

RETAIL MONEY MARKET LIMITED

Annual report and financial statements

For the year ended 31 March 2016

Registered number: 07075792

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RETAIL MONEY MARKET LIMITED

Annual reports and financial statements for the year ended 31 March 2016

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RETAIL MONEY MARKET LIMITED

Officers and professional advisors

Directors

P W E Behrens
I D Boyce
M Davies
H S Garmoyle
J W G Gunner (appointed 24 March 2016)
A R F Hughes
A R Lewis
H J T Russell

Registered office

6th Floor
55 Bishopsgate
London
EC2N 3AS

Independent auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

RETAIL MONEY MARKET LIMITED

Strategic report for the year ended 31 March 2016

The directors present their Strategic report of Retail Money Market Limited ("the Company") and its subsidiary (together "the Group" or "RateSetter") for the year end 31 March 2016.

Review of the business

The principal activity of the Group throughout the year was marketplace lending, acting as a financial intermediary to match lenders and borrowers via the RateSetter platform. RateSetter's objective is to increase access to loans as an asset class and become an attractive destination for creditworthy households and businesses to borrow.

Customers

The Group has a diversified customer base of both lenders and borrowers. Lenders are predominantly individuals: as at 31 March 2016 they funded 95% of the outstanding loans under management. Borrowers are a mixture of consumers and businesses, with 56% of originations during the year ended 31 March 2016 being to consumers.

The majority of transactions are conducted via the RateSetter website and the Group is committed to delivering a simple and easy-to-use platform. The platform allows lenders to fund loans to borrowers, as opposed to lending to a bank in the form of a deposit. Repayment is not guaranteed and therefore lenders receive rates greater than those paid on deposits and commensurate with the lack of guarantee. Lenders choose how long they wish to lend for and set the rate of interest they require on their loans.

Credit risk and the Provision Fund

Lenders have contracts with borrowers and as such their capital is at risk due to potential borrower default. The Group manages lenders' credit risk throughout the borrower lifecycle from initial credit risk assessment to arrears management. Some protection is also provided by the Provision Fund which has ensured that to date no individual lender has lost any money via RateSetter. Borrowers pay a risk-based fee into the Provision Fund which pays participating lenders if a borrower is in arrears or in default. The Provision Fund provides protection limited to the value of the capital held in the Provision Fund at any point in time. It is not a guarantee and loans made by lenders are not covered by the Financial Services Compensation Scheme.

Historically the Provision Fund has been held in a trust but during 2015 RateSetter management took the decision to hold the Provision Fund on the balance sheet of RateSetter Trustee Services Limited (a 100% subsidiary of Retail Money Market Limited). This creates a number of benefits for the lenders, in particular greater transparency and the removal of a potential conflict of interest about how to split the fees between RateSetter and the Provision Fund as well as giving the Group a strong incentive to manage credit well over the long term.

Revenues

The revenues of the Group principally arise from fees charged to borrowers. Fees are split between Retail Money Market Limited (which receives upfront loan arrangement fees and ongoing service fees) and RateSetter Trustee Services Limited (which receives risk-based fees in relation to the credit management services it provides to the Provision Fund).

Capital raising

In March 2015, the Group raised £20m to support its continued development. This has enabled the Group to invest across the business in infrastructure, technology and people. It has also allowed the business to develop a recurring revenue stream, by charging fees over the term of a loan rather than all upfront, which reduces the dependence on transactional revenues and creates a more sustainable business model. The Group also moved offices in December 2015.

Regulation

Retail Money Market Limited has been operating under interim permission from the Financial Conduct Authority (FCA) since 1 April 2014. An application for full authorisation was made in October 2015. This is progressing and once fully authorised Retail Money Market Limited will be able to offer its own ISA, as announced by the government in 2015 with the launch of the Innovative Finance ISA.

RETAIL MONEY MARKET LIMITED

Strategic report for the year ended 31 March 2016

Results and performance

The results of the Group for the year, as set out on page 12, show a loss on ordinary activities before tax of £4,889,658 (2015: £475,656 profit). The shareholders' funds of the Group total £24.1m (2015: £28.1m), including £6.9m of restricted cash representing the capital held by the Group in the Provision Fund. The remaining capital of the Provision Fund is held in the RateSetter Provision Fund Trust.

The performance of the Group during the financial year ending 31 March 2016 reflects the growth of the Group. Turnover increased by 47% from £12.6m to £18.5m driven by an increase in both the value of new loan originations and the outstanding loans under management. Despite this revenue growth, the overall loss before taxation was driven by the significant investment in people and IT infrastructure made across the Group, as mentioned above, and the deliberate move to charge fees over the term of the loan rather than all upfront. The trend in investment and growth is expected to continue during the next financial year.

Analysis of key performance indicators

The Board monitors the progress of the Group by reference to the following KPIs:

	2016	2015
Loans under management as at 31 March	£581.3m	£341.1m
Number of active lenders as at 31 March	31,036	18,608
Revenue for the year	£18,458,205	£12,571,797
(Loss) / profit before tax for the year	(£4,889,658)	£475,656

Risks and uncertainties

Risk management

Robust risk management lies at the centre of our objective to grow responsibly and productively. The Group is focusing on putting in place a strong risk management framework, based on the 'three lines of defence' model, which will support the next stage of growth of the Group. This has included:

- the establishment of a Board Risk Committee and a Board Audit Committee;
- the recruitment of an independent Non-Executive risk specialist to chair the Board Risk Committee and a Chief Risk Officer;
- the appointment of an internal auditor to support the Audit Committee and provide an independent assessment of the Group's governance arrangements and operating procedures; and,
- the implementation of a performance management system that places risk management at the centre of all the Group's objectives.

The Group is regulated by the FCA under interim permission, is a member of the Credit Industry Fraud Avoidance System (Cifas) and is a founder member of the P2P Finance Association (P2PFA), an industry body established to promote high standards of consumer protection for users of a P2P platform.

The Group has put in place clear segregation of responsibilities between the origination, initial credit assessment and ongoing monitoring of borrowers. Lenders through the RateSetter platform are afforded some protection by the Provision Fund, into which all borrowers pay a risk-based contribution. The Provision Fund is not a guarantee but is available to recompense lenders for any missed payments or defaults up to the value of capital that is held in the Provision Fund at any point in time.

RETAIL MONEY MARKET LIMITED

Strategic report for the year ended 31 March 2016

Key risks

The principal risks and uncertainties that the Group faces along with the Group's approach to mitigating these risks are listed below:

- **Strategic risk:** the risk which can affect the Group's ability to achieve its corporate and strategic objectives.

The Group seeks to mitigate strategic risk by focusing on a sustainable business model. In particular the Group has focused on developing recurring revenues from a diversified borrower base to mitigate against external shocks or downturns in the economy and reduce the reliance on transactional fees or any particular sector. As the Group grows it continues to monitor the adequacy and ability of its internal systems and management to support the Group, and where necessary will seek alternative arrangements. In addition, the Group closely monitors uncertain external factors or market events that might impact the Group's business model.

- **Credit risk:** the risk of financial loss arising from a borrower failing to meet their financial obligations in accordance with agreed terms.

The Group is not normally exposed to direct risk of capital loss across borrower loans as the Group acts as an agent facilitating and administering loans. How the Group manages credit risk on behalf of its lenders is covered under 'Reputational risk'.

- **Operational Risk:** the risk of financial loss or reputational damage resulting from inadequate or failed internal processes, people or systems or from external events including financial crime.

The Group maintains robust operational systems and controls and has been investing heavily in building up its capabilities for the next stage of growth, in particular in making its IT infrastructure resilient and well-protected against cyber-crime.

To mitigate specific fraud risk, the Group continues to invest in fraud specialists and anti-fraud tools as well as being a member of Cifas, the UK's fraud prevention service.

- **Conduct Risk:** the risk of detriment to the Group's customers due to the inappropriate execution of its business activities and processes.

The Group mitigates conduct risk by observing and tracking activities which affect customers, monitoring customer complaints and implementing any mitigations or process improvements required. The Group also seeks to be as transparent as possible in all its activities, publishing a range of historical and current RateSetter market data to inform customers and also allowing them to download the full loan book.

- **Regulatory Risk:** the risk of a change in regulations and law affecting the Group.

The regulation of the P2P industry continues to evolve and the Group monitors closely any changes in the regulatory environment that might impact the business. The Group is open and proactive with the regulators.

- **Liquidity Risk:** the direct risk that the Group is not able to meet its financial obligations as they fall due.

The Group's approach to managing the direct liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's position. The Group's liquidity position is monitored and reviewed on an ongoing basis by the directors.

RETAIL MONEY MARKET LIMITED

Strategic report for the year ended 31 March 2016

Key risks (continued)

- **Market risk:** the risk of financial losses through asset or liability positions sensitive to changes in interest rate.

The Group currently does not have any debt or equity investments that require marking to market so does not consider this to be a direct risk currently. However, the Group seeks to mitigate this risk by monitoring movements in interest rates and reviewing the potential risk on a regular basis.

Indirectly the Group bears some risk from the variable cost of money funded in its rolling market. The Group allows its lenders to exit from their lending in this market free of any cost and therefore bears the interest rate risk associated with any change in the cost of funds of the replacing lenders. The Group monitors movements in its funding costs and reviews the potential risk on a regular basis.

- **Reputational risk:** the risk that the Group is affected by the underperformance of its loans under management, its ability to attract funds for new lending or the failure of its intermediaries. The reputation of RateSetter is founded on its ability to:

(1) Manage the credit risk associated with its loans under management on behalf of its lenders.

The Group seeks to mitigate this via prudently managing the credit risk that the lenders are exposed to. This includes a clearly defined risk appetite, robust governance principles, and a set of lending practices and controls that are aiming to be in line with market best practice. The Group uses multiple bureaux to screen its retail customers, has put in place industry-recognised fraud and ID verification tools and closely monitors performance across customer type and channels. Commercial exposures are underwritten by experienced credit officers and subject to ongoing monitoring. Arrears management is performed internally and through established external debt collection agencies.

Whilst not providing for the most severe stress events, the Group seeks to build a portfolio that is balanced across customer types and sectors, and delivers risk and returns that are commensurate together with some protection from the Provision Fund, up to the value of capital that is held in the Provision Fund at any point in time.

(2) Attract sufficient funds from lenders to fund new lending or to replace lenders wishing to exit.

The Group's approach to ensuring it has sufficient lender funds for new lending or to replace lenders wishing to exit is to continue to widen its lender base and to minimise any funding concentration risk on a specific lender or set of lenders. The Group seeks to maintain a diversified range of lenders which it attracts via referrals, advertising, and business development. For lenders wishing to exit, the Group specifies in its terms and conditions that lenders can only exit subject to the existence of a replacement lender. The Group monitors lender behaviour carefully and seeks to balance the supply of funds with the demand for loans.

(3) Manage the risk associated with the potential business failure of any of its intermediaries.

The Group originates some lending via intermediaries. Poor performance of an intermediary or the inability of the Group to supply funds for new lending for an intermediary reliant on the Group, could result in the business failure of an intermediary. This could result in a deterioration of credit performance from other loans originated by the affected intermediary, either from interruptions to collections or from reputational knock-on effects resulting in higher defaults. The Group mitigates this risk via ongoing assessment and monitoring of all its intermediaries and their underlying loans under management.

RETAIL MONEY MARKET LIMITED

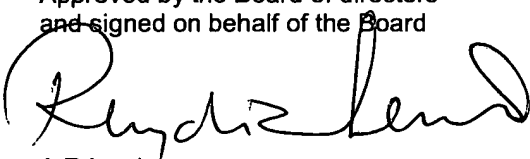
Strategic report for the year ended 31 March 2016

Future Developments

The Group will continue to focus on growing responsibly and productively, in particular growing its lender base and deepening its borrower distribution channels as well as investing in its underlying technology and operations in anticipation of the next stage of growth.

Since year-end, the Group has decided to lend £2m of its own funds directly to a RateSetter business borrower, which has run into financial difficulty. In the normal course of events, any potential bad debt would be covered by the Provision Fund, but in this instance the Group has taken the decision that there is a higher chance of recovery by continuing to support this business. The Group has decided to fund the additional working capital required itself, in a subordinated position to the RateSetter lenders.

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

A handwritten signature in black ink, appearing to read 'A R Lewis', written over the printed name and title.

A R Lewis
Director

15 July 2016

RETAIL MONEY MARKET LIMITED

Directors' report for the year ended 31 March 2016

The directors present their report and the financial statements of Retail Money Market Limited ("the Company") and its subsidiary ("the Group") for the year ended 31 March 2016.

The Strategic report on pages 2-6 contains a review of the performance of the Group during the year and provides information on the development of the Group's business.

Principal activity

The principal activity of the Group throughout the year was marketplace lending, acting as a financial intermediary to match lenders and borrowers via the RateSetter platform.

Dividend

The directors do not propose a dividend in respect of the year ended 31 March 2016 (2015: £nil).

Future developments

Likely future developments in the business of the Group are discussed in the strategic report. The primary focus of the Group is to grow responsibly and productively.

Directors

The directors of the Group who each served during the year were:

P W E Behrens
I D Boyce – Non-executive Director
M Davies – Non-executive Director
H S Garmoyle – Non-executive Director
J W G Gunner (appointed 24 March 2016) – Non-executive Director
A R F Hughes – Non-executive Director
A R Lewis
H J T Russell

Auditors

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

- so far as that director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- they have 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 Group's auditors are aware of that information.

RETAIL MONEY MARKET LIMITED

Directors' report for the year ended 31 March 2016

Going concern

The directors of the Group acknowledge that the Group is currently loss-making, reflecting the ongoing investment phase.

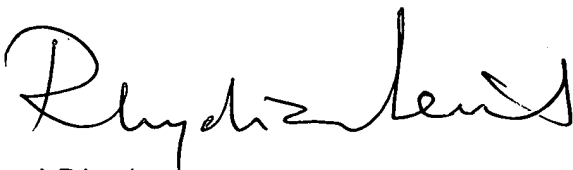
As at 31 March 2016 the Group was well-funded with £15.4m of funds on the balance sheet of Retail Money Market Limited. It also has a good track record of raising funds, most recently in March 2015 when it raised £20m.

Operationally the Group seeks to achieve a balance between upfront and recurring fees with the objective of ensuring that the Group can withstand any downturn in transactional activity and has a regular income stream to manage working capital and liquidity risks.

The Group faces a number of risks and uncertainties which are detailed in the strategic report. During the year the directors have focused on putting in place a robust risk management framework appropriate for the next stage of growth of the Group. The Group has recently appointed an experienced Non-Executive Director to chair the Board Risk Committee as well as a Chief Risk Officer, who joined the Group on 6 June 2016. Investment continues in this key area to ensure responsible management and growth of the Group.

Taking into account the above factors, the directors of the Group have reasonable expectations that the Group has adequate resources to continue its operational activities for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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



A R Lewis
Director

15 July 2016

RETAIL MONEY MARKET LIMITED

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that the directors:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and performance; 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that comply with that law and those regulations.

RETAIL MONEY MARKET LIMITED

Independent auditor's report

We have audited the consolidated financial statements of Retail Money Market Limited ("the Company") and its subsidiary (together "the Group") for the year ended 31 March 2016 which comprise of the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, the Company statement of financial position and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 set out on page 9, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors' 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 March 2016 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and,
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

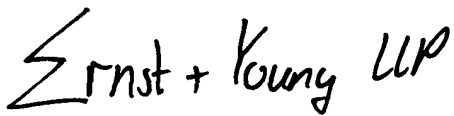
RETAIL MONEY MARKET LIMITED

Independent auditor's 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, 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; 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.



Neil Parker (Senior statutory auditor)
For and on behalf of Ernst & Young LLP

15 July 2016

RETAIL MONEY MARKET LIMITED

Consolidated statement of comprehensive income for the year ended 31 March 2016

	Note	2016 £	2015 £
Revenue		18,458,205	12,571,797
Cost of sales		(1,728,277)	(580,018)
Gross profit		16,729,928	11,991,779
Administrative expenses		(21,862,063)	(11,671,358)
Operating (loss) / profit	5	(5,132,135)	320,421
Interest receivable and similar income	8	242,477	45,939
Gain on sale of investments		-	109,296
(Loss) / profit before taxation		(4,889,658)	475,656
Income tax credit / (charge)	9	868,140	(39,804)
(Loss) / profit for the year		(4,021,518)	435,852
Other comprehensive income		-	-
Total comprehensive (loss) / profit for the year		(4,021,518)	435,852

All amounts relate to continuing activities.

The notes on pages 17 to 37 form part of these financial statements.

RETAIL MONEY MARKET LIMITED

Consolidated statement of changes in equity for the year ended 31 March 2016

	Share capital £	Share premium £	Other reserves £	Retained losses £	Total £
Balance at 1 April 2014	4	9,638,150	(1,552,523)	(1,397,314)	6,688,317
Shares issued in the year	1	-	-	-	1
Premium on shares issued in the year	-	20,068,948	-	-	20,068,948
Revaluation reserve adjustment	-	-	(97,171)	-	(97,171)
Share option award	-	-	123,846	-	123,846
Current tax in respect of share option award	-	-	139,158	-	139,158
Deferred tax in respect of share option award	-	-	763,837	-	763,837
Movement on other reserves	-	-	20	-	20
Profit for the year	-	-	-	435,852	435,852
Balance at 31 March 2015	5	29,707,098	(622,833)	(961,462)	28,122,808
Shares issued in the year	-	103,095	-	-	103,095
Shares purchased by the employee benefit trust in the year	-	-	(219,577)	-	(219,577)
Reduction of capital	-	(15,000,000)	15,000,000	-	-
Share option award	-	-	138,114	-	138,114
Current tax in respect of share option award	-	-	57,346	-	57,346
Deferred tax in respect of share option award	-	-	(67,981)	-	(67,981)
Loss for the year	-	-	-	(4,021,518)	(4,021,518)
Balance at 31 March 2016	5	14,810,193	14,285,069	(4,982,980)	24,112,287

Other reserves is made up of the share option reserve, the distributable capital reserve, the revaluation reserve and the own shares reserve.

The share option reserve is made up of share options granted to employees since October 2010. Further detail is provided in Note 18.

The distributable capital reserve of £15m (2015: £nil) arose following a reduction of capital (a transfer from share premium to a newly created distributable capital reserve) to ensure that Retail Money Market Limited met the FCA regulatory capital requirements.

The own shares reserve relates to shares of the Company that are held jointly by an employee benefit trust and certain employees of the Company. The value shown relates to the consideration paid by the employee benefit trust in respect of the joint ownership.

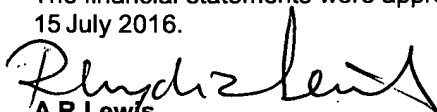
The notes on pages 17 to 37 form part of these financial statements.

RETAIL MONEY MARKET LIMITED

Consolidated statement of financial position for the year ended 31 March 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	10	32,787	1,587
Property, plant and equipment	11	1,331,137	255,788
Investments	12	16	15
		<hr/>	<hr/>
		1,363,940	257,390
Current assets			
Trade and other receivables	13	9,697,161	3,659,846
Cash and cash equivalents		15,394,441	25,821,535
Restricted cash		6,946,504	-
		<hr/>	<hr/>
		32,038,106	29,481,381
		<hr/>	<hr/>
Total assets		33,402,046	29,738,771
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	15	(8,255,849)	(1,615,963)
Provisions	16	(939,127)	-
		<hr/>	<hr/>
		(9,194,976)	(1,615,963)
Non-current liabilities			
Provisions	16	(94,783)	-
		<hr/>	<hr/>
		(94,783)	-
		<hr/>	<hr/>
Total liabilities		(9,289,759)	(1,615,963)
		<hr/>	<hr/>
Net assets		24,112,287	28,122,808
		<hr/>	<hr/>
Equity			
Share capital	17	5	5
Share premium		14,810,193	29,707,098
Other reserves		14,285,069	(622,833)
Retained losses		(4,982,980)	(961,462)
		<hr/>	<hr/>
Equity shareholders' funds		24,112,287	28,122,808
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 July 2016.


A R Lewis
 Director
 Registered Number: 07075792


H J T Russell
 Director

The notes on pages 17 to 37 form part of these financial statements.

RETAIL MONEY MARKET LIMITED

Consolidated statement of cash flows for the year ended 31 March 2016

	Note	2016 £	2015 £
Net cash flows from operating activities	19	(2,240,480)	3,712,928
Investing cash flows			
Purchase of property, plant and equipment		(1,334,905)	(249,033)
Purchase of intangible assets		(31,200)	-
Movement on revaluation reserve and other reserves		-	(97,151)
Dividends and interest received		242,477	45,939
Net cash flows from investing activities		(1,123,628)	(300,245)
Financing activities			
Additional paid in capital		-	20,068,948
Proceeds from exercise of share options		103,095	-
Purchase of own shares by employee benefit trust		(219,577)	-
Increase in share capital		-	1
Net cash flows from financing activities		(116,482)	20,068,949
Net (decrease) / increase in net funds		(3,480,590)	23,481,632
Net funds at 1 April		25,821,535	2,339,903
Net funds at 31 March		22,340,945	25,821,535

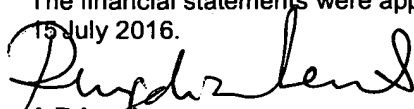
The notes on pages 17 to 37 form part of these financial statements.

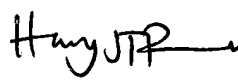
RETAIL MONEY MARKET LIMITED

Company statement of financial position for the year ended 31 March 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	10	32,787	1,587
Property, plant and equipment	11	1,331,137	255,788
Investments in subsidiary undertakings	12	264,323	16
		<u>1,628,247</u>	<u>257,391</u>
Current assets			
Trade and other receivables	13	9,690,661	3,655,096
Cash and cash equivalents		15,319,350	25,807,793
Restricted cash		1,514,901	-
		<u>26,524,912</u>	<u>29,462,889</u>
Total assets		<u>28,153,159</u>	<u>29,720,280</u>
Current liabilities			
Trade and other payables	15	(4,319,844)	(1,610,550)
Provisions	16	(118,857)	-
		<u>(4,438,701)</u>	<u>(1,610,550)</u>
Non-current liabilities			
Provisions	16	(94,783)	-
		<u>(94,783)</u>	<u>-</u>
Total liabilities		<u>(4,533,484)</u>	<u>(1,610,550)</u>
Net assets		<u>23,619,675</u>	<u>28,109,730</u>
Equity			
Share capital	17	5	5
Share premium		14,810,193	29,707,098
Other reserves		14,285,069	(622,833)
Retained losses		(5,475,592)	(974,540)
		<u>23,619,675</u>	<u>28,109,730</u>
Equity shareholders' funds		<u>23,619,675</u>	<u>28,109,730</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 July 2016.


A R Lewis
Director


H J T Russell
Director

The notes on pages 17 to 37 form part of these financial statements.

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

The Group maintains its books and records in pound sterling ("£") and presents its annual accounts in conformity with United Kingdom laws and regulations. The functional currency of the Group is also pound sterling on the basis that it is the pricing currency in which the transactions of the Group are conducted.

These annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on a going concern basis under the historical cost convention.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in the financial statements. The parent company's loss before tax for the year was £5,369,192 (2015: £494,622 profit).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the year the assumptions change. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

1.2 Changes in accounting policy and disclosures

(a) *IFRS 1, First time adoption of IFRS*

The financial statements, for the year ended 31 March 2016, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended March 2015, the Group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 March 2016, as described in the summary of accounting policies in Section 1.3. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 April 2014, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP financial statements, including the statement of financial position as at 1 April 2014 and the financial statements for the year ended 31 March 2015.

The Group has applied the following exemption:

IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 April 2014. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, are their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

The estimates at 1 April 2014 and at 31 March 2015 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies) apart from share-based payments where application of UK GAAP did not require estimation.

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

1. Accounting policies (continued)

Group reconciliation of statement of financial position as at 1 April 2014 (date of transition)

	Note	UK GAAP £	Remeasurements £	IFRS at 1 April 2014 £
Fixed assets				
Intangible assets		1,587	-	1,587
Property, plant and equipment		57,599	-	57,599
Investments		17	-	17
		<hr/>	<hr/>	<hr/>
		59,203	-	59,203
Current assets				
Trade and other receivables		1,636,252	82,154	1,718,406
Investments		3,104,250	-	3,104,250
Cash and cash equivalents		2,339,903	-	2,339,903
		<hr/>	<hr/>	<hr/>
		7,080,405	82,154	7,162,559
		<hr/>	<hr/>	<hr/>
Total assets		7,139,608	82,154	7,221,762
		<hr/>	<hr/>	<hr/>
Current liabilities				
Trade and other payables		(533,445)	-	(533,445)
		<hr/>	<hr/>	<hr/>
Total liabilities		(533,445)	-	(533,445)
		<hr/>	<hr/>	<hr/>
Net assets		6,606,163	82,154	6,688,317
		<hr/>	<hr/>	<hr/>
Equity				
Share capital		4	-	4
Share premium		9,638,150	-	9,638,150
Other reserves	A	(1,664,424)	111,901	(1,552,523)
Retained losses	A	(1,367,567)	(29,747)	(1,397,314)
		<hr/>	<hr/>	<hr/>
Equity shareholders' funds		6,606,163	82,154	6,688,317
		<hr/>	<hr/>	<hr/>

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

1. Accounting policies (continued)

Group reconciliation of statement of financial position as at 31 March 2015

	Note	UK GAAP £	Remeasurements £	IFRS at 31 March 2015 £
Fixed assets				
Intangible assets		1,587	-	1,587
Property, plant and equipment		255,788	-	255,788
Investments		15	-	15
		257,390	-	257,390
Current assets				
Trade and other receivables	A	2,813,076	846,770	3,659,846
Cash and cash equivalents		25,821,535	-	25,821,535
		28,634,611	846,770	29,481,381
Total assets		28,892,001	846,770	29,738,771
Current liabilities				
Trade and other payables	A	(1,635,192)	19,229	(1,615,963)
Total liabilities		(1,635,192)	19,229	(1,615,963)
Net assets		27,256,809	865,999	28,122,808
Equity				
Share capital		5	-	5
Share premium		29,707,098	-	29,707,098
Other reserves	A	(1,761,575)	1,138,742	(622,833)
Retained losses	A	(688,719)	(272,743)	(961,462)
Equity shareholders' funds		27,256,809	865,999	28,122,808

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

1. Accounting policies (continued)

Group reconciliation of total comprehensive income for the year ended 31 March 2015

	Note	UK GAAP £	Remeasurements £	IFRS for the year ended 31 March 2015 £
Revenue		12,571,797	-	12,571,797
Cost of sales		(580,018)	-	(580,018)
Gross profit		11,991,779	-	11,991,779
Administrative expenses	A	(11,547,512)	(123,846)	(11,671,358)
Operating profit		444,267	(123,846)	320,421
Interest receivable and similar income		45,939	-	45,939
Gain on sale of investments		109,296	-	109,296
Profit before taxation		599,502	(123,846)	475,656
Income tax credit / (charge)	A	79,346	(119,150)	(39,804)
Profit for the year		678,848	(242,996)	435,852
Other comprehensive income		-	-	-
Total comprehensive profit for the year		678,848	(242,996)	435,852

Notes to reconciliation of statement of financial position and total comprehensive income as at 31 March 2015

A. Share-based payments

IFRS requires the fair value of the share options awarded by the Group to be determined using an appropriate pricing model and an expense to be recognised over the applicable vesting period. Under UK GAAP, the Group did not recognise the cost of the long-term incentive plan as an expense. Following IFRS first-time adoption, an additional expense of £123,846 has been recognised in the statement of comprehensive income for the year ended 31 March 2015. Share options totalling £29,747, which were granted before and were still vesting as at 1 April 2014, have been recognised as a separate component of equity against retained earnings at 1 April 2014. At 31 March 2015, the total value of the unvested share options was £153,593.

A tax allowance is available for share based transactions and is based on the options intrinsic value, which is the difference between the fair value and exercise price of the share. A deferred tax asset of £846,770 has been recognised which can be offset against the Group's future taxable profits. The expected future tax benefit is allocated between the income statement and equity. The excess of the total tax benefit over the tax effect of the share option expense is £985,149 and was recognised in equity. The remaining is recognised through the income statement. In addition, this created a tax charge of £119,150 for the year ended 31 March 2015 and a reduced tax payable of £19,229 as at 31 March 2015.

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

1. Accounting policies (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial period beginning 1 April 2015 and not early adopted

The following new and amended standards and interpretations have been issued but are not yet applicable and may have a material impact on the Group:

Standard/interpretation	Content	Applicable for financial year beginning
IFRS 9	Financial instruments: Classification and measurement	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IAS 16 and IAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016

The Group's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9, 'Financial instruments' – classification and measurement

IFRS 9 addresses the clarification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, amended in October 2010 and replaces parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into three measurement categories; amortised cost, fair value through profit or loss, or fair value through other comprehensive income. The determination is made at initial recognition. The classification depends on the entity's business model objective for managing financial assets and the contractual cash flow characteristics of financial assets. Financial liabilities are required to be classified into two measurement categories: amortised cost, or fair value through profit or loss. The standard also results in a single impairment model being applied to all financial instruments replacing the numerous impairment methods in IAS 39 that arise from different classification categories.

The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on 1 April 2018.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The Group is yet to assess IFRS 15's full impact and intends to adopt IFRS 15 no later than the accounting period beginning on 1 April 2018.

Amendments to IAS 16 and IAS 38, Clarifications of acceptable methods of depreciation and amortisation

The amendments to IAS 16 clarify that a depreciation method based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amendments to IAS 38 introduce a rebuttable presumption that a revenue-based amortisation for intangible assets is not appropriate. There are limited circumstances where the presumption can be overcome:

- When the intangible is expressed as a measure of revenue; or
- When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Currently the Group uses the straight-line method for depreciation of fixed assets and intangible assets. The directors of the Group believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Group do not anticipate that application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's financial statements.

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

1. Accounting policies (continued)

1.3 Summary of significant accounting policies

Basis of consolidation

The Group's financial statements incorporate the financial statements of Retail Money Market Limited and its subsidiaries (as disclosed in Note 12). Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Subsidiaries

Subsidiary undertakings are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies.

Subsidiary undertakings acquired during the year are recorded using the acquisition method of accounting and their results are included from the date of acquisition.

The separable net assets, including property, plant and equipment and intangible assets, of the newly acquired subsidiary undertakings are incorporated into the consolidated financial statements on the basis of the fair value as at the effective date of control. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Turnover

Turnover comprises fees earned from financial intermediary services provided (exclusive of Value Added Tax and trade discounts) and credit risk fees. Upfront loan arrangement fees are recognised on the formation of each loan agreement and management fees for on-going services provided are recognised on an accruals basis throughout the life of the loan. See the Provision Fund policy for the recognition policy of credit risk fees.

Cost of sales

Cost of sales comprise the credit, data and payment costs of providing loans to customers. Costs are recognised on an accruals basis.

Administrative expenses

Administrative expenses comprise office costs, staff salaries, marketing, professional costs, depreciation of assets used for administrative purposes, and other costs. All costs are recognised on an accruals basis.

Interest receivable and similar income

Interest receivable and similar income include interest receivable from cash held on deposit and dividends receivable on shares held in affiliates. All amounts are recognised on an accruals basis.

Intangible assets

Intangible assets have been recognised at cost and are tested for impairment annually. Assets are deemed to have indefinite useful lives. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

Cash and cash equivalents

Cash and cash equivalents includes short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

Restricted cash

Restricted cash represents the capital held by the Group to compensate lenders against the potential risk of borrower default. The Group has committed to make this capital available to lenders in the event of a borrower defaulting. Accordingly, the cash is considered to be non-distributable until expiry of the underlying loan arrangement.

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

1. Accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of the fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures and Fittings	33.33% straight line per annum
Office Equipment	33.33% straight line per annum
Leasehold Improvements	Straight-line over the term of the lease

Onerous contracts provision

The Group absorbs a negative service rate on some fixed price loans where the lender cost of money is greater than what the borrower is paying. This negative service rate can be either locked-in for the term or might only be temporary. For these loan contracts, a provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. This is measured at the cost of fulfilling the contract on a loan by loan basis and applying a discount factor in order to recognise any early repayments or defaults.

Share-based payments

The Group issues equity-settled share-based payments to certain employees in the form of share options. A fair value for the equity-settled share awards is measured at the date of grant. The Group measures the fair value of each award using the Black-Scholes-Merton options pricing model where appropriate.

The fair value of each award is recognised as an expense in the statement of comprehensive income over the vesting period on a straight-line basis, after adjusting for an estimate of the share awards that will eventually vest. The level of vesting is reviewed at each reporting period and the charge is adjusted to reflect actual and estimated levels of vesting.

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term. The value of any lease incentive received to take on an operating lease (for example, a rent free period) is recognised as deferred income and is released over the life of the lease.

Taxation

The tax expense comprises current and deferred tax. Current tax is recognised in the statement of comprehensive income and is provided at the amount expected to be paid (or recovered) applying tax rates and laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using a temporary difference approach, and is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated applying tax rates and laws enacted or substantively enacted at the end of the reporting period. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 not discounted.

1. Accounting policies (continued)**Provision Fund: asset recognition, revenue recognition and credit default provision**

RateSetter Trustee Services Limited has an obligation to compensate lenders for missed payments and defaults experienced on lending through the RateSetter platform throughout the life of each loan arrangement. This obligation is limited to the value of the capital held in the Provision Fund at any point in time. The value of the Provision Fund held by RateSetter Trustee Services Limited is recognised as an asset in the Group's Statement of Financial Position (see the Restricted Cash policy). The value of the Provision Fund is increased through the receipt of credit risk fees from borrowers (see below) and is decreased by payments made to lenders to compensate for borrower defaults. Additions are recognised as an asset upon receipt of cash from credit risk fee payments. Outflows from the Provision Fund are recognised when payments to lenders are approved by RateSetter management.

The credit risk fee payable by borrowers to RateSetter is determined at the inception of each loan based on RateSetter management's assessment of the Expected Loss that may arise on each cohort of loans and is based on an analysis of the credit rating of each borrower.

Credit risk fees include both amounts received from borrowers upfront at inception of the loan arrangement and recurring fees received from borrowers through the life of the loan. As the credit management services provided by RateSetter in relation to the management of the Provision Fund are provided over the term of the loan, the upfront credit risk fee is recognised as revenue over the life of the loan with revenue recognised in accordance with the capital repayment profile of the loan cohort. This gives rise to a deferred income balance in the financial statements. The recurring fees are recognised as income on an accruals basis.

The Group's obligation to compensate lenders for borrower default ("the Expected Loss") is recognised as a liability at the statement of financial position date. The Expected Loss for the loan portfolio at the year end is calculated by making assumptions regarding Probability of Default and Loss Given Default across all loan cohorts. The Expected Loss for each loan is recognised as a credit default provision over the life of the loan with a provision recognised in accordance with the capital repayment profile of the loan cohort and reflecting the revenue recognition policy.

Financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are recorded initially at fair value and subsequently measured at amortised cost. As such, this results in their recognition at amortised cost less any allowance for any doubtful debts. An allowance for doubtful debt is made when there is objective evidence that the Group will not be able to collect all of the amount due. Impaired debts are derecognised when they are assessed as uncollectible. Trade and other receivables are classified as loans and receivables. The carrying amount of the asset equals the fair value.

Loans held at amortised cost

Loans held at amortised cost are recorded initially at fair value and subsequently measured at amortised cost less any impairment. Loans held at amortised cost are classified as loans and receivables.

Investment in subsidiary

The Company's investment in the subsidiary is held at cost and classified as investments. This financial asset is assessed for indicators of impairment at the end of each reporting period. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

1. Accounting policies (continued)

Other financial assets

Other financial assets including an investment in an affiliate, are classified as fair value through profit or loss. Financial assets held at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed. The equity investment does not have a quoted market price in an active market and therefore as the fair value cannot be reliably measured by any other means, is held at cost.

Cash and cash equivalents

Cash and cash equivalents are also classified as loans and receivables. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. The carrying amount of these assets approximates their fair value.

Restricted cash

Restricted cash is also classified as loans and receivables. The carrying amount of these assets approximates their fair value.

Trade and other payables

Trade and other payables are recorded initially at fair value and subsequently measured at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2. Financial risk management

The Board of directors have overall responsibility for the establishment and oversight of the Group's risk management framework.

The risk management policies and procedures are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and ensure any limits are adhered to. The Group's activities are reviewed regularly and potential risks are considered.

Categorisation of financial assets and financial liabilities

The carrying value of all financial assets and liabilities is considered to be equal to the fair value.

Financial instruments measured at amortised cost

Financial instruments measured at amortised cost, rather than fair value, include cash and cash equivalents, restricted cash, trade and other receivables, loans held at amortised cost and trade and other payables. Due to their short-term nature, the carrying value of these items approximates their fair value.

Financial Risk Factors

The principal financial risks faced by the Group are credit risk, liquidity risk and market risk (including currency, interest rate and other price risk). The policies and strategies for managing these risks are summarised on the following pages.

Credit risk

The risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from the Group's receivables from customers and cash equivalents held at banks.

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

2. Financial risk management (continued)

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Trade receivables	412,944	6,668	412,944	6,668
Loans held at amortised cost	1,275,000	638,092	1,275,000	638,092
Prepayments	244,633	947,386	244,633	947,386
Accrued income	1,225,383	786,732	1,218,883	786,732
Other receivables	4,524,610	123,815	4,524,610	119,065
Deferred tax asset	2,014,591	1,157,153	2,014,591	1,157,153
Cash and cash equivalents	15,394,441	25,821,535	15,319,350	25,807,793
Restricted cash	6,946,504	-	1,514,901	-
	32,038,106	29,481,381	26,524,912	29,462,899

Loans held at amortised cost, trade receivables and accrued income are subject to the credit risk of borrower and/or counterparty default. The Group assesses and monitors the credit risk associated with borrowers and other counterparties and incorporates this information into its credit risk controls. All loans are subject to strict lending and affordability criteria and the Group's policy is to deal only with creditworthy counterparties.

Other receivables relates mainly to the pre-funding of lender accounts for debit card receipts not yet settled into the RateSetter Client Money account. Credit risk is mitigated as this cash is held with reputable institutions, which are credit assessed regularly.

Cash and cash equivalents and restricted cash are held with reputable institutions, which are credit assessed regularly.

Liquidity risk

The risk that the Group could be unable to settle or meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's position.

The Group's liquidity position is monitored and reviewed on an ongoing basis by the directors. The Group's liquidity is not significantly impacted by any borrower default risk as the Group acts as an agent facilitating and administering the loans and the capital requirement to compensate lenders is limited to the amount held as restricted cash in the financial statements (being the Provision Fund).

The amounts disclosed in the above table are the contractual undiscounted cash flows.

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

2. Financial risk management (continued)

The maturity analysis of the financial instruments held by the Group and the Company at 31 March 2016 and 31 March 2015 is as below. All of these balances are considered to be repayable on demand at the value shown in the financial statements.

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Financial liabilities – due within one year				
Trade and other payables	2,934,228	1,615,963	4,319,844	1,610,550
Deferred income	5,321,621	-	-	-
	8,255,849	1,615,963	4,319,844	1,610,550

Market risk

The risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices.

a) Price risk

The Group is not exposed to market risk with respect to financial instruments as it does not hold any marketable securities.

b) Interest rate risk

The Group's exposure to variable interest rate risk is associated with cash and cash equivalents. Fluctuations in interest rates can affect interest income and expense through financial assets and liabilities with variable interest rates; which can also impact the fair value of financial assets and liabilities with a fixed interest rate. The Group does not use interest rate swaps to hedge the fair value or cash flow interest rate risk.

c) Foreign exchange risk

Both the functional and reporting currency of the Group is Sterling and the Group has no material exposure to financial instruments held in foreign currency.

d) Sensitivity analysis

IFRS 7 requires disclosure of sensitivity analysis for each type of market risk to which the entity is exposed at the report date showing how profit or loss and equity would be affected by changing the relevant risk variables that were reasonably possible at that date. As discussed above, the Group does not have significant exposure to price and foreign exchange risk and therefore no sensitivity analysis for those risks has been discussed.

At 31 March 2016, a 0.5% increase or decrease in the interest rate would have resulted in an increase or decrease of £120,406 (2015: £70,404) in both the net asset position and loss of the Group.

The Group's risk to changes in the market is monitored and reviewed on an ongoing basis by the directors.

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

2. Financial risk management (continued)

Capital policy

The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide optimal returns for shareholders, to maintain an efficient capital structure to reduce the cost of capital and to meet the minimum FCA regulatory capital requirements.

The Group has assessed the ability to meet its capital requirements as part of the Group's risk management procedures. The Group considers its capital to comprise its ordinary share capital, share premium and other capital reserves less its accumulated retained losses.

3. Significant accounting judgements, estimates and assumptions

Provision of credit risk revenues and onerous contracts

The Group exercises judgement in measuring and recognising provisions related to expected losses on loans and contracts that have a negative service rate. An estimation technique is required to be adopted in assessing the likelihood that a liability will arise, and to quantify the possible range of the financial settlement. Due to the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Share-based payments

Estimating the fair value for share based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and the dividend yield and making assumptions about them. The Group uses a Black-Scholes-Merton options pricing model for the employee share option scheme. The assumptions and models used for estimating fair value for share based payment transactions are disclosed in Note 18.

4. Segmental analysis

The Group's operations are carried out solely in the UK and are considered by the Directors to consist of a single business unit/component. The results and net assets of the Group are derived from its principal activity.

5. Operating (loss) / profit

The operating (loss) / profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	177,743	50,844
Auditors' remuneration – Company	56,430	32,400
Auditors' remuneration – Subsidiaries	19,200	7,800
Auditors' remuneration – Non-audit services	15,000	-
Write-off of fixed assets	81,813	-

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

6. Directors' remuneration

	2016 £	2015 £
Aggregate remuneration	612,702	421,720

The Directors are considered to be the only members of management that are the definition of 'key management personnel'. The Company did not make any contributions to directors' pension schemes during the year (2015: £nil) and does not provide any retirement benefits or pensions for directors.

7. Employees

The average number of employees (including key management personnel) of the Group during the year were:

	2016 £	2015 £
IT	27	12
Administrative	39	20
Customer facing	52	22
	<u>118</u>	<u>54</u>

Employment costs (including key management personnel) during the year were:

	2016 £	2015 £
Wages and salaries	6,146,357	2,533,502
Social security costs	685,531	288,728
	<u>6,831,888</u>	<u>2,822,230</u>

8. Finance income

	2016 £	2015 £
Dividend income	78,996	1,253
Interest on lending	110,500	14,363
Interest on bank deposits	52,981	30,323
	<u>242,477</u>	<u>45,939</u>

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

9. Income tax credit

The standard UK corporation tax rate was 20% for the period (21% for the period ended 31 March 2015).

	2016 £	2015 £
Current tax		
Current tax for the period	57,346	139,158
Adjustment in respect of previous years	(67)	(19,229)
	<u>57,279</u>	<u>119,929</u>
Deferred tax		
Origination and reversal of temporary differences	(927,512)	23,275
Adjustment in respect of previous years	2,092	(103,400)
	<u>(925,420)</u>	<u>(80,125)</u>
Overall tax (credit) / charge	<u>(868,140)</u>	<u>39,804</u>

Factors affecting the tax credit for the period:

The income statement tax credit for the period differs from the standard rate of corporation tax in the UK of 20% (2015: 21%) as explained below

(Loss) / profit before tax	(4,889,658)	599,502
Tax (credit) / charge at average corporation tax of 20% (2015: 21%)	(977,932)	125,895
Effects of:		
Loss / (profit) on disposal of property, plant and equipment	16,363	(11,653)
Expenses not deductible / (income not taxable)	56,654	43,933
Losses on which deferred tax is not recognised	-	3,983
Utilisation of previously unrecognised tax losses	(3,793)	-
Non-taxable dividend income	(15,799)	(251)
Adjustment in respect of current income tax of previous years	2,026	(122,629)
Adjustment arising from change in tax rate	65,313	15,777
Adjustment in respect of share based payments	(1,301)	(21,227)
Non-qualifying depreciation	(9,671)	5,976
Overall tax (credit) / charge	<u>(868,140)</u>	<u>39,804</u>

The current UK corporation tax rate is 20%. In 2015 the UK government announced that the rate would be reduced to 19% from 1 April 2017, and to 18% from 1 April 2020. Deferred tax balances have been calculated at the rate at which temporary differences are expected to unwind.

In 2016 the UK government announced a further reduction to the rate of corporation tax to 17% from 1 April 2020. This further rate reduction may impact future current and deferred tax balances when enacted.

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

10. Intangible assets

	Trademarks £	Software licences £	Total £
Cost			
At 1 April 2014 & 1 April 2015	1,587	-	1,587
Additions	-	31,200	31,200
At 31 March 2016	1,587	31,200	32,787
Net book value			
At 31 March 2016	1,587	31,200	32,787
At 31 March 2015	1,587	-	1,587

11. Property, plant and equipment

	Leasehold Improvement £	Office Equipment £	Fixtures and Fittings £	Total £
Cost				
At 1 April 2014	-	69,540	44,984	114,524
Additions	-	145,730	103,303	249,033
At 31 March 2015	-	215,270	148,287	363,557
Additions	1,007,495	209,422	117,988	1,334,905
Disposals	-	(119,526)	-	(119,526)
At 31 March 2016	1,007,495	305,166	266,275	1,578,936
Depreciation				
At 1 April 2014	-	37,023	19,902	56,925
Charge for the year	-	28,575	22,269	50,844
At 31 March 2015	-	65,598	42,171	107,769
Charge for the year	67,166	52,645	57,932	177,743
Elimination on disposals	-	(37,713)	-	(37,713)
At 31 March 2016	67,166	80,530	100,103	247,799
Net book value				
At 31 March 2016	940,329	224,636	166,172	1,331,137
At 31 March 2015	-	149,672	106,116	255,788
At 31 March 2014	-	32,517	25,082	57,599

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

12. Investments

	Group		Company
	Investment £	Investment in subsidiary £	Total £
Carrying value at 1 April 2015	15	1	16
Capital contribution to subsidiary	-	264,306	264,306
Foreign exchange revaluation of investment	1	-	1
Carrying value at 31 March 2016	16	264,307	264,323

Investment in affiliate

The following entity was an investment of the Company as at 31 March 2016:

Name	RateSetter Australia PTY Limited
Country of Incorporation	Australia
Class of Shares	Ordinary AUD \$0.01
Holding	18%

For the year ended 31 March 2016 the entity had a net loss of £(1.9)m and net assets of £3.0m.

Investment in subsidiary

The following entity was a subsidiary undertaking of the Company as at 31 March 2016:

Name	RateSetter Trustee Services Limited
Country of Incorporation	United Kingdom
Class of Shares	Ordinary GBP £0.01
Holding	100%

For the year ended 31 March 2016 the subsidiary had a net profit of £0.5m and net assets of £0.8m.

13. Trade and other receivables

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Amounts falling due within one year:				
Trade receivables	412,944	6,668	412,944	6,668
Loans held at amortised cost	1,275,000	638,092	1,275,000	638,092
Prepayments	244,633	947,386	244,633	947,386
Accrued income	1,225,383	786,732	1,218,883	786,732
Other receivables	4,524,610	123,815	4,524,610	119,065
Deferred tax asset	2,014,591	1,157,153	2,014,591	1,157,153
	9,697,161	3,659,846	9,690,661	3,655,096

None of the amounts shown are considered to be past due or impaired. Loans held at amortised cost mature in less than one year with interest rates ranging from 5.5% to 18.0%.

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

14. Deferred taxation

	2016 £	2015 £
Balance at 1 April	1,157,153	416,591
Timing differences on assets	(54,836)	(41,805)
Tax losses arising in the year	961,325	783,845
Share based payments	(49,051)	(1,478)
Balance at 31 March	2,014,591	1,157,153
The deferred tax asset is made up as follows:		
Timing differences on assets	(101,151)	(46,315)
Tax losses arising in the year	1,298,794	337,469
Share based payments	816,948	865,999
	2,014,591	1,157,153

15. Trade and other payables

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Amounts owed within one year:				
Trade payables	1,074,162	1,299,487	1,074,162	1,299,487
Deferred income	5,321,621	-	-	-
Accruals	1,385,269	-	1,255,983	-
Other tax and social security	277,231	121,615	277,231	121,615
Other payables	197,566	194,861	1,712,468	189,448
	8,255,849	1,615,963	4,319,844	1,610,550

16. Provisions

	Current		Non-current
	Credit fee provision	Onerous contract provision	Onerous contract provision
	£	£	£
At 1 April 2015	-	-	-
Arising during the year	820,270	118,857	94,783
At 31 March 2016	820,270	118,857	94,783

The credit fee provision of £0.8m relates to a provision made against the expected losses of the outstanding loans under management, which are covered by the credit risk fees received by the Group, limited to the amount of capital available in the Provision Fund. The total expected lifetime loss of these loans is £5.7m which is more than covered by the credit risk fees received from the borrowers.

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

16. Provisions (continued)

The onerous contract provision of £213,640 is split between loans with a negative service rate that is locked-in for the term of the loan (£113,375) and loans with a negative service rate that might be temporary (£100,265).

17. Share capital

	2016 £	2015 £
Allotted, called up and fully paid:		
5,190,675 (2015 – 5,176,494) Ordinary shares of £0.000001 each	5	5
	<u>5</u>	<u>5</u>

18. Share based payments

The Group, at its discretion, may grant share options in relation to the share capital of the parent to employees. The fair value of the share options granted is estimated at the date of grant using a Black-Scholes-Merton options pricing model, taking into account the terms and conditions on which the share options were granted.

At 31 March 2016 options were held by a total of 53 employees to subscribe for ordinary shares of £0.000001 each in the Company. These options have been granted between October 2010 and May 2015.

At 31 March 2016 631,090 shares of the Company (2015: 623,547) were held by an independently managed employee benefit trust. The shares held are subject to an agreement between the employee benefit trust and the employees that on sale of the shares the employees will be entitled to all of the sales proceeds to the extent that they are in excess of an agreed value.

The expense recognised for employee services received during the year is £138,114 (2015: £123,846). There have been no cancellations or modifications to these share options since the date of grant.

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year:

	2016 No.	2016 WAEP	2015 No.	2015 WAEP
Outstanding at 1 April	253,394	£5.24	279,351	£4.78
Granted during the year	17,644	£16.29	20,722	£7.27
Forfeited during the year	(3,614)	£6.58	(21,589)	£6.59
Exercised during the year	(14,181)	£7.27	(25,090)	£0.85
Expired during the year	-	-	-	-
Outstanding at 31 March	<u>253,243</u>	<u>£5.88</u>	<u>253,394</u>	<u>£5.24</u>

The weighted average fair value of options granted during the year was £18.11 (2015: £3.26).

RETAIL MONEY MARKET LIMITED

Notes forming part of the financial statements for the year ended 31 March 2016

18. Share based payments (continued)

The following table lists the inputs to the Black-Scholes-Merton model used when valuing the share options:

	2016	2015
Weighted average market value at the grant date (£)	29.11	7.27
Expected volatility (%)	19.99	29.54
Risk-free interest rate (%)	1.95	2.71
Expected life of options (years)	10	10
Weighted average exercise price (£)	16.29	7.27
Expected dividends	None	None

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either. Expected volatility was determined by calculating the average volatility of a basket of five quoted companies with similar trading activities over the 30 days leading up to and including the Grant Date.

19. Notes to the statement of cash flows

Cash generated from operations

	2016 £	2015 £
(Loss) / profit for the year before tax	(4,889,658)	475,656
Depreciation of property, plant and equipment	177,743	50,844
Write-off of property, plant and equipment	81,813	-
Share-based payment transaction expense	138,114	123,846
Interest and dividends received	(242,477)	(45,939)
Foreign exchange (gains) / losses on investments	(1)	2
Movement in trade and other receivables	(5,179,877)	(1,097,478)
Movement in current asset investments	-	3,104,250
Movement in trade and other payables	6,639,886	1,082,518
Movement in provisions	1,033,910	-
Corporation tax adjustment in respect of prior periods	67	19,229
Balance at 31 March	(2,240,480)	3,712,928

RETAIL MONEY MARKET LIMITED**Notes forming part of the financial statements for the year ended 31 March 2016****19. Notes to the statement of cash flows (continued)****Cash and cash equivalents**

	2016 £	2015 £
Cash and bank balances	15,394,441	25,821,535
Restricted cash	6,946,504	-
Balance at 31 March	22,340,945	25,821,535

Cash and cash equivalents and restricted cash comprise cash and short-term bank deposits. The carrying amount of these assets is approximately equal to their fair value.

Analysis of changes in net debt

	At 1 April 2015 £	Cash flow £	At 31 March 2016 £
Cash and bank balances	25,821,535	(10,427,094)	15,394,441
Restricted cash	-	6,946,504	6,946,504
Total net funds	25,821,535	(3,480,590)	22,340,945

20. Related party transactions

During the year the parent company charged loan interest of £28,628 (2015: £7,653) to the RateSetter Provision Fund Trust, an affiliated entity of the Company. The amount due from the RateSetter Provision Fund Trust at the year-end was £502,291 (2015: £638,092).

During the year the parent company made payments of £nil (2015: £7,416) for services provided by Camberton Partnership LLP, a partnership in which M Davies is a member. The amount due to them at the year-end was £nil (2015: £nil).

During the year RateSetter Australia PTY Limited, an affiliate of the parent company, paid fees to Retail Money Market Limited totalling £11,485 (2015: £73,741). During the prior year, RateSetter Australia PTY Limited repaid in full a loan of £228,152 provided by Retail Money Market Limited. During the year RateSetter Australia PTY Limited was charged interest on the loan by the Company totalling £nil (2015: £1,049).

During the year, RateSetter Trustee Services Ltd, a subsidiary of the parent company received management fees from the RateSetter Provision Fund Trust, totalling £71,000 (2015: £77,500).

RETAIL MONEY MARKET LIMITED**Notes forming part of the financial statements for the year ended 31 March 2016****21. Operating lease commitments**

At 31 March 2016 the Group and Company had annual commitments under non-cancellable operating leases as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Expiry date:				
Less than 1 year	530,486	471,048	530,486	471,048
Between 1 and 5 years	3,495,594	840,190	3,495,594	840,190
Over 5 years	-	-	-	-
	4,026,080	1,311,238	4,026,080	1,311,238

22. Contingent liabilities

There are no other contingent liabilities or capital requirements as at 31 March 2016 (2015: £nil).