

(Registered Number: 07227708)

LivingSocial Limited

Annual Report and Financial Statements

For the 9 months ended 30 September 2015

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Company information

Directors

Roland Patrick Bryan (appointed 26 November 2015)
Karen Louise Kemble-Diaz (appointed 26 November 2015)
Andrew Peter MacKinnon (appointed 01 December 2015)

Company Secretary

Hannah Rigby (appointed 17 May 2016)

Registered Office

12-27 Swan Yard
London
England
N1 1SD

Bankers

NatWest
49 Bishopsgate
London
EC2N 3AS

Bank of America
2 King Edward Street
London
EC1A 1HQ

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
1 Embankment Place
London
WC2N 6RH

Strategic report
For the 9 months ended 30 September 2015

Introduction

The directors in preparing this Strategic Report have complied with section 414c of the Companies Act 2006.

Principal activity

The principal activity of the Company is to offer daily voucher deals and online discounts.

Results and performance

During the financial period, the Company continued to focus on the UK market, and on the provision of daily voucher deals and online discounts for local services, travel and goods.

The Company has experienced challenging trading performance, which resulted in a reduction in revenue versus the previous financial period. As shown in the Company's income statement, the Company's revenue for the 9-month financial period was £6,033,462 (2014: £9,509,861 for a 12-month period) and the loss before taxation for the 9-month financial period was £4,033,395 (2014: £5,279,766 loss for a 12-month period).

The Shareholders' deficit as at 30 September 2015 was £36,671,134 (2014: £32,637,739).

At 1 January 2014 the Company transitioned to new UK GAAP FRS 102.

Key Performance Indicators

The Company's key financial and other performance indicators during the financial period were as follows:

	Unit	2015 9 months	2014 12 months
Turnover	£000	6,033	9,510
Operating profit / (loss)	£000	(3,807)	(5,082)
Operating loss margin rate	% of turnover	(63)	(53)
Employees (average number)	FTE	144	175
Revenue per employee	£000	42	54
Subscribers at end of period	000	2,394	3,016

Subsequent events

On 26 November 2015, the Company was acquired by Excalibur Bidco Limited. As a result of this transaction, amounts owed to group undertakings of £29,032,922 were waived.

Excalibur Bidco Limited owns another business which offers daily voucher deals and online discounts for local services, travel and goods in the UK. There is potential for operational efficiencies in future as a consequence of sharing processes and resources.

Strategic report

For the 9 months ended 30 September 2015 (continued)

Principal risks

Demand Risk

The principal risk to the Company is a downturn in demand in daily voucher activity, caused by economic uncertainty and a change in consumer spending habits. In addition, the daily voucher discount market remains competitive. The internet provides both a threat to online discount sales and an opportunity for the Company to develop new areas. This necessitates investment in new technologies and the people required to develop the Company's business.

Cash flow risk

Management is responsible for managing the Company's liquidity and ensuring that the Company has sufficient available funds for operations as they arise. The Company had borrowings from other group companies at 30 September 2015 of £6,545,042 (2014: £4,495,042). The Company also had short term accounts payable to other group companies at 30 September 2015 of £28,977,923 (2014: £27,192,947).

Corporate responsibility review

Employees

Details of the number of Company employees and related costs can be found in the notes to the financial statements.

Employment of disabled persons

Applications for employment by disabled persons are always fully 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.

Employee involvement

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.

Approved by the Board on 30 June 2016 and signed on its behalf by:



Andrew MacKinnon

Director

Date: 30 June 2016

**Directors' report
For the 9 months ended 30 September 2015**

Directors

The directors who held office during the financial period are given below:

James Bramson (appointed 20 June 2014, resigned 26 November 2015)
Steven Marritt (appointed 10 November 2014, resigned 26 November 2015)
Atul Kavthekar (appointed 9 June 2015, resigned 26 November 2015)
Daniel Federico (appointed 22 June 2014, resigned 04 August 2015)

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.

Going Concern

The Directors believe that there will be sufficient funds available to enable the Company to meet its liabilities as they fall due, and hence, have prepared these accounts on a going concern basis.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. The directors are also responsible for setting financial risk management and dividend policies and ensuring they are followed as disclosed on the Strategic Report.

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.

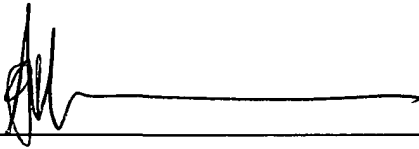
Directors' report
For the 9 months ended 30 September 2015 (continued)

The directors are also 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.

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



Andrew MacKinnon

Director

Date: 30 June 2016

Independent auditors' report to the members of LivingSocial Limited

Report on the financial statements

Our opinion

In our opinion, LivingSocial Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2015 and of its loss and cash flows for the 9 month period (the "period") 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 30 September 2015;
- the Income statement and Statement of comprehensive income for the period then ended;
- the Statement of cashflow for the period then ended;
- the Statement of changes in equity for the period 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 the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

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 period 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.

Independent auditors' report to the members of LivingSocial Limited (continued)

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 set out on page 6, 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) ("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 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.

What an audit of financial statements involves

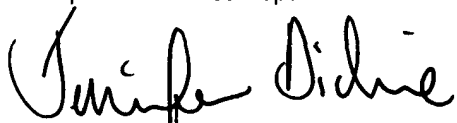
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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 audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Jennifer Dickie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

30 June 2016

Income statement
For the 9 months ended 30 September 2015

	<i>Note</i>	2015 9 months £	2014 12 months £
Revenue	2	6,033,464	9,509,861
Cost of sales		(2,358,402)	(1,675,427)
Gross profit		3,675,062	7,834,434
Administrative expenses		(7,482,317)	(12,916,312)
Operating loss		(3,807,255)	(5,081,878)
Finance income	3	-	2,210
Finance cost	4	(226,140)	(200,098)
Finance cost – net		(226,140)	(197,888)
Loss before income tax	8	(4,033,395)	(5,279,766)
Income tax expense	9	-	-
Loss for the financial period / year		(4,033,395)	(5,279,766)

The results for both financial periods are derived from continuing operations.

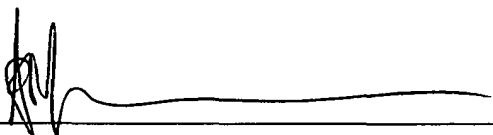
Statement of comprehensive income
For the 9 months ended 30 September 2015

	<i>Note</i>	2015 9 months £	2014 12 months £
Loss for the financial period / year		(4,033,395)	(5,279,766)
Other comprehensive income		-	-
Total tax on components of other comprehensive income		-	-
Other comprehensive income for the financial period / year, net of tax		-	-
Total comprehensive income for the financial period / year		(4,033,395)	(5,279,766)

**Statement of financial position
As at 30 September 2015**

		30 September 2015	31 December 2014
	<i>Note</i>	£	£
Assets			
Non-current assets			
Property, plant and equipment	10	<u>43,164</u>	60,423
		43,164	60,423
Current assets			
Trade and other receivables	11	<u>5,914,024</u>	5,623,351
Cash and cash equivalents		<u>1,251,654</u>	1,093,484
		7,165,678	6,716,835
Total assets		<u>7,208,842</u>	<u>6,777,258</u>
Equity and liabilities			
Called up share capital	16	10	10
Other reserves		6,337,267	6,337,267
Retained earnings		(43,008,411)	(38,975,016)
Total equity		<u>(36,671,134)</u>	<u>(32,637,739)</u>
Liabilities			
Non-current liabilities			
Trade and other payables	13	<u>6,545,042</u>	4,495,042
Provisions for liabilities	14	<u>1,010,392</u>	800,649
		7,555,434	5,295,691
Current liabilities			
Trade and other payables	12	<u>36,324,542</u>	34,119,306
Total liabilities		<u>43,879,976</u>	<u>39,414,997</u>
Total equity and liabilities		<u>7,208,842</u>	<u>6,777,258</u>

These financial statements of LivingSocial Limited, registered number 07227708, on pages 10 to 29 were approved and authorised for issue by the Board of Directors on 30 June 2016 and signed on its behalf by:



Andrew MacKinnon

Director

Date: 30 June 2016

Statement of changes in equity
For the 9 months ended 30 September 2015

	Note	Called up share capital	Retained earnings	Other Reserves	Total
		£	£	£	£
Balance as at 1 January 2014		10	(33,695,250)	6,173,147	(27,522,093)
Loss for the financial year		-	(5,279,766)		(5,279,766)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	(5,279,766)	-	(5,279,766)
Credit relating to equity-settled share-based payments	17	-		164,120	164,120
Total transactions with owners, recognised directly in equity		-		164,120	164,120
Balance as at 31 December 2014		10	(38,975,016)	6,337,267	(32,637,739)
Balance as at 1 January 2015		10	(38,975,016)	6,337,267	(32,637,739)
Loss for the financial period		-	(4,033,395)		(4,033,395)
Other comprehensive income for the 9 months		-	-	-	-
Total comprehensive income for the 9 months		-	(4,033,395)	-	(4,033,395)
Credit relating to equity-settled share-based payments	17	-		-	-
Total transactions with owners, recognised directly in equity		-		-	-
Balance as at 30 September 2015		10	(43,008,411)	6,337,267	(36,671,134)

The Other Reserves relate to a capital reserve that arose in 2010 through the conversion of debt to equity by the former parent undertaking and share based payments over the subsequent years.

Statement of cash flow
For the 9 months ended 30 September 2015

		2015	2014
		9 months	12 months
	<i>Note</i>	£	£
Net cash from operating activities	15	(1,889,926)	(508,381)
Net cash generated from operating activities		(1,889,926)	(508,381)
Cash flow from investing activities			
Finance income		-	2,210
Purchase of property, plant and equipment		(1,904)	(15,064)
Net cash used in investing activities		(1,904)	(12,854)
Cash flow from financing activities			
Increase in borrowings		2,050,000	1,150,000
Net cash used in financing activities		2,050,000	1,150,000
Net increase in cash and cash equivalents		158,170	628,765
Cash and cash equivalents at the beginning of the year		1,093,484	464,719
Cash and cash equivalents at the end of the financial period / year		1,251,654	1,093,484

Notes to the financial statements
For the 9 months ended 30 September 2015

1. Accounting policies

General information

LivingSocial Limited is a private company limited by shares and it is incorporated in the United Kingdom. The address of its registered office is 12-27 Swan Yard, London, England, N1 1SD.

Statement of compliance

The individual financial statements of LivingSocial Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The Company has also early adopted the Amendments to FRS 102 (issued in July 2015).

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Basis of preparation

The accounting policies below have been prepared on a consistent basis in both the current and prior periods. The financial period ended 30 September 2015 consists of 9 months (2014: 12 months).

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. This is the first period in which financial statements have been prepared under FRS 102. The date of transition to FRS 102 was 1 January 2014. Details of the transition are disclosed in note 23.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(l).

(b) Going concern

The Directors have considered the ability of the Company to continue in operational existence for the foreseeable future as well as the relevant business and financial risks. In doing this, they have considered the Company's business activities, together with the factors likely to affect its future development, performance and position.

The financial position of the Company is showing a net liability and current liability position. On 26 November 2015, the Company was acquired by Excalibur Bidco Limited. As a result of this transaction, amounts owed to group undertakings of £29,032,922 were waived and a loan facility of £5,000,000 was made available to the Company.

After making enquiries, the directors therefore have a reasonable expectation that the Company will have access to adequate resources to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements

For the 9 months ended 30 September 2015 (continued)

1. Accounting policies (continued)

(c) Foreign currency

(i) Functional and presentation currency

The Company's functional and presentation currency is pound sterling.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(d) Revenue

The Company recognises revenue at the point at which the customer purchases a voucher from the LivingSocial website, with consideration being passed at that point.

The Company generates revenue arising from the sale and issue of vouchers that can be exchanged for goods and services provided by third party merchant partners or on some occasions with LivingSocial itself, where the Company is acting as both the supplier of the product as well as the issuer of the voucher.

Customers purchase the vouchers from the Company and redeem them for goods or services provided by the Company's merchant partners. The revenue recognition criteria are met when the consideration passes from the customer to LivingSocial, a voucher is issued and the Company's obligations are substantially complete.

(e) Employee Benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pensions plans

The Company operates a defined contribution pension scheme for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the scheme are held within independently administered funds.

Notes to the financial statements
For the 9 months ended 30 September 2015 (continued)

1. Accounting policies (continued)

(e) Employee benefits (continued)

(iii) Share based payments

The Company's former parent 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 has been recognised as an expense. The total amount to be expensed over the vesting period has been 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 have been included in assumptions about the number of options expected to vest. At each reporting date, the entity has revised its estimates of the number of options expected to vest. It has recognised the impact of the revision to original estimates, if any, in the income statement. Recharges made by the ultimate parent company in respect of options granted have been recorded as a debit in equity.

The Company has taken advantage of the exemption under paragraph 35.10(b) of FRS 102 in respect of share based payment transactions on the date of transition to FRS 102 (1 January 2014) and have elected not to apply Section 26 Share-based Payment to equity instruments granted before the date of transition to FRS 102. The previous framework has been applied to instruments granted prior to the date of transition.

(f) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Notes to the financial statements

For the 9 months ended 30 September 2015 (continued)

1. Accounting policies (continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at original cost less accumulated depreciation. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use. 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:

- Plant and Machinery – three to five years straight line

Repairs, maintenance and minor inspection cost are expensed as incurred.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposals proceeds and the carrying amount is recognised in the income statement, as either a gain or loss on disposal.

(h) Leases

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risk and rewards of ownership are classified as operating leases. Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

(ii) Lease incentives

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Company has taken advantage of the exemption under paragraph 35.10(p) of FRS 102 in respect of lease in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the income statement over the period to the first review date on which rent is adjusted to market rates.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(j) 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.

Notes to the financial statements
For the 9 months ended 30 September 2015 (continued)

1. Accounting policies (continued)

(k) Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial Assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial Liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements
For the 9 months ended 30 September 2015 (continued)

1. Accounting policies (continued)

(k) Financial instruments (continued)

(ii) Financial Liabilities (continued)

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

All financial assets and liabilities of the Company are considered basic, in that they do not constitute financing arrangements either in substance or in form.

(l) Critical judgements and estimates in applying the accounting policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Provisions

The Company provides for marketing credits and voucher refunds, in both cases on the basis of management's best estimate. This marketing credit provision is based on the value of credits issued to customers, and subject to change dependent on customer utilisation rates. The refund provision is based on the value gross sales and historical percentage refund rates.

Notes to the financial statements (continued)
For the 9 months ended 30 September 2015

2. Revenue

Analysis by geographical destination:

	2015	2014
	9 months	12 months
	£	£
United Kingdom	6,033,464	9,509,861
	6,033,464	9,509,861

The Company's activities originate wholly in the UK.

Analysis by class of business:

	2015	2014
	9 months	12 months
	£	£
Daily voucher deals	6,033,464	9,509,861
	6,033,464	9,509,861

3. Finance income

	2015	2014
	9 months	12 months
	£	£
Bank interest receivable	-	2,210
	-	2,210

4. Finance cost

	2015	2014
	9 months	12 months
	£	£
Interest payable on inter-company loans	226,140	200,098
	226,140	200,098

Interest on loans owed to group undertakings is payable annually at variable rates prevailing in individual loan agreements. On 26 November 2015, the Company was acquired by Excalibur Bidco Limited. As a result of this transaction, the £29,032,922 owed to former group undertakings was waived, which included £808,622 of interest.

Notes to the financial statements (continued)
For the 9 months ended 30 September 2015

5. Employees

The average number of employees in the Company (including directors) during the 9 months / year is shown below:

	2015 No.	2014 No.
Administration and support	69	73
Sales and marketing	75	102
	144	175

The wages and salaries paid to employees and charged through the income statement during the 9 months / year were as follows;

	2015 9 months £	2014 12 months £
Wages and salaries	3,721,719	7,342,729
Social security costs	485,612	817,568
Other pension costs (Note 7)	200,873	299,444
Share Based Expense (Note 18)	-	164,120
Total staff costs	4,408,204	8,623,861

6. Directors' remuneration

	2015 9 months £	2014 12 months £
Aggregate emoluments	209,133	265,842
Company contributions to defined contribution scheme	8,059	14,828
Compensation for loss of office	-	155,528
	217,192	436,198
Highest paid director:		
Aggregate emoluments	209,133	135,745
Company contributions to defined contribution scheme	8,059	10,400
Compensation for loss of office	-	91,328
	217,192	237,473

There was 1 director with benefits accruing under the company pension scheme in 2015 (2014: one). No directors (2014: nil) exercised share options during the period.

Notes to the financial statements (continued)
For the 9 months ended 30 September 2015

6. Directors' remuneration (continued)

Key management compensation

Key management includes the directors and the members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2015	2014
	9 months	12 months
	£	£
Salaries and other short-term benefits	386,202	436,198
Post-employment benefits	-	-
	386,202	436,198

7. Pension commitments

The Company operates a defined contribution scheme. The pension charge for the financial period amounted to £200,873 (2014: £299,444). There are no prepayments outstanding at the 9 months - end (2014: £nil). The Company has an accrual of £20,108 outstanding at the period end (2014: £24,330).

8. Loss before income tax

	2015	2014
	9 months	12 months
	£	£
Loss before income tax is stated after charging:		
Depreciation of property, plant and equipment (Note 10)	19,163	155,082
Auditors' remuneration		
- Audit fees	28,386	35,963
- Tax fees	6,365	6,105
Foreign exchange loss	527,798	1,249,563
Operating lease charges	341,529	525,126

Notes to the financial statements (continued)
For the 9 months ended 30 September 2015

9. Income tax expense

The tax assessed for the financial period is lower (2014: lower) than the standard rate of corporation tax in the UK (20.50%) (2014: 21.50%). The differences are explained below:

Total tax reconciliation

	2015 9 months £	2014 12 months £
Loss on ordinary activities before tax	(4,033,395)	(5,279,766)
UK corporation tax at 20.50% (2014: 21.50%) based on losses for the financial period	(826,846)	(1,135,150)
Effects of:		
Depreciation in excess of capital allowances	3,928	33,343
Expenses not deductible for tax purposes	52,895	95,239
Losses not recognised	770,023	1,006,568
Total tax charge for the financial period	-	-

Factors that may affect future tax charges

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. The financial statements reflect this change.

A further reduction to 20% was also enacted on this date and is 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 £7,468,196 (2014: £7,433,811).

	30 September 2015 £	31 December 2014 £
Capital allowances not claimed	189,801	186,568
Losses carried forward	7,278,395	6,534,786
Share-based compensation	-	712,457

Notes to the financial statements (continued)
For the 9 months ended 30 September 2015

10. Property, plant, equipment

	Plant and Machinery £	Total £
Cost		
At 1 January 2015	1,467,767	1,467,767
Additions	1,904	1,904
Disposals	-	-
At 30 September 2015	1,469,671	1,469,671
Accumulated depreciation		
At 1 January 2015	(1,407,344)	(1,407,344)
Charge for the period	(19,163)	(19,163)
Disposals	-	-
At 30 September 2015	(1,426,507)	(1,426,507)
Net book amount		
At 30 September 2015	43,164	43,164
At 31 December 2014	60,423	60,423

11. Trade and other receivables

	30 September 2015 £	31 December 2014 £
Trade debtors	433,242	823,741
Amounts owed by group undertakings	5,062,762	4,329,713
Other debtors	226,231	248,348
Prepayments and accrued income	191,789	221,549
	5,914,024	5,623,351

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

Notes to the financial statements (continued)
For the 9 months ended 30 September 2015

12. Current liabilities - trade and other payables

	30 September 2015 £	31 December 2014 £
Trade creditors	4,568,708	4,357,680
Amounts owed to group undertakings	28,977,923	27,192,947
Other taxation and social security	392,385	436,020
Other creditors	-	-
Accruals and deferred income	2,385,526	2,132,659
	36,324,542	34,119,306

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. On 26 November 2015, the Company was acquired by Excalibur Bidco Limited. As a result of this transaction, the net amounts owed to former group undertakings at that date of £29,032,922 were waived, which included £22,279,258 falling due within one year.

13. Non-current liabilities - trade and other payables

At 30 September 2015, the Company had annual commitments under loans owed to group undertakings expiring as follows:

	30 September 2015 £	31 December 2014 £
Within one year	-	-
Between two and five years	6,545,042	4,495,042
	6,545,042	4,495,042

The loans due to group undertakings are interest bearing. Interest on loans owed to group undertakings is payable annually at variable rates prevailing in individual loan agreements. On 26 November 2015, the Company was acquired by Excalibur Bidco Limited. As a result of this transaction, the amounts owed to former group undertakings at that date of £29,032,922 were waived, which included £6,753,664 falling due after more than one year.

14. Provisions for liabilities

	30 September 2015 £	31 December 2014 £
Provisions brought forward at the start of the financial period	800,649	554,261
Additions in the financial period	3,144,250	3,664,001
Provisions utilised during the financial period	(2,934,507)	(3,417,613)
Provisions carried forward at the end of the financial period	1,010,392	800,649

Notes to the financial statements (continued)
For the 9 months ended 30 September 2015

15. Net cash outflow from operating activities

	2015 9 months £	2014 12 months £
Loss for the financial period / year	(4,033,395)	(5,279,766)
Income tax expense	-	-
Finance income	-	(2,210)
Operating loss	(4,033,395)	(5,281,976)
Depreciation charge	19,163	155,082
Share Based Expense	-	164,120
(Increase)/decrease in trade receivables	(290,673)	(1,596,853)
Increase/(decrease) in trade payables	2,205,236	5,804,858
Increase/(decrease) in provisions	209,743	246,388
Net cash outflow from continuing operations	(1,889,926)	(508,381)

16. Operating lease commitments

At 30 September 2015, the Company had future minimum lease payments due under non-cancellable operating leases as follows:

	2015 £	2014 £
Not later than one year	297,504	464,704
Later than one year and not later than five years	-	-
Later than five years	-	-
	297,504	464,704

On 21 December 2015 the Company gave notice to terminate the operating lease as at 28 September 2016.

17. Called up share capital

	2015 £	2014 £
Authorised Share Capital:		
100 (2014: 100) ordinary shares of £1 each	100	100
Allotted, issued and fully paid:		
100 (2014: 100) ordinary shares of £0.10 each	10	10

There is a single class of ordinary shares. There are no restrictions on the distributions of dividends and repayment of capital.

Notes to the financial statements (continued)
For the 9 months ended 30 September 2015

18. Share-based compensation

All share-based compensation relates to the Company's former parent, LivingSocial, Inc. Under the LivingSocial, Inc. 2008 Equity Incentive Plan and the 2010 Equity Incentive Plan ("the Plans"), an aggregate of 326,523 (2014: 433,281) options were outstanding for employees of LivingSocial Limited at 30 September 2015. Options granted under the Plans may be incentive stock options ("ISOs") or nonqualified stock options. ISOs may only be granted to employees.

On the Company's sale to Excalibur Bidco Limited, all outstanding options vested.

The Share Based Expense recognized by the Company for the years ended 30 September 2015 and 31 December 2014 was as follows:

	2015 £	2014 £
Share Based Expense	-	164,120
	-	164,120

A summary of option activity for employees of LivingSocial Limited for the periods ended 30 September 2015 and 31 December 2014 is presented below:

	# of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Yrs)	Aggregate Intrinsic Value
Outstanding at 31/12/2014	433,281	\$0.35	8.16	
Granted	-	-	-	
Exercised	-	-	-	
Expired/Forfeited	(106,758)	-	0.50	
Outstanding at 30/09/2015	326,523	-	0.50	
Vested/Exercisable at 30/09/2015	326,523	-	-	

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:

	2014	2013
Risk-free interest rate	1.85%	0.9% - 1.76%
Expected dividend yield	0.00%	0.00%
Expected volatility	46.02%	45.45% - 58.46%
Expected term (years)	6.10	6.10 - 6.25

Notes to the financial statements (continued)
For the 9 months ended 30 September 2015

18. Share-based compensation (continued)

The former parent company LivingSocial, Inc. did not 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.

For the periods ended 30 September 2015 and 31 December 2014, the weighted average fair value of stock options granted was \$0.01. No options were granted in 2015.

Stock-based compensation during the periods ended 30 September 2015 and 31 December 2014 was approximately £nil and £164,120, respectively, from stock options.

19. Contingent Liabilities

There were no contingent liabilities at 30 September 2015 (2014: £nil).

20. Related party transactions

During the 9 month period ended 30 September 2015, LivingSocial Limited was wholly owned within the LivingSocial, Inc. group. The Company has taken advantage of the exemption available under paragraph 33.1A of FRS 102 not to disclose related party transactions with other group companies.

21. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party was 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. was also the parent undertaking of the smallest and largest group to consolidate these financial statements for the 9 months ended 30 September 2015.

Post period end the ultimate parent undertaking has changed to Excalibur Holdco Ltd. The ultimate controlling party is Exponent Private Equity LLP on behalf of funds under its management.

22. Post balance sheet events

On 26 November 2015, the Company was acquired by Excalibur Bidco Limited. As a result of this transaction, the net amounts owed to group undertakings of £29,032,922 were waived by LivingSocial, Inc.

Excalibur Bidco Limited owns another business which offers daily voucher deals and online discounts for local services, travel and goods in the UK. There is potential for operational efficiencies in future as a consequence of sharing processes and resources.

Notes to the financial statements (continued)
For the 9 months ended 30 September 2015

23. Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. The Company has early adopted amendments to FRS 102. Set out below are the changes in accounting policies which reconcile loss for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

Transition exemptions

The Company has taken the following transition exemptions in preparing its first financial statements under FRS 102.

- (i) The Company has taken advantage of the exemption under paragraph 35.10(p) of FRS 102 in respect of lease incentives on leases in existence on the date of transition (1 January 2014) to FRS 102 and continues to credit such lease incentives to the income statement over the 9 months to the first review date on which the rent is adjusted to market rates.
- (ii) The Company has taken advantage of the exemption under paragraph 35.10(b) of FRS 102 in respect of share based payment transactions on the date of transition to FRS 102 (1 January 2014) and have elected not to apply Section 26 Share based payments to equity instruments granted before the date of transition to FRS 102. The previous framework has been applied to instruments granted prior to the date of transition.

Adjustments arising on transition to FRS 102

There are no measurement differences arising on transition to FRS 102 which affect the Company's equity at 1 January 2014, 31 December 2014 or 30 September 2015, or its loss for the periods ended 31 December 2014 or 30 September 2015.

Statement of cash flows

The statement of cash flow reflects the presentation requirements of FRS 102, which are different to that prepared under FRS 1. In addition the statement of cash flow reconciles to cash and cash equivalents whereas under previous UK GAAP the statement of cash flow reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.