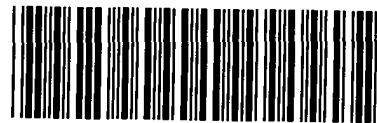


(Registered Number: 07227708)

LivingSocial Limited
Annual Report and Financial Statements
For the year ended 31 December 2013

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Company Information

Directors

Elliott Adams
James Bramson
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 2013

Strategic Report For the year ended 31 December 2013

The directors present their strategic report on the company for the year ended 31 December 2013.

Review of the business

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 city breaks.

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 focusing on key management metrics of Gross Profit and OEBITDA
- Merchant satisfaction surveys
- Subscriber complaints
- Subscriber base analysis
- OEBITDA is measured as earnings before interest, tax, depreciation, amortization, stock-based compensation, foreign currency transaction gain (loss) and restructuring costs.
- KPI reporting metrics: Net Revenue per thousand Emails (NRPTE) and Net Revenue per Deal (NRPD). Net Revenue is measured as the gross selling price paid by the consumer minus the merchant share of revenue.

The key financial highlights are as follows:

	2013	2012
Turnover	£12,440,896	£12,798,312
Gross Profit	£10,509,162	£9,894,401
Loss before tax	(£2,320,211)	(£9,327,820)
OEBITDA	(£1,060,620)	(£7,891,580)
NRPTE	£6	£9
NRPD	£1,029	£1,008

Results and performance

During the year the Company experienced a cyber-attack resulting in an unauthorised party gaining access to one of the Company's computer servers. As a consequence of this the Company took the precautionary measure of resetting all customer passwords, among other technical enhancements. This resulted in the Company experiencing a reduction in turnover versus the previous year.

The Company's loss for the year ended 31 December 2013 was £2,320,211 (2012 £9,327,820). The Company is funded by the provision of loans from other group companies. No dividend was

Strategic Report

For the year ended 31 December 2013 (continued)

paid during the year (2012: £nil). The directors do not recommend paying dividend for the year ended 31 December 2013 (2012: £nil).

The Company continued to build its customer base by investing in marketing. During the year this resulted in the company securing its millionth unique customer. The Company has continued to focus on customer retention and ensuring that existing subscribers are activated into purchasers. The business has invested heavily in improved customer services to ensure customer experience is improved.

The loss for the year narrowed significantly from £9.3m to £2.3m. This was achieved largely through greater efficiency in sales and operating processes and reduced marketing expenditure during the year.

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 2013 of £3,345,042 (2012: £nil). The Company also had short term accounts payable to other group companies of £22,401,150 (2012: £21,661,113) at 31 December 2013.

Market Risk

Companies offering daily deals are increasingly competitive in terms of both price and service

Directors' Report
For the year ended 31 December 2013

offering. The Company continuously monitors its competitors and regularly reviews strategic and tactical objectives.

The directors present their report and the audited financial statements of LivingSocial Limited ("the Company") for the year ended 31 December 2013.

Directors

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

Peter Briffett (resigned 28 February 2014)
John Bax (resigned 20 June 2014)
Lisa Mayr (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 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 2015. 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.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the

Directors' Report

For the year ended 31 December 2013 (continued)

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 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.

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.

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

LivingSocial Limited for the year ended 31 December 2013



Elliott Adams
Director

Date: 26 September 2014

Independent Auditors' Report to the members of LivingSocial Limited

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss and cash flows 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by LivingSocial Limited, comprise:

- the Balance Sheet as at 31 December 2013;
- the Profit and Loss Account for the year then ended;
- the Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the

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

audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

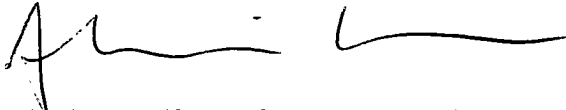
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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

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

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.



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

Date: ~~30~~ September 2014

LivingSocial Limited for the year ended 31 December 2013

Profit and Loss Account For the year ended 31 December 2013

	<i>Note</i>	2013 £	2012 £
Turnover	2	12,440,896	12,798,312
Cost of sales		<u>(1,931,734)</u>	<u>(2,903,911)</u>
Gross profit		10,509,162	9,894,401
Administrative expenses		<u>(12,659,456)</u>	<u>(19,069,818)</u>
Operating loss	8	(2,150,294)	(9,175,417)
Interest receivable and similar income	3	15	30
Interest payable and similar charges	4	<u>(169,932)</u>	<u>(152,433)</u>
Loss on ordinary activities before taxation		(2,320,211)	(9,327,820)
Tax on Loss on ordinary activities	9	<u>-</u>	<u>-</u>
Loss for the financial year	19,20	<u>(2,320,211)</u>	<u>(9,327,820)</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 2013

Balance Sheet As at 31 December 2013

	Note	2013 £	2012 £
Fixed assets			
Tangible assets	10	200,441	605,076
		<u>200,441</u>	<u>605,076</u>
Current assets			
Stocks	11	-	30,523
Debtors	12	4,026,498	1,883,099
Cash at bank and in hand		464,719	1,987,681
		<u>4,491,217</u>	<u>3,901,303</u>
Creditors: amounts falling due within one year	13	(28,314,448)	(29,087,921)
Net current liabilities		<u>(23,823,231)</u>	<u>(25,186,618)</u>
Total assets less current liabilities		(23,622,790)	(24,581,542)
Creditors: amounts falling due after more than one year	14	(3,345,042)	-
Provisions for liabilities	15	(554,261)	(1,512,806)
		<u>(3,899,303)</u>	<u>(1,512,806)</u>
Net liabilities		(27,522,093)	(26,094,348)
Capital and reserves			
Called up share capital	17	10	10
Other reserves	19	6,173,147	5,280,681
Profit and loss account	19	(33,695,250)	(31,375,039)
		<u>(27,522,093)</u>	<u>(26,094,348)</u>
Total shareholders' deficit	20	(27,522,093)	(26,094,348)

These financial statements of LivingSocial Limited, registered number 07227708, on pages 12 to 26 were approved and authorised for issue by the Board of Directors on 26 September 2014 and signed on its behalf by:



Elliott Adams
Director

Date: 26 September 2014

LivingSocial Limited for the year ended 31 December 2013

**Cash Flow Statement
For the year ended 31 December 2013**

	<i>Notes</i>	2013 £	2012 £
Net cash outflow from operating activities	A	(5,361,686)	(4,473,017)
Returns on investments and servicing of finance			
Interest received		15	30
Interest paid		(169,932)	(152,433)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(76,437)	(36,643)
Net cash outflow from capital expenditure and financial investment		(76,437)	(36,643)
Financing			
Increase in borrowings		4,085,078	5,826,694
Net cash inflow from financing activities		4,085,078	5,826,694
(Decrease)/Increase in cash in the year	B, C	(1,522,962)	1,164,631

**Notes to the Cash Flow Statement
For the year ended 31 December 2013**

A. Reconciliation of operating loss to net cash outflow from operating activities

	2013 £	2012 £
Operating loss	(2,150,294)	(9,175,417)
Depreciation charge	481,071	513,621
Share Based Expense	892,466	1,478,363
(Increase) in debtors	(2,143,399)	(369,060)
Decrease / (increase) in stocks	30,523	(24,033)
(Decrease) / increase in creditors	(1,513,508)	3,391,364
(Decrease) in provisions	(958,545)	(287,855)
Net cash outflow from continuing operations	(5,361,686)	(4,473,017)

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

	2013 £	2012 £
(Decrease) / increase in cash in the year	(1,522,962)	1,164,631
Movement in debt in the year	(4,085,078)	(5,826,693)
Opening net debt	(19,673,433)	(15,011,371)
Closing net debt	(25,281,473)	(19,673,433)

C. Analysis of changes in net debt

	2013 £	Cash flows £	Other non- cash changes £	2012 £
Cash at bank and in hand	464,719	(1,522,962)		1,987,681
Debt due within 1 year	(22,401,150)	(740,036)		(21,661,114)
Debt due after 1 year	(3,345,042)	(3,345,042)		-
Total net debt	(25,281,473)	(5,608,040)		(19,673,433)

Notes to the financial statements
For the year ended 31 December 2013

1. Accounting policies

The principal accounting policies, which have been applied consistently throughout the period, are set out below.

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 2015. 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 day the voucher is delivered to the subscriber. 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.

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.

Notes to the financial statements (continued)
For the year ended 31 December 2013

1. Accounting policies (continued)

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 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 schemes 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 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

Notes to the financial statements (continued)
For the year ended 31 December 2013

1. Accounting policies (continued)

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:	2013	2012
	£	£
Europe		
- UK	12,440,896	12,798,312
	12,440,896	12,798,312

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

Analysis by class of business:	2013	2012
	£	£
Daily deals	12,440,896	12,208,725
Product deals	-	589,587
	12,440,896	12,798,312

3. Interest receivable and similar income

	2013	2012
	£	£
Bank interest receivable	15	30
	15	30

4. Interest payable and similar charges

	2013	2012
	£	£
Interest payable on inter-company loans	169,932	152,433
	169,932	152,433

Notes to the financial statements (continued)
For the year ended 31 December 2013

5. Employees

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

	2013	2012
	No.	No.
Directors	1	1
Management	6	5
Administration	95	118
Sales	112	137
	214	261

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

	2013	2012
	£	£
Wages and salaries	8,915,885	10,939,667
Social security costs	994,256	1,222,137
Other pension costs (Note 7)	238,907	193,685
Share based compensation costs (Note 18)	892,466	1,478,363
Total staff costs	11,041,514	13,833,852

Notes to the financial statements (continued)
For the year ended 31 December 2013

6. Directors' Emoluments

	2013 £	2012 £
Aggregate Emoluments	210,349	184,668
Share options exercised	-	-
Company contributions to defined contribution scheme	8,034	8,034
	218,383	192,702
Highest Paid Director:		
Aggregate emoluments	210,349	184,668
Share options exercised	-	-
Company contributions to defined contribution scheme	8,034	8,034
	218,383	192,702

There was one director with benefits accruing under the company pension scheme in 2013 (2012: one).

7. Pension Commitments

The Company operates a defined contribution scheme. The pension charge for the year amounted to £238,907 (2012: £193,685). There are no prepayments or accruals outstanding at the year end (2012: £nil).

8. Operating Loss

	2013 £	2012 £
Operating loss is stated after charging/(crediting):		
Depreciation on owned tangible fixed assets (Note 10)	481,071	517,532
Auditors' remuneration		
- Audit fees	37,560	74,350
Foreign exchange (gain)/loss	(426,037)	(708,147)
Operating lease charges		
- Other	422,871	449,635

Notes to the financial statements (continued)
For the year ended 31 December 2013

9. Tax on Loss on Ordinary Activities

The tax assessed for the year is higher (2012: higher) than the standard rate of corporation tax in the UK (23.25%). The differences are explained below:

Current tax reconciliation

	2013 £	2012 £
Loss on ordinary activities before tax	(2,320,211)	(9,327,820)
UK corporation tax at 23.25% (2012: 24.5%) based on losses for the year	(539,449)	(2,285,316)
Effects of:		
Depreciation in excess of Capital allowances	111,849	81,715
Expenses not deductible for tax purposes	278,680	19,564
Losses not recognised	148,920	2,184,037
Current tax charge for the year	-	-

Factors that may affect future tax charges

The Finance Act 2012, which was enacted on 17 July 2012, includes legislation reducing the main UK corporation tax rate to 23% effective from 1 April 2013. The financial statements reflect this change.

The Finance Act 2013, which was enacted on 17 July 2013, includes legislation reducing the main UK corporation tax rate from 23% to 21%, effective from 1 April 2014. A further reduction to 20% was also enacted on this date and will be effective from 1 April 2015. The deferred tax balances have been re-measured to 20% to reflect this reduction. Future profits will be taxed at the appropriate rate.

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 £6,446,056 (2012: £6,989,647).

	2013 £	2012 £
Capital allowances not claimed	155,552	108,152
Losses carried forward	5,610,871	6,305,184
Share-based compensation	679,633	576,311

This asset will carry forward to be recovered over an extended period of years when the business achieves ongoing profitability.

Notes to the financial statements (continued)
For the year ended 31 December 2013

10. Tangible Assets

	Leasehold Improvements £	Furniture and Fixtures £	Computer Equipment £	Total £
Cost				
At 1 January 2013	491,084	204,173	681,009	1,376,266
Additions	70,734	-	5,703	76,437
Disposals	-	-	-	-
At 31 December 2013	561,818	204,173	686,712	1,452,703
Accumulated depreciation				
At 1 January 2013	(320,356)	(127,960)	(322,875)	(771,191)
Charge for the year	(173,541)	(76,213)	(231,317)	(481,071)
Disposals	-	-	-	-
At 31 December 2013	(493,897)	(204,173)	(554,192)	(1,252,262)
Net book amount				
At 31 December 2013	67,921	-	132,520	200,441
At 31 December 2012	170,728	76,213	358,134	605,076

11. Stocks

	2013 £	2012 £
Products stock	-	30,523
Prepaid vouchers	-	-
	-	30,523

12. Debtors

	2013 £	2012 £
Trade debtors	364,060	385,813
Amounts owed by group undertakings	3,229,693	1,067,758
Other debtors	248,348	255,123
Prepayments and accrued income	184,397	174,405
	4,026,498	1,883,099

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

Notes to the financial statements (continued)
For the year ended 31 December 2013

13. Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	4,271,512	5,307,598
Amounts owed to group undertakings	22,401,150	21,661,113
Other taxation and social security	254,831	1,067,428
Other creditors	-	-
Accruals and deferred income	1,386,955	1,051,782
	<u>28,314,448</u>	<u>29,087,921</u>

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. Creditors: amounts falling due after more than one year

At 31 December 2013, the company had annual commitments under loans owed to group undertakings expiring as follows:

	2013 £	2012 £
Within one year	-	-
Between two and five years	3,345,042	-
	<u>3,345,042</u>	<u>-</u>

The loans due to group undertakings are interest bearing.

15. Provisions for liabilities

	2013 £	2012 £
Provisions brought forward at 1 January 2013	1,512,806	1,800,661
Additions in the year	6,980,701	6,566,687
Provisions utilised during the year	(7,939,246)	(6,854,542)
Provisions carried forward at 31 December 2013	<u>554,261</u>	<u>1,512,806</u>

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.

Notes to the financial statements (continued)
For the year ended 31 December 2013

16. Operating Lease Commitments

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

	Land & Buildings 2013 £	Other 2013 £	Land & Buildings 2012 £	Other 2012 £
Within one year	-	-	303,999	-
Between two and five years	464,704	-	-	-
	464,704	-	303,999	-

The operating lease has been renewed in November 2013.

17. Called Up Share Capital

	2013 £	2012 £
Authorised Share Capital:		
100 (2012: 100) ordinary shares of £1 each	100	100
Allotted and fully paid:		
100 (2012: 100) ordinary shares of £0.10 each	10	10

18. Share-based compensation

Under the LivingSocial, Inc. 2008 Equity Incentive Plan and the 2010 Equity Incentive Plan ("the Plans"), an aggregate of 1,645,803 options were outstanding for employees of LivingSocial Limited at December 31, 2013. Options granted under the Plans may be incentive stock options ("ISOs") or nonqualified stock options. ISOs may only be granted to employees.

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 recognized by the Company for the years ended 31 December 2013 and 31 December 2012 was as follows:

	2013 £	2012 £
Share Based Expense	£892,466	1,478,363
	£892,466	1,478,363

Notes to the financial statements (continued)
For the year ended 31 December 2013

18. Share-based compensation (continued)

A summary of option activity for employees of LivingSocial Limited for the years ended 31 December 2013 and 31 December 2012 is presented below:

	# of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Yrs)	Aggregate Intrinsic Value
Outstanding at 31/12/2012	1,756,210	\$0.33	8.34	\$45,600
Granted	445,500	\$0.35		
Exercised	958	\$0.35		
Expired/Forfeited	(556,865)	\$0.36		
Outstanding at 31/12/2013	1,645,803	\$0.32	7.30	
Vested/Exercisable at 31/12/2013	1,018,810	\$0.32	6.24	
Vested and Expected to Vest	1,580,410	\$0.31	7.21	

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:

	2013	2012
Risk-free interest rate	0.9% - 1.76%	0.88% - 1.56%
Expected dividend yield	0.00%	0.00%
Expected volatility	45.45% - 58.46%	40.4% - 46.9%
Expected term (years)	6.10 - 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.

For the years ended December 31, 2013 and 2012, the weighted average fair value of stock options granted was \$0.04 and \$0.39, respectively. Stock-based compensation during the years ended December 31, 2013 and 2012 was approximately £892,466 and £1,478,363, respectively, from stock options.

Notes to the financial statements (continued)
For the year ended 31 December 2013

19. Reserves

	Other Reserves 2013 £	Profit and Loss account 2013 £
At 1 January 2013	5,280,681	(31,375,039)
Share Based Payments	892,466	-
Loss for the financial year	-	(2,320,211)
At 31 December 2013	<u>6,173,147</u>	<u>(33,695,250)</u>

The other reserves relate to a capital reserve that arose in 2010 through the conversion of debt to equity by the parent undertaking and share based payments in the year.

20. Reconciliation of Movement in Shareholders' Deficit

	2013 £
Loss for the financial year	(2,320,211)
Share Based Payments	892,466
Opening equity shareholder's deficit	(26,094,348)
Closing equity shareholder's deficit	<u>(27,522,093)</u>

21. Contingent Liabilities

There were no contingent liabilities at 31 December 2013.

22. 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.

23. 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.