Annual Report and Accounts 2018

Stock code: **TMO**

Time Out Group plc
Annual Report 2018

Time Out Group ("Time Out", the "Company" or the "Group") is a global media and entertainment business that inspires and enables people to explore and enjoy the best of the city.

It all began in London in 1968 when Time Out helped people discover the exciting new urban cultures that had started up all over the capital. Since then, this iconic brand has consistently maintained its status as the go-to source of inspiration for both locals and visitors alike.

Time Out Group comprises two highly synergistic business divisions: Time Out Media and Time Out Market.

Time Out Media's digital and physical media proposition comprises websites, mobile, social media, print and live events. Across these platforms, Time Out distributes its high-quality content – written and curated by local expert journalists – around the best food, drinks, culture, art, music, theatre, travel and entertainment in 315 cities and 58 countries. The Company is monetising this global reach and its strong traffic from a desirable audience via digital and print advertising as well as e-commerce. Since its launch 50 years ago, Time Out has become a global brand that advertisers and consumers love and trust.

Time Out Market is a food and cultural market leveraging the Time Out brand to bring the best of the city under one roof: its best chefs, drinks and cultural experiences – based on the editorial curation Time Out has always been known for. The first Time Out Market opened in Lisbon in 2014 and is now Portugal's most popular attraction with 3.9 million visitors in 2018. New openings are scheduled in 2019 in Miami, New York, Boston, Chicago and Montreal, with a further pipeline of other global locations including London and Prague – all featuring the cities' best and most celebrated chefs, restaurateurs, drinks and cultural experiences.

Across both business divisions, the Group's mission is to help people around the world go out better.

Celebrating 50 years...

Iconic, global brand

Time Out is the world's number one brand inspiring people to explore and enjoy the best of the city

High-quality professional content

written by local expert journalists ('PGC' – Professionally Generated Content)

Multi-platform content distribution

across digital, print, social and physical channels

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Strong traffic and a global audience

across 315 cities and 58 countries around the world

Established partnerships

with global brands, local businesses, the world's top chefs and leading restaurateurs

Successful transformation

and diversification of the business and brand to drive further growth

STRATEGIC REPORT

Time Out Market Lisbon

In 2014, Time Out Lisbon editors turned a historic market hall in the city into Time Out Market, thus creating the world's first food and cultural market rooted wholly in editorial curation. A place that previously housed the city's top vendors now brings the best of the city under one roof: its best chefs, drinks and cultural experiences. In 2018, 3.9 million visitors came to the market to explore excellent food from 32 restaurants and kiosks, enjoy drinks from eight bars and cafés, buy from five shops, attend cooking workshops in the Chef's Academy or events in the Time Out Studio, a 900-capacity entertainment venue. 2018 also saw three of Time Out Market's chefs receive four Michelin stars between them in their own local restaurants. In that year, Time Out Market Lisbon also received 'The Hamburg Food Service Award', an international award recognising this unique place as one of the most visionary concepts in the European food service sector – proof of the high-quality fine food the market makes affordable and accessible for all.

Time Out Group at a glance

TIME OUT MEDIA

Time Out is a global media and entertainment business that inspires and enables people to explore and enjoy the best of the city. Time Out launched in London in 1968 with a magazine to help people discover the exciting new urban cultures that had started up all over the city. Today, Time Out distributes its curated content – written by professional journalists – around the best food, drink, music, theatre, art, travel and entertainment across its digital and physical presence comprising websites, mobile, social, magazines, live events and Time Out Market.

Time Out is a global brand that consumers and advertisers love and trust. It is monetising its strong traffic and global reach, a desirable audience and world-class creative work through advertising and e-commerce. The Group is also leveraging the brand's power and global reach to drive awareness, interest and footfall to Time Out Market.

TIME OUT CURATES THE BEST OF 315 CITIES IN 58 COUNTRIES

DIGITAL

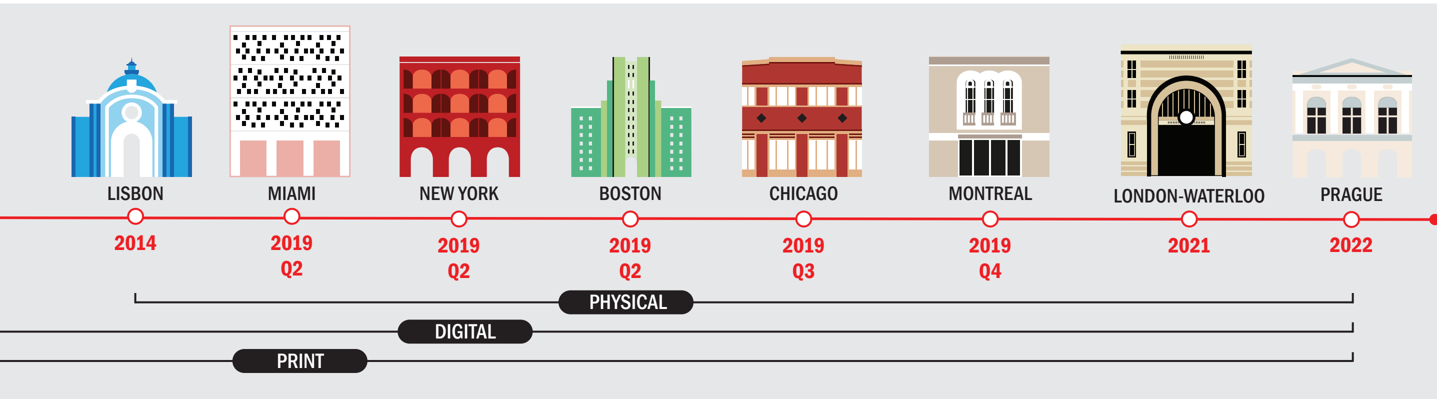
- 300+k pages of online content
- 21.4 million global monthly unique visitors

SOCIAL MEDIA

- 116.0 million social media reach
- 15.6 million social media followers

PRINT

- 7.4 million monthly magazine readers
- Magazines in around 40 cities worldwide



TIME OUT MARKET

Time Out Market is a food and cultural market bringing the best of the city under one roof: the best chefs, drinks and cultural experiences, based on the editorial curation Time Out has always been known for. The first Time Out Market opened in Lisbon in 2014 and in 2018 attracted 3.9m visitors – it is now Portugal's most visited attraction.

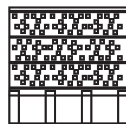
By 2022, there will be Time Out Markets in eight cities, spanning a total of 245,000 sq ft, offering 5,000 seats and featuring over 150 award-winning chefs and much-loved restaurateurs – all handpicked by local editors to showcase the outstanding and diverse talent making up each city. Time Out Market will also offer culinary and cultural experiences: there will be cooking classes with top chefs, art, music performances and more.

OWNED AND OPERATED SITES

The Group is rolling Time Out Market out globally with a strong pipeline in place. In addition to the below sites, conditional lease agreements have also been signed in Porto and London Spitalfields with planning processes ongoing and opening dates to be confirmed.

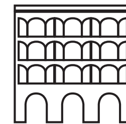
LISBON

- 32,000 sq ft
- 900 seats
- 32 restaurants



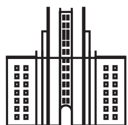
MIAMI

- 18,000 sq ft
- 440 seats
- 18 restaurants



NEW YORK

- 21,000 sq ft
- 630 seats
- 21 restaurants



BOSTON

- 25,500 sq ft
- 630 seats
- 15 restaurants

CHICAGO

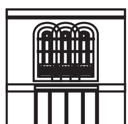
- 50,000 sq ft
- 740 seats
- 18 restaurants

LONDON-WATERLOO

- 32,500 sq ft
- 520 seats
- 17 restaurants

MANAGEMENT AGREEMENTS

Management agreements endorse the Time Out Market format, enabling further global roll-out with the partner investing in the development and construction of the site. The Group will receive a guaranteed management fee and have primary responsibility for branding, curation and day-to-day management of the site, but will not be required to fund any capital or operating expenditure.



MONTREAL

- 40,000 sq ft
- 550 seats
- 17 restaurants
- Partner: Ivanhoé Cambridge

PRAGUE

- 25,000 sq ft
- 585 seats
- 14 restaurants
- Partner: CRESTYL Group

Highlights
A year of significant progress

Financial Highlights

- **Group revenue:** 10% year-on-year growth to £48.8m (2017: £44.4m), driven by a combination of 5% underlying growth[(1)] and the full year impact of 2017 acquisitions[(2)]
- **Group gross profit:** strong growth of 30% (23% underlying), driven by material improvements in gross margins to 66% (2017: 56%)
- **Time Out Market:** revenue growth of 51% to £9.0m, with Time Out Market Lisbon delivering strong EBITDA in the period of £4.3m, up 95% year-on-year (2017: £2.2m)
- **Time Out Media:** revenue growth of 4% to £39.8m (-3% underlying), primarily driven by digital advertising growth of 23% (12% underlying); offset by underlying reductions in Live (-40%) and Print (-7%), impacted by the strategic decision to discontinue certain several low margin events and print publications
- **Adjusted EBITDA[(3)]:** significantly reduced loss of £8.1m (2017: £14.2m loss), in line with expectations and a £6.1m (43%) improvement on prior year
- **Operating loss:** loss of £11.5m (2017: £24.6m), including the £4.5m gain on disposal of the investment in Flyt
- **Net debt:** £4.8m at 31 December 2018, which includes available cash of £24.3m and debt of £29.1m
- **Funding:** New €10 million loan secured in March 2019, supporting growth ambitions for Time Out Market

Operational Highlights

- **Time Out Market division: strong momentum continues**
  - Continued success of Time Out Market Lisbon, with a record 3.9m visitors (2017: 3.6m)
  - Five new markets on track to open in North America this year, including Miami (opening in Q2), New York (Q2), Boston (Q2), Chicago (Q3), as well as Time Out Market's first management agreement in Montréal (Q4)
  - Time Out Market London-Waterloo conditional lease agreement (planned 2021 opening) and Prague management agreement (2022 opening) signed
- **Time Out Media division: significant improvement in economics**
  - *Gross margin improvements* - strong operational focus throughout 2018, helping drive a 9% (absolute) improvement to 60% (2017: 51%); key measures included the discontinuation of low margin live events, prioritisation of organic traffic and optimisation of US print frequency and distribution
  - *Overhead savings* - delivery of significant efficiencies throughout 2018 which will further benefit 2019

(1) Underlying measures are presented on a constant currency basis and exclude any 2018 results from acquisitions in the period prior to the first anniversary of joining the Time Out Group

(2) Acquisitions include Australian franchisee (acquired June 2017) and the Spain acquisition (acquired September 2017), and the addition of Hong Kong (in May 2017) and Singapore (in October 2017)

(3) Adjusted measures are stated before interest, taxation, depreciation, amortisation, share based payments, share of associates loss and exceptional items

Chairman's statement

Peter Dubens
Non-Executive Chairman

> "In 2018, Time Out Group achieved significant milestones ahead of a transformative 2019. Time Out Market continued to be a success story with strong growth in Lisbon and fantastic new sites opening this year and beyond in some of the world's greatest cities. Time Out Media delivered excellent digital advertising growth and further improved economics."

RESULTS

2018 was a year of significant progress for Time Out Group as we continue to transform and grow the business on its journey to profitability. Group revenue increased by 10% year-on-year, driven by underlying growth of 5%, coupled with the full year impact of the 2017 acquisitions of our Australia and Spain franchises as well as the addition of Hong Kong and Singapore. In the period, we have delivered growth across both business divisions: Time Out Market performed exceptionally well with overall revenue growth of 51% and strong Lisbon EBITDA of £4.3 million (up 95% year-on-year); in Time Out Media, digital advertising increased by 23% and a clear focus on higher margin activities and overhead efficiencies resulted in improved economics.

DIGITAL TO PHYSICAL

I was first attracted to Time Out because it shone a light on the best bits of my favourite cities. It was an instantly recognisable "love brand" whose stamp of approval carried enormous respect and influenced a global tribe of followers. The quality of its curation and the influencing power of the brand still remain Time Out's most important qualities. What has changed in the last ten years is that it has embraced new channels to grow its audience from those that read the magazine to those that visit and buy tickets on our website, share our Facebook posts or like our Instagram content. The natural step in the journey was to unite our audience and our handpicked city highlights in one physical location. Time Out Market Lisbon was just that and last year 3.9m visitors, many of whom form part of our digital audience, turned up in person to experience the best of this great city under one roof. As they share this experience, the engagement with Time Out's social channels grows and more people are attracted to both our website and the Market.

I am excited about 2019 as Time Out Market not only opens its doors in five new cities but introduces our audience to an incredible roster of handpicked chefs and successful restaurateurs who have accepted our invitation to take a Time Out Market residence. Few brands could bring together this talent in one location, none could replicate it in as many cities around the world as we have the opportunity to. We do not take the execution of this roll-out lightly and have assembled a highly experienced team to tackle the complexity of planning, designing, building and licensing. I would like to thank them for their efforts and the progress made to this point.

50 years of Time Out has built a Group that is uniquely positioned to meet the needs of:

- People who want reliable guidance about the best things to do in a city
- Advertisers who want to reach a valuable, young, active, mobile audience
- Commercial landlords who need to attract footfall, at a time when the high street is facing declining traffic

The Group has created a global digital to physical platform, that introduces our discerning online audience to the world's greatest chefs in a unique city-by-city experience. The Markets capture the Time Out mission, to give us the very best of local on a global scale.

PEOPLE

On behalf of our Board and our Shareholders I would like to thank everyone at Time Out Group – including our franchise partners – for their hard work, dedication and passion for our brand and business. 2018 was a year that saw the celebration of Time Out's 50th anniversary and major progress across key areas ahead of a transformative 2019. Our mission continues to be to help people around the world go out better, in particular with our five new Time Out Markets which I am sure our visitors will love.

PETER DUBENS
Non-Executive Chairman

Q&A with the Group CEO

Julio Bruno
Chief Executive Officer

> “2019 will be a transformative year for us as we will open five Time Out Markets in Miami, New York, Boston, Chicago and Montreal. Most importantly, whether on our print, digital or physical platforms, we will continue to focus on curating the best of the city, helping our global audience go out better.”

TIME OUT CELEBRATED ITS 50TH ANNIVERSARY IN 2018 - HOW HAS THE BRAND REMAINED RELEVANT?

Time Out started in London in 1968 with a magazine full of information on the best of the city. Today, this DNA is still completely intact and relevant as people, just as 50 years ago, want to discover the best things to do in a city. Throughout those years – as we expanded across the world – we have consistently maintained our status as a trusted source, now curating the best of 315 cities. We are still recognised as a leading global media and entertainment brand thanks to our continued investment in our content, ensuring it remains high quality, relevant and up to date. Whilst our focus on curating the best of the city hasn't changed, the range of channels through which we distribute our content has. Our printed magazine continues to be important to our offering and we have further grown our global audience through our digital channels. Now, with the roll-out of the Time Out Market format we have a physical channel where we bring our content and curation to life, remaining more relevant than ever to an audience that is hungry for unique experiences. Everything we do today is based on the authority we have established over a period of over 50 years with our unique curated content - written by Time Out's professional journalists.

WHAT WERE THE GROUP'S BIGGEST CHALLENGES OF 2018?

As a fast-growing media and entertainment business we have addressed many challenges in the last year. Firstly, the changing digital advertising landscape has proven challenging for some media companies. We successfully navigated these changes, growing our digital advertising revenue by 23%. Secondly, the roll-out of our Time Out Markets gathered momentum. As a result of 12 months of managing building projects, creating teams with great experience, local planning, chef negotiations and much more, we are on track to open the doors to five new sites in 2019 – a year that will be key as we diversify our business. Finally, the decision to scale back low-margin business (e.g. live events) was not one we took lightly, as it involved staff rationalisation and the streamlining of the senior management team but was the right course of action at this stage of Time Out's transformation.

WHAT DIFFERENTIATES TIME OUT'S CONTENT?

Time Out's content about the best of the city is independent and trusted, and it has a distinctive attitude and spirit – it is written and curated by our global team of local experts. These Time Out journalists and critics go out all the time – they test, try, taste and review to help and inspire our audience to go out better. We call it ‘PGC’, professionally generated content. Whilst user generated content – ‘UGC’ – is widely available and free of charge, it is hard to qualify the relevance and accuracy of the reviews, which are often polarised or unbalanced. Our large global audience is proof of the role professional content plays, and, in turn, this audience and our quality content attracts the world's leading consumer brands who wish to advertise on our platforms and within our positive, brand-safe environment.

HOW DID TIME OUT GROW ITS DIGITAL AND PRINT ADVERTISING REVENUE IN THIS CHALLENGING MARKET?

By offering brands cross-platform creative solutions – spanning online, social media, print and live events – we were able to attract larger campaigns with bigger budgets and broader scopes than in the past. We were also able to defend our position in the market due to Time Out's reputation as a brand-safe advertising platform and the attractiveness of our core audience.

Time Out's 50th anniversary event in September 2018 in Granary Square, King's Cross in London

We continue to be hugely relevant to the elusive 20 to 35 year old demographic, our audience is over 60% female and has a high intent to do something when they consult Time Out – this is an engaged audience that is looking to spend and is always up for the next great experience.

WHAT'S THE RECIPE FOR THE SUCCESS OF TIME OUT MARKET?

The key ingredient to the success of Time Out Market is curation, the selection of a city's best chefs in each local food category – thanks to our heritage and authority, we are uniquely positioned to attract these chefs. With everything hand-picked by local Time Out editors, we ensure that we showcase the best food and drink a city has to offer, all at reasonable prices. We call it the "democratisation of fine dining" as we make high-quality food affordable and accessible for all. But Time Out Market is not just about food, there will also be experiences such as cooking classes with top chefs, art installations, music performances and more. In short: Time Out Market is a globally recognised brand, however, the execution is distinctly local – each market offers a unique experience, reflecting the food and culture of that specific city. This recipe gives visitors a true taste of a city. In addition, the locations we choose are important. They are unique and interesting buildings that exhibit the essence of the chosen city and are large enough for 15 to 25 chefs and communal dining, providing a very social setting – it is a place where you really can get to know and enjoy the best of the city.

TIME OUT IS EXPECTED TO OPEN FIVE TIME OUT MARKETS IN 2019, IS THERE A HIGH EXECUTION RISK AND CAN YOU MANAGE THIS?

The Group is well equipped to successfully deliver the five openings this year. We bring with us the experience from our very successful Time Out Market Lisbon and the Time Out Market management team has vast relevant experience. They are led by Didier Souillat, the former executive vice president of Hakkasan Group, who oversaw the opening of over 20 restaurants globally during a six-year period. Each Time Out Market has been extensively planned for and is staffed by an experienced local operating team, working closely with the central team. Most importantly, our chef line-ups – including a city's award-winning top chefs and much-loved restaurateurs – are almost complete and have been incredibly well received across the sector and press.

WHAT SYNERGIES ARE THERE BETWEEN THE MEDIA AND MARKET DIVISIONS?

The ability to launch and maintain the success of Time Out Market is based on Time Out's reputation, authority and experience to curate the best of the city. This brand reputation attracts both the audience and a city's top chefs who are drawn to the kudos and commercial opportunity that the Market gives. The Time Out Media division drives footfall thanks to the large global audience that consumes its content across 315 cities in 58 countries. However, the benefits flow both ways, and in return the success of Time Out Market leads to increased interaction with the Time Out brand.

As a result of the popularity of the Lisbon Market, the Lisbon website and social media traffic is one of the fastest growing of our Time Out cities.

WHAT ARE THE KEY GROWTH DRIVERS IN 2019?

Within our Media business, revenue growth will primarily be driven by our best-in-class cross-platform advertising solutions including video; we will continue to grow margins as we focus on the most profitable verticals and the delivery of efficiencies across the division. We expect the record-breaking Time Out Market Lisbon to deliver further EBITDA growth as it continues to prosper as Portugal's most popular tourist destination, with almost four million visitors in 2018. The five Time Out Market openings in 2019 will be another key growth driver, accelerating the Group's transformation and bringing our brand to millions of people, both locals and visitors, in a completely unique way. By the end of 2019, there will be six Time Out Markets spanning a total of over 185,000 sq ft with around 4,000 seats and almost 120 of the world's top chefs. We are looking forward to welcoming locals and visitors from around the world and offering them unique culinary and cultural experiences.

JULIO BRUNO
Chief Executive Officer

Business model

THE BEST OF THE CITY

Time Out Group's core proposition is built around its trusted, iconic brand and unique, high-quality content about the best things to do in cities around the world. Professional journalists constantly curate and write about the food, drinks, theatre, art, film, music, travel and entertainment those cities have to offer, making Time Out the go-to source of inspiration for both locals and visitors alike.

To grow earnings and create sustainable value for its stakeholders, the Group is increasingly transacting with and advertising to this global, experience-hungry audience that is already looking to spend. Core growth areas are the global roll-out of Time Out Market and digital advertising.

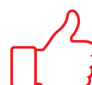
Unique content across 315 cities in 58 countries

A global team of local expert journalists curates and writes high-quality content about the best things to do in 315 cities, in 58 countries, in 13 languages

Distributed across diverse channels – both digital and physical

PRINT

DIGITAL



SOCIAL MEDIA

MARKETS

To reach and attract a desirable global audience and strong traffic

PRINT
7.4 million
readers

WEBSITE
21.4 million
global unique visitors

SOCIAL MEDIA
116.0 million
reach

MARKETS
325k
visitors

(monthly average)

Monetising this global reach and strong traffic through advertising and commerce

ADVERTISING
Digital and print ads, branded content and premium creative solutions, sponsoring, live events, business listings – for global, national and local brands and businesses

E-COMMERCE
Making content bookable with affiliates, exclusive offers and live events

TIME OUT MARKET
Bringing the best of the city under one roof: the best chefs, drinks and culture – based on the editorial curation Time Out has always been known for

SYNERGIES BETWEEN THE MEDIA AND MARKET DIVISIONS

The success and global roll-out of Time Out Market is rooted in the authority and heritage that Time Out has built over 50 years of helping people explore and enjoy the best of the city with its unique professional content. This brand reputation attracts a city's top chefs and restaurateurs to join Time Out Market; it also attracts a large global audience consuming Time Out's content across 315 cities around the world, driving footfall to Time Out Market. As a result, Time Out Market visitors increase their interaction with Time Out's digital channels, growing website traffic and in return boosting advertising revenues.

Strategy

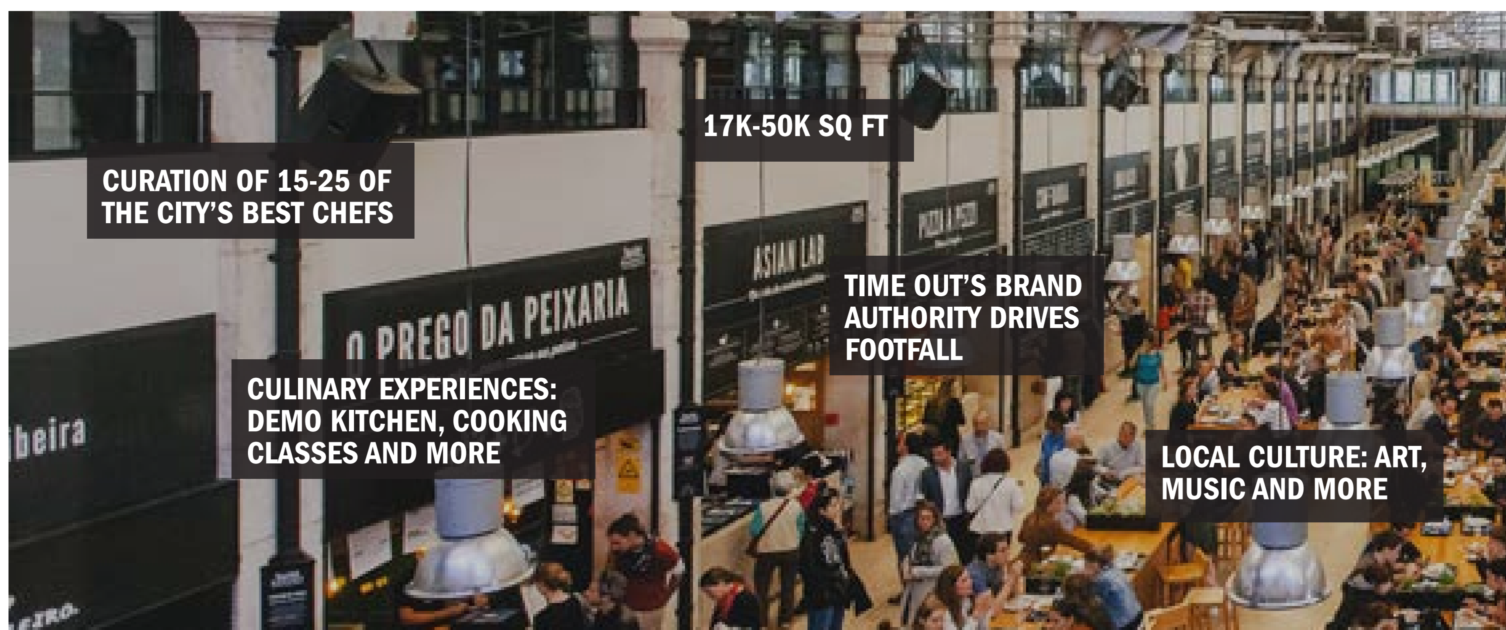
STRATEGY INTRODUCTION

Time Out Group has a number of strategic focus areas across its two business divisions – Time Out Market and Time Out Media – to help deliver against the growth strategy.

TIME OUT MARKET

Strategic pillar	Commentary	Progress in the year
Time Out Market Lisbon	The Group intends to deliver continued revenue and profit growth	• Record 3.9 million visitors • Successful implementation of improved contract terms with tenants, delivered revenue growth of +48% and EBITDA increase of +95% • Time Out Market Lisbon received the Hamburg Food Service Award, one of the most respected accolades in the international hospitality industry • Time Out Market Lisbon demonstrated the halo effect it has on Time Out Media with Lisbon website traffic growing 45% in the year
Global roll-out of Time Out Market (owned & operated)	The Group intends to drive revenue growth and establish Time Out Market as the new core pillar of the Group's activities	• Time Out Market Miami, New York, Boston and Chicago set to open in 2019 • Sites opening in the first half of 2019 are almost fully contracted with the best chefs and restaurateurs each city has to offer; contracting for sites opening in the second half is very well advanced with high interest from top chefs • High profile chefs announced for Miami, New York, Boston and Chicago were very positively received in trade and consumer press • Conditional lease agreement signed in London-Waterloo (set to open in 2021) • Additional pipeline of sites including London Spitalfields and Porto, subject to approvals • The Group continues to consider new global locations
Broaden Time Out Market business model (management agreements)	The Group intends to further scale the Time Out Market brand through management agreements, enabling the acceleration of the global expansion with no capital requirement	• First management agreement entered with Ivanhoé Cambridge to open Time Out Market Montreal in 2019 • Management agreement signed with CRESTYL Group to open Time Out Market in Prague in 2022 • Strong interest in management contracts in cities around the world with a number of opportunities under review

TIME OUT MARKET – INGREDIENTS FOR SUCCESS



TIME OUT MEDIA

Strategic pillar	Commentary	Progress in the year
World-class content	The Group intends to continue its focus on curating the best of the city, helping people go out better	• Content published across 315 cities and 58 countries (up year-on-year from 108 cities and 39 countries) • Creation and global distribution of the DO list, EAT list and DRINK list, driving incremental visits • Time Out's content delivers excellent organic search performance with increased SEO traffic representing 70% of Time Out's traffic • Extensive PR exposure for the brand (e.g. around Time Out's 50th anniversary) • The editorial team's chef curation for new Time Out Markets has been very successful, and content around the openings across Time Out channels is generating global awareness
Digital advertising growth	The Group intends to continue to grow and optimise its advertising revenue	• Cross-platform creative solutions driving digital advertising revenue with high-profile campaigns, including Facebook, Deliveroo and Apple • Ongoing technology investments improving ad viewability and load speeds • Implementation of new video and programmatic capabilities • Growth of unique visitors across O&O sites provided increased available advertising inventory • Continued growth of platforms such as Instagram, where video views and followers increased
Driving efficiencies	The Group intends to focus on the most profitable activities to drive improvement in economics	• Material media sales gross margin improvements driven by the rationalisation of some print publications, efficiencies in print, paper and distribution, and discontinuation of low-margin live events • Cutting traffic acquisition spend to focus on organic traffic has driven e-commerce gross margin improvements • Greater focus on high-margin revenue has unlocked significant further overhead savings

Key performance indicators

KPI INTRODUCTION

The following business performance and operating KPIs are used by the Group to assess its performance.

FINANCIAL KPIs

Group Revenue[1] (£'000)

This comprises revenue from both operating segments, Time Out Media and Time Out Market

Year	Value
2018	48,778
2017	44,364
2016[1]	37,130

Media Revenue (£'000)

This comprises revenue from digital and print advertising, e-commerce, premium profiles and international franchisees

Year	Value
2018	39,779
2017	38,393
2016[1]	33,434

Market Revenue (£'000)

This comprises revenue from O&O markets and management agreements

Year	Value
2018	8,999
2017	5,971
2016	3,696

Gross Margin (%)

Gross profit for the Group as a proportion of Group revenue

Year	Value
2018	66
2017	56
2016	59

Adjusted EBITDA loss (£'000)

Earnings before interest, taxation, depreciation, and amortisation and excluding share based compensation charges, share of associate loss and exceptional items

Year	Value
2018	8,117
2017	14,217
2016	10,588

OPERATING KPIs

O&O[2] monthly unique visitors (m)

The number of unique visitors to the Group O&O websites and apps

Year	Value
2018	17.3
2017	16.7
2016	16.0

Time Out members[3] ('000)

Members who have opted in and engaged with Time Out in the last 12 months

Year	Value
2018	3,297
2017	2,840

E-commerce transactions ('000)

The number of e-commerce transactions through Time Out, including booking tickets with affiliate partners, purchasing tickets for live events and purchasing offers

Year	Value
2018	355
2017	403
2016	303

Time Out Market total tenant turnover (£'m)

The total food and drink turnover generated by the tenants in the Time Out Market

Year	Value
2018	33.5
2017	29.3
2016	19.3

Time Out Market visitors

Total number of people entering the market measured using camera technology

Year	Value
2018	3.9
2017	3.6
2016	3.1

(1) Proforma results including full 12 months trading for Time Out Market in 2016
(2) O&O is the Time Out "owned and operated" business operations in 289 cities across 46 countries; this does not include international licensing partners in a further 26 cities across 16 countries.
(3) Information for 2016 is not available. Improved CRM systems allowed the collation of this data from 2017.

Business review

OVERVIEW

Time Out Group is a global media and entertainment business that helps people explore and enjoy the best of the city through its two business divisions, Time Out Media (previously reported as Time Out Digital) and Time Out Market. Time Out Media's digital and physical media proposition comprises websites, mobile, social media, magazines and live events. Across these platforms Time Out distributes its high-quality content - written and curated by local expert journalists - around the best food, drinks, culture, travel and entertainment in 315 cities and 58 countries. Since its launch in 1968, Time Out has become a global brand that advertisers and consumers love and trust. Time Out Market is a food and cultural market leveraging the Time Out brand to bring the best of the city under one roof: its best chefs, drinks and cultural experiences - based on editorial curation. The first Time Out Market opened in Lisbon in 2014 and new openings are scheduled in 2019 in Miami, New York, Boston, Chicago and Montréal, with a further pipeline of other global locations.

OPERATIONAL REVIEW

The following KPIs are used by the Group to assess its performance against its objectives:

Operating KPIs	2018	2017	Change	Change %
Traffic:				
Global unique visitors – monthly average	**21.4m**	22.6m	(1.2)m	(5)%
O&O[1] unique visitors – monthly average	**17.3m**	16.7m	0.6m	4%
E-commerce (000's):				
Time Out members[2]	**3,297**	2,840	457	16%
Transactions	**355**	403	(47)	(12)%
Transactions (excluding Live Events)	**326**	332	(6)	(2)%
Premium Profiles:				
Active listers	**1,049**	1,230	(181)	(15)%
Time Out Market:				
Total tenant turnover	**£33.5m**	£29.3m	£4.2m	14%
Visitors	**3.9m**	3.6m	0.3m	8%

(1) O&O is the Time Out 'owned and operated' business operations. Monthly average is calculated as a rolling 12 month average

(2) Members who have opted in and engaged with Time Out in the last 12 months

Audience and Traffic Development

During the year, the Group achieved an average global monthly audience reach of 144 million, 33% lower than prior year. This decline was primarily the result of a Facebook algorithm change in early 2018 which de-prioritised publishers' content, heavily impacting many online content brands and driving Time Out's average Facebook reach from 178 million in 2017 to 106 million in 2018. Although this has affected Time Out's social media reach, the average number of social media followers has increased by 16% to 15.6m and Time Out continues to grow other platforms, such as Instagram, where average monthly video views have increased by 37% and followers have increased by 149%.

Despite this decline in overall social media reach, which only accounts for 20% of Time Out website traffic, the Group grew O&O unique visitors by 4% in the period. This is a clear reflection of the attractiveness and excellent organic search performance of Time Out's unique content, with SEO traffic increasing 13% and now representing 70% of Time Out web traffic. Lisbon web traffic grew particularly well (+45%), further demonstrating the halo effect that Time Out Market has on Time Out Media, the Group's media division.

To help grow audience through content, Time Out has significantly increased the number of cities with expert local curated content to 315 (2017: 108), with the creation and global distribution of the DO list, EAT list and DRINK list. The results of this initiative have been very encouraging with an incremental one million visits per month. During 2018, the Group also launched a Madrid magazine, as well as a Hong Kong magazine in traditional Chinese to complement the digital, mobile and social presence in those cities.

Strong progress with the Group's CRM strategy was made during the year with opted-in members growing by 16% to 3.3 million, despite the implementation of GDPR. A new CRM system has enabled greater personalisation and targeting of communication with material improvements in all key metrics such as delivery rates (from 80% in 2017 to 98% in 2018), open rates (10.4% to 17.4%) and click-through rates (0.8% to 1.4%). New placements have been implemented on desktop and mobile to make email sign-up easier and members continue to also be acquired through wi-fi sign-up in Time Out Market in Lisbon and the effective use of competitions.

Throughout the year, Time Out Group generated over 1,000 pieces of press coverage globally across traditional and digital media. This PR effort was focused on increasing awareness around what the business stands for today, and activations included Time Out's 50th anniversary and various Time Out Market PR announcements which consistently drove positive sentiment ahead of the 2019 market openings. In June 2018, Time Out won the International Media Brand of the Year which was awarded by the Professional Publishers Association (PPA), one of the UK's leading media bodies. The judges chose Time Out for this prestigious award as it is a *"genuinely global brand" and because of its "incredible international reach and growth"*.

Business review

continued

BUSINESS PERFORMANCE

The performance of the Group is as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000	Change %	Underlying Change[1] %
Digital advertising	**14,899**	12,112	23%	12%
Premium Profiles	**2,056**	2,071	(1)%	0%
E-commerce	**6,273**	7,316	(14)%	(15)%
Affiliates & Offers	**3,830**	*3,351*	*14%*	*14%*
Live events	**2,443**	*3,965*	*(38)%*	*(40)%*
Digital revenue	**23,228**	**21,499**	**8%**	**1%**
Print	**15,387**	15,493	(1)%	(7)%
International	**1,164**	1,401	(17)%	(10)%
Time Out Media	**39,779**	**38,393**	**4%**	**(3)%**
Time Out Market	**8,999**	**5,971**	**51%**	**49%**
Group revenue	**48,778**	**44,364**	**10%**	**5%**
Gross profit	**32,046**	24,655	30%	23%
Operating expenditure	**(40,163)**	(38,872)	(3)%	2%
Adjusted EBITDA	**(8,117)**	**(14,217)**	**43%**	**46%**
Gross margin %	**66%**	*56%*	*18%*	

(1) Underlying measures are presented on a constant currency basis and exclude any 2018 results from acquisitions[2] in the period prior to the first anniversary of joining the Time Out Group

(2) Acquisitions include the Australia franchisee (acquired June 2017) and the Spain franchisee (acquired September 2017), and the addition of Hong Kong (in May 2017) and Singapore (in October 2017)

Time Out Media

Digital advertising

Digital advertising revenue grew 23% year-on-year (12% underlying) with the strongest growth coming from the UK (17%) and Portugal (40%), the latter of which continues to gain from the halo effect of Time Out Market. US digital advertising revenue grew 1% in the year. The division continues to benefit from ongoing technology investments, with ad viewability improving 28 percentage points to an average of 73.5% by December 2018, load speeds reducing by 38% throughout the year, and new video and programmatic capabilities being launched.

The Group's global approach and proposition has continued to reap rewards during the year and cross-platform creative solutions remain an increasingly important driver of digital advertising revenue with high-profile campaigns in the year for clients including Facebook, Deliveroo, British Airways, Cadburys, Unilever, TAP, Verizon, Samsung, Google, Apple and Netflix. One such example is the Transport for London (TfL) partnership which ran for nine months in 2018. As a London-centric advertiser, the Time Out audience was an ideal fit for TfL. The campaign combined Time Out editorial with high impact digital and print formats to enable TfL to transmit its message and shift awareness of TfL price variances in off-peak times, and to change customer behaviour to increase engagement with activities around London. Time Out also partnered with Apple, helping the brand reach its global audience and generate awareness of the free in-store "Today at Apple Classes". Time Out was able to deliver on the international brief by serving high-impact rich media takeovers in San Francisco, Chicago, New York, London, Milan, Singapore, and Dubai. The Group's focus on certain key sectors has also paid dividends with travel sector advertising revenue doubling in the year.

The development of the Group's programmatic capabilities across all markets was a key priority in 2018, with revenue growing 31% year-on-year. The most significant technology improvement was the implementation of header bidding, using Prebid open source technology. Once in place, this enabled the media sales team to expand the number of exchange partners Time Out works with (including programmatic video advertising) and to create a robust bidding environment for in-page inventory that has driven CPM increases.

Print advertising

Global print revenue of £15.4 million was slightly down year-on-year by 1% (-7% underlying) but was impacted by the strategic decision to reduce the frequency of some US print publications, as outlined below. The UK had a strong year, growing magazine revenue by 2% in a sector which is estimated to have declined by 8%[1]; this is further evidence of the quality and authority of the brand in its 50th year, as well as the desirable audience that Time Out continues to reach. Key drivers were strong sales of cover wraps and successful Kids, Property and Travel supplements during the year.

US print performance has been more challenging, with revenue down 36% year-on-year. This has been heavily impacted by significant changes throughout the US sales organisation, challenging market conditions (US print sector declined 17%[2]) and the strategic decisions to reduce the frequency of the New York magazine to fortnightly and discontinue low margin publications in smaller cities such as Austin and Philadelphia.

Source: (1) Group M, This Year Next Year, Dec 2018; (2) Magna Advertising Forecasts (Winter 2018 update), Dec 2018

During the year, new magazines were launched in Madrid and Hong Kong, and there has been growing demand for custom print solutions from clients across all markets, especially tourism boards.

Combined with the aforementioned changes to US frequency, decisive action has been taken during the year to deliver efficiencies in print, paper and distribution, with gross margin improvements achieved in the second half of the year which are expected to continue into 2019.

E-commerce (including Live)

Affiliate & Offers revenue grew 14% year-on-year despite transaction volumes falling 2%, the latter of which was a direct result of the decision to cut spend on traffic acquisition and to focus on higher margin organic traffic. This strong revenue growth was driven by higher value Offers - primarily the roll-out of restaurant boxes, which increased from five, in Lisbon and London in 2017, to 14 (including new boxes in Spain and New York). Due to the above, Affiliates & Offers gross margins materially increased year-on-year from 18% to 52%.

Overall e-commerce (including live) revenue declined 14% year-on-year, and transaction volumes by 12%, but this was entirely driven by live events (38% year-on-year revenue decline) and the direct result of the strategic decision to discontinue low margin events, focusing instead on larger, sponsor-led events or those forming part of a (typically cross-platform) creative solution. An example in the year of such a campaign was an integrated partnership for Deliveroo, combining inspiring content about the best of London's food scene with digital and print media exposure promoting four unique Food Battles. From Battle of the Burger to Fried Chicken Prize Fight, over 1,000 paying customers attended each event to try superb cuisine cooked by top vendors, with one winner crowned at the end of each event.

Premium Profiles

Active listers fell 15% year-on-year, impacted by a combination of London high street conditions, with restaurants and bars facing budgetary constraints, and staff changes within the sales team. In spite of this decline, revenue held up well (-1% year-on-year) reflecting the increasing average order values of new listers (through bundling of subscriptions and add-on advertising solutions), a focus on upselling to existing listers and the relatively low order values of listers which have churned during the period.

International franchises

Revenue from international franchises decreased 17% year-on-year. This was impacted by Australia, Spain, Hong Kong and Singapore franchises becoming O&O markets in 2017, with underlying revenue down 10% year-on-year. Despite this decline, this business line continues to make a material contribution to Time Out Media given the limited associated costs.

Time Out Market

The Time Out Market strategy comprises two business models, Owned & Operated (e.g. Time Out Market Lisbon) and Management Agreements (e.g. Time Out Market Montréal). Under both models, Time Out Market will take responsibility for the design, curation, branding and day-to-day operational management of the market, with the market primarily generating revenue from a share of food turnover and bar sales. Under a management agreement, however, the real estate partner funds all capital and operational expenditure and, in return, the Group will receive a pre-development fee and, once the market is trading, a share of revenue and profit of that market (subject to a minimum guaranteed fee). While the profit potential is therefore lower under a management agreement, it enables Time Out to scale the Time Out Market concept and expand the brand, with no capital requirement, especially into territories where Time Out does not currently have a material presence.

2018 has been a year of significant progress for the Time Out Market division on all fronts. Time Out Market Lisbon had another outstanding year of trading, with a record 3.9 million visitors helping drive growth in total tenant turnover by 14%. Along with the successful implementation of improved contract terms with tenants, this has enabled 48% revenue growth and helped Time Out Market Lisbon deliver EBITDA of £4.3m (+95%).

Business review
continued

In addition to the highly successful Lisbon market, the Group is on track to launch five new markets in North America in 2019 with unparalleled chef line-ups and exceptional PR coverage.

Miami – Scheduled to open in Q2 2019. Just off Miami South Beach's Lincoln Road, at 1601 Drexel Avenue, Time Out Market Miami offers 18 kitchens, three bars, a demo kitchen and an art space across 18,200 sq ft, accommodating 320 seats indoors and 120 outdoors. The fully signed line-up features some of Miami's most celebrated chefs including James Beard Award-winner Norman van Aken; Top Chef Season 13 winner Jeremy Ford; Antonio Bachour, one of the world's greatest pastry chefs; Suzy Batlle with her legendary creamery Azucar; and Chef of the Year nominee Michael Beltran.

New York – Scheduled to open in Q2 2019. Located in DUMBO, Brooklyn at 55 Water Street, Time Out Market New York will occupy two floors of the historic Empire Stores. The original site has been extended, with additional riverside access space secured. A rooftop will offer impressive views of the Brooklyn Bridge and lower Manhattan skyline. Across 21,000 sq ft, there will be 21 kitchens, three bars and a performance stage, accommodating 630 seats indoors and outdoors. The chef line-up is almost complete and includes Nur, Chef Ivy Stark, pizza legend Juliana's, Reserve Cut (with a fully Kosher concept) and internationally-renowned Clinton St. Baking Company & Restaurant.

Boston – Scheduled to open in Q2 2019. Time Out Market Boston will be in the 401 Park Drive building at the heart of the Fenway neighbourhood, home to the city's highest concentration of cultural institutions, nightlife, shopping, universities and colleges, as well as Fenway Park, home to the Boston Red Sox – all attracting millions of visitors to the area each year. It will showcase 15 kitchens, two bars, a demo kitchen and a retail shop across 25,500 sq ft, accommodating 500 seats indoors and 136 seats outdoors. The inaugural line-up of noted chefs includes James Beard Award winners Tony Maws, Michael Schlow and Tim & Nancy Cushman.

Chicago – Scheduled to open in Q3 2019 with construction well underway. Located at 916 W Fulton Market - at the centre of the Fulton Market District - the 50,000 sq ft space will feature 18 kitchens, three bars, a demo kitchen and retail area across three floors, accommodating 600 seats indoors and 140 outdoors. Time Out Market Chicago will house an event venue, a viewing and entertainment platform with bleacher seating and a rooftop bar. The first notable and award-winning chefs to join the line-up were announced in March 2019 and include Brian Fisher of Michelin-starred Entente, Bill Kim and Zoe Schor.

Montréal - Scheduled to open in Q4 2019. In May 2018, the Group entered into the first Time Out Market management agreement in Montréal, partnering with global real estate company Ivanhoé Cambridge. Located in the Centre Eaton de Montréal, on Sainte-Catherine Street downtown, Time Out Market Montréal is set to open in Q4 2019 and will showcase 17 top chefs and restaurateurs. Across 40,000 sq ft, there will also be two bars, a demo kitchen, cooking academy, retail shop and cultural stage, accommodating 550 seats. Under the management agreement, Time Out Market will take primary responsibility for branding, curation and day-to-day management, in return for a share of revenue and profit (subject to a minimum guaranteed management fee). This requires no capital expenditure by the Group.

Beyond 2019, the schedule of planned openings, including a mix of owned & operated and management contracts, is very strong until 2022.

London (Waterloo) – In December 2018, the Board signed a lease agreement for a new Time Out Market in London-Waterloo. Based in the popular South Bank, it will anchor the new retail and leisure development in the former Waterloo Eurostar Terminal. Expected to open in 2021, it will occupy 32,500 sq ft over two floors and accommodate 17 kitchens and 518 seats.

Porto – Project plans were submitted to UNESCO for approval in February 2018. In early 2019, a further submission of information was delivered to UNESCO which is now pending approval.

London (Spitalfields) – With the support of the landlord, the Group has completed design amendments with the formal application due to be submitted in Q2 2019. The potential opening, from late 2020 onwards, is subject to the usual planning and licensing approvals.

Prague – In Q4 2018, the Group entered into its second management agreement, partnering with Crestyl Group. With opening expected in early 2022, Time Out Market Prague will be located at the heart of the historic city centre near the famous Wenceslas Square, the city's main retail and cultural centre.

The Time Out Market division incurred central costs of £2.5m (2017: £1.8m), in addition to pre-opening costs of £0.8m (2017: £0.2m) in respect of new markets.

The Group continues to consider proposals for new locations in other cities around the world, including a strong interest in management contracts, often in cities where Time Out has limited or no presence, reinforcing the strength of Time Out's global brand. Given these contracts require no capital investment, they are expected to form an important part of the portfolio mix as Time Out Market is rolled out over the coming years.

FINANCIAL PERFORMANCE

Revenue

Reported Group revenue for the year has increased by 10% from £44.4m to £48.8m through a combination of organic growth and the acquisition of Time Out franchise partners in Australia and Spain, and the additions of Singapore and Hong Kong. Underlying growth was £2.0m (a 5% year-on-year increase).

Gross margin

As detailed above, a clear focus of the Group over the year was to improve gross margins, which helped drive a 30% increase in gross profit. The overall gross margin of the Group improved by ten percentage points to 66%. This was predominantly driven by a curtailment of lower margin live events and print publications, improvements to print operations and the prioritisation of organic traffic. In addition, the gross margin in Time Out Market increased by three percentage points to 89% driven by the implementation of improved contract terms with the chefs and restaurateurs in the Lisbon market.

Operating expenditure

Group operating expenditure before exceptional costs, share based payments, depreciation, amortisation and the share of associate income was £40.2m (2017: £38.9m). Of this increase, £2.6m relates to incremental operating costs of acquired businesses. Time Out Media underlying operating costs decreased by £2.5m (a 7% saving). Time Out Market operating costs increased by £1.7m driven by the set-up costs associated with the global roll-out of new markets and the growth in the Lisbon market.

Adjusted corporate costs of £1.6m (2017: £1.9m) include the costs of the central management team and related costs of administering the listed entity. The annual saving is due to non-recurring costs following the 2016 IPO and lower executive remuneration.

Adjusted EBITDA

Adjusted EBITDA represents the profit or loss before interest, taxation, depreciation, amortisation, share based payments, share of associate's loss and exceptional items.

Adjusted EBITDA loss was £8.1m (2017: £14.2m loss), a significant year-on-year improvement of £6.1m driven by higher gross margins, underlying reductions in the overhead cost base and the continuing growth of Time Out Market. This is further reflected by a loss of £1.7m in the second half compared to the H1 loss of £6.4m reported in the 2018 interim statement.

Time Out Media delivered an EBITDA loss of £7.9m (2017: £12.5m loss), with a 40% underlying improvement of £4.9m.

Time Out Market Lisbon delivered an adjusted EBITDA of £4.3m (2017: £2.2 million). After the costs of the central team and pre-opening costs relating to the 2019 market openings, the Time Out Market division delivered adjusted EBITDA of £1.3m (2017: £0.2m).

Exceptional items

The net exceptional gain of £3.1m (2017: £3.2m loss) principally relates to the £4.5m profit on disposal of the Group's investment in Flyt Limited, partially offset by staff restructuring costs of £0.8m (2017: £1.8m) and a £0.6m (2017: £0.6m) non-cash charge relating to the revaluation of the option over the minority interest in Time Out Market Lisbon.

Prior year exceptional costs also included £0.5m related to acquisitions and £0.2m of office relocation costs.

Share based payments

The value of these options at issuance has been amortised over the time to vesting of the option. There were 9.7m options outstanding at year end (2017: 10.9m).

Operating loss

The operating loss for the year was £11.5m (2017: £24.6m) including depreciation of £1.1m (2017: £1.1m) and amortisation of intangible assets of £4.6m (2017: £4.4m).

The amortisation of intangible assets included £2.2m (2017: £2.3m) relating to acquired intangible assets. Other intangible asset amortisation, primarily amortisation of software both acquired and internally developed, was £2.3m (2017: £2.1m).

Net finance costs

Net finance costs in 2018 of £2.5m (2017: £0.8m) comprise interest on debt, the foreign exchange loss on financial assets and the amortisation of deferred financing costs.

Foreign exchange

The revenue and costs of Group entities reporting in dollars have been consolidated in these financial statements at an average exchange rate of $1.34 (2017: $1.29). The operations reporting in euros have been consolidated at a rate of €1.13 (2017: €1.14).

Associates

The Group disposed of its 37.8% shareholding in Flyt Limited on 21 December 2018. Flyt is a mobile technology platform providing solutions for ordering and payment within the hospitality sector. The investment was accounted for as an associate up to the date of disposal. The Group's share of Flyt's loss for the year was £1.2m (2017: £1.0m) and is included as 'Share of associate's loss' on the income statement. The profit on the disposal was £4.5m and is included within exceptional items for the year.

Business review

continued

Cash flow

	2018 £'000	2017 £'000
Adjusted EBITDA	**(8,117)**	(14,217)
Movement in working capital	**(3,169)**	(3,725)
Other movements	**219**	92
Cash used in operations	**(11,067)**	(17,942)
Exceptional cash flows	**(823)**	(2,877)
Capital expenditure	**(17,906)**	(4,386)
Operating cash flow	**(29,795)**	(25,205)
Net interest paid	**(1,147)**	(389)
Tax (paid)/received	**(228)**	3
Free cash flow	**(31,171)**	(25,591)
Advance of new borrowings	**20,000**	7,809
Repayment of borrowings	**(3,044)**	(1,169)
Proceeds from the disposal of investment	**9,470**	-
Repayment of finance leases	**-**	(59)
Costs relating to share issue	**-**	(5)
Acquisition of non-controlling interest	**-**	(196)
Acquisitions of subsidiaries, net of cash	**-**	(470)
Movement in cash and cash equivalents	**(4,746)**	(19,681)

Operating cash flow

The cash used in operations before exceptional costs was £11.1m (2017: £17.9m) including a net working capital outflow of £3.2m (2017: £3.7m).

The capital expenditure cash outflow of £17.9m (2017: £4.4m) includes £15.0m (2017: £1.5m) in respect of the development of new Time Out Market locations and £2.9m (2017: £2.5m) of capitalised software development costs relating to the teams working on the website and digital platforms.

Net cash and borrowings

	At 31 December 2018 £'000	At 31 December 2017 £'000
Cash and cash equivalents	**24,347**	28,746
Borrowings	**(29,110)**	(9,398)
Net (debt)/cash	**(4,763)**	19,348

Cash and cash equivalents represent available cash balances of £18.1m and £6.3m held in escrow accounts to meet the near-term capital expenditure requirements of Time Out Market in Boston and Miami.

The Group has a £20.0m term loan facility agreement with Oakley Capital Investments Limited ("OCI"). The initial facility was for a period of 19 months expiring on 31 October 2019 and had an interest rate of between 10% to 15% depending on amounts drawn. During the year, the facility was converted into a Loan Note agreement, with an extended term to 31 October 2020. In return for granting security over certain assets, the previous interest rate mechanism was also replaced with a flat rate of 12%. At year end, the full facility has been drawn with the proceeds used to fund future Time Out Market developments.

In March 2019, Time Out Market increased its current loan from Incus Capital Advisors, S.L. by an additional €10.0m, principally on the same economic terms as the €9.0m loan secured in November 2017.

Furthermore, an option over an additional debt facility of £18.0m remains available should the Board deem it in the best interests of the Group and its shareholders.

OUTLOOK

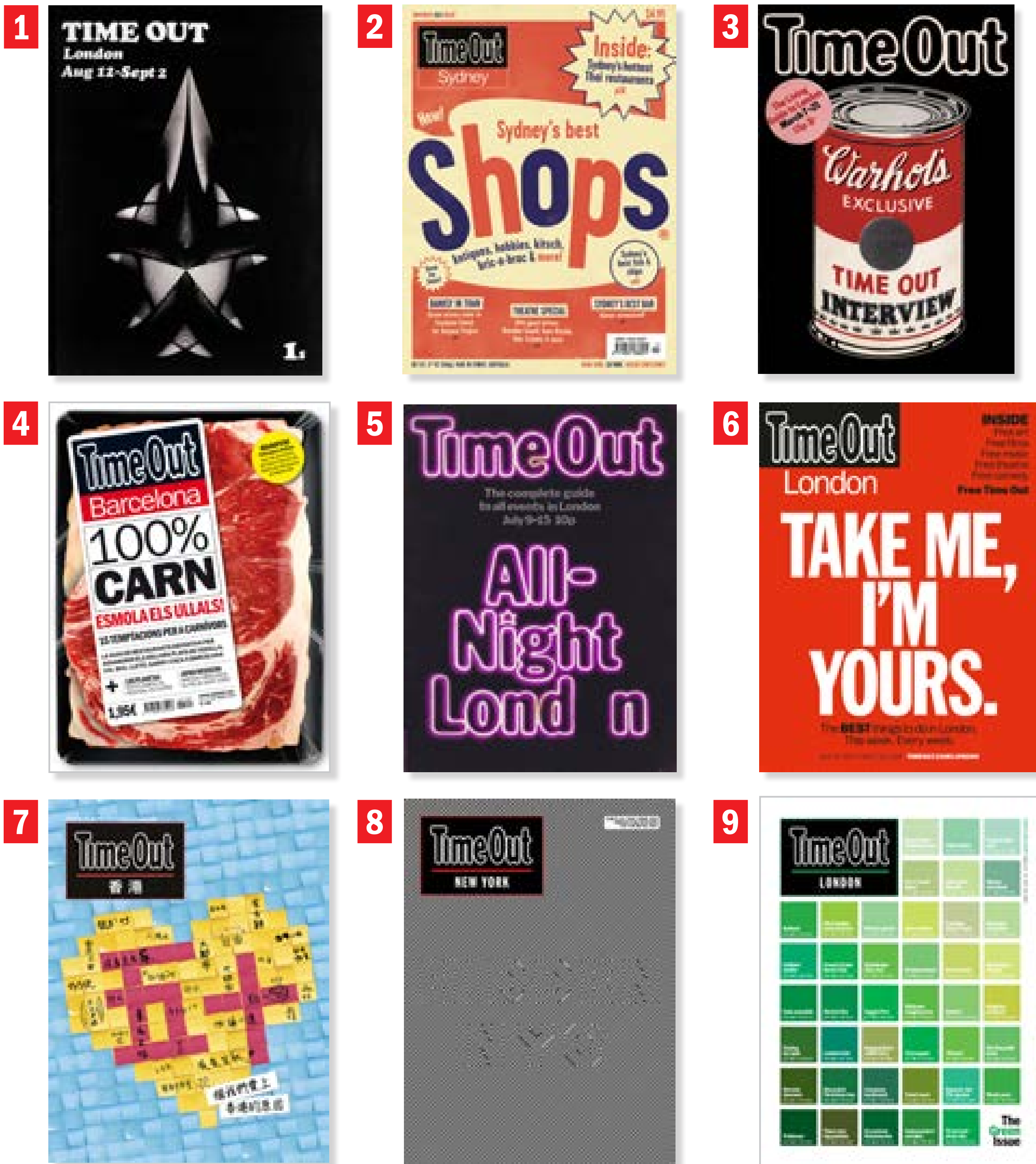
The significant progress made in 2018 is expected to continue in 2019 with Time Out Market opening five new markets and Lisbon delivering strong EBITDA growth. The economics of Time Out Media will continue to improve as a result of the Group's strong focus on digital advertising growth, gross margin improvements and overhead efficiencies.

Management remains confident in the trading outlook for the year ahead.

Julio Bruno
Group Chief Executive Officer
27 March 2019

Celebrating

Time Out's 50th anniversary with a selection of iconic Time Out covers



1. Time Out London: Issue 1 (1968).
2. Time Out Sydney: Sydney's best shops (2011). Cover by Tom Hislop
3. Time Out London: Warhol's exclusive Time Out interview (1971). Cover by Pearce Marchbank, illustrated by Peter Brookes
4. Time Out Barcelona: 100% Carn (2010). Cover by Diego Piccininno, photographed by Cristina Reche
5. Time Out London: All-Night London (1971). Cover by Pearce Marchbank, illustrated by Peter Brookes
6. Time Out London: Take Me, I'm Yours (2012). Cover by Adam Fulrath
7. Time Out Hong Kong (Traditional Chinese): 50 reasons why we love Hong Kong (2018). Cover by Phoebe Cheng
8. Time Out New York: Hidden New York (2016). Cover by Ashleigh Bowring
9. Time Out London: Green London (2017). Cover by Tom Havell, text by Chris Waywell and Gail Tolley

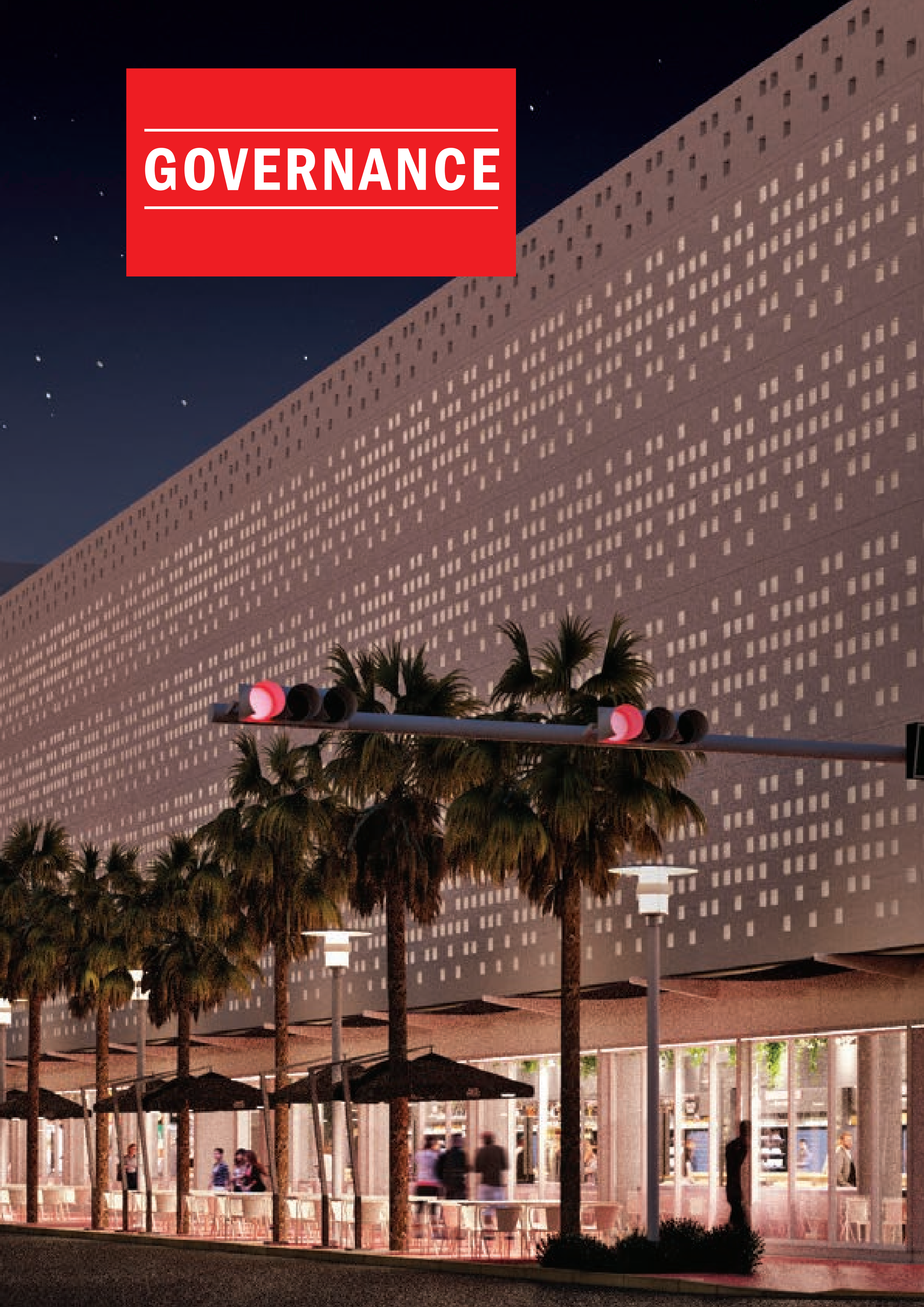
Principal risks and uncertainties

The Board sets out below the principal risks and uncertainties that the Directors consider could impact the business. The Board continually reviews the potential risks facing the Group and the controls in place to mitigate any potential adverse impacts. The Board also recognises that the nature and scope of risks can change and that there may be other risks to which the Group is exposed. The list is therefore not intended to be exhaustive.

There is currently not a Risk Committee in place, so the Audit Committee reviews the risk register regularly as part of its annual agenda and, through discussions with management, identifies new potential risks as well as suggests implementation or improvement of existing controls.

Risk	Mitigation Action/Control
Competition	The Group operates in a highly competitive industry and the advent of new technologies and industry practices may adversely affect the Group's business, results of operations and financial condition. The Group is subject to several risk factors relating to product demand, prices, recognition of the "Time Out" brand and the ability to attract and retain new customers. To mitigate these risks, the Group continues to invest in the development of its digital offering to ensure that it remains innovative, competitive and attractive in the markets in which it operates. The focus on the quality of offerings means that the Group can respond to changes in the competitive landscape and respond to the needs of its readership audience and commercial partners.
Technological Risk ***IT Systems***	The Group is particularly dependent on its IT infrastructure, and any system performance issues or shortcomings, such as system, software or infrastructure failure, damage or denial of access, could cause significant business interruption. The efficient and uninterrupted operation of the systems, technology and networks on which the Group relies and its ability to provide consumers with reliable, real-time access to its products and services is fundamental to the success of the Group's business. To mitigate these risks, the Group continues to refine its approach to business continuity and disaster recovery and further testing and risk assessments were carried out through 2018 for both head office and overseas locations. The Group continues to mitigate risks by moving critical systems to the cloud where possible. The Group uses the services of a specialised third party solution provider, currently working on refining business continuity and disaster recovery plans, to ensure these shall be effectively delivered if needed.
Technological Risk ***Technological Advancements***	Time Out continues to grow at a fast pace and such growth requires ever more complex and sizeable technological systems. At the same time, technology itself continues to develop. Any failure to ensure that IT capacity and capability keep pace with the business could impair the Group's ability to grow. To mitigate this risk, the Group makes ongoing investments in IT systems, security and people to ensure that they are sufficient for the needs of the business and do not become obsolete or compromised.
Privacy and Data Protection Risk	As the Group's digital revenue offerings grow, the Group increasingly needs to gather and use customers' personal data in order to transact with both businesses and customers. Unauthorised access to customer data could lead to reputational damage, compliance issues and a loss of customer confidence. The Group relies on third party contractors and its own employees to collect personal data and to maintain its databases and therefore the Group is exposed to the risk that such data could be wrongfully appropriated, lost or disclosed, damaged or processed in breach of data protection regulations. To mitigate this risk, the Group has developed and implemented information security policies and procedures (for example, password policies and remote access policies), security monitoring software, access policies, password policies, physical access limitations and detection and monitoring of fraud from internal staff. Access to the network is protected by a firewall system supplied by specialist third parties. The Group also operates fraud detection systems which use various industry standard anti-fraud rules to prevent fraudulent transactions in real time. The Group encrypts sensitive data such as passwords and other certain information to ensure there is an additional layer of security.
Economic Environment	The Group's results of operations are affected by overall economic conditions in its key geographical markets via the demand for the content of the Group's publications and websites in those markets as well as the prices which the Group can offer to potential advertisers and customers. If the local economy in a key market experiences a downturn, the Group's publications, revenues and profitability could be adversely affected. Further, the UK's exit from the European Union could lead to global political uncertainty and macro-economic uncertainty in the UK economy, as well as an impact on the availability of markets and market access across Europe. The geographic diversity of the business and the developing breadth in the business provides some mitigation from a downturn in a specific geographical location or part of the economy.

Risk	Mitigation Action/Control
Consideration of Risks posed by Brexit	The Group has considered the potential impacts on its business of the UK leaving the European Union, either with or without an agreement in place, agreed between the EU Parliament and the UK Parliament. The Group currently considers that key areas of risk are around staff, currency volatility and data privacy regulation. Various scenarios have been discussed and considered, against the backdrop which lacks clarity on future events and potential outcomes from Brexit. The Group will continue to monitor Brexit developments and to assess risks and to plan, in order to effectively manage impacts on the business.
Foreign Exchange Risk	A substantial portion of the Group's consolidated revenue is denominated in US dollars and euros. Since the Group reports its financial results in sterling, fluctuations in rates of exchange between sterling and the other currencies, particularly US dollars and euros, may have a material effect on the Group's results of operations. To mitigate this risk, the finance team monitors currency fluctuations for impact on financial results and cash requirements across the Group. This is used to determine any hedging requirements.
Key Management	The Group's success depends on its key personnel, particularly its senior management team, and its ability to retain them and hire other qualified employees. The loss of a significant number of key personnel may have a negative effect on the Group's ability to deliver its products in a timely manner and would, amongst other things, require the remaining key personnel to divert immediate and substantial attention to seeking a replacement. To mitigate this risk, the HR department monitors employee satisfaction through employee surveys and forums and uses the information to develop staff retention programmes. The Remuneration Committee also seeks to ensure that rewards correspond with performance and retention, and key individuals are incentivised through the Group's LTIP scheme.
Brand Protection	The Group depends on its brand name and any damage to its brand or reputation could impact the ability to attract and retain customers with a resultant impact on traffic and revenues, as well as impair the ability of the Group to attract employees. To mitigate this, the Group has brand guidelines in place which are regularly communicated to all employees and key third parties to ensure consistency of voice and approach throughout all marketing activities. There is also a robust strategy in place for actively pursuing and defending the Time Out brand name and all supporting trademarks, domain names and other intellectual property in all key markets in all relevant classes. Furthermore, the Group employs internal and external legal personnel who are experts in intellectual property to manage the trademark and domain name portfolios and there are an ever-increasing number of trademarks and domain names applied for and registered across the world.
Other factors	Other economic factors which may affect spending habits of consumers include, but are not limited to, acts of terrorism which could affect the willingness of consumers to continue existing spending habits and use of free time.
Operational risk ***Time Out Market roll-out***	The roll-out of new markets may take longer than planned or ultimately not succeed, due to delays in or difficulties in agreeing commercial terms with landlords, problems in obtaining necessary planning permissions, delays in construction or significant inflation in costs, and difficulties in attracting premium restaurateurs on suitable financial terms. To mitigate this, the Group consults with specialist professional advisers for each project to generate detailed cost projections which are subject to regular review. The central Time Out Market leadership team has been strengthened, affording a significant base of operational experience.
Operational risk ***Time Out Market on going operations***	Each Time Out Market is exposed to some risk of terrorist or other visitor incidents, including fire, crowd control, or any other disaster or failure to comply with health and safety (including issues relating to food poisoning or other problems with food and/or beverages consumed at the Time Out Market), security and environmental requirements. These incidents could affect the reputation and revenues of Time Out Market and of the Group and may result in legal proceedings against the Group. To mitigate these risks, each market engages third party security specialists to provide a visible security presence throughout, in addition to market-wide CCTV monitoring. Each market has a general manager responsible for on going monitoring of physical security and maintenance of the site to comply with health and safety requirements. Evacuation plans will be established for each market and tested regularly. Chefs are provided with the appropriate cold and dry storage both in their kitchen areas as well as in shared cold and dry storage areas. In the shared areas, each restaurant has designated areas that are secured and can only be accessed by their team and Time Out Market employees to prevent unauthorised access and/or cross-contamination.


GOVERNANCE

Time Out Market Miami

Just off Miami South Beach's famed Lincoln Road – at 1601 Drexel Avenue – Time Out Market Miami will offer across 18,000 sq ft 18 kitchens, three bars, a demo kitchen and an art space showcasing works by the city's top talents. The fully signed line-up includes some of Miami's most celebrated chefs: James Beard Award-winner Norman van Aken – with his concept K'West – will deliver the remarkable taste of South Florida and the Keys; Top Chef Season 13 winner Jeremy Ford will bring his interpretation of Korean flavours; Antonio Bachour – one of the world's greatest pastry chefs – will offer beautiful patisserie and confections; Chef of the Year nominee Michael Beltran will serve a selection of his best known dishes from his culinary reputation; also joining are Suzy Batlle with her legendary creamery Azucar; Alberto Cabrera with his award-winning Cuban sandwich and more.

Board of Directors

PETER DUBENS

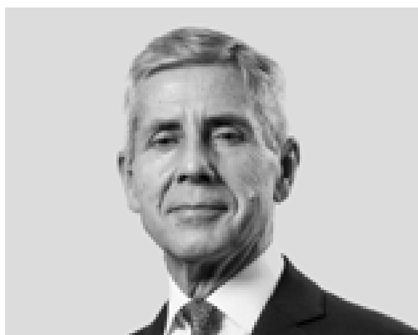
NON-EXECUTIVE CHAIRMAN

Mr Dubens joined the Group in November 2010 as a Non-Executive Director and was appointed Non-Executive Chairman in May 2016. Mr Dubens is the founder and Managing Partner of the Oakley Capital Group, a privately owned asset management and advisory group comprising Private Equity, Venture Capital and Corporate Finance operations managing over €2.4 billion. Mr Dubens founded Oakley Capital in 2002 to be a best of breed, entrepreneurially driven investment house, creating an ecosystem that supports the companies the Oakley Capital Group invests in, whether they are early-stage companies or established businesses. The vision of Oakley Capital has always been to encourage and back entrepreneurship. To that end, Oakley Capital Private Equity invests in and supports the continued growth and development of some of Europe's leading companies, including the iconic sailing brand, North Sails and Facile, Italy's leading price comparison website. Mr Dubens has substantial AIM company experience, he is a director of Oakley Capital Investments plc and previously held the position of Chairman of Pipex Communications plc and 365 Media Group plc.

JULIO BRUNO

GROUP CEO

Mr Bruno joined Time Out Group in October 2015 as Executive Chairman and was appointed Group CEO in June 2016 when he took the Company public on London's AIM. Mr Bruno has a successful international executive career, spanning several countries and top companies in sectors such as travel, technology, media and e-commerce. He previously was TripAdvisor's Global Vice President of Sales (B2B) based in New York, Travelport's Vice President for Canada, Latin America & the Caribbean and Cendant Corporation's Managing Director (President) of Continental Europe & South America. Prior to this, Mr Bruno held senior international positions at Regus plc, Energizer and Diageo plc. He is involved with the start-up community as an investor and board adviser in various companies globally. Mr Bruno holds a BSc in Business Management and Economics from SUNY (State University of New York), a master's degree in International Business from the University of London Birbeck, and a postgraduate certificate in leadership from Wharton, University of Pennsylvania.



LORD ROSE OF MONEWDEN

NON-EXECUTIVE DIRECTOR

Lord Rose joined the Group in December 2015 as Chairman of Time Out Market Limited and was appointed as a Non-Executive Director in June 2016. Lord Rose has led a distinguished career in retail for over 40 years, including as Chief Executive and then Chairman of Marks & Spencer plc (2004-2010). Lord Rose has also held Chief Executive positions at Arcadia Group plc, Booker plc, and Argos plc. Lord Rose is the current Chairman of Fat Face Group, Majid Al Futtaim Retail, Dressipi and Ocado. Lord Rose was knighted for services to the retail industry and corporate social responsibility in 2008 and was elevated to the House of Lords in 2014. Lord Rose is a member of the Audit Committee and the Remuneration Committee.

ADAM SILVER

CHIEF FINANCIAL OFFICER

Mr Silver joined the Group as Chief Financial Officer and was appointed to the Board on 29 March 2018. He joined from Just Eat where he was UK CFO, having joined prior to its listing on the main market of the London Stock Exchange. Prior to Just Eat, he was Group CFO and co-founder of The Karma Communications Group. Previously, Mr Silver was an Investment Director at Ingenious Media and Hamilton Bradshaw, where he led growth capital investments in the media sector. Mr Silver qualified as a Chartered Accountant at KPMG where he also spent a number of years within the Strategic & Commercial Intelligence practice in London and New York. He has a degree in Accounting and Finance from the University of Leeds.

ALEXANDER COLLINS

NON-EXECUTIVE DIRECTOR

Mr Collins joined the Group in November 2010 as a Non-Executive Director. Mr Collins is a Partner at Oakley Capital Private Equity and has 20 years of private equity investment and operational experience, including originating and structuring transactions in a range of sectors and geographies, including growth equity, MBOs, restructuring and turnaround situations. Mr Collins joined Oakley Capital Private Equity in 2007 as one of the founding partners and has been an investment and board director of a range of international businesses, including Host Europe, Emesa, Intergenia, Verivox, North Sails and Facile. Prior to joining Oakley Capital Private Equity, Mr Collins started his career at GE Capital in 1995 before being seconded to Advent International for two years as an Associate Director. He subsequently joined Henderson Private Capital as Principal and was then a Partner at Wharfedale Capital, where he was involved in the purchase of secondary direct private equity assets. Mr Collins holds an MSc from the London School of Economics and a BA in Economic History from Union College, New York.

MATTHEW RILEY

NON-EXECUTIVE DIRECTOR

Mr Riley joined the Group in January 2017 as a Non-Executive Director. Mr Riley is the Founder of the Daisy Group. He served as Chief Executive Officer at Daisy until 2015 and is now the group's Chairman. Since founding Daisy in 2001, Mr Riley has driven the rapid growth of the company to create one of the UK's leading business technology and communications service providers. He floated the company on the Alternative Investment Market in 2009, grew the business to revenues of £350 million and, in January 2015, took it back into private ownership in a £494 million deal. Mr Riley is an award-winning entrepreneur and fervent advocate of UK enterprise, regional growth and entrepreneurship. Mr Riley is a member of and chairs each of the Group's Audit Committee and the Remuneration Committee.

TONY ELLIOTT

NON-EXECUTIVE DIRECTOR

Mr Elliott founded Time Out in 1968 with £70 during a summer break from Keele University. The Time Out magazine was initially a folded-down poster equivalent to eight pages of today's printed format that Mr Elliott handed out himself. The range of curated content sought to reflect the best of what was happening in London together with a focus on the issues of the day and laid the foundations for the Time Out brand's coverage and culture today. Over the years, Mr Elliott transformed Time Out into a global media brand and, in November 2010, sold a controlling share of Time Out to Oakley Capital to provide operational support and investment to bring the brand back under common ownership and to develop the digital platform. Mr Elliott has been a Non-Executive Director of the Company since November 2010, having previously served as Executive Chairman of Time Out since its founding in 1968. Mr Elliott is currently a director and/or trustee of a number of cultural institutions, including Create London and The Factory Trust (Manchester). At the end of 2017, he stepped down as director and/or trustee of The Roundhouse (where he also served as Vice Chair), Somerset House Trust and Somerset House Enterprises Ltd. In addition, Mr Elliott has previously acted as a director and/or trustee of Human Rights Watch's London Committee (founding Chair), HRW International Board, Film London, Soho Theatre Company, The Photographer's Gallery, The British Film Institute (Governor) and BFI Production Board (Chairman). In May 2014, Mr Elliott received the prestigious Goodman Award, which honours an individual who has made an outstanding long-term contribution to the arts in a voluntary capacity. In June 2017 Mr Elliott was appointed a CBE.

Corporate governance report

ADOPTION OF THE QCA CODE

Following the amendment to AIM Rule 26 in March 2018, requiring AIM listed companies to apply a recognised corporate governance code, in September 2018 the Board of Directors resolved to adopt the QCA Code (the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies, published by the Quoted Companies Alliance Code). In September 2018, in accordance with the requirements of the QCA Code, the Board set out its updated corporate governance statement on the Group's website, including clear signposting to the availability of corporate governance disclosures by the Group. The Directors acknowledge the importance of high standards of corporate governance.

COMPOSITION OF THE BOARD

The Board is the link between the shareholders and executive management and is responsible for the successful stewardship of the Group. As such the Board plays a key role in the corporate governance process.

During the period 1 January to 21 December 2018, the Board comprised eight Directors, three of whom were Executive Directors and five of whom were Non-Executive Directors, and from 21 December 2018 the Board comprised seven Directors, two of whom were Executive Directors and five of whom were Non-Executive Directors. The composition of the Board throughout 2018 and continuing into 2019 reflects a blend of different experiences and backgrounds. Biographical details of current Board members are shown on pages 26 and 27. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Company's challenges and opportunities, while at the same time ensuring that no individual (or small group of individuals) can dominate the Board's decision-making. Notwithstanding Lord Rose's entitlements under the Time Out Market Equity Incentive Plan, the Company regarded Lord Rose and Matthew Riley as "independent Non-Executive Directors" within the meaning of the QCA Code and free from any business or other relationship that could materially interfere with the exercise of their judgement.

From 1 January 2018 until 29 March 2018, Richard Boult was an Executive Director and Chief Financial Officer. On 29 March 2018, Adam Silver was appointed to the Board as an Executive Director and to the role of Chief Financial Officer.

As of 21 December 2018, Christine Petersen stepped down from the Board and as of 31 December 2018 left the Group, having stepped down as CEO Time Out Digital.

The Board's composition and skill set is considered appropriate for the Group's current stage of development. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. As the Board is small, there is not a separate Nominations Committee and recommendations for appointments to the Board will be considered by the Board as a whole after due evaluation.

BOARD ROLE AND MEETINGS

The Board is responsible for the Group's strategy and for its overall management, as well as setting the Group's values and standards. The operation of the Board is documented in a formal schedule of matters reserved for its approval which is reviewed annually. These matters relate to:

- All of the Group's strategic aims and objectives;
- The structure and capital of the Group;
- Financial reporting, controls and policies including those around cyber protection;
- Setting budgets and forecasts;
- Internal controls;
- Approval of any significant contracts, expenditure, partnerships and/or ventures;
- Effective communication with shareholders;
- Any changes to the Board membership or structure, including delegation of authority;
- Approval of remuneration for Executive Directors; and
- Approval of appointment of Key Management Personnel and Directors.

Non-Executive Directors communicate directly with Executive Directors and senior management between formal Board meetings.

The Board met six times during 2018. Directors are expected to attend all meetings of the Board and committees on which they sit, and to devote sufficient time to their duties to the Group. In the event that Directors are unable to attend a meeting, their comments on papers to be considered at the meeting will be discussed in advance with the Chairmen so that their contribution can be included in the wider Board discussion.

The following table shows Directors' attendance at scheduled Board and Committee meetings for the year to 31 December 2018:

	BOARD	AUDIT	REMUNERATION
Peter Dubens	6/6	–	–
Christine Petersen, resigned 21 December 2018	5/6	–	–
Lord Rose	6/6	3/3	1/1
Alexander Collins	5/6	–	–
Tony Elliott	6/6	–	–
Matthew Riley	4/6	3/3	1/1
Julio Bruno	6/6	*	–
Adam Silver, appointed 29 March 2018	4/4	*	–
Richard Boult, resigned 29 March 2018	2/2	*	–

* These Directors are not members of the Committee but are invited to be in attendance at meetings.

BOARD COMMITTEES

The Board has delegated specific responsibilities to the Audit Committee and the Remuneration Committee, details of which are set out below. Each committee has written terms of reference setting out its duties, authorities and reporting responsibilities.

Audit Committee

The Audit Committee has primary responsibility for monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported. It receives and reviews reports from the Group's management relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. It meets with the external Auditor throughout the year to discuss their findings in relation to the annual accounts. The Audit Committee aims to meet not less than three times in each financial year, and it has unrestricted access to the Group's external Auditor.

Membership of the Audit Committee includes only independent Non-Executive Directors. During 2018 and currently, the Audit Committee is comprised of Lord Rose and Matthew Riley and is chaired by Mr Riley.

More information about this Board committee can be found in the Audit Committee report on page 35.

Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time.

The Remuneration Committee meets as and when necessary, but aims to meet at least twice each year.

Membership of the Remuneration Committee includes only independent Non-Executive Directors. Throughout 2018 and currently, the Remuneration Committee is comprised of Lord Rose and Matthew Riley and is chaired by Mr Riley.

More information about this Board Committee can be found in the Directors' remuneration report on page 36.

BOARD EFFECTIVENESS

All Directors take part in a thorough induction process on joining the Board, tailored to the existing knowledge and experience of the Director concerned.

The performance of the Board is fundamental to the Company's success. The performance of the Board and its Committees, including individual members, is evaluated regularly by the Chairman, with the aim of improving their effectiveness.

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

KEY MANAGEMENT

The key management roles that have been identified by the Board are as follows:

- Group Chief Executive Officer
- Chief Executive Officer, Time Out Market
- Chief Financial Officer

Corporate governance report
continued

INTERNAL CONTROLS

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However well the system is designed to manage risk, it cannot eliminate all risk, and therefore it provides reasonable, not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors;
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision making and rapid implementation whilst minimising risks;
- A comprehensive annual budgeting process, producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board;
- Detailed monthly reporting of performance against budget; and
- Central control over key areas such as capital expenditure authorisation and banking facilities.

The Group continues to review its system of internal control to ensure compliance with best practice, whilst also having regard to its size and the resources available. The Board considers that the introduction of an internal audit function is not appropriate at the current time, however an internal review is completed by internal senior members of the finance function in order to ensure accuracy in the financial reporting.

The Group continues to refine its approach to business continuity and disaster recovery and further testing and risk assessments were carried out through 2018 for both head office and overseas locations. The Group continues to mitigate risks by moving critical systems to the cloud where possible. The Group uses the services of a specialised third party solution provider, currently working on refining business continuity and disaster recovery plans, to ensure these shall be effectively delivered if needed.

CONSIDERATION OF RISKS POSED BY BREXIT

The Group has considered the potential impacts on its business of the UK leaving the European Union either with or without an agreement in place agreed between the EU Parliament and the UK Parliament. The Group currently considers that key areas of risk are around staff, currency volatility and data privacy regulation. Various scenarios have been discussed and considered against the backdrop which lacks clarity on future events and potential outcomes from Brexit. The Group will continue to monitor Brexit developments and to assess risks and to plan, in order to effectively manage impacts on the business.

RELATIONS WITH SHAREHOLDERS

Copies of the Annual Report are sent to all shareholders. Copies of the annual and interim reports can be downloaded from the investors section on www.timeout.com. Other information for shareholders and interested parties is also provided on that website. Written or emailed enquiries are handled by the Group's Investor Relations Director and/or the Company Secretary. The Group has an ongoing programme of individual meetings with institutional shareholders and analysts following the preliminary and half-year results presentations to the City. These meetings allow the Group Chief Executive Officer and the Chief Financial Officer to update shareholders on strategy and the Group's performance. Additional meetings with institutional investors and/or analysts are arranged from time to time. All members of the Board receive copies of feedback reports from the City presentations and meetings, thus keeping them in touch with shareholder opinion.

Shareholders are given the opportunity to ask questions and raise issues at the Annual General Meeting (AGM); this can be done formally during the meeting or informally with the Directors after it. The AGM will be held on 10 June 2019 at 77 Wicklow Street, London, WC1X 9JY. The notice of the AGM accompanies this Annual Report and Accounts.

Approved by the Board and signed on behalf of the Board by

ANNE CROMPTON
Company Secretary

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 December 2018. The Corporate Governance report on pages 28 to 30 also forms part of the Directors' Report.

GENERAL INFORMATION

The Company referenced in the Annual Report and Accounts is Time Out Group plc, a company registered in England and Wales and located at 77 Wicklow Street, London WC1X 9JY. The Group referenced in the Annual Report and Accounts includes the Company as well as the subsidiaries listed in note 16 of the financial statements.

PRINCIPAL ACTIVITY

Time Out Group is a global media and entertainment business that helps people explore and enjoy the best of the city through its two business divisions, Time Out Media (formerly Time Out Digital) and Time Out Market. Time Out Media's digital and physical media proposition comprises websites, mobile, social media, magazines and Live Events. Across these platforms Time Out distributes its high-quality content - written and curated by local expert journalists - around the best food, drinks, culture, travel and entertainment in 315 cities and 58 countries. Since its launch in 1968, Time Out has become a global brand that advertisers and consumers love and trust. Time Out Market is a food and cultural market leveraging the Time Out brand to bring the best of the city under one roof: its best chefs, drinks and cultural experiences - based on editorial curation. The first Time Out Market opened in Lisbon in 2014 and new openings are scheduled in 2019 in Miami, New York, Boston, Chicago and Montreal, with a further pipeline of other global locations.

REVIEW OF BUSINESS

This Annual Report and Accounts has been prepared to provide shareholders with a fair and balanced review of the Group's business and the outlook for the future development of the Group as well as the principal risks and uncertainties which could affect the Group's performance.

The table below identifies where to find specific information related to the business review:

Content	Section	Page
Q&A with the CEO	Strategic section	08
Key Performance Indicators ("KPIs")	Strategic section	14
Business Review including Outlook	Strategic section	15
Principal Risks & Uncertainties	Strategic section	22
Corporate Governance	Governance section	28
Accounts and Note Disclosure	Financial statements	48

BRANCHES OUTSIDE THE UK

The Group operates a branch in France and has subsidiaries in the UK, Portugal, Spain, Australia, Hong Kong, Singapore, Canada, Czech Republic and the United States of America.

FUTURE DEVELOPMENTS

A review of the Group's outlook can be found in the Business Review on page 15.

RESULT AND DIVIDENDS

The Group has reported its audited accounts in accordance with International Financial Reporting Standards as adopted by the European Union. The Group's results are set out in the Consolidated Income Statement on page 48. The Company has prepared the individual Company accounts in accordance with UK GAAP, including The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 101).

The Group loss for the year after taxation was £15.5 million (2017: £26.0 million). The Directors do not recommend the payment of a dividend (2017: £nil).

POST BALANCE SHEET EVENTS

Information relating to events since the end of the year is given in note 31 of the accounts.

DIRECTORS

The Directors of the Company who were in office during the year and up to the date of this Report, together with their biographical details are shown on pages 26 to 27.

Adam Silver was appointed Chief Financial Officer and to the Board of Directors from 29 March 2018. Richard Boult resigned at the same time.

Christine Petersen resigned from the Board of Directors on 21 December 2018 and as Chief Executive Officer, Time Out Media on 31 December 2018.

More information can be found in the Corporate Governance report on page 28.

DIRECTORS' INTERESTS

The Directors' interests in the Company's shares and options over ordinary shares are shown in the Directors' remuneration report on page 36.

Lord Rose participates in an equity incentive plan in Time Out Market Limited. Under the plan, Lord Rose has subscribed for 3% of the equity in Time Out Market Limited, including direct subsidiaries, subject to provisions in respect of continued service. In the absence of an earlier exit event such as the disposal of Time Out Market Limited, the members of this plan may exercise these vested awards within three months of the publication of Time Out Group plc's audited accounts in 2021. The value of the awards will be determined by reference to the 2020 adjusted EBITDA of Time Out Market.

Except for the amounts disclosed in the remuneration report, no Director has any beneficial interest in the share capital of any subsidiary or associate undertaking.

Directors' report

continued

DIRECTORS' INDEMNITY AND LIABILITY INSURANCE

The Company has purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

The Directors also have the benefit of the indemnity provision contained in the Company's Articles of Association which represents a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial period and at the date of approval of the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's Auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's Auditor is aware of that information.

WEBSITE PUBLICATION

The Directors are responsible for ensuring the Annual Report and Accounts are made available on a website and are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of the Annual Report and Accounts, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Annual Report and Accounts contained therein.

POLITICAL DONATIONS

The Company made no political donations during the year (2017: £nil).

FINANCIAL INSTRUMENTS AND RELATED MATTERS

The financial risk management objectives and policies of the Group, including credit risk, interest rate risk and currency risk are provided in note 23 of the accounts.

SHARE CAPITAL

The Company's share capital comprises one class of Ordinary Shares with a nominal value of £0.001 each. At 31 December 2018, 134,651,891 Ordinary Shares were in issue (2017: 133,362,889 Ordinary Shares).

SUBSTANTIAL SHAREHOLDINGS

In accordance with the Disclosure and Transparency Rules DTR 5, the Company as at 22 March 2019 (being the last practicable date before the publication of this report) has been notified of the following disclosable interests in its issued ordinary shares:

Shareholder	Ordinary shares held	% of ownership
Oakley Capital Private Equity	45,361,015	33.69
Oakley Capital Investment Limited	31,436,385	23.35
Woodford Investment Management	21,640,000	16.07
Invesco Perpetual	16,083,334	11.94
Insight Investment Management	5,254,629	3.90

Woodford Investment Management and Invesco Perpetual both have ownership interests in Oakley Capital Investment Limited that pre-date its ownership interest in the Company.

SHARE OPTION SCHEMES

Details of employee share option schemes are set up in note 29 of the accounts.

GOING CONCERN

The Directors confirm they have a reasonable expectation that the Company and Group has adequate resources to continue in operation for the foreseeable future and at least 12 months from the date of signing the Group and Company financial statements and consider it appropriate to adopt the going concern basis of accounting in preparing the Group and Company financial statements.

This confirmation is made having considered its current financial position, latest trading forecasts and the capital expenditure requirements of the growing Time Out Market business. The Directors have subjected the forecasts to sensitivity analysis and considered the options available to mitigate any downside risks. The Group's available cash at 31 December 2018 was £24.3 million, comprising £18.1 million cash at bank and £6.2 million in escrow at available for use towards Time Out Market construction costs. The Group also has the option over an undrawn debt facility of £18.0 million. In addition, the Group secured additional funding of €10.0 million in March 2019.

For these reasons, they continue to adopt the going concern basis of accounting in preparing these financial statements.

RESEARCH & DEVELOPMENT

The Group undertakes activity which could be classified as research and development. This is further explained in note 2 of the accounts.

CONFLICTS OF INTEREST

Save as set out below, there are no actual or potential conflicts of interest between the duties of the Directors of the Company and the private interests or other duties that they may also have.

Peter Dubens is a managing partner of and founder of Oakley Capital and has direct involvement in that company, its subsidiaries and associated companies.

Alexander Collins is also a partner of Oakley Capital.

Lord Rose has a minority interest in Time Out Market Limited as described in the Directors' Interests section of this report.

Matthew Riley is a director and significant shareholder in Daisy Group Holdings Limited. Time Out England Limited engages with a subsidiary company to provide information technology services.

Further information is set out in note 30 of the accounts.

RELATIONSHIPS WITH MAJOR SHAREHOLDERS AND ASSOCIATES

On admission of its shares following the IPO in June 2016, the Company entered into a relationship agreement with TO (Bermuda) Limited, TONY (Bermuda) Limited, Oakley Capital Investment Limited, Oakley Capital Private Equity ("Oakley Entities"), the principal purpose of which is to ensure the Company is capable of carrying on, at all times, its business independently of them and their associates. Under the relationship agreement, providing that the Oakley Entities' combined holdings are greater than 20%, they shall be entitled to appoint two Directors.

EMPLOYEE INVOLVEMENT

The Group is committed to being an equal opportunities employer and opposes all forms of discrimination. Applications from people with disabilities will be considered fairly and if existing employees become disabled, every effort is made to retain them within the workforce wherever reasonable and practicable. The Group also endeavours to provide equal opportunities in the training, promotion and general career development of disabled employees.

The Group regularly provides employees with information of concern to them, which incorporates the Group's current performance and its future aims and strategies. The Group has created an HR portal to ensure all employees have access to relevant policies and information. We also use it to encourage suggestions from employees in areas that are important to them.

Directors' report

continued

DIVERSITY

The Group is committed to reflecting diversity in its workforce and aims to improve this balance going forward.

As of 31 December 2018, the Group had the following employees:

	Male	Female	Total
All employees	150	215	**365**
Senior managers	12	11	**23**
Board of Directors	7	0	**7**

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP (PwC) has expressed willingness to continue in office as Auditor and a resolution to reappoint them will be proposed at the Annual General Meeting.

ANNUAL GENERAL MEETING (AGM)

The AGM will be held on 10 June 2019. The ordinary business comprises receipt of the Directors' report and the audited financial statements for the period ending 31 December 2018, the re-election of Directors, the reappointment of PwC as independent Auditor and authorisation of the Directors to determine the Auditor's remuneration. The Notice of Annual General Meeting and ordinary and special resolutions to be put to the meeting are included at the end of this Annual Report and Accounts.

OTHER POLICIES IN PLACE

The Group has policies in place to mitigate risk surrounding fraud, bribery, modern slavery and whistle blowing amongst other things. It operates a Code of Conduct.

The Directors' Report was approved by the Board on 28 March 2019 and signed on its behalf by

ANNE CROMPTON
Company Secretary

Audit Committee report

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the financial statements (including the Annual Report and Accounts and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by the external Auditor and advising on the appointment of the external Auditor.

COMPOSITION AND ROLE OF THE AUDIT COMMITTEE

The Audit Committee's members during the year were Lord Rose of Monewden and Matthew Riley who is Chair of the Audit Committee. From his appointment on 29 March 2018 Adam Silver also attended Committee meetings in his role as Chief Financial Officer. Prior to stepping down on 29 March 2018, Richard Boult also attended Committee meetings whilst Chief Financial Officer. The Committee met three times in 2018 and aims to meet at least three times annually. Details on attendance for these meetings can be found in the Corporate Governance Report on page 28.

The Board is satisfied that the members of the Committee have appropriate, recent and relevant financial experience. Lord Rose and Mr Riley each have experience as Chief Executive Officers in major listed companies and ultimately responsible for finance functions. More information on Mr Riley and Lord Rose's backgrounds can be found in the Directors' biographies on page 26.

The main duties of the Audit Committee are set out in its Terms of Reference which are available on the Company's website www.timeout.com and are also available on request from the Company Secretary. The main items of business to be considered by the Audit Committee include:

- Review of the Annual Report and Accounts;
- Consideration of the external audit report and management representation letter;
- Going concern review;
- Review of the audit plan and audit engagement letter;
- Review of the suitability of the external Auditor;
- Review of the risk management and internal control systems;
- Review and approval of the interim results and dividend;
- Assessment of the need for an internal audit function; and
- Review of the regular whistleblowing reports.

ACTIVITIES FOR THE YEAR

The main activities for the year included:

- review of the FY18 audit plan and audit engagement letter;
- consideration of key audit matters and how they are addressed;
- review of the interim financial results and Annual Report and Accounts;
- consideration of the external audit report and management representation letter;
- going concern review;
- review levels of financial processes and procedures;
- meeting with the external Auditor without management present;
- consideration of the external Auditor's lead Partner rotation, and alternative external Auditor service providers; and
- review of whistleblowing and anti-bribery arrangements.

ROLE OF THE EXTERNAL AUDITOR

The Audit Committee monitors the relationship with the external Auditor, PricewaterhouseCoopers LLP who were appointed in 2014, to ensure that auditor independence and objectivity are maintained. As part of its review the Committee monitors the provision of non-audit services by the external Auditor. The breakdown of fees between audit and non-audit services is provided in note 7 of the Group's accounts. The non-audit fees relate to a half-year review, company secretarial services and transfer pricing advice.

The Audit Committee also assesses the Auditor's performance. Having reviewed the Auditor's independence and performance, the Audit Committee has recommended that PricewaterhouseCoopers LLP be reappointed as the Company's Auditor at the next AGM.

AUDIT PROCESS

The Auditor prepares an audit plan for its review of the full year financial statements. The audit plan sets out the scope of the audit, areas to be targeted and the audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following its review, the Auditor presents its finding to the Committee for discussion. Areas of significant risk and other matters of audit relevance are regularly communicated.

INTERNAL AUDIT

At present, the Group does not have an internal audit function, and the Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one. The Committee will continue to review this decision.

RISK MANAGEMENT AND INTERNAL CONTROLS

As described on page 28 of the Corporate Governance report, the Group has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the year, the Committee has reviewed the framework and the Committee is satisfied that the internal control systems in place are currently operating effectively.

WHISTLEBLOWING

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. Whistleblowing is a standing item on the Committee's agenda and updates are provided at each meeting.

During the year there were no incidents for consideration.

Approved by the Board and signed on behalf of the Board by

MATTHEW RILEY
Chairman of the Audit Committee

Directors' remuneration report

The Group is not required to prepare a Directors' remuneration report. The following disclosures are prepared on a voluntary basis for the Group.

COMPOSITION AND ROLE

The Remuneration Committee's members during the year were Lord Rose of Monewden and Matthew Riley who is Chairman of the Committee. The Committee operated under the Terms of Reference and was responsible for reviewing the performance of the Executive Directors and for making recommendations to the Board on matters relating to their remuneration and terms of service. The Committee was also responsible for making recommendations to the Board on proposals for the granting of share options.

The Remuneration Committee met once during the year to 31 December 2018.

More information about the members of this Committee can be found on page 26 in the Directors' biographies.

REMUNERATION POLICY

The objective of the Group's remuneration policy is to attract, motivate and retain high-quality individuals who will contribute fully to the success of the Group. To achieve this objective, the Group provides competitive salaries and benefits to all employees. Executive Directors' remuneration is set to create an appropriate balance between both fixed and performance-related elements. Remuneration is reviewed each year in light of the Group's business objectives. It is the Remuneration Committee's intention that remuneration should reward achievement of objectives and that these are aligned with shareholders' interests over the medium term.

No Director has any involvement in setting their own remuneration.

Remuneration consists of the following elements:

- Basic salary;
- Performance-related annual bonus;
- Share options;
- Pensions; and
- Benefits including insurance and allowances.

SHARE OPTIONS

The Company operates a Long Term Incentive Plan ("LTIP") which is a discretionary share plan.

The LTIP is designed to encourage continual improvement and to align the interests and objectives of senior management with those of shareholders in the medium term. More details of this scheme are in note 29 of the consolidated accounts. The Remuneration Committee supervises the operation of the LTIP and the grant of Awards to Executive Directors and the Board oversees LTIP for employees.

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Executive Directors

The service agreement of the Group Chief Executive Officer is terminable by the Company giving him 12 months' notice in writing, or by the Group Chief Executive Officer giving the Company nine months' notice in writing. The service agreement of the Chief Financial Officer is terminable by either party giving the other six months' notice in writing.

Non-Executive Directors

The Non-Executive Directors' letters of appointment may be terminated by either party giving three months' written notice.

DIRECTORS' REMUNERATION

The following table summarises the actual total gross remuneration, for qualifying services, of the Directors who served during the year to 31 December 2018 and prior year. Bonus amounts included are calculated on an accruals basis and were actually paid in March 2019.

Year ended 31 December 2018

EXECUTIVE	Salary £'000	Benefits £'000	Pension £'000	Bonus £'000	Share Options £'000	Termination £'000	Total £'000
Julio Bruno[1]	300	7	27	–	86	–	420
Adam Silver[2]	152	5	7	73	–	–	237
Richard Boult[3]	63	2	4	–	–	119	188
Christine Petersen[4]	269	11	3	–	39	130	452
NON-EXECUTIVE							
Peter Dubens	–	–	–	–	–	–	–
Lord Rose of Monewden[5]	35	–	–	–	–	–	35
Alexander Collins	–	–	–	–	–	–	–
Tony Elliott	35	17	–	–	–	–	52
Matthew Riley[6,7]	45	–	–	–	–	–	45
TOTAL	899	42	41	73	125	249	1,429

Year ended 31 December 2017 (restated)[7]

EXECUTIVE	Salary £'000	Benefits £'000	Pension £'000	Bonus £'000	Share Options £'000	Termination £'000	Total £'000
Julio Bruno	300	9	28	297	–	–	634
Richard Boult	200	7	19	93	–	–	319
Christine Petersen	276	21	3	260	–	–	560
NON-EXECUTIVE							
Peter Dubens	–	–	–	–	–	–	–
Lord Rose of Monewden	35	–	–	–	–	–	35
Alexander Collins	–	–	–	–	–	–	–
Tony Elliott	35	11	–	–	–	–	46
Matthew Riley	45	–	–	–	–	–	45
TOTAL	891	48	50	650	–	–	1,639

1 Julio Bruno received £10,000 in cash in lieu of pension contributions.

2 Adam Silver was appointed as Director on 29 March 2018.

3 Richard Boult resigned as Director on 29 March 2018.

4 Christine Peterson received £10,000 in cash in lieu of pension contributions. Ms Peterson resigned as Director on 31 December 2018.

5 In addition to the amounts disclosed above, Lord Rose of Monewden receives a consultancy fee of £45,000 per annum (2017: £45,000 per annum) for services provided to Time Out Market.

6 Matthew Riley receives £10,000 per annum in respect of his committee chair fees.

7 The value of share option awards was previously disclosed as £106,000 (Julio Bruno), £6,000 (Richard Boult) and £95,000 (Christine Petersen) in error. The disclosure has been corrected. There was no impact to the results for the year ended 31 December 2017.

Directors' remuneration report
continued

DIRECTORS' SHAREHOLDINGS
The Directors, who served in the year to 31 December 2018 and who held an interest in the ordinary shares of the Company, were as follows:

EXECUTIVE	Shareholding at 31 December 2018	Shareholding at 31 December 2017
Julio Bruno	**192,124**	70,624
Adam Silver	**–**	–
NON-EXECUTIVE		
Peter Dubens	**2,350,302**	–
Lord Rose of Monewden	**–**	–
Alexander Collins	**–**	–
Tony Elliott	**1,822,347**	1,822,347
Matthew Riley	**–**	–

DIRECTORS' INTERESTS
Options granted to Directors in the years ended 31 December 2018 and 2017, together with details of the share option schemes, are set out in note 29.

In the year to 31 December 2018 the following Directors exercised share options:

1. Julio Bruno exercised options over 100,000 Ordinary Shares on 28 June 2018. The options were awarded on 21 April 2017 at nil cost. Mr Bruno continues to hold the shares. At 31 December 2018, the total number of shares Mr Bruno holds in the Company was 192,124.
2. Christine Petersen exercised options over 50,000 Ordinary Shares on 15 November 2018. The options were awarded on 21 April 2017 at nil cost. Ms. Petersen sold all 50,000 of the Ordinary Shares exercised at an average price of 77 pence per share on the same day. Following this share option exercise, Ms. Petersen does not hold any shares in the Company.

In 2017, no Directors exercised any share options.

SHARE PRICE
The market price of the Company's Ordinary shares at 31 December 2018 was 71p (2017: 130p) and the range during the year was 69.5p to 133p (2017: 130p to 145p).

Approved by the Board and signed on behalf of the Board by

MATTHEW RILEY
Chairman of the
Remuneration Committee

Independent Auditors' report

to the members of Time Out Group plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- Time Out Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and Company statements of financial position as at 31 December 2018; the consolidated income statement and consolidated statement of other comprehensive income, the consolidated statement of cash flows, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

OUR AUDIT APPROACH

Overview

- Overall Group materiality: £488,000 (2017: £442,000), based on 1% of total revenues.
- Overall Company materiality: £463,000 (2017: £419,000), based on 1% of total assets, restricted to 95% of Group materiality.

- The focus of the Group team's work was on the UK and US operations. We received reporting from PwC Portugal on the audit of the complete financial information of MC- Mercados da Capital Lda.
- In addition, specified audit procedures were performed on the UK non-operating subsidiaries and property, plant and equipment balances related to the New York, Miami, Boston, and Chicago markets of the Group.

- Valuation of goodwill and intangible assets (Group).
- Recoverability of Time Out Markets set up costs (Group).
- Capitalisation of development costs (Group).
- Ability of the Group to continue as a going concern (Group and Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent Auditors' report

to the members of Time Out Group plc
continued

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill and intangible assets (Note 12) Goodwill is an intangible asset that arises on the acquisition of a business and reflects the portion of the consideration paid which cannot be allocated to separately identifiable acquired assets. Goodwill is not amortised but tested for impairment at least once a year or more frequently where there is an indication that it may be impaired. The Group has also recognised both acquired and internally generated intangible assets. Whilst these are amortised over their useful economic life, there is a risk that their value may need to be impaired, and so they are included in the impairment testing. We focused on this area because goodwill and intangible assets are material to the consolidated financial statements and the assumptions used in the impairment assessment are inherently subjective. In particular, the discounted cash flow model that forms the basis of management's assessment contains a number of judgements. Key assumptions in management's analysis include: • The identification of appropriate cash-generating units (CGUs). There are two principal CGUs: Media and Markets. • For the Media CGU, a detailed future cash flow forecast has been derived from the 2019 budget and associated 2020-2023 projections. This assumes growth in revenue and corresponding improvements in gross margin and savings in operating costs, based on recent trends and industry estimates; • For the Markets CGU, a detailed future cash flow forecast has been derived from the 2019 budget and associated 2020-2023 projections. These are based on assumptions including the expected number of visitors, average spend per visitor and the opening dates of new markets; • A recharge from the Markets to Media CGU for use of the Time Out trademark; • Long-term growth rates for the cash flows of both CGUs; and • Applying a pre-tax discount rate to the future cash flows for both CGUs. **Group**	We tested the mathematical accuracy of the models used and reviewed management's key assumptions used in their impairment assessment of the Group's goodwill and other intangible assets in the consolidated balance. Our procedures around those assumptions included: • Considered the identification of appropriate cash-generating units, factoring in appropriate evidence such as the current management structure and structure of reporting; • Consulted with our internal valuation specialists to assess the discount rate, compared against a broad comparator group and concluded that the discount rate used by management is within the acceptable range; • Assessed the long term growth rates used in the model by comparing to relevant external data. **Media CGU** • Challenged management's assessment of future operating cash flows with reference to historical evidence and industry data; • Applied reasonable sensitivities to revenue growth and projected savings in operating costs. **Market CGU** • Challenged management's assessment of future operating cash flows, including market opening dates, number of visitors and average spend per visitor. • Assessed the recharge from the Markets to the Media CGUs for the use of the Time Out trademark, comparing to the return experienced with franchisees and for markets operated under management agreements. • Applied reasonable sensitivities to opening dates of the markets. Based on the work performed, we concluded that the cash flow projections were reasonable and that no impairment was noted upon applying what were considered to be reasonable sensitivities. We have verified whether the disclosure note is in line with the requirements in IAS 36 and noted no exceptions. We have reported our conclusions to those charged with governance.

Key audit matter	How our audit addressed the key audit matter
Recoverability of Time Out Markets set up costs (Note 14) In the process of expanding the Time Out Markets business into new locations, the Group has incurred material set up costs and capital expenditure in relation to the markets in the following cities; Miami, New York, Boston, Chicago, London, Spitalfields and Lisbon. In total £23.8 million is recorded as property, plant and equipment in relation to the markets as at 31 December 2018. There is judgement involved as to whether these assets will be recoverable in the future, in particular the costs incurred in Spitalfields, London which has been subject to objections during the planning process. **Group**	We considered the accuracy and completeness of the costs by agreeing the costs back to supporting documentation and considered the appropriateness of capitalisation of the costs. We have reviewed the forecasts of the markets to ensure that costs incurred are forecast to be recovered by the future economic benefits to flow to the Group. Where there is uncertainty around the outcome of planning and licensing applications and appeals we have corresponded with legal counsel to understand the expected outcomes of the cases. Based on the work performed we have found that the forecasted cash flows for the markets indicate that the set-up costs will be recovered.
Capitalisation of development costs (Note 13) We focused on this area because of the significant level of judgement by the directors involved in determining whether internal time and external costs incurred in respect of development costs satisfy the requirements of the financial reporting framework (International Accounting Standard 38 Intangible assets) to be capitalised, including that they are separable from the other assets of the business and will provide future economic benefits for the Group. The internally generated intangible assets are all within the UK. **Group**	We gained an understanding of the controls and review process over the capitalisation of development costs by performing interviews with management. We assessed the assumptions of future cash flow projections of each project by interviewing relevant personnel and verifying assumptions to external documents were possible. We have tested management's classification of costs between new projects, improvements and maintenance expenditure. We have assessed whether any existing assets should be impaired as a result of new developments in the year through assessing whether systems are in use and have not been replaced. We have assessed whether the future economic benefits expected for the Group are greater than the expected costs to be incurred for each category of development costs. We selected a sample of projects and reviewed management's assessment for these projects that they satisfied the recognition criteria in IAS 38. We also tested a sample of internal costs to work systems and supporting payroll records testing accuracy and verified the classification of employee costs to the correct projects and external costs to invoices. Based on the work performed we have concluded that the capitalisation of development costs was reasonable.

Independent Auditors' report

to the members of Time Out Group plc
continued

Key audit matter	How our audit addressed the key audit matter
Ability of the Group to continue as a going concern (Note 2) For the year ended 31 December 2018 the Group made loss after tax of £15.5 million and had a cash outflow from operating activities of £13.3 million. The Group is expecting to open a number of new market sites in the near future, which will require further capital expenditure. The directors performed a going concern assessment, based on their latest budgets and forecasts, and taking into account credit facilities of £38 million of which £20 million has been drawn, which are available until October 2020 and external loans of £17 million which are available until November 2022. The directors' assessment included a number of downside sensitivities and identified mitigating actions that could be taken to reduce cash burn if necessary. The directors concluded that it was appropriate to prepare the Group and Company financial statements on a going concern basis. We considered this to be a key audit matter because the cash outflow in the year, and the potential impact on the Group's liquidity position make the Group dependent upon financing received. **Group and Company**	We examined the Group's cash flow forecast for the 12 month period ending 31 March 2020 and inquired of management's knowledge of events and conditions after that period. We agreed the forecasts are based on Board approved budgets. The forecast included key assumptions in relation to future revenue for both the Media and Markets business, as well as capital expenditure relating to the roll-out of new markets. We tested the key assumptions in the forecast by performing the following: • Compared the sales growth in Media business to historic performance and industry reports; • Assessed management's assumptions used to calculate the forecasted revenues for the markets, such as the number of visitors and average spend per visitor; • Agreed the capital expenditure assumptions on the markets to lease agreements and management estimates; • Tested the mathematical accuracy of the forecast; • Held discussions with management to understand the nature of any downside risks, and considered if further risks should be applied to the forecasts. We used our understanding of the Group and industry to assess the possibility of such risks arising and their potential impact; and • Inspected the updated credit facility agreements with Oakley Capital to check it was committed until October 2020. Furthermore, we inspected the updated loan agreements with Incus Capital to confirm it was committed until November 2022 and verified that the additional amount of £9 million was received by the Company. We have examined the disclosure in note 2 and found it to be sufficient to inform members about the directors' conclusions on the appropriateness of using the going concern basis of accounting. Our conclusion on going concern is set out below.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group reports its operating results and financial position in seven territories, being UK, USA, Portugal, Australia, Spain, Hong Kong and Singapore. The Group financial statements are a consolidation of the Group's operating businesses and central functions. The Group's operating reporting units vary significantly in size, the most significant being the UK, US and Portugal. The Group team performed the audits of the UK and USA. We also performed an audit of the complete financial information of MC – Mercados da Capital Lda. We issued instructions to our Portuguese team, which included guidance on the areas of focus for the audit. We then had regular communication with them and received reporting on their work. In addition, specified audit procedures were performed on the UK non-operating subsidiaries and property, plant and equipment balances related to the New York, Miami, Boston, and Chicago markets by the Group team.

The Group team assessed the appropriateness, completeness and accuracy of Group journals and other adjustments performed on the consolidation and obtained an understanding of the internal control environment related to the financial reporting process.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£488,000 (2017: £442,000).	£463,000 (2017: £419,000)
How we determined it	1% of total revenues.	1% of total assets, restricted to 95% of Group materiality.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, revenue is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that total assets are the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. The materiality has been limited to 95% of overall Group materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £121,000 and £463,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £24,400 (Group audit) (2017: £22,200) and £24,400 (Company audit) (2017: £22,100) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Independent Auditors' report

to the members of Time Out Group plc
continued

REPORTING ON OTHER INFORMATION CONTINUED

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

As a result of the directors' voluntary reporting on how they have applied the UK Quoted Companies Alliance code (the "Code"), we are required to report to you if we have anything material to add or draw attention to regarding:

- The directors' confirmation on page 22 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 33 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report in respect of this responsibility.

Other Code Provisions

As a result of the directors' voluntary reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the directors, on page 31, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 35 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in respect of this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 32, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

SAM TAYLOR (SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 March 2019

FINANCIAL STATEMENTS

Located in the thriving DUMBO neighbourhood at 55 Water Street, Time Out Market New York will occupy two floors of the historic Empire Stores - one of the last surviving brick storehouses at Brooklyn's waterfront - right by the East River. It will not only offer the city's best food, drinks and cultural experiences but also a rooftop with spectacular views of the Brooklyn Bridge and lower Manhattan skyline. Across 21,000 sq ft, there will be 21 kitchens, three bars and a performance stage. Almost fully contracted, the first chefs and restaurateurs have been revealed including pizza legend Juliana's; much-acclaimed Breads Bakery; Ivy Stark, one of New York's top chefs; Mr. Taka, holder of a Michelin Bib Gourmand; Reserve Cut with a fully Kosher concept; Clinton St. Baking Company & Restaurant with their melt-in-your-mouth pancakes and more; Alta Calidad with its Mexican cuisine which garnered a Michelin Bib Gourmand distinction in 2018 and 2019; Avocaderia with its instagramable avocado-creations and more.

Consolidated income statement

Year ended 31 December 2018

	Note	**Year ended 31 December 2018 £'000**	Year ended 31 December 2017 £'000
Revenue	4	**48,778**	44,364
Cost of sales	4	**(16,732)**	(19,709)
Gross profit		**32,046**	24,655
Administrative expenses		**(43,480)**	(49,293)
Operating loss		**(11,434)**	(24,638)
Finance income	8	**76**	72
Finance costs	8	**(2,616)**	(825)
Share of associate's loss	15	**(1,198)**	(954)
Loss before income tax		**(15,172)**	(26,345)
Income tax (charge)/credit	9	**(317)**	325
Loss for the year		**(15,489)**	(26,020)
Loss for the year attributable to:			
Owners of the parent		**(14,630)**	(25,048)
Non-controlling interests		**(859)**	(972)
		(15,489)	(26,020)
Loss per share:			
Basic and diluted loss per share (pence)	10	**(10.9)**	(19.0)

All amounts relate to continuing operations.

The notes on pages 55 to 95 are an integral part of these consolidated accounts.

Consolidated statement of other comprehensive income

Year ended 31 December 2018

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Loss for the year	**(15,489)**	(26,020)
Other comprehensive income:		
Items that may be subsequently reclassified to the profit or loss:		
Currency translation differences	**3,042**	(3,151)
Other comprehensive income for the year, net of tax	**3,042**	(3,151)
Total comprehensive expense for the year	**(12,447)**	(29,171)
Total comprehensive expense for the year attributable to:		
Owners of the parent	**(11,734)**	(28,169)
Non-controlling interests	**(713)**	(1,002)
	(12,447)	(29,171)

Consolidated statement of financial position

At 31 December 2018

	Note	**31 December 2018 £'000**	31 December 2017 £'000
Assets			
Non-current assets			
Intangible assets – Goodwill	12	**51,703**	50,057
Intangible assets – Other	13	**17,735**	19,044
Property, plant and equipment	14	**25,716**	8,834
Investment in associate	15	**–**	6,199
Trade and other receivables	18	**5,154**	958
		100,308	85,092
Current assets			
Inventories	17	**376**	276
Trade and other receivables	18	**15,118**	14,602
Cash and bank balances	19	**24,347**	29,839
		39,841	44,717
Total assets		**140,149**	129,809
Liabilities			
Current liabilities			
Trade and other payables	20	**(20,352)**	(17,839)
Provisions	21	**–**	(67)
Borrowings	22	**(1,106)**	(1,220)
		(21,458)	(19,126)
Non-current liabilities			
Trade and other payables	20	**(1,451)**	(2,291)
Deferred tax liability	9	**(2,357)**	(2,623)
Borrowings	22	**(28,004)**	(8,178)
		(31,812)	(13,092)
Total liabilities		**(53,270)**	(32,218)
Net assets		**86,879**	97,591
Equity			
Called up share capital	25	**135**	133
Share premium		**106,937**	106,042
Translation reserve		**8,941**	6,045
Capital redemption reserve		**1,105**	1,105
Accumulated losses		**(28,288)**	(14,496)
Total parent Shareholders' equity		**88,830**	98,829
Non-controlling interest		**(1,951)**	(1,238)
Total equity		**86,879**	97,591

The financial statements on pages 48 to 95 were authorised for issue by the Board of Directors on 28 March 2019 and were signed on its behalf.

JULIO BRUNO
Chief Executive

ADAM SILVER
Chief Financial Officer

Time Out Group Plc
Registered No: 07440171

Company statement of financial position

At 31 December 2018

	Note	**31 December 2018 £'000**	31 December 2017 £'000
Assets			
Non-current assets			
Investments	16	**89,449**	89,449
		89,449	89,449
Current assets			
Trade and other receivables	18	**120,355**	100,380
		120,355	100,380
Total assets		**209,804**	189,829
Liabilities			
Current liabilities			
Trade and other payables	20	**(135)**	(1,245)
		(135)	(1,245)
Non-current liabilities			
Borrowings	22	**(20,779)**	–
		(20,779)	–
Total liabilities		**(20,914)**	(1,245)
Net assets		**188,890**	188,584
Equity			
Called up share capital	25	**135**	133
Share premium		**106,937**	106,042
Capital redemption reserve		**1,105**	1,105
Retained earnings		**80,713**	81,304
Total equity		**188,890**	188,584

The Company has elected to take the exemption under section 408 of the Companies Act of 2006 from presenting the parent Company profit and loss account.

The Company loss for the year was £1.4m (2017: loss of £862,000).

The financial statements on pages 48 to 95 were authorised for issue by the Board of Directors on 28 March 2019 and were signed on its behalf.

JULIO BRUNO
Chief Executive

ADAM SILVER
Chief Financial Officer

Time Out Group Plc
Registered No: 07440171

Consolidated statement of changes in equity

Year ended 31 December 2018

	Note	Called up share capital £'000	Share premium £'000	Translation reserve £'000	Capital redemption reserve £'000	Retained earnings/ (Accumulated losses) £'000	**Total parent Shareholders' equity £'000**	Non-controlling interest £'000	**Total equity £'000**
Balance at 1 January 2017		131	103,071	9,166	1,105	9,025	**122,498**	(236)	**122,262**
Changes in equity									
Loss for the year		–	–	–	–	(25,048)	**(25,048)**	(972)	**(26,020)**
Other comprehensive expense		–	–	(3,121)	–	–	**(3,121)**	(30)	**(3,151)**
Total comprehensive expense		–	–	(3,121)	–	(25,048)	**(28,169)**	(1,002)	**(29,171)**
Share based payments	29	–	–	–	–	1,527	**1,527**	–	**1,527**
Issue of shares		2	2,971	–	–	–	**2,973**	–	**2,973**
Balance at 31 December 2017		**133**	**106,042**	**6,045**	**1,105**	**(14,496)**	**98,829**	**(1,238)**	**97,591**
Changes in equity									
Loss for the year		–	–	–	–	(14,630)	**(14,630)**	(859)	**(15,489)**
Other comprehensive income		–	–	2,896	–	–	**2,896**	146	**3,042**
Total comprehensive expense		–	–	2,896	–	(14,630)	**(11,734)**	(713)	**(12,447)**
Share based payments	29	–	–	–	–	838	**838**	–	**838**
Issue of shares		2	895	–	–	–	**897**	–	**897**
Balance at 31 December 2018		**135**	**106,937**	**8,941**	**1,105**	**(28,288)**	**88,830**	**(1,951)**	**86,879**

Company statement of changes in equity

Year ended 31 December 2018

	Note	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	**Total equity £'000**
Balance at 1 January 2017		131	103,071	1,105	80,639	**184,946**
Changes in equity						
Loss for the year		–	–	–	(862)	**(862)**
Total comprehensive expense		–	–	–	(862)	**(862)**
Share based payments	29	–	–	–	1,527	**1,527**
Issue of shares		2	2,971	–	–	**2,973**
Balance at 31 December 2017		**133**	**106,045**	**1,105**	**81,304**	**188,584**
Changes in equity						
Loss for the year		–	–	–	(1,429)	**(1,429)**
Total comprehensive expense		–	–	–	(1,429)	**(1,429)**
Share based payments	29	–	–	–	838	**838**
Issue of shares		2	895	–	–	**897**
Balance at 31 December 2018		**135**	**106,937**	**1,105**	**80,713**	**188,890**

Consolidated statement of cash flows

Year ended 31 December 2018

	Note	**Year ended 31 December 2018 £'000**	Year ended 31 December 2017 £'000
Cash flows from operating activities			
Cash used in operations	26	**(11,817)**	(20,819)
Interest paid		**(1,223)**	(459)
Tax credits received		**(228)**	3
Net cash used in operating activities		**(13,268)**	(21,275)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	**(14,989)**	(1,954)
Purchase of intangible assets	13	**(2,917)**	(2,432)
Interest received		**76**	70
Proceeds from sale of assets		**9,470**	–
Acquisition of subsidiaries, net of cash acquired	11	–	(470)
Net cash used in investing activities		**(8,360)**	(4,786)
Cash flows from financing activities			
Costs relating to share issues		**–**	(5)
Advance of new borrowings	22	**20,000**	7,809
Repayment of borrowings		**(3,044)**	(1,169)
Repayment of finance leases		**(74)**	(59)
Acquisition of minority interest		**–**	(196)
Cash to restricted cash		**–**	(1,093)
Net cash from financing activities		**16,882**	5,287
(Decrease)/Increase in cash and cash equivalents		**(4,746)**	(20,774)
Cash and cash equivalents at beginning of year	19	**28,746**	50,082
Effect of foreign exchange rate change		**347**	(562)
Cash and cash equivalents at end of year	19	**24,347**	28,746

Notes to the financial statements

1. CORPORATE INFORMATION

The consolidated financial statements of Time Out Group plc and its subsidiaries (the "Group") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 27 March 2019. Time Out Group plc (the "Company") is a public limited company incorporated in England and Wales whose shares are publicly traded on the Alternative Investment Market. The registered office is located at 77 Wicklow Street, London, WC1X 9JY.

The Company has taken advantage of the exemption from preparing a cash flow statement under paragraph 8(g) of the disclosure exemptions from EU-adopted IFRS for qualifying entities included in Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Time Out Group plc consolidated financial statements for the year ended 31 December 2018 contain a consolidated statement of cash flows. The Company is exempt under paragraph 8(k) of the disclosure exemptions from EU-adopted IFRS included in FRS 101 for qualifying entities from disclosing related party transactions with entities that form part of the Time Out Group plc of which Time Out Group plc is the ultimate parent undertaking. The Company's financial statements are presented in pounds sterling (£), which is also the Company's functional currency, and all values are rounded to the nearest thousand (£'000) except when otherwise indicated. The Company's financial statements are individual entity financial statements.

The principal activities of the Group are described in the Strategic Report that accompanies these financial statements.

2. ACCOUNTING POLICIES

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

Alternative performance measures

Adjusted EBITDA is profit or loss before interest, taxation, depreciation, amortisation, share based payments, share of associate's loss and exceptional items. Used by management and analysts to assess the business before one-off and non-cash items. A reconciliation of adjusted EBITDA to operating loss is presented in note 4.

Basis of preparation

The consolidated financial statements of Time Out Group plc have been prepared under the historic cost convention except for certain financial liabilities measured at fair value and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as they apply to the financial statements of the Group for the year ended 31 December 2018 and applied in accordance with the Companies Act 2006.

The Company financial statements were prepared in accordance with FRS 101 and Companies Act 2006. The financial statements are prepared on a going concern basis under the historical cost convention except for certain financial liabilities measured at fair value. The accounting policies which follow in note 3 set out those policies which apply in preparing the financial statements for the year ended 31 December 2018 and have been applied consistently to all years presented. The Company has taken advantage of the following disclosure exemptions under FRS 101 in respect of:

a. IFRS 3 Business Combinations;
b. IFRS 7 Financial Instruments: Disclosures;
c. IFRS 13 Fair Value Measurement;
d. Share-based payments;
e. Intra-Group-related party transactions;
f. Related party transactions; and
g. IAS 7 Statement of cash flows.

Notes to the financial statements
continued

2. ACCOUNTING POLICIES CONTINUED

Going concern
The Directors confirm they have a reasonable expectation that the Company and Group have adequate resources to continue in operation for the foreseeable future and at least 12 months from the date of signing the Group and Company financial statements and consider it appropriate to adopt the going concern basis of accounting in preparing the Group and Company financial statements.

This confirmation is made having considered its current financial position, latest trading forecasts and the capital expenditure requirements of the growing Time Out Market business. The Directors have subjected the forecasts to sensitivity analysis and considered the options available to mitigate any downside risks. The Group's available cash at 31 December 2018 was £24.3m, comprising £18.1m cash at bank and £6.2m in escrow at available for use towards Time Out Market construction costs. The Group also has the option over an undrawn debt facility of £18.0m. In addition, the Group secured additional funding of €10.0m in March 2019.

For these reasons, they continue to adopt the going concern basis of accounting in preparing these financial statements.

New and amended standards adopted by the Group
The accounting standards and policies adopted in these financial statements are consistent with those of the annual financial statements for the year ended 31 December 2017 as presented under IFRS. The accounting policies have been applied consistently by the Group year-on-year, except as described below:

- IFRS 15, 'Revenue from contracts with customers' was implemented on 1 January 2018. It deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted. There was no impact on the Group on implementation.
- IFRS 9, 'Financial Instruments' was implemented on 1 January 2018. It addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income, not recycling. An expected credit losses model replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there are no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 introduces changes to the requirements for hedge effectiveness. Except for disclosure related changes, there was no impact on the Group on implementation.

Basis of consolidation
The Group financial statements consolidate the financial statements of Time Out Group plc and all its subsidiary undertakings drawn up to 31 December each year.

As permitted by S408 of the Companies Act 2006, the income statement of the parent Company is not presented as part of these financial statements. The parent Company's loss for the financial year was £1.4m (2017: £862,000 loss). The parent Company is primarily a holding company and had minimal cash flows during the year. It did not hold any cash or cash equivalents at the beginning or end of the year.

Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2. ACCOUNTING POLICIES CONTINUED

In the Group financial statements the acquisition method is adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are consolidated for the periods from or to the date on which control is passed. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and presented as exceptional items.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39; either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated on consolidation. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Non-controlling interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity and consist of the amount of those interests at the date of the original business combination plus their share of changes in equity since that date.

Associates

An associate is an undertaking over which the Group exercises significant influence, usually from 20%–50% of the equity voting rights, in respect of the financial and operating policy. The Group accounts for its interests in associates using the equity method. Under the equity method, the investment in the associate is initially measured at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of associates since the acquisition date.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The income statement reflects the Group's share of the results of operations of the entity. The statement of comprehensive income includes the Group's share of any other comprehensive income recognised by the associate. Dividend income is recognised when the right to receive the payment is established.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of key management personnel, as identified in the Strategic Report, that makes strategic decisions.

Notes to the financial statements

continued

2. ACCOUNTING POLICIES CONTINUED

Foreign currencies

The functional and presentational currency of the Group is pound sterling. Assets and liabilities of subsidiaries with a functional currency which is a foreign currency are translated into sterling at rates of exchange ruling at the end of the financial period and the result of foreign subsidiaries are translated at the average exchange rate for the period. All transactions denominated in foreign currency are translated at the rate of exchange ruling at the time of the transaction. All foreign exchange differences are taken to the income statement in the period in which they arise. At the statement of financial position date, monetary assets and liabilities denominated in foreign currencies are translated using the closing rate. Upon the translation of any subsidiary's results for the year and financial position at any given year end, the foreign exchange differences which may arise are recognised directly in other comprehensive income as currency translation differences.

Property, plant and equipment

The cost of property, plant and equipment includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Computer equipment – over three years on a straight line basis

Fixtures and fittings – over five years on a straight line basis

Leasehold improvements – over the lease term or useful life, whichever is shorter

The Group operates in jurisdictions which have set useful lives for certain types of assets, and where different, local guidelines override the Group policies mentioned above. However, the Group confirms that this treatment does not materially change the accounts.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Time Out Group plc's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating unit ("CGU") that is expected to benefit from the synergies of the combination. Each CGU to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

When the ownership of an acquired company is less than 100%, the non-controlling interest is measured at either the proportion of the recognised net assets attributable to the non-controlling interest or at the fair value of the acquired company at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill.

Intangible assets

Trademarks and copyrights

Trademark and copyright assets are amortised over a period of 15 years from the month of acquisition.

Development costs

Development costs comprising costs incurred relating to websites and other digital platform elements are written off over a period of two, three or four years, depending on the relevant project. The cost of internally generated and acquired technology is recognised as an intangible asset providing it satisfies all of the conditions set out in the research and development policy below. Assets are subsequently measured and amortised on a straight-line basis over their useful economic lives, from the month in which the expenditure is incurred.

Service concession arrangements

The concession granted by the Municipality of Lisbon to occupy and operate an area within the Mercado da Ribeira in Lisbon is accounted for as a service concession arrangement under IFRIC 12 'Service Concession Arrangements'. The present value of all payments to the Municipality are capitalised and recognised as a separate intangible asset and a corresponding obligation is recognised. The intangible asset is amortised on a straight-line basis over the life of the concession arrangement.

2. ACCOUNTING POLICIES CONTINUED

Customer relationships and other intangible assets

These intangible assets are comprised of customer and advertiser relationships and internally generated software related to the US business, acquired in 2014, reacquired trade-name rights and customer relationships relating to the Portuguese businesses acquired in 2015 and 2016 respectively, as well as the new assets which will be created relating to Australia and Spain.

The fair value of these assets was determined by agreement between the Directors and an independent valuation consultant, and was conducted in order to comply with IAS 3, 'Business Combinations'. These assets are amortised over five years (internally generated software and customer relationships), 15 years (advertiser relationships), or two years (reacquired trade-name rights).

Research and development

Expenditure on the research phase of an internal project is recognised as an expense in the period in which it is incurred. Development costs incurred on specific projects are capitalised when all of the following conditions are satisfied:

- Completion of the asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the asset and use or sell it;
- The Group has the ability to use or sell the asset and it will generate probable future economic benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. The cost of an internally generated asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee (other than Director) costs incurred along with third party costs.

Impairment of non-financial assets

Non-financial assets that are not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants, and they are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the financial statements
continued

2. ACCOUNTING POLICIES CONTINUED

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

2. ACCOUNTING POLICIES CONTINUED

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ('ECL') on investments in financial assets that are measured at amortised cost or at FVTOCI, lease receivables and trade receivables and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default,
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Notes to the financial statements
continued

2. ACCOUNTING POLICIES CONTINUED

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by available forward-looking information. Exposure at default for financial assets is represented by the assets' gross carrying amount at the reporting date.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2. ACCOUNTING POLICIES CONTINUED

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the in profit or loss. However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

Notes to the financial statements
continued

2. ACCOUNTING POLICIES CONTINUED

Investments
Investments held as fixed assets are stated at cost less provision for impairment. The Company assesses these investments for impairment wherever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

Inventories
Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Inventories are comprised of raw materials and goods held for resale. Cost is determined on a first-in, first-out (FIFO) method. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Cash and bank balances
Cash and bank balances comprises cash and cash equivalents, being cash at bank and in hand and short-term deposits with a maturity of three months or less, and monies held in restricted accounts and deposits which represent cash held by the Group in accounts with conditions that restrict the use of these monies by the Group and, as such, does not meet the definition of cash and cash equivalents.

Line of credit
Certain of the Group's accounts receivable balances are assigned, with recourse, to financial institutions. In return, the Group receives a cash advance of 80%–85% of eligible accounts receivable. Both financial assets and financial liabilities are recognised with regards to this arrangement.

Share capital
Ordinary shares are classified as equity, only to the extent that they do not meet the definition of a financial liability. Incremental costs directly attributable to the issue of new ordinary shares of options are shown in equity as a deduction, net of tax, from the proceeds.

Trade payables
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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Borrowings
All interest bearing loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings 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 to which it relates.

Preference shares that are mandatorily redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised in the income statement as an interest expense.

2. ACCOUNTING POLICIES CONTINUED

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Taxation

The charge for taxation is based on profits for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes. 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, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current and deferred tax

The tax expense for the period comprises current and deferred tax. 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, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for any deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference is the deferred tax liability not recognised.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is no intention to settle the balances on a net basis.

Tax grants related to research and development expenditure are recognised under IAS 12 against expenditure and are recognised when reasonably certain estimates can be made.

Employee benefit costs

The Group contributes to certain employees' personal pension plans on a defined contribution basis. A defined contribution plan is a pension plan under which the Group and employee pay fixed contributions, on a mandatory, contractual or voluntary basis depending on the location, to a third party financial provider. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the income statement when due.

Notes to the financial statements

continued

2. ACCOUNTING POLICIES CONTINUED

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. 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 is determined by reference to the fair value of the options granted.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to the passage of time is recognised as an interest expense.

Revenue recognition

Revenue, which is stated net of sales tax, represents the amounts derived from the sale of goods and services which fall within the Group's ordinary activities.

- Advertising revenue is recognised at the time the advertisement is published.
- Subscription and Premium Profiles revenue is recognised evenly over the length of each subscription.
- Circulation revenue is recognised at the time of sale. Provision is made for returns of distributor returns.
- Ticket revenues for Time Out events are recognised in the month of the event. Tickets for Time Out offers and commissions for sales of tickets to external events and experiences are recognised at the point of sale.
- Licence/royalty revenue is recognised over the contract period in accordance with the substance of the underlying agreement. Where these revenues are uncertain, they are recognised only on receipt.
- Market related revenue is predominantly turnover related rent from restaurants in the markets and is recognised as the turnover is earned by the sub-letting restaurants.

Interest income and expenses

Interest income and expenses are recognised using the effective interest method.

2. ACCOUNTING POLICIES CONTINUED

Leases

Operating leases

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group, the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

The aggregate benefit of any lease incentive is recognised as a reduction of the rental expense over the lease term on a straight-line basis. Rentals paid under operating leases are charged to income on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Finance leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Exceptional items

Exceptional items are disclosed separately in the financial statements where, given their nature or size, it is necessary to do so to provide further understanding of the financial performance of the Group. Exceptional items mainly relate to costs associated with a material restructuring (including termination payments and associated legal fees), costs relating to acquisitions, including legal and consultancy fees and the revaluation of minority interests.

Critical accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions and judgements concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions, estimates and judgements on parameters available when the consolidated statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a) Impairment of goodwill and intangibles

The Group tests annually whether goodwill has suffered any impairment i.e. when the carrying value of a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model, where appropriate. The cash flows are derived from the business plan for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimation uncertainty exists here due to a number of estimation factors applied to any model used.

b) Capitalisation of development costs

Careful judgement by the Directors is applied when deciding whether the recognition requirements for capitalised development costs have been met under IAS 38 'Intangible Asset'. Before capitalisation commences on a specific project, a business plan is prepared and approved in order to ascertain that the project meets all criteria of the standard as well as to determine the asset's useful life. Judgements and assumptions are made using all information known at the end of the reporting period.

Notes to the financial statements

continued

2. ACCOUNTING POLICIES CONTINUED

c) Business combinations

When acquiring a business, the Group has to make judgements and best estimates about the fair value allocation of the purchase price and the fair value of any contingent deferred consideration. Judgement is applied in determining what part of a business transaction relates to the acquisition of that business. Parts of a business transaction that do not relate to the acquisition (for example, employee costs) are accounted for in accordance with the relevant accounting standard.

d) Capitalisation of pre-opening expenditure

When investing in the expansion of new Time Out Market sites, the Group makes a judgement as to when the new site has passed feasibility and reached development stage. During feasibility, all costs associated with the new site are expensed. When a site reaches development stage, which is normally determined following the agreement of Heads of Terms for a new lease, applicable costs incurred are capitalised as an item of property, plant and equipment. Impairment reviews are performed on the pre-opening expenditure balances at least every six months.

New standards and interpretations not yet adopted

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and as such have not been adopted in these financial statements.

IFRS 16	Leases
IFRS 17	Insurance Contracts
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRS Standards 2015–2017 Cycle	Amendments to IFRS 3 Business Combinations IFRS 11 Joint Arrangements IAS 12 Income Taxes IAS 23 Borrowing Costs
Amendments to IAS 19 Employee Benefits	Plan Amendment, Curtailment or Settlement
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRIC 23	Uncertainty over Income Tax Treatments

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 16, 'Leases'

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, since the distinction between operating and finance leases is removed. Under the new standard, an asset (that is, the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases. The Group expects to recognise right-of-use assets in the range of £4.5m to £5.0m and lease liabilities of in the range of £5.0m to £5.5m. The Group expects that net profit after tax will remain unchanged for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately £1.6m, because the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the retrospective modified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied.

3. EXCHANGE RATES

The significant exchange rates to UK Sterling for the Group are as follows:

	2018		2017	
	Closing rate	**Average rate**	Closing rate	Average rate
US dollar	**1.27**	**1.34**	1.35	1.29
Euro	**1.11**	**1.13**	1.13	1.14
Hong Kong dollar	**9.97**	**10.51**	10.54	10.18
Singaporean dollar	**1.74**	**1.81**	1.80	1.80
Australian dollar	**1.81**	**1.79**	1.73	1.69
Canadian dollar	**1.74**	**1.73**	–	–

4. SEGMENTAL INFORMATION

In accordance with IFRS 8, the Group's operating segments are based on the information reviewed by the Board, which represents the chief operating decision maker. During the year, a review was undertaken as to how operations are monitored and resources are allocated to achieve the Group's strategy. This review concluded that the Digital, Print and International segments should be combined. Therefore, the Group now comprises two operating segments:

- Time Out Media – this includes the sale of digital and print advertising, local business listings ("Premium Profiles"), live events tickets and sponsorship, commissions generated by online bookings and transactions ("Affiliates and Offers"), and fees from third party licensees.
- Time Out Market – predominantly turnover related rent from restaurants in the market and charges for services. It also includes owned bar revenue and ancillary revenue including the Time Out Store, Cooking Academy and studio rentals.

Year ended 31 December 2018

	Time Out Media £'000	**Time Out Market £'000**	**Corporate costs £'000**	**Total £'000**
Revenue	39,779	8,999	–	48,778
Cost of sales	(15,744)	(988)	–	(16,732)
Gross profit	24,035	8,011	–	32,046
Administrative expenses	(37,786)	(8,633)	2,939	(43,480)
Operating loss	**(13,751)**	**(622)**	**2,939**	**(11,434)**
Analysed as:				
Adjusted EBITDA loss	**(7,896)**	**1,374**	**(1,595)**	**(8,117)**
Share based payments	(838)	–	–	(838)
Exceptional items	(813)	(514)	4,534	3,207
EBITDA loss	**(9,547)**	**860**	**2,939**	**(5,748)**
Depreciation of property, plant and equipment	(443)	(626)	–	(1,069)
Amortisation of intangible assets	(3,758)	(834)	–	(4,592)
Loss on disposal of property, plant and equipment	(3)	(22)	–	(25)
Operating loss	**(13,751)**	**(622)**	**2,939**	**(11,434)**
Finance income				76
Finance costs				(2,616)
Share of associate's loss				(1,198)
Loss before income tax				**(15,172)**
Income tax credit				(317)
Loss for the year				**(15,489)**

Notes to the financial statements
continued

4. SEGMENTAL INFORMATION CONTINUED
Year ended 31 December 2017

	Time Out Media £'000	Time Out Market £'000	Corporate costs £'000	Total £'000
Revenue	38,393	5,971	–	44,364
Cost of sales	(18,877)	(832)	–	(19,709)
Gross profit	19,516	5,139	–	24,655
Administrative expenses	(39,862)	(6,952)	(2,479)	(49,293)
Operating loss	**(20,346)**	**(1,813)**	**(2,479)**	**(24,638)**
Analysed as:				
Adjusted EBITDA loss	**(12,523)**	**239**	**(1,933)**	**(14,217)**
Share based payments	(1,527)	–	–	(1,527)
Exceptional items	(2,013)	(596)	(546)	(3,155)
EBITDA loss	**(16,063)**	**(357)**	**(2,479)**	**(18,899)**
Depreciation of property, plant and equipment	(537)	(587)	–	(1,124)
Amortisation of intangible assets	(3,593)	(827)	–	(4,420)
Loss on disposal of property, plant and equipment	(153)	(42)	–	(195)
Operating loss	**(20,346)**	**(1,813)**	**(2,479)**	**(24,638)**
Finance income				72
Finance costs				(825)
Share of associate's loss				(954)
Loss before income tax				**(26,345)**
Income tax credit				325
Loss for the year				(26,020)

Revenue is analysed geographically by origin as follows:

	2018 £'000	2017 £'000
Europe	**33,736**	26,575
Americas	**11,149**	14,313
Rest of World	**3,893**	3,476
	48,778	44,364

The Group earns its revenues by selling both goods and services. These can be analysed as follows:

	2018 £'000	2017 £'000
Print advertising and circulation	**15,387**	15,493
Digital advertising	**14,899**	12,112
Premium profiles	**2,056**	2,071
E-commerce	**6,273**	7,316
International	**1,164**	1,401
Market	**8,999**	5,971
	48,778	44,364

There are no revenues from any single customer that exceed 10% of the Group's revenues.

The Group has applied the European Securities and Markets Authority (ESMA) "Guidelines on Alternative Performance Measures" in these annual results. In the context of these results, an alternative performance measure (APM) is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

The reconciliation of adjusted EBITDA to operating loss is contained within the segmental reporting note above.

5. STAFF COSTS

	2018 £'000	2017 £'000
Wages and salaries	**20,064**	20,339
Social security costs	**2,567**	2,254
Other pension costs	**553**	545
Share based payments	**833**	1,527
	24,017	24,665

The average monthly number of employees, including Executive Directors, during the year was as follows:

	2018	2017
Sales and Marketing	**140**	167
Editorial and Production	**141**	148
Product Development	**47**	41
Administration	**69**	70
	397	426

The remuneration of the Executive Directors and Officers who are the key management personnel of the Group, is set out below in aggregate for each of the applicable categories specified in IAS 24 'Related Party Disclosures'. Key management personnel is defined as Executive Directors plus Business Unit Chief Executives.

	2018 £'000	2017 £'000
Short-term employee benefits	**1,257**	1,188
Post-employment benefits	**66**	75
Termination benefits	**249**	–
Share based payments	**125**	–
	1,697	1,263

Information regarding the highest paid Director is below:

	2018 £'000	2017 £'000
Short-term employee benefits	**307**	606
Post-employment benefits	**27**	28
Share based payments	**86**	–
	420	634

Further information about the remuneration of individual Executive Directors is provided in the Remuneration Report on page 36.

The Company has no employees (2017: nil)

Notes to the financial statements

continued

6. EXCEPTIONAL ITEMS

Costs/(income) are analysed as follows:

	2018 £'000	2017 £'000
Restructuring costs	**802**	1,787
Adjustment to deferred consideration	**(65)**	–
Fees relating to acquisitions in the year	**–**	539
Advisory fees in relation to the IPO	**–**	7
Fair value loss on minority interest	**514**	596
Gain on disposal of investment in associate	**(4,469)**	–
Office relocation costs	**11**	226
	(3,207)	3,155

The 2018 restructuring costs include employee redundancy costs as part of moving the business to a global model and is part of the initiative started in 2017. The adjustment to deferred consideration is the release of remaining provision after the final settlement in respect of prior year acquisitions. The office relocation costs relate to additional work required after the Company relocated in November 2017. The fair value loss relates to the minority interest held in Time Out Market. The profit on disposal relates to the sale of shares on Flyt Limited, an associate investment.

The 2017 restructuring costs include employee redundancy costs incurred as part of a plan to shift the business to a global model. The acquisition fees are costs associated with the acquisition of subsidiaries and associates in the period and include a partial release of the provision made in 2016 for an onerous lease.

7. OPERATING COSTS

	2018 £'000	2017 £'000
Cost of inventories recognised as cost of sales	**2,521**	2,965
Staff costs	**24,017**	24,665
Depreciation	**1,069**	1,124
Intangible amortisation	**4,592**	4,420
Operating lease rentals - land and buildings	**2,213**	2,281
Loss on foreign exchange	**24**	22
Other expenses	**25,776**	33,525
	60,212	69,002

Analysed as:

	2018 £'000	2017 £'000
Charged to cost of sales	**16,732**	19,709
Administrative expenses	**45,941**	51,622
	62,673	71,331
Staff costs capitalised	**(2,461)**	(2,329)
	60,212	69,002

7. OPERATING COSTS / (INCOME) CONTINUED

An analysis of the fees paid to the Group's auditor is provided below:

	2018 £'000	2017 £'000
Fees payable to the Company's auditors for the audit of the consolidated and parent Company financial statements	**145**	181
Fees payable to the Company's auditors for the audit of the Company's subsidiaries	**70**	70
	215	251
Fees payable to the Company's auditor for audit-related assurance services	**26**	30
Fees payable to the Company's auditor for non-audit services		
Tax advisory work	**60**	46
Other services	**13**	22
	314	349

Audit fees of the Group and Company are borne by Time Out Digital Ltd, a subsidiary company.

8. FINANCE INCOME AND COSTS

Finance income

	2018 £'000	2017 £'000
Bank interest receivable	**46**	72
Interest on sponsorship contracts	**30**	–
	76	72

Finance costs

	2018 £'000	2017 £'000
Interest on line of credit	**98**	193
Interest on finance leases	**5**	8
Interest on loan stock and loan notes	**914**	–
Interest on sponsorship loans	**72**	130
Interest on bank loans	**992**	122
Foreign exchange loss on financing items	**259**	227
Amortisation of deferred financing costs	**144**	–
Other	**132**	145
	2,616	825

Notes to the financial statements
continued

9. TAXATION

Analysis of income tax

	2018 £'000	2017 £'000
Current tax		
Current tax charge	665	150
Deferred tax		
Deferred tax credit	(348)	(475)
	317	(325)

Factors affecting the tax expense

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £'000	2017 £'000
Loss on ordinary activities before income tax	(15,172)	(26,345)
Loss on ordinary activities multiplied by the domestic tax rates applicable to profits in the respective countries	(2,206)	(5,166)
Effects of:		
Unrecognised tax losses in the year	2,982	3,694
Expenses not deductible for tax purposes	1,818	1,494
Other tax adjustments, reliefs and transfers	53	102
Deferred tax movements	(348)	(475)
Income not taxable	(1,982)	1
Depreciation in excess of capital allowances	–	49
Foreign tax credit	–	(7)
Utilisation of tax losses	–	(17)
Total tax (income)/expense	317	(325)

Potential deferred tax assets of £23.1m (2017: £18.8m) relating to timing differences on fixed assets, short-term timing differences and losses carried forward have not been recognised as the Directors take an approach not to recognise any deferred tax asset until such time as there is greater visibility of profitability in the medium term.

The Group has deferred tax liabilities relating to the acquired intangible assets as follows:

	2018 £'000	2017 £'000
Carrying value at beginning of year	2,623	2,849
Acquisition of subsidiary undertakings	–	345
Income statement credit	(348)	(475)
Foreign exchange	82	(96)
	2,357	2,623

10. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to Shareholders by the weighted average number of shares during the year.

For diluted loss per share, the weighted average number of shares in issue is adjusted to assume conversion for all dilutive potential shares. All potential ordinary shares including options and deferred shares are antidilutive as they would decrease the loss per share, and are therefore not considered. Diluted loss per share is equal to basic loss per share.

	2018 Number	2017 Number
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**133,867,852**	131,985,250

	£'000	£'000
Loss from continuing operations for the purpose of loss per share	**14,630**	25,048

	Pence	Pence
Basic and diluted loss per share	**10.9**	19.0

11. BUSINESS COMBINATIONS

There were no business combinations in 2018.

2017

During 2017, the Group acquired Print & Digital Publishing Pty ("Time Out Australia") and 80 Mes 4 Publicacions ("Time Out Spain"). The Group had a presence in both locations prior to acquisition, through international licensing agreements.

Time Out Australia

On 2 June 2017, the Group acquired 100% of the issued ordinary share capital of Print & Digital Publishing Pty Limited for the issue of 1,656,930 Ordinary Shares valued at £2.2m based on a share price of £1.335. All pre-acquisition trading transactions were recognised in the income statement, as appropriate. Pre-acquisition international licensing revenues of £38,000 were recognised as revenue directly in the income statement.

The fair value of the assets and liabilities acquired were:

	£'000
Property, plant and equipment	8
Customer relationships - intangible asset	593
Trade and other receivables	201
Cash and cash equivalents	37
Deferred tax liability	(178)
Trade and other payables	(485)
Net assets acquired	**176**
Goodwill	2,036
Consideration paid	**2,212**

Revenue of £1.7m and operating profit of £79,000 since the acquisition date were included in the 2017 consolidated income statement. If the business combination had occurred at the beginning of the 2017 year the revenue contribution to the Group for the year would have been £2.9m and the operating loss contribution to the Group for the year would have been £209,000.

The goodwill represents the value of the assembled workforce in the Australian business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition-related costs of £253,000 were charged to administrative expenses in the consolidated income statement for the year ended 31 December 2017.

Notes to the financial statements
continued

11. BUSINESS COMBINATIONS CONTINUED

Time Out Spain

On 15 August 2017, the Group acquired 100% of the issued ordinary share capital and share premium of the company Time Out Spain Media SL (previously 80 Mes 4 Publicacions) in exchange for purchase consideration of cash of £905,000 and deferred consideration of £908,000 in the form of shares or cash at the discretion of Group management, with payment on the first anniversary of the acquisition date. Pre-acquisition international licensing revenues of £53,000 were recognised as revenue directly in the income statement.

The fair value of the assets and liabilities acquired were:

	£'000
Property, plant and equipment	32
Customer relationships - intangible asset	668
Investments	16
Trade and other receivables	830
Cash and cash equivalents	398
Deferred tax liability	(167)
Trade and other payables	(501)
Borrowings	(362)
Net assets acquired	**914**
Goodwill	962
Consideration paid	905
Deferred consideration	971
	1,876

Revenue of £911,000 and operating loss of £44,000 since the acquisition date were included in the 2017 consolidated income statement. If the business combination had occurred at the beginning of the year the revenue contribution to the Group for the year would have been £2.5m and the operating loss contribution to the Group for the year would have been £20,000.

The goodwill represents the value of the assembled workforce in the Spanish business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition-related costs of £192,000 were charged to administrative expenses in the consolidated income statement for the year ended 31 December 2017.

12. INTANGIBLE ASSETS - GOODWILL

Group

Cost	**2018 £'000**	2017 £'000
At 1 January	**50,057**	49,230
Acquisitions	**–**	2,998
Exchange differences	**1,646**	(2,171)
At 31 December	**51,703**	50,057

12. INTANGIBLE ASSETS - GOODWILL CONTINUED

The carrying value of the goodwill is analysed by business segment as follows:

	2018 £'000	2017 £'000	2016 £'000
Time Out Media	**43,467**	41,919	41,411
Time Out Market	**8,236**	8,138	7,819
	51,703	50,057	49,230

There were no impairment losses relating to goodwill at the end of the year (2017: £nil).

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired. Goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs) that is expected to benefit from the synergies of the combination. In the prior year, the Group's CGUs consisted of Print, Digital and Market. This represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

During the year, management has considered the way operations are monitored and how resources are allocated to achieve the Group strategy. This review concluded that the Digital and Print CGUs should be combined. Therefore, the CGUs of the Group now comprise Time Out Media and Time Out Market.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

The recoverable amount of each CGU has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on a detailed bottom up budget for the initial 12 month period. A further four years are forecast using relevant growth rates and CGU specific operation and financial assumptions. Cash flows beyond the five year period are extrapolated into perpetuity using an estimated long term growth rate of 2%. The cash flows are then discounted using a weighted average cost of capital of 10%.

A range of sensitivities have been applied and there remains significant headroom in both the Media and Markets CGUs when any sensitivity, or combination of sensitives, is applied. A full sensitivity analysis has not been disclosed as management believes that any reasonable change in assumptions would not cause the carrying value of the Time Out Media or Time Out Market CGUs to exceed their recoverable amounts.

The Company has no goodwill (2017: £nil).

Notes to the financial statements
continued

13. INTANGIBLE ASSETS – OTHER

Group

	Trademarks and copyright £'000	Development costs £'000	Service concession arrangements £'000	Customer relationships £'000	Other intangible assets £'000	**Total £'000**
Cost						
At 1 January 2017	5,607	7,302	1,309	3,538	8,990	**26,746**
Acquisitions	–	–	–	1,261	5	**1,266**
Additions	60	2,367	–	–	5	**2,432**
Disposals	–	(2,035)	–	–	–	**(2,035)**
Exchange differences	(368)	(24)	62	(430)	10	**(750)**
At 31 December 2017	5,299	7,610	1,371	4,369	9,010	**27,659**
Acquisitions	–	–	–	–	2	**2**
Additions	39	2,859	–	–	19	**2,917**
Disposals	–	(329)	–	–	–	**(329)**
Exchange differences	234	15	19	380	–	**648**
At 31 December 2018	**5,572**	**10,155**	**1,390**	**4,749**	**9,031**	**30,897**
Accumulated amortisation						
At 1 January 2017	948	3,791	23	384	1,233	**6,379**
Charge for the year	348	2,099	94	1,206	673	**4,420**
Eliminated on disposal	–	(2,024)	–	–	–	**(2,024)**
Exchange differences	(69)	(13)	11	(88)	(1)	**(160)**
At 31 December 2017	1,227	3,853	128	1,502	1,905	**8,615**
Charge for the year	340	2,336	95	1,255	566	**4,592**
Eliminated on disposal	–	(226)	–	–	–	**(226)**
Exchange differences	62	13	6	100	–	**181**
At 31 December 2018	**1,629**	**5,976**	**229**	**2,857**	**2,471**	**13,162**
Net book value						
At 31 December 2018	**3,943**	**4,179**	**1,161**	**1,892**	**6,560**	**17,735**
At 31 December 2017	4,072	3,757	1,243	2,867	7,105	19,044
At 1 January 2017	4,659	3,511	1,286	3,154	7,757	20,367

The Company has no intangible assets (2017: £nil).

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Fixtures and fittings £'000	Computer equipment £'000	Leasehold improvements £'000	**Total £'000**
Cost				
At 1 January 2017	1,127	1,192	6,641	**8,960**
Acquisitions	27	13	–	**40**
Additions	187	286	1,481	**1,954**
Disposals	(353)	(197)	(466)	**(1,016)**
Exchange differences	38	(36)	150	**152**
At 31 December 2017	1,026	1,258	7,806	**10,090**
Acquisitions	–	–	–	**–**
Additions	722	424	16,658	**17,804**
Disposals	(50)	(40)	(4)	**(94)**
Exchange differences	20	41	196	**257**
At 31 December 2018	**1,718**	**1,683**	**24,656**	**28,057**
Accumulated depreciation				
At 1 January 2017	143	493	342	**978**
Charge for the year	299	379	446	**1,124**
Eliminated on disposal	(233)	(172)	(416)	**(821)**
Exchange differences	15	(25)	(15)	**(25)**
At 31 December 2017	224	675	357	**1,256**
Charge for the year	252	352	465	**1,069**
Eliminated on disposal	(28)	(34)	(4)	**(66)**
Exchange differences	14	24	44	**82**
At 31 December 2018	**462**	**1017**	**862**	**2,341**
Net book value				
At 31 December 2018	**1,256**	**666**	**23,794**	**25,716**
At 31 December 2017	802	583	7,449	8,834
At 1 January 2017	984	699	6,299	7,982

Group

Computer equipment includes the following amounts where the Group is a lessee under a finance lease:

	2018 £'000	2017 £'000
Cost	**175**	167
Accumulated depreciation	**(136)**	(68)
Net book value	**39**	99

Notes to the financial statements

continued

14. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default.

	2018 £'000	2017 £'000
Gross finance lease liabilities - minimum lease payments:		
No later than one year	**32**	80
Later than one year and no later than five years	**7**	35
	39	115
Future finance charges on finance lease liabilities	**(2)**	(10)
Present value of finance lease liabilities	**37**	105

The present value of finance lease liabilities is as follows:

	2018 £'000	2017 £'000
No later than one year	**30**	72
Later than one year and no later than five years	**7**	33
	37	105

The Company has no property, plant and equipment (2017: £nil).

15. INVESTMENT IN ASSOCIATE

Group

	2018 £'000	2017 £'000
Associate - Flyt Limited	**–**	6,199
	–	6,199

The Group disposed of its share of Flyt Limited on 21 December 2018, realising a gain on disposal of £4.5m. The Group's share of post-tax results from Flyt Limited accounted for using the equity method is a loss of £1.2m (2017: loss of £1.0m).

The financial information of Flyt Limited is summarised below:

	2018 £'000	2017 £'000
Non-current assets	**–**	108
Current assets	**–**	3,756
Gross assets	**–**	3,864
Non-current liabilities	**–**	–
Current liabilities	**–**	(227)
Gross liabilities	**–**	(227)
Net assets	**–**	3,637
Revenue	**1,309**	292
Operating loss	**(3,167)**	(2,523)
Group's share of loss for the year	**(1,198)**	(954)

15. INVESTMENT IN ASSOCIATE CONTINUED

A reconciliation of the movement in the carrying value is as follows:

	2018 £'000	2017 £'000
At 1 January	**6,199**	7,153
Share in loss of associate	**(1,198)**	(954)
Eliminated on disposal	**(5,001)**	–
At 31 December	**–**	6,199

Flyt Limited (formerly Flypay Limited) is a company registered in England and Wales, whose registered is address is 9th Floor 107 Cheapside, London, EC2V 6DN, United Kingdom.

16. OTHER INVESTMENTS

Company

	Shares in Group undertakings	
	2018 £'000	2017 £'000
Cost and Net Book Value		
At 1 January	**89,449**	85,553
Additions	**–**	4,088
Disposals	**–**	(192)
At 31 December	**89,449**	89,449

There were no additions or disposals in 2018.

The additions in 2017 relate to the acquisitions of Time Out Australia (£2.2m) and Time Out Spain (£1.9m) which took place in June and August 2017 respectively.

Notes to the financial statements

continued

16. OTHER INVESTMENTS CONTINUED

As at 31 December 2018, the Company held direct and indirect investments in the following undertakings, all are accounted for using the acquisition method:

Name of company	Holding	Nature of business	Registered address	Country of registration (or incorporation)
Direct subsidiaries:				
Time Out Group MC Limited	100%	Holding company	77 Wicklow Street, London WC1X 9JY	England and Wales
Time Out New York Limited	100%	Holding company	77 Wicklow Street, London WC1X 9JY	England and Wales
Time Out Spain Media SL	100%	Publishing & e-commerce	7-9 Via Laietana, no 20 1st floor, Barcelona 08003	Spain
Print & Digital Publishing Pty	100%	Publishing & e-commerce	41 Bridge Rd, Glebe NSW 2037	Australia
Indirect subsidiaries:				
Time Out Group BC Limited	100%	Holding company	77 Wicklow Street, London WC1X 9JY	England and Wales
Time Out Digital Limited	100%	Holding company	77 Wicklow Street, London WC1X 9JY	England and Wales
Time Out Magazine Limited	100%	Dormant	77 Wicklow Street, London WC1X 9JY	England and Wales
Time Out Nominees Limited	100%	Dormant	77 Wicklow Street, London WC1X 9JY	England and Wales
Time Out England Limited	100%	Publishing & e-commerce	77 Wicklow Street, London WC1X 9JY	England and Wales
Time Out International Limited	100%	Dormant	77 Wicklow Street, London WC1X 9JY	England and Wales
Time Out Market Limited	85%	Holding company	77 Wicklow Street, London WC1X 9JY	England and Wales
Time Out Market London Limited	85%	Operator of cultural market	77 Wicklow Street, London WC1X 9JY	England and Wales
Leanworks Limited	100%	E-commerce	77 Wicklow Street, London WC1X 9JY	England and Wales
TONY HC Corp	100%	Holding company	1540 Broadway, 42nd Floor New York, NY 10036	United States of America
Time Out New York MC LLC	100%	Holding company	1540 Broadway, 42nd Floor New York, NY 10036	United States of America
Time Out Market US Holdings LLC	85%	Holding company	1540 Broadway, 42nd Floor New York, NY 10036	United States of America
Time Out America LLC	100%	Publishing & e-commerce	1540 Broadway, 42nd Floor New York, NY 10036	United States of America
Time Out Chicago LLC	100%	Publishing & e-commerce	100 N LaSalle Dr Suite 700, Chicago, IL 60602	United States of America
Time Out Market Miami LLC	85%	Operator of cultural market	1540 Broadway, 42nd Floor New York, NY 10036	United States of America
Time Out Market Chicago LLC	85%	Operator of cultural market	1540 Broadway, 42nd Floor New York, NY 10036	United States of America
Time Out Market Boston LLC	85%	Operator of cultural market	1540 Broadway, 42nd Floor New York, NY 10036	United States of America
Yplan Inc	100%	Dormant	1540 Broadway, 42nd Floor New York, NY 10036	United States of America
Time Out Portugal, Unipessoal LDA	100%	Publishing & e-commerce	Avenida de Liberdade, no 10-4, 1250-144 Lisboa	Portugal
MC-Mercados da Capital, LDA	82%	Operator of cultural market	Rua D. Luis, no 19-2 andar 1200-149 Lisboa	Portugal
Time Out Market Porto, LDA	64%	Operator of cultural market	Rua D. Luis, no 19-2 andar 1200-149 Lisboa	Portugal
Time Out Iberia SL	100%	Service company	Cl Marie Curie 810, Building Parc Tecnologic Ba 08042	Spain
Time Out Hong Kong Company Limited	100%	Publishing & e-commerce	Rms 3201-3204, 32/F Harbour Ctr 25 Harbour Rd, Wanchai Hong Kong	Hong Kong
Time Out Media Singapore Pte Limited	100%	Publishing & e-commerce	The Hive, 4/F 59 New Bridge Road, Singapore 059405	Singapore
Time Out Market Central London Limited	85%	Operator of cultural market	77 Wicklow Street, London WC1X 9JY	England and Wales
Time Out Market New York LLC	85%	Operator of cultural market	1540 Broadway, 42nd Floor New York, NY 10036	United States of America
Time Out Market Canada Holdings Inc	85%	Holding company	200-1000 rue De La Gauchetière O Montréal (Québec) H3B4W5 Canada	Canada
Concept TOM Montreal Inc	85%	Operator of cultural market	200-1000 rue De La Gauchetière O Montréal (Québec) H3B4W5 Canada	Canada
Time Out Market Prague SRO	85%	Operator of cultural market	V celnici 1031/4, Nové Město, 110 00 Praha 1	Czech Republic

All subsidiaries' reporting periods are consistent with the Group and all subsidiary undertakings are included in the consolidation.

All of the dormant companies listed above are exempt from preparing individual financial statements by virtue of s394A of the Companies Act 2006. These companies are also exempt from filing individual financial statements by virtue of s448A of the Companies Act 2006.

17. INVENTORIES

Group

	2018 £'000	2017 £'000
Raw materials	**298**	239
Finished goods	**78**	37
	376	276

The Company has no inventories (2017: £nil).

18. TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Current:		
Trade debtors (net)	**10,633**	9,922
Other debtors	**1,820**	2,717
Prepayment and accrued income	**2,665**	1,963
	15,118	14,602

	2018 £'000	2017 £'000
Non-current:		
Other debtors	**5,154**	958
	5,154	958

The fair values of all financial assets of the Group equate to their carrying value.

As at 31 December 2018, Group trade receivables of £2.8m (2017: £2.6m) were past due with no expected loss allowance. The past due receivables relate to a number of independent customers for whom there is no recent history of default. The ageing of these trade receivables is over three months (2017: over three months).

As at 31 December 2018, Group trade receivables of £836,000 (2017: £409,000) were impaired and provided for. The ageing analysis of these trade receivables is over three months (2017: over three months).

Movements on the Group loss allowance for trade receivables are as follows:

	2018 £'000	2017 £'000
At 1 January	**409**	416
Acquisitions	**–**	10
Expected loss allowance	**434**	290
Receivables written off during the year as uncollectable	**(27)**	(274)
Unused amounts reversed	**–**	(45)
Exchange differences	**20**	12
At 31 December	**836**	409

The creation and release of any loss allowance has been included in Administrative Expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Notes to the financial statements
continued

18. TRADE AND OTHER RECEIVABLES CONTINUED
Company

	2018 £'000	2017 £'000
Amounts owed by Group undertakings	**120,300**	100,346
Other debtors	**36**	–
Prepayment and accrued income	**19**	34
	120,355	100,380

All amounts due from Group companies relate to loans which are non-interest bearing, unsecured and repayable on demand.

19. CASH AND BANK BALANCES
Group

	2018 £'000	2017 £'000
Cash and cash equivalents	**18,092**	28,746
Restricted cash - Escrow accounts	**6,255**	–
Restricted cash - Letters of credit and deposits	**–**	1,093
	24,347	29,839

Monies held in restricted accounts represent cash held by the Group in accounts with conditions that restrict the use of these monies by the Group and, as such, does not meet the definition of cash and cash equivalents.

Escrow accounts relate to cash balances used to fund expected Time Out Market construction costs.

Letters of credit and deposits relate to rent deposits paid in respect of leased properties for Time Out Market locations. These balances have been disclosed within long-term debtors as at 31 December 2018 and in all future periods.

20. TRADE AND OTHER PAYABLES
Group

	2018 £'000	2017 £'000
Current:		
Trade creditors	**3,231**	3,720
Social security taxes	**579**	531
Other creditors	**1,533**	1,849
Deferred consideration	**1,262**	971
Line of credit	**1,972**	3,733
Accruals and deferred income	**10,115**	6,331
Corporation tax creditor	**665**	–
Value Added Tax	**995**	704
	20,352	17,839
Non-current:		
Deferred consideration	**–**	738
Other creditors	**1,451**	1,553
	1,451	2,291

20. TRADE AND OTHER PAYABLES CONTINUED

Line of credit amounts included above represent the Group's accounts receivable financing agreements with RBS Invoice Finance Limited in the UK and US which is automatically renewed each year if certain conditions are met. Under the agreement, accounts receivable are assigned, with recourse, to this financial institution. In return the Group receives an advance of 80%-85% of eligible assigned accounts receivable.

The interest rate in effect for the UK agreement for the year ended 31 December 2018 was 2.85% above the Bank of England Base Rate and around 10% for the US agreement (2017: 2.85% above for the UK and around 10% for the US). At 31 December 2018, UK accounts receivable assigned to RBS Invoice Finance Limited were £3.3m (2017: £3.3m) and US accounts receivable assigned to RBS Invoice Finance Limited were £3.5m (2017: £3.7m). The facility is secured by way of charges over certain of the Group's assets.

Included within other creditors is an amount of £37,000 (2017: £105,000) relating to finance leases undertaken for IT equipment. There were £68,000 (2017: £42,000) of costs associated with these leases included in depreciation and £5,000 (2017: £8,000) included in finance costs. Deferred consideration comprises amounts payable in cash or ordinary shares of Time Out in respect of the Time Out Spain acquisition, of which further details can be found in note 11. Other creditors also includes liabilities for our e-commerce business as well as pension liabilities.

The non-current other creditors relate to a lease concession for the Lisbon market expiring 2031 and deferred consideration to minority interests in the Lisbon market. There are put and call options on the deferred consideration which can be exercised by the minority shareholder or the Group in 2019.

Company

	2018 £'000	2017 £'000
Trade creditors	**2**	45
Deferred consideration	**–**	971
Accruals and deferred income	**133**	229
	135	1,245

21. PROVISIONS

Group

	2018 £'000	2017 £'000
At 1 January	**67**	335
Used during the year	**–**	(162)
Unused amounts reversed	**(67)**	(106)
At 31 December	**–**	67
Analysis of total provisions:		
Current	**–**	67
Non-current	**–**	–
	–	67

The provision relates to an onerous lease contract on the office previously occupied by the Leanworks Ltd company which was acquired in October 2016. The lease expired during the year and the remaining balance has been released.

The Company has no provisions (2017: £nil).

Notes to the financial statements
continued

22. BORROWINGS

Group

	2018 £'000	2017 £'000
Current:		
Sponsorship loans	**–**	329
Bank loans	**1,106**	891
	1,106	1,220
Non-current:		
Loan notes	**20,779**	–
Sponsorship loans	**–**	–
Bank loans	**7,225**	8,178
	28,004	8,178

Borrowings repayable as follows:

	2018 £'000	2017 £'000
Between nil and one year	**1,106**	1,220
Between one and two years	**21,875**	936
Between two and five years	**5,949**	6,887
Over five years	**180**	355
	29,110	9,398

The fair value of all financial liabilities equate to their carrying value.

The Group has the following facilities:

- A £20.0m term loan facility agreement with Oakley Capital Investments Limited ("OCI"). The initial facility, which was agreed in March 2018, was for a period of 19 months expiring on 31 October 2019 and had an interest rate of between 10% and 15% depending on amounts drawn. In September 2018, the facility was converted into a Loan Note agreement, with an extended term to 31 October 2020. In return for granting security over certain Time Out trademarks and domain name, the previous interest rate mechanism was also replaced with a flat rate of 12%. At year end, the full facility has been drawn with the proceeds used to fund future Time Out Market developments;
- A loan provided by a local urban development fund as part of the Joint European Support for Sustainable Investment in City Areas (JESSICA) initiative of £1.1m (2017: £1.2m), charged at a rate of the six-moth EURIBOR rate plus 1.75% repayable in instalments to 2024;
- A term loan facility of £6.9m at a rate of 11% above EURIBOR, repayable in instalments annually through to November 2022; and
- A bank loan of £309,000 at a rate of EURIBOR plus 3% subject to a minimum of 3% and a maximum of 4%, repayable in July 2021.
- The option over an additional debt facility of £18.0m remains available to the Group.

In March 2019, the term loan facility was increased by £8.9m, principally on the same economic terms as the £6.9m loan facility described above.

Company

	2018 £'000	2017 £'000
Non-current:		
Loan stock and loan notes	**20,779**	–
	20,779	–

Refer to OCI loan above.

The fair value of all financial liabilities equate to their carrying value.

23. FINANCIAL RISK MANAGEMENT AND POLICIES

Financial risk factors and management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Foreign currency

The Group is exposed to foreign exchange risk as it operates in overseas markets. The Group's realised loss on foreign exchange for the year was £24,000 (2017: £22,000 gain). The Group does not hedge its foreign currency risk as the majority of the Group's receivables, payables and borrowings are denominated in the functional currency of the relevant entity. Consequently, there are no material currency exposures to disclose (2017: £nil).

A sensitivity analysis was conducted at the end of the year ending 31 December 2018 in order to understand the exposure of the Group's income statement to currency fluctuations. The analysis used the actual monthly average rates and appreciated/depreciated each of the rates by 10%. The main assumptions revolve around this 10% adjustment to the rates which was applied linearly across the months instead of for a specific time.

If the euro and US dollar had appreciated by 10% during the year, reported revenue would be £51.8m and the adjusted EBITDA loss would be £8.5m. If, conversely, the euro and US dollar had depreciated by 10% during the year, reported revenue would be £46.3m and adjusted EBITDA loss would be £7.8m.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. In order to minimise this risk the Group endeavours to only deal with companies which are demonstrably creditworthy. The maximum exposure to credit risk is the value of the outstanding trade receivables. The management does not consider that there is any concentration of risk within trade receivables.

The Group puts provisions in place for specific known bad debts. In addition, further provisions are made based on historical customer payment trends, current local market conditions and the normal average time taken to pay in each individual country. An analysis of the Group's trade receivables and provision for bad debts is included in note 18. The maximum credit risk exposure of the Group is the gross carrying value of each of its financial assets.

As well as credit risk on accounts receivable balances with customers, credit risk arises on cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only reputable institutions with a strong, independently rated credit rating are used.

Liquidity risk

Cash flow forecasting is performed by the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs whilst maintaining sufficient headroom to meet any repayment requirements.

The maturity profile of the Group's borrowings is set out in note 22.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2018	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Over five years £'000	Total £'000
Borrowings (ex finance lease liabilities)	1,106	21,875	5,949	180	29,110
Finance lease liabilities	30	7	–	–	37
Trade and other payables	20,322	145	145	1,161	21,773
	21,458	22,027	6,094	1,341	50,920

Notes to the financial statements

continued

23. FINANCIAL RISK MANAGEMENT AND POLICIES CONTINUED

As at 31 December 2017	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Over five years £'000	Total £'000
Borrowings (ex finance lease liabilities)	1,220	936	6,887	355	9,398
Finance lease liabilities	72	27	6	–	105
Trade and other payables	17,839	893	155	1,243	20,130
	19,131	1,856	7,048	1,598	29,633

Interest rate risk

The Group's exposure to interest rates is low. Lines of credit are subject to increases in the Bank of England base rate, but all other debt is at a fixed rate. The Group has not completed a sensitivity analysis for this risk because the level of floating rate debt would result in an immaterial impact to the results.

Capital risk management

The Group's capital management objective is to ensure the Group's ability to continue as a going concern so that it can provide returns for Shareholders and benefits for other stakeholders. To meet this objective the Group reviews the budgets and forecasts on a regular basis to ensure there is sufficient capital to meet the needs of the Group.

The capital structure of the Group consists of total parent Shareholders' equity as set out in the Consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and borrowings.

24. FINANCIAL INSTRUMENTS

Fair values

The table below illustrates the fair values of all financial assets and liabilities held by the Group at 31 December 2018 and 31 December 2017.

At these dates, the carrying value was considered to be the same as their fair value.

The Group's financial liability for the option over the non-controlling interests of MC-Mercados da Capital, LDA is measured at fair value through profit or loss. The initial recognition, as part of the acquisition of Time Out Market Limited, was at fair value and subsequent changes in fair value are charged to the income statement.

All other liabilities, including loans and trade and other payables, are held at amortised cost. After initial fair value recognition, these instruments are measured at amortised cost using the effective interest rate method.

Classification of financial instruments As at 31 December 2018	**At amortised cost £'000**	**At fair value through profit and loss £'000**	**Total £'000**
Assets			
Cash and bank balances	**23,347**	**–**	**24,347**
Trade and other receivables	**18,748**	**–**	**18,748**
	43,095	**–**	**43,095**
Liabilities			
Financing	**(28,110)**	**–**	**(28,110)**
Finance lease obligations	**(37)**	**–**	**(37)**
Option over minority interest	**–**	**(1,262)**	**(1,262)**
Trade and other payables	**(17,687)**	**–**	**(17,687)**
	(46,834)	**(1,262)**	**(47,096)**

24. FINANCIAL INSTRUMENTS CONTINUED

Classification of financial instruments As at 31 December 2017	Loans and receivables £'000	Liabilities measured at amortised cost £'000	At fair value through profit or loss £'000	Total £'000
Assets				
Cash and bank balances	29,839	–	–	29,839
Trade and other receivables	14,239	–	–	14,239
	44,078	–	–	44,078
Liabilities				
Financing	–	(9,069)	(329)	(9,398)
Finance lease obligations	–	(99)	–	(99)
Option over minority interest	–	–	(738)	(738)
Trade and other payables	–	(17,822)	–	(17,822)
Provisions	–	(67)	–	(67)
	–	(27,057)	(1,067)	(28,124)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost using the effective interest rate method and the carrying value approximates to the fair value.

Financial liabilities measured at fair value through profit and loss

	Financing of TO Market	Minority option over interest	Total
Balance at 1 January 2017	1,105	307	1,412
Deferred consideration paid	–	(195)	(195)
Debt repayments	(904)	–	(904)
Gains and losses recognised in profit or loss	128	626	754
Balance at 31 December 2017	329	738	1,067
Deferred consideration paid	**–**	**–**	**–**
Debt repayments	**(328)**	**–**	**(328)**
Gains and losses recognised in profit or loss	**(1)**	**524**	**523**
Balance at 31 December 2018	**–**	**1,262**	**1,262**

Financial liabilities measured at fair value through profit and loss	Level 1	Level 2	Level 3	Total
Financing of TO Market	–	–	–	–
Deferred consideration	–	–	1,262	1,262
	–	–	1,262	1,262

Notes to the financial statements
continued

24. FINANCIAL INSTRUMENTS CONTINUED

Company

Classification of financial instruments As at 31 December 2018	**At amortised cost £'000**	**At fair value through profit and loss £'000**	**Total £'000**
Assets			
Trade and other receivables	**120,336**	**–**	**120,336**
	120,336	**–**	**120,336**
Liabilities			
Financing	**(20,779)**	**–**	**(20,779)**
Trade and other payables	**(135)**	**–**	**(135)**
	(20,914)	**–**	**(20,914)**

Classification of financial instruments As at 31 December 2017	Loans and receivables £'000	Liabilities measured at amortised cost £'000	At fair value through profit or loss £'000	Total £'000
Assets				
Trade and other receivables	100,346	–	–	100,346
	100,346	–	–	100,346
Liabilities				
Trade and other payables	–	(1,200)	–	(1,200)
	–	(1,200)	–	(1,200)

25. CALLED UP SHARE CAPITAL

Authorised, issued and fully paid	Nominal value	**2018 Number**	2017 Number
Ordinary shares	0.001	**134,651,891**	133,362,889
Aggregate amounts		**134,651,891**	133,362,889

	Nominal value	**2018 £'000**	2017 £'000
New ordinary shares	£0.001	**135**	133
Aggregate amounts		**135**	133

On 15 August 2018, the Company issued 1,060,423 Ordinary shares being the deferred consideration payable in relation to the acquisition of Time Out Spain Media SL (previously 80 Mes 4 Publicacions). The fair value of the shares issued was £896,000.

During the year, the Company issued 228,579 shares to employees following the exercise of share options. The fair value of the shares issued was £191,000.

26. NOTES TO THE CASH FLOW STATEMENT

Group reconciliation of loss before income tax to cash used in operations

	2018 £'000	2017 £'000
Loss before income tax	(15,172)	(26,345)
Add back:		
Net finance costs	2,540	753
Share based payments	838	1,527
Depreciation charges	1,069	1,124
Amortisation charges	4,592	4,420
Fair value loss on minority interest	514	626
Loss on disposals of fixed assets	(4,469)	195
Non-cash movements	242	(256)
Share of associate's loss	1,198	954
Increase in inventories	(86)	(51)
Increase in trade and other receivables	(3,094)	(2,230)
Decrease in trade and other payables	11	(1,536)
Cash used in operations	(11,817)	(20,819)

27. OPERATING LEASE COMMITMENTS

Group

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases over land and buildings, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	4,547	1,986
Between one and five years	27,348	5,011
In more than five years	25,578	671
	57,473	7,668

At the reporting date, the Group also had outstanding commitments for future minimum lease payments under cancellable operating leases related to two Time Out Market London locations in Waterloo and Spitalfields (2017: Miami, Chicago, Boston and London Spitalfields) which fall due as follows:

	2018 £'000	2017 £'000
Within one year	–	151
Between one and five years	7,178	17,268
In more than five years	40,978	34,577
	48,156	51,996

If planning permissions are not received in each respective jurisdiction, these leases are cancellable without recourse.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2018 £'000	2017 £'000
Within one year	1,032	817
Between one and five years	2,094	2,239
In more than five years	1,104	1,270
	4,230	4,326

The receivables relate to the market in Lisbon.

The Company does not have any operating leases (2017: £nil).

Notes to the financial statements
continued

28. PENSION COMMITMENTS
The Group operates defined contribution pension schemes on behalf of its employees. During the year, contributions of £553,000 (2017: £545,000) were made on behalf of employees and at the year end £99,000 (2017: £90,000) remained outstanding.

29. SHARE BASED PAYMENTS
Group
The charge in respect of share based payment transactions included in the Group's income statement for the year is as follows:

	2018 £'000	2017 £'000
Expense arising from share option plans	**838**	1,527

Long Term Incentive Plan
Awards have been made to the Executive Directors as follows:

Director	Exercise price (p)	Date of grant	Number of options awarded	Vesting dates	Expiry date
Julio Bruno	150p*	14/06/2016	2,166,666	14/06/2017	14/06/2026
	150p*		2,166,666	14/06/2018	14/06/2026
	150p*		2,166,667	14/06/2019	14/06/2026
	nil	21/04/2017	75,000	21/04/2018	20/04/2028
	nil		75,000	21/04/2019	20/04/2028
	nil		75,000	21/04/2020	20/04/2028
	nil		75,000	21/04/2021	20/04/2028
	129.5p	13/04/2018	100,000	13/04/2019	12/04/2028
	129.5p		100,000	13/04/2020	12/04/2028
	129.5p		100,000	13/04/2021	12/04/2028
	nil		100,000	13/04/2019	12/04/2028
	nil		100,000	13/04/2020	12/04/2028
	nil		100,000	13/04/2021	12/04/2028
Adam Silver	129.5p	13/04/2018	100,000	13/04/2019	12/04/2028
	129.5p		100,000	13/04/2020	12/04/2028
	129.5p		100,000	13/04/2021	12/04/2028
	nil		16,666	13/04/2019	12/04/2028
	nil		16,666	13/04/2020	12/04/2028
	nil		16,666	13/04/2021	12/04/2028

* IPO awards. Julio Bruno's award vests a third on each of the first, second and third anniversaries of grant.

The only specific performance condition attached to these awards is of continued service. Except for IPO awards detailed above, an equal of each award's options vest each year on the anniversary date for three or four years after grant. There is a 12-month lock-up period following each vesting date. More information can be found in the Directors' report on page 31.

29. SHARE BASED PAYMENTS CONTINUED

Other awards made during the year and prior year were as follows:

	Exercise price (p)	Number of options awarded	Expiry date
Senior managers – August 2016	141	825,000	23/08/2026
Senior managers – October 2016	141	1,916,667	21/10/2026
YPlan employees – October 2016	nil	1,262,876	21/10/2026
Senior managers – April 2017	nil–135	1,175,000	21/04/2027
Senior managers – October 2017	144	350,000	03/10/2027
Senior managers – March 2018	nil–129.5	834,984	28/03/2028
Senior managers – April 2018	nil–129.5	499,998	13/04/2028
Senior managers – May 2018	0.852–1.1	99,996	29/05/2028

The only specific performance condition attached to these awards is of continued service. A quarter of each award's options vest each year on the anniversary date for four years after grant. There is a 12-month lock-up period following each vesting date. More information can be found in the Directors' Report on page 31.

The total movement during the year is as follows:

	2018		2017	
	Weighted average exercise price (pence per option)	**Number of options**	Weighted average exercise price (pence per option)	Number of options
Outstanding at 1 January	**136**	**10,915,663**	137	9,785,189
Options exercised in the year	**Nil**	**(228,579)**	–	–
Options lapsed in the year	**115**	**(3,404,157)**	101	(1,944,526)
Options granted in the year	**76**	**2,384,976**	112	3,075,000
Outstanding at 31 December	**132**	**9,667,903**	136	10,915,663
Exercisable at 31 December		**5,291,251**		2,329,167

The options which lapsed during the year relate to employees who have left the Company.

The fair value of the award was valued using the Black-Scholes model, the assumptions used in the valuation are:

	IPO award	Mgmt award
Risk-free interest rate	0.3% – 0.4%	0.03% – 0.68%
Peer group volatility	47.5% – 48.9%	17.98% – 48.3%
Expected option life in years	1-3	1-4
Expected dividend yield	nil	nil
Share price at grant date	150p	135p – 144p
Exercise price at grant date	150p	nil – 144p
Weighted average fair value of options at grant date	40p	7p – 141p

The weighted average fair value of options granted during the year was 48p (2017: 36p).

Notes to the financial statements
continued

29. SHARE BASED PAYMENTS CONTINUED
Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Expiry date	Exercise price (p)	Share options 2018	Share options 2017
IPO award	14/06/2026	150	**6,500,000**	6,766,667
Senior managers – August 2016	23/08/2026	141	**250,000**	375,000
Senior managers – October 2016	21/10/2026	141	**250,000**	625,000
YPlan employees – October 2016	21/10/2026	nil	**95,417**	173,996
Senior managers – April 2017	21/04/2027	nil–135	**1,012,500**	2,725,000
Senior managers – October 2017	03/10/2027	144	**175,000**	250,000
Senior managers – March 2018	28/03/2028	nil–130	**359,991**	
Senior managers – April 2018	13/04/2028	nil–195	**949,998**	
Senior managers – May 2018	29/04/2028	85–110	**74,997**	
			9,667,903	10,915,663

30. RELATED PARTY TRANSACTIONS

Group
The Group is controlled by Oakley Capital Investments Limited and Oakley Capital Private Equity, who together owned 57.6% of the Company's shares as at the year ended 31 December 2018. There is a summary of majority ownership interests in the Directors report on page 31.

In 2018 the Company entered into a £20m term loan facility agreement with Oakley Capital Investments Limited ("OCI"). The initial facility was for a period of 19 months expiring on 31 October 2019 and had an interest rate of between 10% and 15% depending on amounts drawn. In September 2018, the facility was converted into a Loan Note agreement, with an extended term to 31 October 2020. In return for granting security over certain Time Out trademarks and domain name, the previous interest rate mechanism was also replaced with a flat rate of 12%. At year end, the full facility has been drawn with the proceeds used to fund future Time Out Market developments.

OCI is a substantial Shareholder in the Company as defined by the AIM Rules and, as such, entering into the revolving credit facility constitutes a related party transaction pursuant to AIM Rule 13. With the exception of Peter Dubens, who is a director of OCI, the Directors of the Group consider that, having consulted with Liberum, the terms of the transaction are fair and reasonable insofar as Shareholders are concerned.

Relating to Time Out Market Limited
Time Out Digital Limited had a debtor balance with Time Out Market Limited at the year end of £32.8m (31 December 2017: £16.2m) of which £27.7m (31 December 2017: £13.0m) related to funding. The rest of the balance relates to transfer pricing charges and trading between companies.

Management share awards
Details of management share awards are contained in the Remuneration report on page 36 and note 29.

Other
The Group engages with Oakley Advisory Limited on a consultancy basis. No fee was payable in the year (2017: £55,000). Further to this, during 2017, advisory fees of £125,000 were paid to Oakley Advisory in relation to the 2016 Leanworks Limited acquisition.

The following transactions were carried out with related parties in the prior year:

Other
Financing transactions with related parties are detailed in note 22.

The issue of share capital to related parties is detailed in note 25.

30. RELATED PARTY TRANSACTIONS CONTINUED

Company

The Company had the following balances outstanding with related parties, all of whom are companies within the Group:

	2018 £'000	2017 £'000
Time Out Group MC Limited	**1,112**	1,112
Time Out Group BC Limited	**20,731**	20,731
Time Out Digital Limited	**66,484**	65,317
Time Out England Limited	**16,883**	(1,738)
Time Out America LLC	**228**	63
Time Out New York Limited	**14,861**	14,861
	120,299	100,346

31. POST BALANCE SHEET EVENTS

Borrowings

In March 2019, Time Out Market increased its current loan from Incus Capital Advisors, S.L. by an additional €10.0m, principally on the same economic terms as the €9.0m loan secured in November 2017.

Shareholder notes

Company information

REGISTERED OFFICE

Time Out Group plc
77 Wicklow Street
London
WC1X 9JY
United Kingdom

Company Number: 07440171

Company website: www.timeout.com

ADVISERS

Nominated Adviser and Broker:
Liberum Capital Limited
Ropemaker Place
25 Ropemaker Street
London
EC2Y 9LY
United Kingdom

Legal Advisers:
Ashurst LLP
Broadwalk House
5 Appold Street
London
EC2A 2HA
United Kingdom

Independent Auditor:
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH
United Kingdom

Registrars:
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
United Kingdom

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Time Out Group plc | 77 Wicklow Street | London | WC1X 9JY | Tel: +44 (0) 207 813 3000

www.timeout.com