
At 31 December 2012	<u>5,280,681</u>	<u>(31,375,039)</u>

The other reserves relates to a capital reserve that arose in 2010 through the conversion of debt to equity by the parent undertaking

19. Reconciliation of Movement in Shareholders' Deficit

	2012 £
Loss for the financial year	(9,327,820)
Share Based Payments	1,478,363
Opening equity shareholder's deficit (restated)	(18,244,891)
Closing equity shareholder's deficit	<u>(26,094,348)</u>

20. Contingent Liabilities

There were no contingent liabilities at 31 December 2012

21. Related party transactions

LivingSocial Limited is wholly owned within the LivingSocial, Inc group. The Company has taken advantage of the exemption available under Financial Reporting Standard No. 8 not to disclose related party transactions with other group companies.

22. Ultimate parent undertaking and controlling party

The immediate parent undertaking is LivingSocial, Inc, a Company incorporated in the United States of America. The address of LivingSocial, Inc is 1445 New York Avenue NW, Suite 200, Washington DC 20005. LivingSocial, Inc is also the parent undertaking of the smallest and largest group to consolidate these financial statements.