

Target Topco Limited

Annual report and financial statements

Registered number 07956530

Year ended 31 December 2016



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Directors' report

The directors have pleasure in presenting their Directors' report and the financial statements for the year ended 31 December 2016. In accordance with Section 414C (11) of the Companies Act 2006, certain information around the trading activities of the group are contained within the Strategic Report.

Results and Dividends

The Group's results are set out in the consolidated profit and loss account on page 8.

The directors do not recommend a final dividend for the year (2015: £nil). No interim dividend has been paid during the year (2015: £nil).

Directors

The directors who held office during the period were as follows:

J Scott (resigned 19th August 2016)
R A Houghton (resigned 19th August 2016)
P Byrne
W M Alley
I D Larkin
S A Robertson (appointed 11th March 2016 and resigned 8th December 2016)
V S Agarwal (appointed 19th August 2016)

Political contributions

Neither the company nor its subsidiary undertakings made any donations or subscriptions for political purposes during the year.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

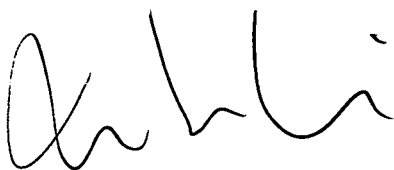
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant information of which the Group's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



I D Larkin
Director

23 March 2017

Target House
Cowbridge Road East
Cardiff CF11 9AU

Strategic report

Principal activities and financial review

Principal activities

The principal activity of the Group is the provision of consultancy, software, payments and servicing solutions primarily to the financial services sector. Our solutions are provided as software licence and related services sales or as services under IT hosting and business process outsourcing contracts. Target Group has over 38 years of experience and is trusted by over 50 major financial institutions, including a number of the top 20 global banks. Our platform now supports in excess of £25bn of business on behalf of our clients, comprising some £16bn under Target Group administration and a further £9bn of financial assets administered on our software platforms.

The principal activity of Elderbridge Ltd, another Group company, is to act as Lender of Record. The entity currently undertakes this function on the Group's owned loan portfolio and a number of other client portfolios.

Financial review

Turnover increased by 25.8% (2015: 10.5%) from £50,957k in year ended 31 December 2015 to £64,106k in the year ended 31 December 2016.

The group earnings before interest, tax, depreciation and amortisation of goodwill (EBITDA) was £8,016k (2015: £5,186k).

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Operating profit	3,082	566
Depreciation (note 11)	1,883	1,758
Amortisation (note 9)	3,051	2,862
EBITDA	8,016	5,186

Business Performance

In August 2016 100% of the share capital of Target TopCo Limited, the ultimate UK parent of Target Group Limited, was acquired by Tech Mahindra for an enterprise value of £112M. Tech Mahindra is listed on the National Stock Exchange of India and in 2015-16 published results posted revenue of \$4bn and profit after tax of \$480m. By joining with Tech Mahindra, a global multi-national specialist in digital transformation, it will allow us to better serve our clients through greatly expanding the solutions and services we provide.

In September 2016 Target Servicing Limited acquired the trade of Commercial First, a leading provider of commercial and residential mortgage servicing. Target Servicing Limited launched its first Structured Products in January 2016 under the Hartmoor Financial Brand. As a result of challenging market conditions the decision was taken to close the business in November 2016.

During the year we secured several new clients which contributed to our success, including being selected to provide third party administration for The Home and Communities Agency. The contract sees Target administer loans on behalf of the Government's flagship Help To Buy England Scheme. The business also secured a new two year contract with the DVLA to continue to provide our payments system to offer consumers an alternative method of paying their vehicle tax.

In the investments market we won contracts to provide back office administration for leading providers Barclays, Investec and RBS.

Strategic Report (continued)

Risks and Uncertainties

Most of our clients are blue chip investment, retail banking, finance and insurance companies, and government bodies which represent a low credit risk.

There is minimal interest rate risk to the Group arising from the revolving credit facility and bank loan, which is addressed through considered cash management, fixing the rate on the revolving credit facility for 12 months and the bank loan for the period of the arrangement being five years at the outset. While the Group has exposure to exchange rate fluctuations due to its operations in Australia, New Zealand, and the Euro zone, this is limited due to a natural hedge, in that revenues are largely offset by expenditure in the local currencies. All treasury and taxation matters are now coordinated via the relevant group functions of our multinational listed parent Tech Mahindra.

Target Servicing Limited holds FCA permissions as an IFPRU 125k limited licence firm to enable it to operate as a plan manager within the structured product arena under the Hartmoor Financial brand. Following the closure of the plan manager business in November 2016, a variation of permissions to remove those pertinent to plan manager was submitted to the Financial Conduct Authority.

Our markets

Our clients are predominantly providers of lending and payments, investments and insurance products. We service these markets through four key offerings; Business Process Outsourcing (BPO), managed services (incorporating hosted services) and software. These services are supported by our professional services and consultancy across all our markets.

We hold a Standard and Poor's Primary Servicing rating of Above Average and Special Servicer rating of Average.

Corporate Social Responsibility

In 2016 we continued to support charitable causes, with each office selecting a charity. In total we raised over £25,000 for Cancer Research UK, Hope House Hospice, Diabetic Association and The Stroke Association, whilst also raising over £4,000 for a number of smaller charities. Our employees contributed to the local community through foodbank collections, blood donation drives and via charitable payroll giving. As a company, we are passionate about engaging with our local community and taking responsibility for the environment around us.

People

There were changes in the structure of the executive committee, with Jeremy Edwards joining as Chief Client Officer.

The average number of colleagues increased in the period from 592 to 849, largely due to the growth in our business resulting from our client wins. The Management Graduate Scheme has added a further 4 graduates to the team.

The culture change programme that was successfully launched in 2014 continues to live in our day to day business. Built around a clear set of values and behaviours, a number of further initiatives have been introduced including our Value Behaviour Awards which encourage ongoing engagement amongst our team; in 2016 close to 300 nominations were received.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled, every effort will be made to ensure their employment with the company continues and that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Strategic Report (continued)

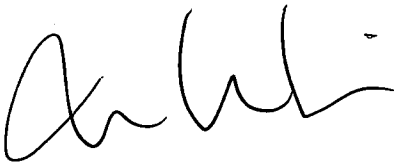
Outlook

Target Group is in an excellent position to take advantage of opportunities arising in the coming year.

A rapidly changing financial services market will lead to opportunities with both established players and disruptive entrants. The continued strengthening of our senior management team during recent years leaves us well positioned to secure these new client opportunities.

Our strong client relationships will also enable us to support the growth of those businesses with our servicing and software solutions.

By order of the board

A handwritten signature in black ink, appearing to read 'I D Larkin', written in a cursive style.

I D Larkin
Director

23 March 2017

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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



KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
United Kingdom

Independent auditor's report to the members of Target Topco Limited

We have audited the financial statements of Target Topco Limited for the year ended 31 December 2016 set out on pages 8 to 36. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 set out on page 5, 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK 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 the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Target Topco Limited (continued)

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.



Emma Holiday (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

Date: *24th March 2017*

Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2016

	<i>Note</i>	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Turnover	3	64,106	50,957
Cost of sales		(41,860)	(35,341)
		<hr/>	<hr/>
Gross profit		22,246	15,616
Administrative expenses		(19,164)	(15,050)
		<hr/>	<hr/>
Operating profit	4	3,082	566
Interest payable and similar charges	5	(1,509)	(2,094)
Interest receivable and similar income		245	47
		<hr/>	<hr/>
Profit/(loss) before taxation		1,818	(1,481)
Tax (charge)/ credit on profit/ (loss)	8	(253)	1,321
		<hr/>	<hr/>
Profit/(loss) for the financial year		1,565	(160)
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income		1,565	(160)
		<hr/>	<hr/>

Turnover and operating results relate entirely to continuing operations.

The notes on pages 14 to 36 form part of these financial statements.

Consolidated balance sheet
at 31 December 2016

	Note	2016		2015	
		£000	£000	£000	£000
Fixed assets					
Goodwill	9		12,373		14,417
Other intangibles	9		1,082		804
Tangible assets	11		6,077		4,423
			<u>19,532</u>		<u>19,644</u>
Current assets					
Debtors – due within one year	13	17,698		9,602	
Debtors – due after one year	13	8,690		8,045	
		26,388		17,647	
Cash at bank and in hand		9,009		5,176	
		<u>35,397</u>		<u>22,823</u>	
Creditors: amounts falling due within one year	14	(21,922)		(13,698)	
Net current assets			<u>13,475</u>		<u>9,125</u>
Total assets less current liabilities			<u>33,007</u>		<u>28,769</u>
Creditors: amounts falling due after more than one year	16		(7,616)		(23,993)
Net assets			<u>25,391</u>		<u>4,776</u>
Capital and reserves					
Called up share capital	17		99		99
Share premium			145		145
Capital redemption reserve			1		1
Profit and loss account			25,146		4,531
Shareholders' funds			<u>25,391</u>		<u>4,776</u>

These financial statements, registered number 07956530, were approved by the board of directors on 23 March 2017 and were signed on its behalf by:

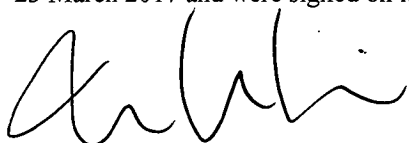


I D Larkin
Director

Company balance sheet
at 31 December 2016

	<i>Note</i>	2016		2015	
		£000	£000	£000	£000
Fixed assets					
Investments	12		24,912		5,862
Current assets					
Debtors	13	-		18,035	
		-		18,035	
Creditors: amounts falling due within one year	14	(5,399)		(2,470)	
Net current (liabilities)/ assets			(5,399)		15,565
Total assets less current liabilities			19,513		21,427
Creditors: amounts falling due after more than one year	16		-		(17,921)
Net assets			19,513		3,506
Capital and reserves					
Called up share capital	17		99		99
Share premium account			145		145
Capital redemption reserve			1		1
Profit and loss account			19,268		3,261
Shareholders' funds			19,513		3,506

These financial statements, registered number 07956530, were approved by the board of directors on 23 March 2017 and were signed on its behalf by:



I D Larkin
Director

Consolidated Statement of Changes in Equity

	Equity attributable to equity shareholders of the Group				
	Share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total
	£000	£000	£000	£000	£000
Balance at 1 January 2015	97	-	-	5,378	5,475
Total comprehensive income for the period, being profit and loss	-	-	-	(160)	(160)
Transactions with owners, recorded directly in equity	-	-	-	(600)	(600)
Issue of shares	14	145	-	-	159
Disposal of own shares	(12)	-	1	(87)	(98)
Balance at 31 December 2015 and 1 January 2016	99	145	1	4,531	4,776
Total comprehensive income for the period					
Total comprehensive income for the period, being profit and loss	-	-	-	1,565	1,565
Capital contribution from shareholders, recorded directly in equity	-	-	-	19,050	19,050
Balance at 31 December 2016	99	145	1	25,146	25,391

Company Statement of Changes in Equity

	Equity attributable to equity shareholders of the Company				
	Share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total
	£000	£000	£000	£000	£000
Balance at 1 January 2015	97	-	-	5,487	5,584
Total comprehensive income for the period					
Loss for the financial year	-	-	-	(1,539)	(1,539)
Transactions with owners, recorded directly in equity	-	-	-	(600)	(600)
Issue of shares	14	145	-	-	159
Disposal of own shares	(12)	-	1	(87)	(98)
Balance at 31 December 2015 and 1 January 2016	99	145	1	3,261	3,506
Total comprehensive income for the period					
Total comprehensive income for the period, being profit and loss	-	-	-	(3,043)	(3,043)
Capital contribution from shareholders, recorded directly in equity	-	-	-	19,050	19,050
Balance at 31 December 2016	99	145	1	19,268	19,513

Consolidated Statement of Cash Flows
for the year ended 31 December 2016

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Cash flows from operating activities		
Operating profit for the financial year	3,082	566
Adjustments for:		
Amortisation of intangible assets	3,051	2,862
Depreciation of tangible assets	1,883	1,758
Profit on sale of tangible fixed assets	-	(9)
	<hr/>	<hr/>
	8,016	5,177
(Increase)/ decrease in debtors	(8,783)	1,050
Increase in creditors	11,834	1,431
	<hr/>	<hr/>
	11,067	7,658
<i>Tax paid</i>	(211)	(27)
	<hr/>	<hr/>
<i>Net cash generated from operating activities</i>	10,856	7,631
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	-	11
Purchases of tangible assets	(2,103)	(1,639)
Additions to intangible assets	(1,285)	(626)
Dividends received	48	47
	<hr/>	<hr/>
<i>Net cash generated from investing activities</i>	(3,340)	(2,207)
	<hr/>	<hr/>
Cash flows from financing activities		
Repayment of bank loans	(2,537)	(3,060)
Repayment of hire purchase and finance lease obligations	(962)	(851)
Interest paid	(382)	(464)
Share re-purchase	-	(646)
Proceeds from the issue of share capital	-	147
	<hr/>	<hr/>
<i>Net cash generated from investing activities</i>	(3,881)	(4,874)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	3,635	550
Effect of exchange rates on cash and cash equivalents	198	-
Cash and cash equivalents at the beginning of the year	5,176	4,626
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	9,009	5,176
	<hr/>	<hr/>

Notes

(Forming part of the financial statements)

1 Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

Target Topco Limited is a company incorporated, domiciled and registered in England and Wales in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the Directors' report and Strategic report on pages 1 to 4.

The Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The functional currency of Target Topco Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling.

Target TopCo Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside these consolidated financial statements. Exemptions have been taken in relation to intra-group transactions and remuneration of key management personnel, and no separate parent company Cash Flow Statement with related notes is included.

Target TopCo Limited proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in note 2.

Going Concern

The directors have presented the group and parent company financial statements on the going concern basis. This is predominantly because the directors expect the Group to sustain profitable trading and cash flows and trading to date in 2017 is showing the Group in a strong position in terms of both profits and cash flow. The parent company is showing net current liabilities, however the directors consider that the going concern basis is appropriate by virtue of its net assets and the profitable trading and cash flows of its subsidiary companies.

The directors have prepared forecasts including cash flow information up to 31 December 2018. On the basis of these forecasts and discussions with the group's bankers, the directors consider that the group will continue to operate within the facility currently agreed.

It is also their opinion that a subsidiary company will provide funding necessary if it is required to support the business to meet its obligations as they fall due for at least 12 months from the date of approval of the financial statements. This is based on a confirmation that support will be available if required for at least twelve months from the date of the approval of these financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiary undertakings made up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Business combinations are accounted for under the purchase method. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Notes (continued)

1 Significant accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

Intangible assets - Goodwill

Purchased goodwill is capitalised at cost. Goodwill arising on the acquisition of subsidiary undertakings and businesses representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. Provisions are made for any impairment.

Goodwill is amortised on a straight line basis of its useful life. Goodwill has no residual value. The directors consider each acquisition separately for the purpose of determining the amortisation period, being the period over which the directors estimate that economic benefit will continue to be derived from the purchase as:

Purchased goodwill	5 years
Goodwill on consolidation arising on acquisition of subsidiary undertakings	5 – 10 years

Intangible assets – Research and Development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit.

This period is between 3 and 5 years. Provisions are made for any impairment. See note 2 for further details.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Other intangible assets

Intangible assets acquired as part of a business acquisition are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition.

The intangible assets acquired have been valued using an income approach, using the multi-period excess earnings method for customer contracts, and the relief from royalty method for brands.

Notes (continued)

1 Significant accounting policies (continued)

Other intangible assets (continued)

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful economic lives as follows:

Customer contracts	-	5 years
Brand	-	5 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful economic life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less the estimated residual value, of each asset on a straight-line basis over their estimated useful economic lives from the point they are brought into use as follows:

Short leasehold property	-	the term of the lease
Computer equipment	-	3-7 years
Fixtures and fittings	-	3-10 years
Motor vehicles	-	2-4 years

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets. The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Notes (continued)

1 Significant accounting policies (continued)

Trade and other debtors / creditors (continued)

If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. In the Company balance sheet, investments in subsidiaries acquired for consideration are measured by reference to purchase price less any impairment.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Debt instruments

Non-current debt instruments which meet the following conditions, are subsequently measured at amortised cost using the effective interest method:

- a. Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
- b. There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- c. Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
- d. There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Notes (continued)

1 Significant accounting policies (continued)

Impairment of Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Impairment of non-financial assets

The carrying amounts of the entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

The tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Significant accounting policies (continued)

Interest receivable and Interest payable (continued)

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Turnover

Turnover represents the amounts, excluding value added tax, derived from the provisions of solutions to third party customers. Solutions can be provided in three ways: as software licence and related service sales, under facilities management contracts and under business process outsourcing contracts.

Sales of proprietary software systems licences and enhancements to software systems

Revenue from licence agreements for the delivery of software that does not require significant production or enhancement is recognised when, for this delivery, all the following are met:

- persuasive evidence of an arrangement exists;
- delivery of software has occurred;
- there are no significant remaining vendor obligations;
- the vendor's fee is fixed or determinable; and
- collectability is probable.

Licence agreements and enhancements to software systems where production or enhancement is significant are treated as long term contracts and revenue is recognised accordingly. Where the outcome of the contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Amounts recoverable on contracts are included in debtors and represent revenue earned in excess of payments on account. Amounts invoiced in excess of revenue earned are included in creditors and represent deferred income.

Maintenance

Revenue received under maintenance contracts is credited to turnover on a straight-line basis over the period in which it is earned.

Facilities management contracts

A facilities management contract typically contains a number of elements such as licence fees, enhancements, maintenance and facilities management services. The income arising from each of the elements of such a contract is treated in the same way as it would be were it made directly, as set out above. Licence fees and enhancements are accounted for in line with the methods described in the previous paragraphs, whereas the income from maintenance and facilities management services, which are delivered over the term of the contract, will be recognised equally over that term.

Notes (continued)

1 Significant accounting policies (continued)

Facilities management contracts (continued)

Where these figures are not separately identified in the contract then estimated figures are calculated using the following assumptions:

- facilities management income is based upon staff costs included at charge rate and an allocation of relevant overheads;
- enhancement income is based upon specific estimates to complete, valued at charge rate;
- maintenance income is based upon the same ratio of maintenance to licence revenue as when these are sold directly;
- licence fee income is calculated as the remaining income released over the term of the contract.

Business process outsourcing (servicing) contracts

Revenue received under loan servicing and other business process outsourcing contracts is recognised as turnover in the period that the servicing is carried out. All existing servicing contracts provide for charging clients on a monthly basis, either by reference to the portfolio size or according to a fixed fee structure.

Costs incurred in advance of the commencement of live servicing (net of upfront implementation fees received) which are recoverable over the period of the initial contract are shown as debtors within "other amounts recoverable on contracts" and amortised over the initial contract life. Costs which are not recoverable are fully expensed in the period incurred.

Services income

Short-term service revenues such as training, consultancy, and installation revenues are recognised once the service has been delivered.

Retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Leasing and hire purchase obligations

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Owned loan portfolio

Owned loan portfolios acquired from third parties are recognised at fair value, being purchase consideration payable, plus transaction costs. Thereafter all loans are valued at amortised cost with the Effective Interest Rate ('EIR') method. The EIR method spreads the expected net income arising from a loan over its expected life. The EIR is that rate of interest which, at inception, exactly discounts the future cash payments and receipts arising from the loan to the initial carrying amount. The loan balances are reviewed for impairment annually and written down using an impairment provision where required.

Notes (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Certain elements of revenue recognition are subject to a degree of estimation, in particular in relation to long term contracts and the unbundling of facilities maintenance contracts. For further detail see note 1.

Owned loan portfolio

The value of the owned loan portfolio is calculated as the value of the expected future cash flows from the loans, discounted at the effective interest rate (EIR) calculated on their initial recognition. Various assumptions have been used to derive the expected cash flows, and the assumptions derived by the directors have been driven by historical performance of the loans.

The specific provision applied against loans in the portfolio is based on a roll rate methodology that is also based on assumptions that are derived from historical loan performance.

In line with accounting requirements, the EIR used to calculate interest income from the loan portfolio was calculated upon initial recognition as the rate that discounted expected future cash flows to the purchase price of the loans.

Research and development costs

In line with FRS 102, the Group capitalises expenditure on development activities where that expenditure meets the requirements of the standard i.e. a product or process is technically and commercially feasible, the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and the Group can measure reliably the expenditure attributable to the intangible asset during its development. Projects are assessed on an individual basis to determine which activities meet the eligibility criteria for capitalisation as an intangible asset. The days attributable to eligible activities based on the time recording system, together with management assessment of percentage attributable where required, are multiplied by the relevant day rate for that period and capitalised. Eligible non-staff costs are also capitalised where relevant.

Deferred implementation costs

Due to the nature of some of the Group's servicing revenue streams, there may be certain projects where the implementation and set-up phase are loss making due to the contract with a client not providing any revenue until the servicing element begins. In order to provide a true and fair view of the nature of costs incurred during this implementation phase, the net costs of any implementation (i.e. over and above any revenue earned pre contracted start date) are deferred and released over the agreed contractual term. This is done in order to more accurately match costs incurred with the revenue generated as a result of implementations completed.

Notes (continued)

3 Turnover

Turnover by destination was UK £61,781k (2015: £49,618k) and rest of the world £2,325k (2015: £1,339k).

The table below sets out information for each of the group's industry segments:

	Portfolio income		Software		Services		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	£000	£000	£000	£000	£000	£000	£000	£000
Turnover	1,764	1,877	19,342	19,020	43,000	30,060	64,106	50,957

4 Operating profit/(loss)

This is stated after charging/ (crediting):

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Depreciation of fixed assets:		
Owned	950	732
Leased	933	1,026
Impairment of loan book	384	66
Amortisation of goodwill	2,790	2,702
Amortisation of other intangibles	261	160
Auditors' remuneration - audit of these financial statements	39	5
- audit of financial statements of subsidiaries pursuant to legislation	51	51
- other services relating to taxation	-	-
- other assurance services	119	101
Profit on disposal of fixed assets	-	(9)
Operating lease rentals - land and buildings	1,247	870

Amortisation and impairment charge

The amortisation, impairment charge and impairment reversals are recognised in the following line items in the profit and loss account:

	2016 £000	2015 £000
Cost of sales	237	160
Administrative expenses	3,198	2,768

Notes (continued)

5 Interest payable and similar charges

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Bank interest and charges	180	140
Hire purchase and finance interest	159	161
Loan note interest	1,168	1,630
Other finance costs	2	163
	<u>1,509</u>	<u>2,094</u>

6 Directors' remuneration

Emoluments in respect of directors paid by group undertakings were as follows:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Emoluments	1,415	1,687
Company contributions paid to money purchase pension schemes	148	61
	<u>1,563</u>	<u>1,748</u>

The aggregate of emoluments of the highest paid director were £557k (2015: £352k) and company pension contributions of £16k (2015: £14k) were made to a money purchase pension plan on his behalf. Retirement benefits are paid for 4 directors (2015: 6 directors) under their individual money purchase pension plans.

7 Staff numbers and costs

Staff costs	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Wages and salaries	27,107	20,740
Social security costs	4,250	3,342
Pension costs (note 20)	1,420	1,245
	<u>32,777</u>	<u>25,327</u>

Notes (continued)

7 Staff numbers and costs (continued)

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows. The Company does not have any employees.

Number of employees	Year ended 31 December 2016 Number	Year ended 31 December 2015 Number
Technical and operational	754	514
Sales, marketing, management and administration	95	78
	<u>849</u>	<u>592</u>

8 Taxation

The tax charge/(credit) for the year comprises:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Current tax		
Tax on loss on ordinary activities – charge/(credit)	215	27
Prior year tax adjustment	29	-
	<u>244</u>	<u>27</u>
Deferred tax		
Deferred tax charge/(credit) for the period (note 15)	9	(1,348)
	<u>253</u>	<u>(1,321)</u>
Tax charge/(credit) on profit/(loss) on ordinary activities		
	<u>253</u>	<u>(1,321)</u>

The tax charge is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%) as explained below:

	2016 £000	2015 £000
Profit/(loss) for the year	1,565	(160)
Total tax charge/(credit)	<u>253</u>	<u>(1,321)</u>
Profit/(loss) excluding taxation	1,818	(1,481)
Profit/(loss) as 20% (2015: 20.25%)	364	(300)
Effects of		
Expenses not deductible for tax purposes	670	530
Recognised deferred tax	(232)	(1,348)
Unrecognised deferred tax movements	-	7
Difference between depreciation and capital allowances and other timing differences	-	(69)
Tax losses utilised	(578)	(168)
Write of withholding tax	-	27
Prior year tax adjustment	29	-
Other timing differences	-	-
	<u>253</u>	<u>(1,321)</u>
Current tax charge/(credit) for the year		
	<u>253</u>	<u>(1,321)</u>

Notes (continued)

8 Taxation (continued)

Factors affecting future tax rate

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2016 has been calculated based on these rates.

9 Intangible fixed assets

					Group
Group	Development costs £000	Goodwill £000	Brand £000	Customer contracts £000	Total £000
Cost					
At 1 January 2016	1,005	24,776	-	-	25,781
Acquisitions through business combinations (note 10)	-	746	145	213	1,104
Additions	181	-	-	-	181
Disposals	-	-	-	-	-
At 31 December 2016	1,186	25,522	145	213	27,066
Amortisation					
At 1 January 2016	201	10,359	-	-	10,560
Charge for the year	237	2,790	10	14	3,051
Disposals	-	-	-	-	-
At 31 December 2016	438	13,149	10	14	13,611
Net book value					
At 31 December 2016	748	12,373	135	199	13,455
At 31 December 2015	804	14,417	-	-	15,221

Development costs have been capitalised in accordance with the requirements of FRS 102 and are therefore not treated, for dividend purposes, as a realised loss. These costs are being amortised over the life of the project to which they relate on a straight line basis.

Goodwill arising on the acquisition of Harlosh Ltd and TG Investments Ltd is being amortised evenly over the directors' estimate of its useful economic life of 10 years. Goodwill arising on the acquisition of Commercial First Mortgages Ltd is being amortised evenly over the directors' estimate of its useful economic life of 5 years.

Notes (continued)

10 Business combinations

On 1 September 2016, the Group acquired 100% of the unincorporated business of Commercial First Mortgages Ltd for a cash consideration of £1,050,000. The business contributed revenue of £685k and a net loss of (£270k) for the year.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Tangible fixed assets	58
Trade and other debtors	116
Trade and other creditors	(65)
	<hr/>
Net identifiable assets and liabilities	109
	<hr/>
Total cost of business combination:	
Consideration paid:	
Initial cash price paid	300
Deferred consideration at fair value	750
Costs directly attributable to the business combination	163
Total consideration	1,213
	<hr/>
Intangible assets	358
Goodwill on acquisition	746
	<hr/>

Notes (continued)

11 Tangible fixed assets

Group	Short leasehold property £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At 1 January 2016	253	14,507	1,718	16,478
Additions	62	3,068	349	3,479
Acquisition through business combinations (note 10)	-	52	6	58
Disposals	-	(466)	-	(466)
At 31 December 2016	315	17,161	2,073	19,549
Depreciation				
At 1 January 2016	130	10,654	1,271	12,055
Provided in the period	29	1,723	131	1,883
Disposals	-	(466)	-	(466)
At 31 December 2016	159	11,911	1,402	13,472
Net book value				
At 31 December 2016	156	5,250	671	6,077
At 31 December 2015	123	3,853	447	4,423

The Group has leased IT equipment and infrastructure which are considered to meet the definition of finance leases and are accounted for accordingly.

Included in tangible fixed assets of the Group are assets held under hire purchase and finance lease agreements with a cost and net book value at 31 December 2016 of £5,799k and £2,365k respectively (2015: £4,364k and £1,864k). The associated depreciation for the period on those assets was £933k (2015: £1,026k)

12 Investments in subsidiary undertakings

Company

	£000
Cost	
At 1 January 2016	5,862
Additions	19,050
Disposals	-
At 31 December 2016	24,912

On 19 August 2016, Tech Mahindra Fintech Holdings Limited acquired 100% of the share capital of Target Topco Limited. As part of this transaction, loan notes with a total value of £19,050k due to the previous owner were settled on Target Topco's behalf with no requirement for those monies to be repaid. The loan notes held by Target Topco (see notes 14 and 16) were recharged to subsidiary companies through intercompany loans, which were consequently waived upon repayment of the ultimate liability. The settlement of the external loan notes by Tech Mahindra Fintech Holdings represented a capital contribution and the associated waiving of the intercompany amounts increased the value of investments held by Target Topco during the year.

Notes (continued)

12 Investments in subsidiary undertakings (continued)

The company's wholly owned subsidiaries at 31 December 2016 were:

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares	Percentage of ownership
Target TG Investments Limited*	United Kingdom	Holding company	Ordinary	100%
Target Group Limited	United Kingdom	Provision of computer applications software and related services	Ordinary	100%
Target Servicing Limited	United Kingdom	Provision of business process outsourced services	Ordinary	100%
Harlosh Limited	United Kingdom	Provision of computer applications software and related services	Ordinary	100%
Harlosh New Zealand Limited	New Zealand	Provision of computer applications software and related services	Ordinary	100%
Target Financial Systems Limited	United Kingdom	Management of owned loan portfolios	Ordinary	100%
Target Financial Solutions Limited	United Kingdom	Consultancy services	Ordinary	100%
Target Computer Group Limited	United Kingdom	Dormant	Ordinary	100%
Target Group Trustee Company Limited	United Kingdom	Dormant	Ordinary	100%
Elderbridge Limited	United Kingdom	Lender of record for loan portfolios	Ordinary	100%

*Directly owned by the company. This company was formerly known as Robin TG Investments Limited.

The registered office for all subsidiary companies is the same as the parent company.

13 Debtors

	Group 2016	Company 2016	Group 2015	Company 2015
	£000	£000	£000	£000
Trade debtors	4,492	-	2,059	-
Owned loan portfolio **	6,562	-	8,191	-
Services delivered payable by instalments	-	-	80	-
Other amounts recoverable on contracts	5,889	-	2,577	-
Corporation tax	148	-	181	-
Other debtors	292	-	139	114
Prepayments and accrued income	7,347	-	2,651	-
Deferred tax asset **	1,658	-	1,667	-
Amounts owed by group undertakings	-	-	102	17,921
	<u>26,388</u>	<u>-</u>	<u>17,647</u>	<u>18,035</u>

** Included in the above figures are the following amounts due after more than one year:

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Owned Loan Portfolio	4,354	6,886	-	-
Other amounts recoverable as contracts	3,577	-	-	-
Deferred tax (note 15)	759	1,159	-	-
	<u>8,690</u>	<u>8,045</u>	<u>-</u>	<u>-</u>

Notes (continued)

14 Creditors: amounts falling due within one year

	Group 2016 £000	Company 2016 £000	Group 2015 £000	Company 2015 £000
Obligations under finance leases	1,027	-	760	-
Revolving credit facility	3,000	-	3,000	-
Trade creditors	2,002	-	1,652	-
Other taxes and social security	3,030	-	1,211	-
Other creditors	1,022	-	188	-
Accruals and deferred income	7,624	-	6,887	1,480
Amount due to group undertaking	4,217	5,399	-	990
	<u>21,922</u>	<u>5,399</u>	<u>13,698</u>	<u>2,470</u>

The revolving credit facility with HSBC of £3m is due for renewal on 31 December 2017. Of the total available, £3.0m was drawn down by the period end and each drawdown within the amount drawn is repayable in accordance with the period established for that drawdown. The revolving credit facility bears interest at 1.5% per annum over LIBOR. The amount due to group undertaking of £4,217k is due for repayment on 19 August 2017. The loan bears interest at 2.5% per annum.

15 Deferred taxation

Group

The movements in deferred taxation during the current year are as follows:

	Deferred taxation £000
At 1 January 2016	1,667
Charge to profit and loss account (note 8)	(9)
	<u>1,658</u>
At 31 December 2016 (note 13)	<u>1,658</u>

The elements of deferred taxation are as follows:

	2016 £000	2015 £000
Tax losses carried forward	1,338	1,667
Other timing differences	320	-
	<u>1,658</u>	<u>1,667</u>

A further deferred tax asset of £735k (2015: £1,539k) for the Group and £Nil (2015: £10k) for the company has not been recognised due to uncertainty over its future utilisation.

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
<i>The unprovided deferred tax asset comprises</i>				
Difference between depreciation and capital allowances	-	247	-	-
Tax losses carried forward	735	1,194	-	10
Other timing differences	-	98	-	-
	<u>735</u>	<u>1,539</u>	<u>-</u>	<u>10</u>

Notes (continued)

16 Creditors: amounts falling due after more than one year

	Group 2016 £000	Company 2016 £000	Group 2015 £000	Company 2015 £000
Obligation under finance leases (amounts payable in the second to fifth years inclusive)	1,551	-	1,345	-
Accruals and deferred income	4,328	-	453	-
Bank Loan (payable in 1-2 years inclusive)	1,737	-	-	-
Bank Loan (payable in 2-5 years inclusive)	-	-	4,274	-
Loan note interest	-	-	1,386	1,386
Loan note debt	-	-	16,535	16,535
	<u>7,616</u>	<u>-</u>	<u>23,993</u>	<u>17,921</u>

The loan note debt in the prior year related to funding from the previous owner. As a result of the acquisition of Target Topco by Tech Mahindra Fintech Holdings Limited on 19 August 2016, these loan notes and accrued interest were repaid in full during the period.

The bank loan is a 5 year loan bearing interest at 7.5% over LIBOR repayable in full on 23 December 2018 although monthly repayments are made in line with the terms of the facility agreement based on portfolio collection activity.

17 Share capital

Group and Company

	2016 Number	2016 £	2015 Number	2015 £
<i>Allotted, called up and fully paid</i>				
A1 Voting shares of £0.01 each	1,530,750	15,308	1,530,750	15,308
A2 Voting shares of £0.10 each	510,250	51,025	510,250	51,025
B1 Non Voting shares of £0.01 each	1,428,700	14,287	1,428,700	14,287
B2 Non-Voting shares of £0.01 each	591,890	5,919	591,890	5,919
C Non-Voting shares of £0.01 each	1,246,080	12,460	1,246,080	12,460
	<u>5,307,670</u>	<u>98,999</u>	<u>5,307,670</u>	<u>98,999</u>

Both the 'A' and 'B' shares carry no right to vote at, attend or receive notice of general meetings of the company. They have rights to income or capital only on a sale of the business for a value above specific defined thresholds.

The Group and Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

The capital redemption reserve is a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

Notes (continued)

18 Financial instruments

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	Group		Company	
Financial assets	2016 Total £000	2015 Total £000	2016 Total £000	2015 Total £000
<i>Debt instruments measured at amortised cost</i>				
Long term loans receivable (see note 13)	6,562	8,191	-	-
<i>Measured at undiscounted amount receivable</i>				
Amounts due from customers (see note 13)	14,957	5,749	-	-
Amounts due from related undertakings	-	102	-	17,921
Other debtors	4,869	3,605	-	114
	<u>26,388</u>	<u>17,647</u>	<u>-</u>	<u>18,035</u>
 Financial liabilities				
<i>Measured at amortised cost</i>				
Loans payable (see note 16)	1,737	22,195	-	17,921
Lease liabilities	2,578	2,105	-	-
Amounts owed to related undertakings	4,217	-	5,399	990
<i>Measured at undiscounted amount payable</i>				
Revolving Credit Facility	3,000	3,000	-	-
Trade and other creditors	18,006	10,391	-	1,480
	<u>18,006</u>	<u>10,391</u>	<u>-</u>	<u>1,480</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

Financial assets	2016 Total £000	2015 Total £000
Interest income and expense		
Total interest income for financial assets at amortised cost	1,764	1,877
Total interest expense for financial liabilities at amortised cost	(1,561)	(2,270)
Impairment losses		
On financial assets measured at amortised cost	(386)	(66)

The interest expense includes £234k (2015: £479k) of interest that was recognised within cost of sales in Target Financial Systems Limited. The remainder is interest on loan notes (see note 5).

Notes (continued)

18 Financial instruments (continued)

Under FRS 102 Section 34 additional disclosures are required in relation to financial instruments held by the group, as set out below in notes 18a and 18b. These disclosures are in respect of the financial instruments held by Target Financial Systems Ltd, the intercompany loan held by Target Topco Ltd and the loan notes by held Target TG Investments Ltd in the prior year. This is in accordance with FRS 102 34.17.

18 (a) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's forecasts and plans continue to take account of scenarios that model stresses on the ability of customers and counterparties to repay their financial obligations.

Risk mitigation

The controlled management of credit risk is critical to the success of the Group's strategy. There has been, and continues to be, no origination by the Group, with the portfolio having been acquired from a third party. However, the quality of individual decisions and subsequent management and control, together with the application of a credit policy that reflects the risk appetite of the Group, have a direct impact on the achievement of the financial objectives of the Group. The Group has a clear risk appetite including policy scope, structures and responsibilities, definitions of risk and risk measurement and approach to monitoring. The Group's collections and recoveries functions aim to provide a responsive and effective operation for the arrears management process. The Group encourages early two-way communication with borrowers, obtaining their commitment to maintain payment obligations. We recognise that customers in financial difficulties need support at what may be a difficult time so careful consideration is given to the most appropriate realisation strategy likely to result in the best outcome for the Group and the customer.

Exposure to credit risk

For financial assets recognised in the statement of financial position, the exposure to credit risk without taking into account any collateral held or other credit enhancements, is shown below. The carrying value of loans and advances to customers at a fixed rate of interest represents the discounted amount of estimated future cash flows expected to be received after taking account of expected loss provisions, expected levels of early repayment and discounting at current market rates.

The maximum exposure to credit risk at the balance sheet date by class of financial instrument was;

	2016 £000	2015 £000
Loans and advances to customers	7,983	9,873

Based on indexed valuations the total collateral held against lending secured against residential property is estimated to be £52,259k (2015: £56,859k). Any collateral surplus on the sale of repossessed properties, after a deduction for costs incurred in relation to the sale, would be returned to the borrower.

The concentration of credit risk for loans receivable at the balance sheet date by geographic region was:

	2016 £000	2015 £000
United Kingdom	100%	100%

Notes (continued)

18 Financial instruments (continued)

18 (a) Credit risk (continued)

The concentration of credit risk for loans and advances to customers at the balance sheet date by type of counterparty was:

	2016 £000	2015 £000
In respect of loans and advances to customers		
Fully secured by a first charge on residential property	4,012	6,300
Partially secured by a second charge on residential property	3,971	3,573

Credit quality of financial assets and impairment losses

The aging of receivables at the balance sheet date was:

	Gross 2016 £000	Impairment 2016 £000	Gross 2015 £000	Impairment 2015 £000
Not past due	5,005	4	6,524	6
Past due 0-30 days	627	-	720	-
Past due 31-90 days	377	-	751	-
More than 90 days	1,974	448	1,878	60

Loan to value (LTV) is one of the main factors used to determine the credit quality of loans secured on residential property. The average index linked LTV in respect of the Group's loans secured on residential property is estimated to be 20% (2015: 37.5%). Index-linked LTV banding is shown below:

	2016 £000	2015 £000
Less than 80%	95%	89.6%
More than 80% but less than 100%	2%	4.1%
More than 100%	3%	6.3%

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016 £000	2015 £000
Balance at 1 January	66	-
Impairment loss recognised	386	66
Impairment loss reversed	-	-
Balance at 31 December	452	66

The allowance account for loans receivable is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the loan book directly.

Notes (continued)

18 Financial instruments (continued)

18 (b) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group is exposed liquidity risk by the fact that the bank loan obligations are met using repayments from customers on the loan portfolio. If customers were to cease payment, this would have a negative impact on liquidity and have an impact on the loan facility. In order to address this risk, the Group has a dedicated customer services team that maintains regular contact with borrowers in order to ensure that any changes in circumstances that could affect payment are identified early. There is also an experienced arrears team that will ensure that any missed or late payments are followed up with the customer in order to keep the accounts up to date. For impaired accounts there are dedicated processes and procedures to ensure that any litigation or further action on a customer account combines the objective of maintaining a fair customer outcome whilst minimising any loss to the Group.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

		2016				
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Non-derivative financial liabilities						
Secured bank loans	1,737	1,737	-	1,737	-	-
Intercompany loan	4,217	4,217	-	4,217	-	-
Loan notes	-	-	-	-	-	-

		2015				
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Non-derivative financial liabilities						
Secured bank loans	4,274	4,274	-	-	4,274	-
Loan notes	17,921	17,921	-	-	17,921	-

Notes (continued)

19 Commitments

Group capital commitments authorised and contracted at 31 December 2016 were £Nil (2015: £Nil).

Group total future minimum lease payments under non-cancellable operating leases are as follows:

	2016 Total £000	2015 Total £000
Group:		
In the first year	1,247	1,010
Between one and five years	4,327	2,019
After five years	4,221	4,707
	<hr/> 9,795	<hr/> 7,736

Total future minimum lease payments under non-cancellable finance leases are as follows:

	2016 £000	2015 £000
Group:		
In the first year	1,027	760
Between one and five years	1,551	1,345
After five years	-	-
	<hr/> 2,578	<hr/> 2,105

Annual commitments at 31 December 2016 relate solely to property leases. The majority of leases of land and buildings are subject to rent reviews. The Group and Company had no capital commitments, and the Company had no annual commitments, at the year-end (2015 £Nil).

20 Pensions

The assets of the pension schemes to which the group contributes on behalf of its employees are held within independently administered funds. The schemes are all defined contribution schemes thus the group's obligation is solely to make contributions based on a percentage of salary. Employer contributions to the schemes for the period amounted to £1,420k (2015: £1,245k).

21 Ultimate controlling party

On the 19 August 2016, Tech Mahindra Fintech Holdings Limited acquired 100% of share capital of Target Topco Limited.

The immediate parent company is Tech Mahindra Fintech Holdings Limited. The company is a 100% subsidiary undertaking of Tech Mahindra Fintech Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the company are consolidated is Tech Mahindra Limited. The consolidated financial statements of Tech Mahindra Limited are available to the public on the National Stock Exchange of India Ltd (NSE), The BSE Limited (BSE) and the company's website (www.techmahindra.com). Tech Mahindra Limited is also the ultimate parent company and its registered office is Gateway Building, Apollo Bunder, Mumbai – 400001, India.

Notes (continued)

22 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Creditors falling due after more than one year				
Secured bank loans	1,737	4,274	-	-
Shareholder loan notes	-	17,921	-	17,921
Finance lease liabilities	1,551	1,345	-	-
Creditors falling due within less than one year				
Finance lease liabilities	1,027	760	-	-
Loan payable to immediate parent company	4,217	-	4,217	-

Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016 £000	2015 £000
Shareholder loan notes	GBP	10%	2016	Bullet	-	17,921
Secured bank loan	GBP	7.5%	2018	Bullet	1,737	4,274
Finance lease liabilities	GBP	6%	2020	Quarterly	2,578	2,106
Parent company loan	GBP	2.5%	2017	Bullet	4,217	-
Company					£000	£000
Shareholder loan notes	GBP	10%	2016	Bullet	-	17,921

23 Related Party Transactions

At 31 December 2016, £4,217k was due to the immediate parent company, Tech Mahindra Fintech Holdings Limited, in relation to an intercompany loan.

Interest of £39k (2015: £Nil) accrued on the intercompany loan with Tech Mahindra Fintech Holdings Limited, and was settled in full during the year.

24 Profit and Loss account of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss after taxation for the financial period was £3,043k (2015: £1,539k).