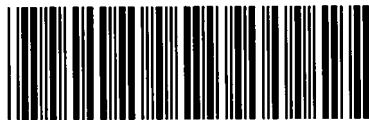


Reward Gateway (UK) Ltd
Financial Statements
For the year ended 30 June 2016

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Reward Gateway (UK) Ltd

Financial Statements

Year ended 30 June 2016

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Reward Gateway (UK) Ltd

Officers and Professional Advisers

The Board of Directors

G Elliott
DA Butler
R Hurd-Wood

Registered office

265 Tottenham Court Road
London
England
W1T 7RQ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Reward Gateway (UK) Ltd

Strategic Report

Year ended 30 June 2016

The directors present their strategic report on the Company for the year ended 30 June 2016.

Principal activities

The principal activity of the Company in the year under review was the provision of employee engagement technology through its software platform SmartHub, in its three key markets in the UK, USA and Australia, trading under the name Reward Gateway.

Reward Gateway is a leading global player in the employee engagement technology sector. The Group develops software platforms for a worldwide client base to allow them to better connect their organisations to their employees.

Review of the business and future developments

The Company achieved gross transactional turnover of £203,824,675 (2015: £171,237,025 restated) and profit for the financial year of £5,664,301 (2015: £2,714,191 restated). The Company performed well, which was attributable to achieving continued growth in market share whilst maintaining a high operating profit margin. The Company ended in the year with a strong net asset position of £24,173,785 (2015: £18,509,484 restated).

This year was one of transition under the new group ownership structure, as the Company invested in personnel and in a new London premises to help it achieve its aim of significant market growth. In the year, the Company grew its market share winning £1.7m of new contract revenue. The directors believe that with the investment put in place in the year, the Company is well positioned to maintain the growth in the UK and AUS and to greatly improve its market share in the USA in the coming years, whilst maintaining a high operating profit margin before highlighted items.

The statement of financial position set out on page 8 of the financial statements demonstrates the Company's financial position.

The directors are satisfied with the performance achieved by the business in the year. The Company achieved profits in line with expectations of £5,664,301 (2015: £83,493 restated), with the profits significantly lower in the prior year as a result of the change in revenue recognition policy on transition to FRS 102.

Principal risks and uncertainties

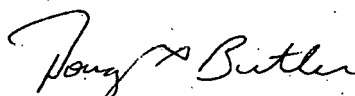
The main financial risks arising from the Company's financial instruments are liquidity risk, interest rate risk, currency risk, and credit risk. The directors review and agree policies for managing each of these risks and they are summarised in the Director's report on page 3.

Key performance indicators

- Gross transactional revenue £204m an increase of £33m (19%) on 2015 (restated)
- Operating profit margin before highlighted items increased to 46.7% from (8.7%) in 2015¹
- Customer loss (churn) of 4% of revenue from 2015
- Cash held at year end of £5.7m, an increase of £3.4m (148%) from 2015

This report was approved by the board of directors on 30 March 2017 and signed on behalf of the board by:

D A Butler
Director



¹ Operating expenses of £1,426,054 were classified as highlighted items due to their size and non-recurring nature. Detailed disclosure of these amounts can be found in note 8 of these financial statements.

Reward Gateway (UK) Ltd

Report of the Directors

Year ended 30 June 2016

The directors are pleased to present their report to shareholders and the audited financial statements of the Company for the year ended 30 June 2016.

Directors

The directors who served the Company during the year were as follows:

G Elliott	
R Hurd-Wood	
D A Butler	(Appointed 7 July 2016)
J Gaunt	(Resigned 16 October 2016)
T P Lavery	(Resigned 29 July 2016)
G R Farrow	(Resigned 8 August 2015)
N Duffy	(Resigned 22 April 2016)

Dividends

The directors do not recommend the payment of a dividend.

Going concern assessment

The financial statements have been prepared on the going concern basis on the assumption that the Company will continue in operational existence for the foreseeable future. The Company made a profit in the year of £5,664,301 (2015: £2,714,191) and the statement of financial position showed net assets of £24,173,785 (2015: £18,509,484) as at 30 June 2016.

The Directors have prepared detailed cash flow forecasts, which are based on their current expectations of trading prospects. The forecasts have been prepared over a period of 5 years and the directors are confident that the Company will not be in breach of its covenants and will be able to meet its liabilities as they fall due. Accordingly, the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

Future outlook

The Company is well placed to continue to develop according to its business plan, enjoying a broad spread of clients across many sectors, with the majority on long-term contracts. The Company will continue to focus on developing its international expansion across the United States, Europe and Australia, whilst exploring the viability of launching into new territories.

The Directors are confident that the Company's forecasts are achievable. The Board is confident of the Company's outlook for 2017.

Principal risks

The main risks arising from the Company's financial instruments are liquidity risk, credit risk and currency risk.

Liquidity risk

The Company seeks to manage liquidity risk by regular cash and bank covenant forecasting. The Company's funding strategy is to ensure a mix of funding sources offering flexibility and cost effectiveness to match the requirements of the Company.

Reward Gateway (UK) Ltd

Report of the Directors *(continued)*

Year ended 30 June 2016

Credit risk

The principal credit risk arises from trade debtors. For the provision of employee benefit services, credit risk is mitigated by adopting a policy of requesting fees at the start of contracts. For the remainder, the Company manages credit risk by setting and reviewing credit limits on a regular basis in conjunction with debt ageing and collection history.

Currency risk

The Company is exposed to currency risk on purchases and trade receivables that are denominated in a currency other than the respective functional currencies of the Company or its branches.

The bulk of the Company's trading is done in GBP, however sales are also made in AUD and USD. The Company and its subsidiaries also incur costs in USD, Bulgarian Lev and Macedonian Denar. The Company is therefore subject to a potential foreign exchange risk resulting from movements in the USD/GBP, BGN/GBP and MKD/GBP exchange rates. The Company currently benefits from a natural hedge by the weakening of the GBP against all three currencies mentioned.

The Board reviews and agrees policies for managing each of the above risks. The directors are not aware of any other material risks affecting the Company.

Overseas branches

During the prior year, a branch office, Reward Gateway (UK) Ltd Branch, was set up in Plovdiv, Bulgaria as a branch of Reward Gateway (UK) Ltd. The branch was established to service operational and administrative functions to the Company, and has continued to do so in the current year.

Research and development

The Company continues to invest in creating new products and updating existing products using its in-house teams in Bulgaria, Macedonia and the UK.

Industry risk

The Company has a market-leading product in the employee engagement sector, but there is always a risk of new entrants into the market place undercutting its services. The Group continually looks to improve its product offering and services and believe they are in a good position to withstand new entrants, as well as current competitors.

Failure to retain key executives, officers, managers and technical personnel could adversely affect the Company's operating and financial performance

The Company is an industry leader at employee engagement and believes it has more than sufficient measures to motivate and retain key employees through its offering of a wide range of benefits over its competitors.

The Company believes it is well-placed with its depth of experienced personnel, which would cover the departure of employees and key management.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Reward Gateway (UK) Ltd

Report of the Directors *(continued)*

Year ended 30 June 2016

Equal opportunities

The Company is committed to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion, to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, ethnic or national origin, disability, age, marital or civil partner status, sexual orientation or religion. All decisions relating to employment practices will be objective, free from bias, and based solely upon work criteria and individual merit.

Employees with disabilities

It is our policy that people with disabilities should have full and fair consideration for all vacancies. During the year, we continued to demonstrate our commitment to interviewing those people with disabilities who fulfil the minimum criteria, and endeavouring to retain employees in the workforce if they become disabled during employment. We will actively retrain and adjust their environment where possible to allow them to maximise their potential. We continue to work with external organisations to provide workplace opportunities.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

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

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

Reward Gateway (UK) Ltd

Report of the Directors *(continued)*

Year ended 30 June 2016

Statement as to disclosure of information to Auditors

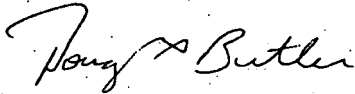
Each of the persons who is a director at the date of approval of this report confirms that:

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

Independent Auditors

PricewaterhouseCoopers LLP will be proposed for re-appointment at the Company's forthcoming Annual General Meeting in accordance with section 489 of the Companies Act 2006.

This report was approved by the board of directors on 30 March 2017 and signed on behalf of the board by:



D A Butler
Director

Reward Gateway (UK) Ltd

Independent auditors' report to the members of Reward Gateway (UK) Ltd

Report on the financial statements

Our opinion

In our opinion, Reward Gateway (UK) Ltd's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its profit for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

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

- the statement of financial position as at 30 June 2016;
- the Income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Reward Gateway (UK) Ltd

Independent auditors' report to the members of Reward Gateway (UK) Ltd *(continued)*

Report on the financial statements

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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

30 March 2017

Reward Gateway (UK) Ltd

Income Statement and Statement of Comprehensive Income

Year ended 30 June 2016

	Note	2016 £	Restated 2015 £
Gross transactional value	4	203,824,675	171,237,025
Net revenue	4	16,821,982	15,246,931
Cost of sales		(331,088)	(270,456)
Gross profit		16,490,894	14,976,475
Administrative expenses		(8,782,538)	(11,877,609)
Highlighted items	8	(1,426,054)	—
Operating profit/ (loss)	5	6,282,302	3,098,866
Other interest receivable and similar income	9	4,270	5,279
Profit/ (loss) on ordinary activities before taxation		6,286,572	3,104,145
Tax on profit/ (loss) on ordinary activities	10	(776,160)	(389,954)
Profit for the financial year attributable to equity holders for the company		<u>5,510,412</u>	<u>2,714,191</u>
Other comprehensive income:			
Profit for the financial year		5,510,412	2,714,191
Foreign currency translation difference		153,889	—
Profit for the financial year and total comprehensive income attributable to equity holders of the company		<u>5,664,301</u>	<u>2,714,191</u>

All the activities of the Company are from continuing operations.

The Company has no other recognised items of income and expenses other than the results for the year as set out above.

There was no other comprehensive income for the year ended 30 June 2016 (2015: £Nil).

The notes on pages 12 to 34 form part of these financial statements.

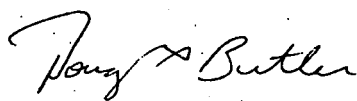
Reward Gateway (UK) Ltd

Statement of Financial Position

As at 30 June 2016

	Note	At 30 June 2016 £	Restated At 30 June 2015 £
Fixed assets			
Intangible assets	11	1,801,301	1,342,494
Tangible assets	12	1,674,000	446,201
Investments		4,157	—
		<u>3,479,458</u>	<u>1,788,695</u>
Current assets			
Stocks	13	659,022	577,785
Debtors	14	50,410,776	41,248,554
Cash at bank and in hand		5,770,811	2,383,188
		<u>56,840,609</u>	<u>44,209,527</u>
Creditors: amounts falling due within one year	15	(36,146,282)	(27,488,738)
Net current assets		<u>20,694,327</u>	<u>16,720,789</u>
Total assets less current liabilities		<u>24,173,785</u>	<u>18,509,484</u>
Net assets		<u>24,173,785</u>	<u>18,509,484</u>
Capital and reserves			
Called up share capital	17	1,206	1,206
Share premium account	18	10,078	10,078
Capital contribution reserve	18	4,622,889	4,622,889
Foreign exchange reserve	18	153,889	—
Profit and loss account	18	19,385,723	13,875,311
Total Shareholders' funds		<u>24,173,785</u>	<u>18,509,484</u>

These financial statements on pages 9 to 34 were approved by the board of directors and authorised for issue on 30 March 2017, and are signed on behalf of the board by:



D A Butler
Director

Company registration number: 05696250

The notes on pages 12 to 34 form part of these financial statements.

Reward Gateway (UK) Ltd

Statement of Changes in Equity

Year ended 30 June 2016

	Called up share capital	Share premium account	Capital Contribution reserve	Foreign exchange reserve	Profit and loss account	Total Shareholders' funds
	£	£	£	£	£	£
At 1 July 2014 (restated)	1,206	10,078	137,995	–	11,161,120	11,310,399
Equity-settled share based payments	–	–	4,484,894	–	–	4,484,894
Total investments by and distributions to owners	–	–	4,622,889	–	–	15,795,293
Other comprehensive income						
Profit and total comprehensive income for the financial year	–	–	–	–	3,080,558	3,080,558
Revenue recognition adjustment under FRS 102 (see note 25)	–	–	–	–	(366,367)	(366,367)
Total comprehensive income for the year	–	–	–	–	2,714,191	2,714,191
As at 30 June 2015 (restated)	1,206	10,078	4,622,889	–	13,875,311	18,509,484
Distributions to owners	–	–	–	–	–	–
Total investments by and distributions to owners	–	–	–	–	–	–
Other comprehensive income						
Profit and total comprehensive income for the financial year	–	–	–	–	5,510,412	5,510,412
Foreign currency translation difference	–	–	–	153,889	–	153,889
Total comprehensive income for the year	–	–	–	153,889	5,510,412	5,664,301
As at 30 June 2016	1,206	10,078	4,622,889	153,889	19,385,723	24,173,785

The notes on pages 12 to 34 form part of these financial statements.

Reward Gateway (UK) Ltd

Notes to the Financial Statements

Year ended 30 June 2016

1. General information

The Company is a private company limited by shares, registered in England and Wales. The address of the registered office is 265 Tottenham Court Road, London, W1T 7RQ.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006. These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first time adoption of FRS 102 is given in note 3.

3. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost basis, and in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Transition to FRS 102

These are the first financial statements prepared under FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'. The entity transitioned from previous UK GAAP to FRS 102 as at 1 July 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 24.

Financial reporting standard 102 – reduced disclosure exemption

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of RG Engagement Group Limited which can be obtained from 265 Tottenham Court Road, London, W1T 7RQ. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- Section 7 Statement of Cash Flows has not been presented
- Section 11.39 to 11.48A Disclosures in respect of financial instruments have not been presented
- Section 33.7 No disclosure has been given for the aggregate remuneration of key management personnel.
- Section 26.18(c), 26.19 to 26.21 and 26.23 Disclosures in respect of Share based payments have not been presented

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its results are included within the consolidated financial statements of its immediate and ultimate parent undertaking, RG Engagement Group Limited, an entity incorporated in the United Kingdom.

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

3. Accounting policies *(continued)*

Going concern

The financial statements have been prepared on the going concern basis on the assumption that the Company will continue in operational existence for the foreseeable future. The Company made a profit in the year of £5,664,301 (2015: £2,714,191) and the statement of financial position showed net assets of £24,173,785 (2015: £18,509,484) as at 30 June 2016.

The Directors have prepared detailed cash flow forecasts which are based on their current expectations of trading prospects. The forecasts have been prepared over a period of 5 years and the directors are confident that the Company will not be in breach of its covenants and will be able to meet its liabilities as they fall due. Accordingly, the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales-related taxes.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Company's different activities has been met.

Revenue from the provision of employee benefit services is recognised equally over the period the services are delivered to the client.

Gross transactional value from the sale of goods and vouchers is recognised at the net value when the significant risks and rewards of ownership of the goods and vouchers have passed to the buyer, usually on dispatch of the goods and vouchers. The Company is considered to be an agent (does not control the goods or service before it is provided to a customer) in such transactions based on the factors listed on page 19 and 20.

Interest income

Interest income and expenses are reported on an accrual basis, using the effective interest method.

Foreign currency translation

(a) Functional and presentational currency

The Company's presentation and functional currency is £ (Sterling).

(b) Transactions and balances

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

3. Accounting policies *(continued)*

Foreign currency translation

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise.

(c) Subsidiary companies and branches

The assets and liabilities in the financial statements of foreign subsidiaries and branches are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate on the date of transaction. The exchange differences arising from the retranslation of the opening net investment in subsidiaries and on income and expenses during the period are recognised in other comprehensive income and taken to the "translation reserve" in equity. On disposal of a foreign operation, the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by equal annual instalments over their expected useful lives less estimated residual values, using the straight-line method. The rates generally applicable are:

Fixtures and fittings	- 3 years straight line
Computer and office equipment	- 3 years straight line

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The assets' residual value and useful lives are reviewed, and adjusted if required, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Goodwill and other intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Company and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

(a) Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

3. Accounting policies *(continued)*

Goodwill and other intangible assets

Goodwill is tested annually for impairment and is stated at cost less any accumulated impairment losses. Goodwill is allocated to the cash-generating units that are expected to benefit from the synergies of the combination. Amortisation on intangible assets is detailed below. The useful economic life of goodwill and other intangible assets are reviewed at the end of each reporting date and revised if necessary. If a useful economic life is revised, the carrying value at the date of revision is amortised over the revised remaining useful economic life.

(b) Software licences

Intangible assets such as software licences are recognised on business combinations if they are separately identifiable from the acquired entity or give rise to other contractual or legal rights. Identifiable assets are recognised at their fair value at the acquisition date. The identified intangibles are amortised over the useful economic life of the asset.

Software licences 5 years straight line

(c) Development costs

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 the following conditions are satisfied:

- Completion of the asset is technically feasible so that it will be available for use or sale
- The company intends to complete the asset and use or sell it;
- The company has the ability to use or sell the asset, and the asset will generate probable future economic benefits (over and above cost);
- 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.

Judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. Judgements are based on the information available at the time when costs are incurred. In addition, all internal activities related to the research and development of new projects are continuously monitored by the Directors and are amortised over their useful economic life of 5 years on a straight-line basis

Impairment of intangible assets

Assets that are subject to amortisation are reviewed for impairment whenever there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated, in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. Accounting policies *(continued)*

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

Impairment of intangible assets

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. The Company has not reviewed the intangible assets for impairment in the current period because the assets have been included at their revalued amounts subsequent to an independent valuation carried out during the period.

Taxation

Tax expenses recognised in profit or loss comprise the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, to the extent that it is probable that taxable profits will be available, against which those deductible temporary differences can be recognised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to recognise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognised based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3. Accounting policies *(continued)*

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

Taxation *(continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

a) 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, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment.

b) Trade payables

Obligations to pay for goods/services; current and non-current are initially recognised at fair value and are subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, together with other short-term highly liquid investments that are readily convertible into known amounts of cash having maturities of 3 months or less from inception and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within borrowings, in current liabilities on the Statement of Financial Position.

Employee benefits

The Company operates a defined contribution pension plan on behalf of its employees. Amounts contributed are expensed as they fall due. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Share-based payments

Employees (including Directors) of the Company received remuneration in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ('equity-settled transactions'). The Company has applied the requirements of FRS 102 share-based payments to all grants of equity instruments. The transactions have been treated as equity-settled.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the grant date of the equity instrument granted. The fair value is determined by using the Black-Scholes method. The costs of equity-settled transactions are recognised, together with a corresponding charge to equity, over the period between the date of grant and the end of a vesting period, where relevant employees become fully entitled to the award. The total value of the options has been pro-rated and allocated on a weighted average basis.

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

3. Accounting policies *(continued)*

Highlighted items

The Company separately discloses items which it determines are non-recurring highlighted items. These are non-recurring items or items that are material and unrelated to the principal operating activities of the Company and the normal working capital financing of the Company.

Stocks

Stocks are measured at the lower of cost and estimated selling price, less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition. Cost is based on the cost of purchase on a first in, first out basis.

All necessary provisions have been made for any obsolete, deteriorated, or unusable stock.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement, and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Finance costs

Finance costs are charged to profit or loss over the term of the financial instrument so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Share Capital

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Foreign exchange reserve includes exchange differences arising on translation of foreign operations in accordance with FRS 102

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements under FRS 102 requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

3. Accounting policies *(continued)*

Critical accounting judgements

Deferred taxation

Deferred tax assets and liabilities have been recognised which are contingent and dependent upon future trading performance, see note 16.

Development costs

Development costs incurred on specific projects are capitalised when certain conditions are satisfied. Careful judgement by the Directors has been applied when deciding whether the recognition requirements for development costs are met. Judgements are based on the information available at the time of incurring the costs, see note 22 for details of developments costs capitalised in the year.

Agent vs principal

The Company considered its position in relation to the provision of the following three types of transactions which are distinct from its core business revenue generated from customer contracts.

a) Provision of discounted vouchers

The sale of discounted vouchers represents the majority of the volume of the gross transactional value of the Company. The Company has a mixture of relationships with retailers and third party service providers, depending on the voucher offering. For some offerings, this will require purchasing advanced stock, both physical and electronic. Other offerings require prepayment of credit, and some other offerings are delivered by a third party. The directors considered each type of voucher provision, and concluded that in the majority of the Company's voucher transactions it acts as an agent, given that:

- The fulfilment of the final voucher transaction takes place between the member and the retailer.
- There is not a material credit risk, as the Company receives cash in advance of retailer payments.
- The inventory risk does not lie with the Company.
- Although the Company has the ability to set the price, the Company passes all discounts through to its members, so in practice the price is determined by the retailer.

b) Cash back transactions

The Company provides access to certain online retailers which settle their discount in the form of cashback, which the Company receives first and then passes on to the members of the scheme. Cash back affiliations then pay the Company a bonus amount based on volumes. The directors have considered this revenue stream and consider the Company as agent given:

Agent vs principal

- The fulfilment of the initial purchase takes place between the member and the retailer.
- There is a credit risk only in the event that the Company chooses to settle a cashback transaction not received from a retailer. This is at the Company's discretion.
- There is no inventory risk.
- The Company passes all cashback received onto the member.
- The Company is effectively paid an agency fee in the form of a commission bonus.

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

3. Accounting policies *(continued)*

Critical accounting judgements *(continued)*

c) Salary sacrifice transactions

The Company operated two material salary sacrifice schemes in the year, namely Cycle to Work and Child Care Vouchers. The Company considers itself an agent in the provision of Cycle to Work and a principle in the provision of Child Care Vouchers based on the following factors:

Cycle to Work:

- The Company is an agent on behalf of the cycle retailer.
- The Company receives its payment in the form of a discount from the retailer.
- The fulfilment is between the retailer and the member.
- There is no inventory or credit risk.

Child Care Vouchers:

- The Company operates and fulfils its own CCV scheme.
- There is a limited credit risk if funds are not received from clients prior to releasing the vouchers.
- The Company charges a percentage fee to clients to run the scheme, so has the ability to set the price.

Based on the above, and given that in the vast majority of transactions the Company is considered an agent, the Company has taken the decision to present all the above on a net basis on the face of the income statement.

Share based payments

The Company is required to measure the fair value of its share based payments. The fair value is determined using the Black-Scholes method, which requires certain assumptions regarding market value of the shares at grant, the risk-free rate, share price volatility and the expected life of the share based payment. The volatility of the Company's share price has been calculated as the average of similar listed companies over the preceding periods. The risk-free rate used is 2.74% and management, including the Directors, have estimated the expected life of most share based payments to be four years. See note 19 for further details of share based payments in the period.

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

4. Turnover

Reward Gateway (UK) Limited has identified two geographical areas (UK and Europe). The revenue between these two geographical locations has not been split, as the revenue generated from Europe is not material to these financial statements.

	2016 £	2015 £
Gross transactional value	203,824,675	171,237,025
United Kingdom and Europe	203,824,675	171,237,025
Total gross transactional value	203,824,675	171,237,025
Net Revenue:		
United Kingdom and Europe	16,821,982	15,246,931
Total Revenue	16,821,982	15,246,931

On transition to FRS 102 on 1 July 2014, the Company changed its revenue recognition policy in accordance with the standard. Details of the adjustment and its effect on equity and profit or loss is presented in note 25.

5. Operating profit

Operating profit is stated after charging/ (crediting):

	2016 £	Restated 2015 £
Amortisation of intangible assets	518,540	334,679
Depreciation of tangible assets	293,912	264,835
Loss on disposal of tangible assets	9,154	—
Equity-settled share-based payments expense	—	4,484,894
Operating lease rentals	897	—
Foreign exchange differences	12,670	—

Analysis of operating profit/ (loss) before tax

	2016 £	Restated 2015 £
Analysed as		
Operating profit/ (loss) before tax adjusted for highlighted items and non-cash charges	8,529,962	3,698,380
Highlighted items	(1,426,054)	—
EBITDA	7,103,908	3,698,380
Finance income	4,270	5,279
Amortisation of intangible assets	(518,540)	(334,679)
Depreciation of tangible assets	(293,912)	(264,835)
Loss on disposal of tangible assets	(9,154)	—
	6,286,572	3,104,145

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

6. Auditors' remuneration

	2016 £	2015 £
Fees payable for the audit of the financial statements	<u>91,802</u>	<u>29,950</u>
Taxation compliance services	<u>46,599</u>	<u>—</u>

7. Directors and employee costs

The average number of persons employed by the Company during the year, including the directors, amounted to:

	2016 No.	2015 No.
Administration	18	92
Operations	<u>105</u>	<u>82</u>
	<u>123</u>	<u>174</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016 £	2015 £
Wages and salaries	4,260,725	3,207,445
Social security costs	622,497	421,540
Other pension costs	123,993	138,584
Share based payment	—	4,484,894
	<u>5,007,215</u>	<u>8,221,210</u>

Directors' emoluments paid during the period and included in the above figures were:

	2016 £	2015 £
Remuneration	171,117	721,369
Company contributions to defined contribution pension plans	<u>7,508</u>	<u>31,253</u>
	<u>178,625</u>	<u>752,622</u>

Remuneration of the highest paid director in respect of qualifying services:

	2016 £	2015 £
Aggregate remuneration	171,117	176,268
Company contributions to defined contribution pension plans	<u>7,508</u>	<u>7,500</u>
	<u>178,625</u>	<u>183,768</u>

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

8. Highlighted items

Highlighted items included within acquisition and project costs, primarily relates to costs incurred in the investor backed management buy-out by Great Hill Partners. Additional items within 'other' relate to costs incurred one-off professional fees regarding the group restructure.

	2016 £	2015 £
Acquisition and project costs	1,313,304	—
Other	112,750	—
	<u>1,426,054</u>	<u>—</u>

9. Other interest receivable and similar income

	2016 £	2015 £
Other interest receivable and similar income	<u>4,270</u>	<u>5,279</u>

10. Tax on profit/ (loss) on ordinary activities

Major components of tax expense/ (income)

	2016 £	Restated 2015 £
Current tax:		
UK corporation tax at 20.00%	(19,296)	470,046
Deferred tax:		
Origination and reversal of timing differences	795,456	(860,000)
Tax on profit/ (loss) on ordinary activities	<u>776,160</u>	<u>(389,954)</u>

Reconciliation of tax expense/ (income)

The tax assessed on the profit on ordinary activities for the year is higher than (2015: lower than) the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%).

	2016 £	2015 £
Profit/ (loss) on ordinary activities before taxation	6,286,572	3,104,145
Profit/ (loss) on ordinary activities by rate of tax	1,257,314	628,589
Adjustment to tax charge in respect of prior periods	(54,613)	15,665
Effect of expenses not deductible for tax purposes	177,062	85,960
Effect of capital allowances and depreciation	—	28,734
Group relief claimed	(657,576)	(384,177)
Other timing differences	13,000	95,275
Double tax relief adjustment	(44,085)	—
Adjustment to change in closing tax rate	90,993	—
Deferred tax not recognised	(5,935)	(860,000)
Tax on profit/ (loss) on ordinary activities	<u>776,160</u>	<u>(389,954)</u>

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

11. Intangible assets

	Goodwill £	Software equipment £	Development costs £	Total £
Cost				
At 1 July 2015 <i>restated</i>	99,000	415,408	1,945,084	2,459,492
Additions	—	66,392	857,235	923,627
Net exchange differences	—	1,094	57,590	58,684
At 30 June 2016	99,000	482,894	2,859,909	3,441,803
Amortisation				
At 1 July 2015 <i>restated</i>	7,012	345,159	764,827	1,116,998
Charge for the year	7,012	31,221	480,307	518,540
Net exchange differences	—	317	4,647	4,964
At 30 June 2016	14,024	376,697	1,249,781	1,640,502
Carrying amount				
At 30 June 2016	84,976	106,197	1,610,128	1,801,301
At 30 June 2015 <i>restated</i>	91,988	70,249	1,180,257	1,342,494

Goodwill represents the acquisition of the trade and assets of Dazines Limited in the prior year. Goodwill is valued at its cost less accumulated amortisation.

12. Tangible assets

	Office equipment £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 July 2015 <i>restated</i>	463,863	369,397	639,392	1,472,652
Additions	96,420	1,092,627	300,885	1,489,932
Disposals	(114,114)	(2,896)	(217,262)	(334,272)
Net exchange differences	43,973	11,952	10,656	66,581
At 30 June 2016	490,142	1,471,080	733,671	2,964,893
Depreciation				
At 1 July 2015 <i>restated</i>	341,366	280,132	404,953	1,026,451
Charge for the year	58,183	59,984	175,745	293,912
Disposals	(106,783)	(2,171)	(216,164)	(325,118)
Net exchange differences	16,335	4,729	4,584	25,648
At 30 June 2016	309,101	342,674	369,118	1,020,893
Carrying amount				
At 30 June 2016	181,041	1,128,406	364,553	1,674,000
At 30 June 2015 <i>restated</i>	122,497	89,265	234,439	446,201

Depreciation expense of £293,912 is included within 'administrative expenses'.

During the year, the Company disposed of assets with a carrying value of £9,154 and a cost of £334,272.

Reward Gateway (UK) Ltd

Notes to the Financial Statements (continued)

Year ended 30 June 2016

13. Stocks

	2016 £	2015 £
Finished goods and goods for resale	<u>659,022</u>	<u>577,785</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

14. Debtors

	2016 £	2015 £
Trade debtors	8,756,841	4,963,559
Amounts owed by group undertakings	39,225,005	31,123,263
Deferred tax asset	818,934	1,702,977
Prepayments and accrued income	1,059,445	949,208
Corporation tax repayable	449,579	–
Other debtors	100,972	2,509,547
	<u>50,410,776</u>	<u>41,248,554</u>

All trade receivable amounts are short term. All of the Company's trade and other receivables have been reviewed for indicators of impairment and, where necessary, a provision for impairment provided. The carrying value is considered a fair approximation of their fair value. The Company's management considers that all the above financial assets that are not impaired or past due are of good credit quality, as such no provision has been made against the trade receivable balance.

Amounts owed by group undertakings are interest free, due on demand and unsecured.

15. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	22,561,008	5,650,800
Amounts owed to group undertakings	4,006,437	1,648,493
Accruals and deferred income	9,178,212	8,790,089
Corporation tax	–	584,503
Other creditors	32,880	9,951,333
Other taxation and social security	367,745	863,520
	<u>36,146,282</u>	<u>27,488,738</u>

All amounts are short term. The Directors consider that the carrying value of trade and other payables to be a reasonable approximation of fair value.

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

16. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2016 £	2015 £
Included in debtors (note 14)	<u>818,934</u>	<u>1,702,977</u>

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

16. Deferred tax *(continued)*

The deferred tax account consists of the tax effect of timing differences in respect of:

	2016 £	2015 £
Accelerated capital allowances	9,736	(58,247)
Origination and reversal of timing differences	809,198	901,224
Prior year	–	4,221
Other timing differences	–	855,779
	<u>818,934</u>	<u>1,702,977</u>

The movement in the deferred tax provision during the year was:

	2016 £	2015 £
Provision brought forward	1,702,977	29,590
Restatement of brought forward balance	(88,587)	(4,221)
Released to profit or loss account	(795,456)	(860,000)
Deferred tax on intangible fixed assets	–	(868,346)
	<u>818,934</u>	<u>1,702,977</u>

17. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
Ordinary shares of £0.01 each	<u>120,553</u>	<u>1,206</u>	<u>120,553</u>	<u>1,206</u>

All Ordinary share classes are entitled to dividends. Any profits which the Company determines to distribute in any financial year shall be paid on to all Ordinary shareholders.

Ordinary shareholders have full voting rights.

18. Reserves

	Share premium £	Capital contribution reserve £	Foreign currency reserve £	Profit and loss account £
At 1 July 2015 <i>(restated)</i>	10,078	4,622,889	–	13,875,311
Profit for the financial year	–	–	–	5,510,412
Other comprehensive income:				
Foreign currency translation	–	–	153,889	–
At 30 June 2016	<u>10,078</u>	<u>4,622,889</u>	<u>153,889</u>	<u>19,385,723</u>

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

19. Share-based payments

As disclosed in note 3, the Company is taking the exemption available under FRS 102 paragraphs 26.18(c), 26.19 to 26.21 and 26.3 from disclosing share based payment arrangements, concerning its own equity instruments. The Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein.

The shares-based payments in the prior year of £4,622,889 were fully paid and settled as at the year-end date. The new share scheme issued in the year is immaterial to these financial statements and as such disclosure is not required.

20. Financial commitments

The Company leases various office buildings under operating leases. The present value of future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2016 £	Land and buildings 2015 £
Operating leases which expire:		
Within one year	484,575	114,855
In two to five years	1,549,051	1,411
More than five years	1,718,503	–
	<u>3,752,128</u>	<u>116,266</u>

The new lease entered into during the year for the London office is material to these financial statements.

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £123,993 (2015: £138,584).

22. Development costs

The aggregate amount of research and development expenditure recognised as an expense during the period totalled £75,369.

23. Related party transactions

The Company is taking advantage of the exemptions in FRS 102, not to disclose transactions within the Group as it is 100% owned and the financial statements of the Group are publicly available.

No further transactions require disclosure as per FRS 102.

24. Controlling party

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

The Company's immediate parent undertaking is Asperity Employee Benefits Group Limited.

The ultimate parent Company is RG Engagement Group Limited, a company incorporated in England and Wales. This is the largest and smallest level at which consolidated financial statements are prepared.

Copies of the consolidated financial statements of RG Engagement Group Limited can be obtained from:

265 Tottenham Court Road
London
W1T 7RQ

25. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The Company transitioned to FRS 102 on 1 July 2014.

The transition to FRS 102 has resulted in a small number of changes in accounting policies compared to those previously used.

The following notes to the financial statements describe the differences between equity and profit or loss presented previously, as well as equity presented in the opening statement of financial position.

25. Transition to FRS 102 *(continued)*

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

Reconciliation of equity

Equity at the date of transition for the 12 month period ended 30 June 2015 can be reconciled to the amounts recorded under old UK GAAP as follows:

	Note	As at 1 July 2014 UK GAAP £	Effect of transition £	As at 1 July 2014 FRS 102 £
Fixed assets				
Goodwill		99,000	—	99,000
Intangible assets	(c)	973,390	67,068	1,040,458
Tangible assets	(c)	455,840	(67,068)	388,772
		<u>1,528,230</u>		<u>1,528,230</u>
Current assets				
Stocks		706,102	—	706,102
Debtors	(b&d)	5,620,053	19,233,595	24,853,648
Cash at bank and in hand		5,616,653		5,616,653
		<u>11,942,808</u>	<u>19,233,595</u>	<u>31,176,403</u>
Creditors: amounts falling due within one year	(a)	(17,395,667)	(3,394,450)	(20,790,117)
Net current assets		<u>(5,452,859)</u>	<u>15,839,145</u>	<u>10,386,286</u>
Debtors: amounts falling due in more than one year		18,469,844	(18,469,844)	—
Total assets less current liabilities		<u>14,545,215</u>	<u>(2,630,699)</u>	<u>11,914,516</u>
Creditors: amounts falling due after more than one year		(337,244)	—	(337,244)
Provisions		(29,590)	—	(29,590)
Net assets		<u>14,178,381</u>	<u>(2,630,699)</u>	<u>11,547,682</u>
Capital and reserves				
Called up share capital		1,206	—	1,206
Share premium account		10,078	—	10,078
Capital contribution reserve		137,995	—	137,995
Retained earnings		14,029,102	(2,630,699)	11,398,403
Total Shareholders' funds		<u>14,178,381</u>	<u>(2,630,699)</u>	<u>11,547,682</u>

25. Transition to FRS 102 *(continued)*

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

Reconciliation of equity *(continued)*

- (a) Under FRS 102, revenue should be recognised for the sale of goods when the vendor has transferred the significant risks and rewards of ownership. It is probable that the economic benefit will flow to the entity and the revenue and associated costs can be reliably measured.

In respect of revenue on contracts this should be recognised when the outcome of a contract can be measured reliably, the entity will recognise both income and costs by reference to the percentage of completion of the contract. If the outcome cannot be reliably measured, all costs are expensed and revenue is only recognised to the extent that it is probable that costs are recoverable.

As a result of the above, the transition to FRS 102 has resulted in a total reduction in profit of £3,394,450 for the year ended 31 July 2014.

- (b) The total tax effect of the revenue recognition change has resulted in an increase of the deferred tax asset by £763,751.
- (c) Under FRS 102, software assets do not meet the definition of tangible fixed assets and are treated as intangible fixed assets. The Company has reclassified its software licenses and other software assets from tangible fixed assets to intangible fixed assets accordingly. This comprised £412,227 of software at cost and £345,159 of accumulated depreciation.
- (d) Intercompany debtors of £18,469,844 and creditors totalling £17,395,667 were originally classified as long term. On review these amounts were deemed to be repayable within 12 months and have therefore been reclassified to current assets and liabilities respectively in accordance with FRS 102.

25. Transition to FRS 102 *(continued)*

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

Reconciliation of total comprehensive income

The total comprehensive income for the 12-month period ended 30 June 2015 can be reconciled as follows:

	Note	For the year ended 30 June 2015 UK GAAP £	Effect of transition £	For the year ended 30 June 2015 FRS 102 £
Net revenue	(a)	171,699,318	(462,293)	171,237,025
Cost of sales		(156,260,550)	–	(156,260,550)
Gross profit		15,438,768	(462,293)	14,976,475
Administrative expenses		(11,877,609)	–	(11,877,609)
Operating profit/ (loss)		3,561,159	(462,293)	3,098,866
Other interest receivable and similar income		5,279	–	5,279
Profit/ (loss) on ordinary activities before taxation		3,566,438	(462,293)	3,104,145
Tax on profit/ (loss) on ordinary activities	(b)	(485,880)	95,926	(389,954)
Profit for the financial year		3,080,558	(366,367)	2,714,191
Other comprehensive income				
Foreign exchange retranslation		–	–	–
Total comprehensive income		3,080,558	(366,367)	2,714,191

- (a) Under FRS 102, revenue should be recognised for the sale of goods when the vendor has transferred the significant risks and rewards of ownership, it is probable that the economic benefit will flow to the entity, and the revenue and associated costs can be reliably measured.

In respect of revenue on contracts, this should be recognised when the outcome of a contract can be measured reliably. In this case, the entity will recognise both income and costs by reference to the percentage of completion of the contract. If the outcome cannot be reliably measured, all costs are expensed and revenue is only recognised to the extent that it is probable that costs are recoverable.

As a result of the above, the transition to FRS 102 has resulted in a total reduction in revenue for the year of £462,293.

25. Transition to FRS 102 *(continued)*

Reconciliation of total comprehensive income *(continued)*

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

- (b) The total tax effect of the revenue recognition change has resulted in a reduction in the corporation tax charge for the year by £95,926.

No other transitional adjustments were required in equity or profit or loss for the year.

25. Transition to FRS 102 *(continued)*

Reconciliation of equity

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

	Note	As at 30 June 2015 UK GAAP £	Effect of transition £	As at 30 June 2015 FRS 102 £
Fixed assets				
Goodwill		91,988	–	91,988
Intangible assets	(c)	1,180,258	70,248	1,250,506
Tangible assets	(c)	516,449	(70,248)	446,201
		1,788,695	–	1,788,695
Current assets				
Stocks		577,785	–	577,785
Debtors	(b&d)	9,022,351	32,226,203	41,248,554
Cash at bank and in hand		2,383,188	–	2,383,188
		11,983,324	32,226,203	44,209,527
Creditors: amounts falling due within one year	(a&d)	(21,983,503)	(5,505,235)	(27,488,738)
Net current assets		(10,000,179)	26,720,968	16,720,789
Debtors: amounts falling due in more than one year		31,366,526	(31,366,526)	–
Total assets less current liabilities		23,155,042	(4,645,558)	18,509,484
Creditors: amounts falling due after more than one year		(1,648,493)	1,648,493	–
Net assets		21,506,549	(2,997,065)	18,509,484
Capital and reserves				
Called up share capital		1,206	–	1,206
Share premium account		10,078	–	10,078
Capital redemption reserve		4,622,889	–	4,622,889
Other reserves		–	–	–
Retained earnings		16,872,376	(2,997,065)	13,875,311
Total Shareholders' funds		21,506,549	(2,997,065)	18,509,484

25. Transition to FRS 102 *(continued)*

Reconciliation of equity *(continued)*

Reward Gateway (UK) Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

- (a) Under FRS 102 revenue should be recognised for the sale of goods when the vendor has transferred the significant risks and rewards of ownership. It is probable that the economic benefit will flow to the entity and the revenue and associated costs can be reliably measured.

In respect of revenue on contracts this should be recognised when the outcome of a contract can be measured reliably, the entity will recognise both income and costs by reference to the percentage of completion of the contract. If the outcome cannot be reliably measured, all costs are expensed and revenue is only recognised to the extent that it is probable that costs are recoverable.

As a result of the above, the transition to FRS 102 has resulted in a total reduction in revenue for the year ended 31 July 2015 of £462,293.

- (b) The total tax effect of the revenue recognition change has resulted in an increase of the deferred tax asset for the year ended 31 July 2015 by £95,926.
- (c) Under FRS 102 software assets do not meet the definition of tangible fixed assets and are treated as intangible fixed assets. The Company has reclassified its software licenses and other software assets from tangible fixed assets to intangible fixed assets accordingly. This comprised £415,407 of software at cost and £345,159 of accumulated depreciation.
- (d) Intercompany debtors OF £31,366,526 and creditors totalling £1,648,493 were originally classified as long term. On review these amounts were deemed to be repayable within 12 months and have therefore been reclassified to current assets and liabilities respectively in accordance with FRS 102.

No other transitional adjustments were required in equity or profit or loss for the year.