

COMPANIES HOUSE

# Financial Statements Retail Merchant Group Limited

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For the Year Ended 31 December 2016



Registered number: 06257540

**Retail Merchant Group Limited**

## Company Information

<b>Directors</b>	Mr G Poppleton Mr P McOmish Mr I G Pennick Mr I S Robson Mr N Watson (appointed 29 July 2016) Mr M E Postle (resigned 31 December 2016) Mr S Stewart
<b>Company secretary</b>	Mr P McOmish
<b>Registered number</b>	06257540
<b>Registered office</b>	Matrix House North Fourth Street MILTON KEYNES MK9 1NJ
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 2 Broadfield Court SHEFFIELD S8 0XF
<b>Bankers</b>	Natwest Bank PLC Victoria Street GRIMSBY DN31 1UX

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## Group Strategic Report

### For the Year Ended 31 December 2016

The directors present their Strategic Report for the year ended 31 December 2016.

#### Principal activities and business review

Annual turnover increased to £20.5 million (2015: £15.4 million). The directors are satisfied with the annual group results. The group achieved an operating profit of £7.4 million, an increase of 282% on the prior year of £2.6 million. The group has a sizeable tax charge of £1.6 million and has a net profit for the year of £5.8 million, which is an increase of 299% on the previous year of £1.9 million.

The group has invested in operational fixed assets which have increased to £7.0 million compared to the prior year of £5.8 million which will continue to enhance our customer experience. The group has retained much of its net profit and this has helped strengthen its working capital to £2.3 million compared with a negative number at the end of the prior year.

Cash generation was strong with operating inflow of £8.5 million resulting in a net increase in cash of £3.1 million.

We continue to develop and invest in new technologies and services to drive the growth and efficiency of the business and create additional opportunities with both new and existing customers.

#### Principal risks and uncertainties

The principal risks to the business arise from competition, recruitment and retention of key people, technological changes and regulatory changes.

##### Competition

We are at risk from competitors who offer the same service. To mitigate this risk we ensure that we recruit experienced staff and offer a competitive package to our customers.

We continue to grow the business through Customer referrals, direct marketing, social media and PR activities to spread the message about the unique offering and benefits package and to expand our head count with new offices and a growing sales force.

##### Recruitment and retention of key people

With the company expanding, the board of directors are responsible for creating and appointing critical new business positions to build and supplement departments with the critical experience, key skills and industry knowledge needed to keep ahead of the competition.

##### Technological changes

The market the group operates in is relatively mature but new payment technologies are being developed continually. The risk to the group is that we do not understand and anticipate changes occurring and are caught out by not having “state of the art” devices for our customers. To mitigate this risk we have a dedicated team who work with the industry to identify potential changes and continually keep the board informed of the risks and options available to us.

##### Regulatory changes

The industry is significantly regulated although our business is not. We continue to monitor the direction of travel of regulations and anticipate where changes might occur. We continue to improve our process order systems to ensure readiness should any regulatory change occur.

# Group Strategic Report

For the Year Ended 31 December 2016

## Financial risks

### Liquidity risk

The group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through inter-company accounts and bank borrowings.

## Key performance indicators

### Financial key performance indicators

The directors manage the ongoing performance of the business by reviewing key financial performance indicators as follows;

- Gross Margin 58% (2015: 49%)
- Net Margin 36% (2015: 16%)

### Other key performance indicators

The directors also measure the importance of staff and customer retention.

## Future outlook

In February 2017 Technology Cross Ventures Limited acquired the majority shareholding of Retail Merchant Group Limited.

This report was approved by the board on 21 June 2017 and signed on its behalf.



**Mr P McOmish**  
Director

## **Directors' Report**

**For the Year Ended 31 December 2016**

The directors present their report and the financial statements for the year ended 31 December 2016.

### **Directors**

The directors who served during the year were:

Mr G Poppleton

Mr P McOmish

Mr I G Pennick

Mr I S Robson

Mr N Watson (appointed 29 July 2016)

Mr M E Postle (resigned 31 December 2016)

Mr S Stewart

### **Directors' responsibilities statement**

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Directors' Report (continued)

For the Year Ended 31 December 2016

### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

### Post balance sheet events

In February 2017 Technology Cross Ventures Limited acquired the majority shareholding of Retail Merchant Group Limited.

### Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 21 June 2017 and signed on its behalf.



Mr P McOmish  
Director

## Independent Auditor's Report to the Members of Retail Merchant Group Limited

We have audited the financial statements of Retail Merchant Group Limited for the year ended 31 December 2016, which comprise the consolidated Statement of Income and Retained Earnings, the consolidated and parent Company Statement of Financial Position, the consolidated Statement of Cash Flows and the related notes. The relevant financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.





## Independent Auditor's Report to the Members of Retail Merchant Group Limited (continued)

### **Matters on which we are required to report under the Companies Act 2006**

In the light of our knowledge and understanding of the group and parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

### **Matters on which we are required to report by exception**

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

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

*Michael Redfern*

Michael Redfern (Senior Statutory Auditor)  
for and on behalf of  
Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditor  
SHEFFIELD

21 June 2017

## Consolidated Statement of Income and Retained Earnings

For the Year Ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	20,545,844	15,373,539
Cost of sales		(8,624,619)	(7,872,077)
<b>Gross profit</b>		<b>11,921,225</b>	<b>7,501,462</b>
Distribution costs		(231,781)	(398,278)
Administrative expenses		(4,267,347)	(4,477,429)
<b>Operating profit</b>	5	<b>7,422,097</b>	<b>2,625,755</b>
Interest receivable and similar income	9	4,143	1,036
Interest payable and expenses	10	(86,439)	(206,192)
<b>Profit on ordinary activities before taxation</b>		<b>7,339,801</b>	<b>2,420,599</b>
Tax on profit on ordinary activities	11	(1,574,379)	(495,101)
<b>Profit on ordinary activities after taxation</b>		<b>5,765,422</b>	<b>1,925,498</b>
Retained earnings at the beginning of the year		868,089	(1,057,409)
Profit for the year attributable to the owners of the parent		5,765,422	1,925,498
<b>Retained earnings at the end of the year</b>		<b>6,633,511</b>	<b>868,089</b>

The notes on pages 11 to 26 form part of these financial statements.

## Consolidated Statement of Financial Position

As at 31 December 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Intangible assets	12	100,053	240,109
Tangible assets	13	7,031,193	5,772,735
		<u>7,131,246</u>	<u>6,012,844</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	15	2,027,773	1,473,197
Cash at bank and in hand	16	3,704,176	635,834
		<u>5,731,949</u>	<u>2,109,031</u>
Creditors: amounts falling due within one year	17	(3,429,684)	(2,650,387)
<b>Net current assets/(liabilities)</b>		<u>2,302,265</u>	<u>(541,356)</u>
<b>Total assets less current liabilities</b>		<u>9,433,511</u>	<u>5,471,488</u>
Creditors: amounts falling due after more than one year	18	-	(1,803,399)
<b>Net assets</b>		<u>9,433,511</u>	<u>3,668,089</u>
<b>Capital and reserves</b>			
Called up share capital	23	2,800,000	2,800,000
Profit and loss account	22	6,633,511	868,089
<b>Equity attributable to owners of the parent Company</b>		<u>9,433,511</u>	<u>3,668,089</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 June 2017.



**Mr P McOmish**  
Director

The notes on pages 11 to 26 form part of these financial statements.

## Company Statement of Financial Position

As at 31 December 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Investments	14	200	200
<b>Current assets</b>			
Debtors: amounts falling due within one year	15	117,626	4,477,967
Cash at bank and in hand	16	29,529	29,134
		<u>147,155</u>	<u>4,507,101</u>
Creditors: amounts falling due within one year	17	(918,218)	(3,117,826)
<b>Net current (liabilities)/assets</b>		<u>(771,063)</u>	<u>1,389,275</u>
<b>Total assets less current liabilities</b>		<u>(770,863)</u>	<u>1,389,475</u>
Creditors: amounts falling due after more than one year	18	-	(1,803,399)
<b>Net liabilities</b>		<u>(770,863)</u>	<u>(413,924)</u>
<b>Capital and reserves</b>			
Called up share capital	23	2,800,000	2,800,000
Profit and loss account	22	(3,570,863)	(3,213,924)
		<u>(770,863)</u>	<u>(413,924)</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Income and Retained Earnings in these financial statements. The loss after tax of the parent Company for the year was £356,940 (2015 - loss £342,743)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 June 2017.



**Mr P McOmish**

Director

The notes on pages 11 to 26 form part of these financial statements.

# Consolidated Statement of Cash Flows

For the Year Ended 31 December 2016

	2016 £	2015 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	5,765,422	1,925,498
<b>Adjustments for:</b>		
Amortisation of intangible assets	115,056	13,758
Depreciation of tangible assets	2,254,317	1,857,010
Impairment of intangibles	-	221,765
Loss on disposal of tangible assets	80,842	-
Interest paid	86,413	206,056
Interest received	(4,143)	(1,036)
Taxation charge/(credit)	1,574,379	(547,500)
Increase in debtors	(504,076)	(86,962)
Increase/(decrease) in creditors	248,609	(215,205)
Corporation tax (paid)/received	(1,094,192)	830,548
<b>Net cash generated from operating activities</b>	<b>8,522,627</b>	<b>4,203,932</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	-	(475,632)
Proceeds from reduction in purchase price of intangible assets	25,000	-
Purchase of tangible assets	(3,593,617)	(3,036,800)
Sale of tangible fixed assets	-	92,395
Interest received	4,143	1,036
<b>Net cash used in investing activities</b>	<b>(3,564,474)</b>	<b>(3,419,001)</b>
<b>Cash flows from financing activities</b>		
Repayment of other loans	(1,803,398)	(93,944)
Interest paid	(86,413)	(206,056)
<b>Net cash used in financing activities</b>	<b>(1,889,811)</b>	<b>(300,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,068,342</b>	<b>484,931</b>
Cash and cash equivalents at beginning of year	635,834	150,903
<b>Cash and cash equivalents at the end of year</b>	<b>3,704,176</b>	<b>635,834</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	3,704,176	635,834

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 1. General information

Retail Merchant Group Limited is a limited liability company incorporated in England and Wales. Its registered head office is located at Matrix House, North Fourth Street, Milton Keynes, MK9 1NJ.

The principal activities of the Group during the year were providing credit and debit card processing services and membership to retailers.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in Sterling (£).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

### 2.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Income and Retained Earnings from the date on which control is obtained. They are deconsolidated from the date control ceases.

### 2.3 Going concern

The company uses working capital balances that arise directly from its operations and manages its financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Liquidity is monitored by reference to forecasts covering the period to 2019 and available facilities. Having reviewed forecasts, the directors do not believe there are any uncertainties which cast doubt on the ability of the Group to continue as a going concern.

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 2. Accounting policies (continued)

### 2.4 Revenue

The Group provides membership to its customers, who are invoiced on a quarterly basis in advance. Upon raising the invoice, the income is recognised on the system and as part of the monthly management accounts process, is then deferred in accordance with the stage of completion of the contract. In summary, membership income is recognised equally over the period of membership.

A transaction fee is incurred each time a credit or debit card terminal is used by one of the Group's customers (primarily independent retailers). This is recorded by a third party, who receive the fees from the bank for each transaction and then pay a commission to the Group.

This commission revenue from a contract to provide services is recognised in the period in which the services are provided and is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Commission revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

### 2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life based on the cash generating unit to which they are associated. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

### 2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as stated below.

Depreciation is provided on the following basis:

Terminals	-	20% straight line
Office equipment	-	25% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Income and Retained Earnings.

## Notes to the Financial Statements

For the Year Ended 31 December 2016

### 2. Accounting policies (continued)

#### 2.7 Operating leases

Rentals paid under operating leases are charged to the income and expense on a straight line basis over the period of the lease.

#### 2.8 Impairment of fixed assets and intangible assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit (CGU) to which the asset has been allocated) is tested for impairment. 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 (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### 2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.



# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 2. Accounting policies (continued)

### 2.12 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 2.14 Finance costs

Finance costs are charged to the Consolidated Statement of Income and Retained Earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 2. Accounting policies (continued)

### 2.15 Pensions

#### Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

### 2.16 Interest income

Interest income is recognised in the Consolidated Statement of Income and Retained Earnings using the effective interest method.

### 2.17 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Income and Retained Earnings in the year in which they are incurred.

### 2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgments and estimates. Judgments and estimates 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 circumstance.

The items in the financial statements where these judgments or estimates have been made include:

### Impairment of intangible assets

The company makes an estimate of the recoverable value of intangible assets. When assessing impairment of intangibles, management considers factors including the likely future discounted cashflow and historical experience. See note 12 for the net carrying amount of the customer list and associated provision.

### Useful economic life of intangible assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful lives and residual values. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates based on future economic benefit attributable to the customer list. See note 12 for the carrying amount of the customer list and note 2.5 for the estimated useful economic life of the customer list.

### Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 15 for the net carrying amount of the debtors and associated provision.

### Useful economic life of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful lives and residual values. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates based on future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of property, plant and equipment and note 2.6 for the useful economic lives for each asset classification.

## 4. Turnover

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	19,579,411	14,740,874
Rest of Europe	966,433	632,665
	<u>20,545,844</u>	<u>15,373,539</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Operating lease rentals:		
- other operating leases	414,394	431,927
Depreciation of tangible fixed assets	2,254,317	1,857,010
Amortisation of intangible assets	115,056	13,758
Impairment of intangible assets	-	221,765
	<u>2,783,767</u>	<u>2,524,460</u>

## 6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	26,899	24,680
Fees payable to the Group's auditor and its associates for other services	13,525	5,850
	<u>40,424</u>	<u>30,530</u>

Auditor's remuneration for the audit of the company was £6,200 (2015 - £6,200) and other fees were £4,060 (2015 - £1,755).

## 7. Employees

Group staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	6,882,895	6,768,122
Social security costs	545,437	549,720
Cost of defined contribution scheme	40,496	39,514
	<u>7,468,828</u>	<u>7,357,356</u>

The average monthly number of employees for the Group, including the directors, during the year was as follows:

	2016 No.	2015 No.
Administration and management	94	60
Sales	161	160
	<u>255</u>	<u>220</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## Employees (continued)

Company staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	189,004	161,856
Social security costs	3,196	861
Cost of defined contribution scheme	-	-
	<u>192,200</u>	<u>162,717</u>

The average monthly number of employees for the Company, including the directors, during the year was 6 (2015 - 5).

## 8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	379,439	318,559
Company contributions to defined contribution pension schemes	4,513	-
	<u>383,952</u>	<u>318,559</u>

During the year retirement benefits were accruing to 3 directors (2015 - nil) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £113,000 (2015 - £99,417).

The value of the group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2015 - £nil).

## 9. Interest receivable

	2016 £	2015 £
Other interest receivable	<u>4,143</u>	<u>1,036</u>

## 10. Interest payable and similar charges

	2016 £	2015 £
Other loan interest payable	<u>86,439</u>	<u>206,192</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2016

**11. Taxation**

	2016 £	2015 £
<b>Corporation tax</b>		
Current tax on profits for the year	1,595,209	520,160
Adjustments in respect of previous periods	32,570	1,141
<b>Total current tax</b>	<u>1,627,779</u>	<u>521,301</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(86,062)	(26,200)
Adjustments in respect of prior periods	32,662	-
<b>Total deferred tax</b>	<u>(53,400)</u>	<u>(26,200)</u>
<b>Taxation on profit on ordinary activities</b>	<u>1,574,379</u>	<u>495,101</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>7,339,801</u>	<u>2,420,599</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	1,467,960	490,171
<b>Effects of:</b>		
Non deductible amortisation of intangibles	23,011	2,514
Adjustments to tax charge in respect of prior periods	32,570	(693)
Adjustments to tax charge in respect of prior periods - deferred tax	32,662	-
Changes to taxation rate	39	47,809
Unrecognised deferred taxation	219	(44,700)
Other	17,918	-
<b>Total tax charge/(credit) for the year</b>	<u>1,574,379</u>	<u>495,101</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 12. Intangible assets

### Group and Company

	Customer list £
<b>Cost</b>	
At 1 January 2016	475,632
Reduction in purchase price	(25,000)
	<hr/>
At 31 December 2016	450,632
<b>Amortisation</b>	
At 1 January 2016	235,523
Charge for the year	115,056
	<hr/>
At 31 December 2016	350,579
	<hr/>
<b>Net book value</b>	
At 31 December 2016	100,053
	<hr/>
At 31 December 2015	240,109
	<hr/>

During the previous year, the entity acquired the customer list of a competitor and the customers were reviewed by comparison to the average income from the Company's existing customer base and impaired to reflect likely future cashflows. The accumulated impairment charge as at 31 December 2016 amounted to £221,765 (2015: £221,765).

Since 31 December 2015, the price paid for the customer list was finalised which resulted in a reduction in cost of £25,000.

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 13. Tangible fixed assets

### Group

	Terminals £	Office equipment £	Total £
<b>Cost</b>			
At 1 January 2016	9,690,776	1,286,475	10,977,251
Additions	3,460,098	133,519	3,593,617
Disposals	(496,214)	-	(496,214)
At 31 December 2016	<u>12,654,660</u>	<u>1,419,994</u>	<u>14,074,654</u>
<b>Depreciation</b>			
At 1 January 2016	4,515,317	689,199	5,204,516
Charge for the period on owned assets	2,083,515	170,802	2,254,317
Disposals	(415,372)	-	(415,372)
At 31 December 2016	<u>6,183,460</u>	<u>860,001</u>	<u>7,043,461</u>
<b>Net book value</b>			
At 31 December 2016	<u>6,471,200</u>	<u>559,993</u>	<u>7,031,193</u>
At 31 December 2015	<u>5,175,459</u>	<u>597,276</u>	<u>5,772,735</u>



# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 14. Fixed asset investments

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Retail Merchant Services Limited	United Kingdom	Ordinary	100 %	Provide membership to retailers
Retail Merchant Finance Limited	United Kingdom	Ordinary	100 %	Provide credit and debit card processing services to retailers

### Company

	Investments in subsidiary companies
	£
At 1 January 2016	200
At 31 December 2016	200
<b>Net book value</b>	
At 31 December 2016	200
At 31 December 2015	200

## Notes to the Financial Statements

For the Year Ended 31 December 2016

**15. Debtors**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	1,658,732	1,236,598	31,585	24,307
Amounts owed by group undertakings	-	-	-	4,418,635
Other debtors	294,041	212,099	86,041	35,025
Deferred taxation (see Note 21)	75,000	24,500	-	-
	<u>2,027,773</u>	<u>1,473,197</u>	<u>117,626</u>	<u>4,477,967</u>

An impairment charge of £264,176 (2015: £218,267) was recognised against group trade debtors.

Trade debtors are stated after provisions for impairment of £107,703 (2015: £67,489).

**16. Cash and cash equivalents**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	<u>3,704,176</u>	<u>635,834</u>	<u>29,529</u>	<u>29,134</u>

**17. Creditors: Amounts falling due within one year**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	536,962	467,993	-	40,000
Amounts owed to group undertakings	-	-	904,530	3,072,326
Corporation tax	1,053,135	522,448	-	-
Taxation and social security	514,509	356,921	8,188	-
Accruals and deferred income	1,325,078	1,303,026	5,500	5,500
	<u>3,429,684</u>	<u>2,650,388</u>	<u>918,218</u>	<u>3,117,826</u>

**18. Creditors: Amounts falling due after more than one year**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Other loans	<u>-</u>	<u>1,803,398</u>	<u>-</u>	<u>1,803,398</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2016

**19. Loans**

Interest accrued on the loans at 10.89% per annum and is calculated monthly.

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
<b>Amounts falling due within one year</b>				
Other loans	-	1,803,398	-	1,803,398

**20. Financial instruments**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
<b>Financial assets that are debt instruments measured at amortised cost:</b>				
Trade debtors	1,658,732	1,236,597	31,385	24,307
Amounts owed by group undertakings	-	-	-	4,418,635
Other debtors	294,041	212,099	86,041	35,025
	<u>1,952,773</u>	<u>1,448,696</u>	<u>117,426</u>	<u>4,477,967</u>
<b>Financial liabilities measured at amortised cost:</b>				
Trade creditors	(536,962)	(467,993)	-	(40,000)
Amounts owed to group undertakings	-	-	(904,530)	(3,072,325)
Accruals	(329,635)	(1,303,026)	(5,500)	(5,500)
Other loans	-	(1,803,398)	-	(1,803,398)
	<u>(866,597)</u>	<u>(3,574,417)</u>	<u>(910,030)</u>	<u>(4,921,223)</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2016

**21. Deferred taxation****Group**

	2016 £	2015 £
At beginning of year	24,500	(1,700)
Charged to the profit or loss	50,500	26,200
<b>At end of year</b>	<b>75,000</b>	<b>24,500</b>

The group has an unrecognised deferred tax asset of £380,177 (2015 - £447,000) relating to short term timing differences and losses, which are available to offset against future taxable profits. The asset was not recognised due to the uncertainty of future taxable profits.

The deferred tax asset is made up as follows:

	Group 2016 £	Group 2015 £
Accelerated capital allowances	(74,700)	(23,800)
Short term timing differences	(300)	(700)
	<b>(75,000)</b>	<b>(24,500)</b>

**22. Reserves****Profit & loss account**

- includes all current and prior period retained profit and losses.

**23. Share capital**

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Authorised, allotted, called up and fully paid</b>		
2,800,000 Ordinary shares of £1 each	<b>2,800,000</b>	<b>2,800,000</b>

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 24. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £40,496 (2015 - £39,514). Contributions totalling £3,145 (2015 - £6,553) were payable to the fund at the balance sheet date.

## 25. Commitments under operating leases

At 31 December 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £
Not later than 1 year	329,572	314,761
Later than 1 year and not later than 5 years	424,076	111,795
<b>Total</b>	<b>753,648</b>	<b>426,556</b>

## 26. Related party transactions

During the period, the company paid consultancy fees of £88,000 (2015 - £99,417) to Gareth Poppleton, a director of the company.

Key management personnel are considered to be the Board of Directors. The total key management personnel compensation for the year was £405,797 (2015 - £333,951).

As at 1 January 2016, there was a loan with shareholders totalling £1,803,398, as per note 19. This loan was repaid in full during the year, with interest payable of £86,439. The balance as at 31 December 2016 is therefore £nil.

## 27. Post balance sheet events

In February 2017 Technology Cross Ventures Limited acquired the majority shareholding of Retail Merchant Group Limited.

## 28. Controlling party

The ultimate parent undertaking and controlling related party of this company is Nightingale Holdings Limited, a company incorporated in the Isle of Man, by virtue of its 93% ownership of the company's share capital.