

Financial Statements

Retail Merchant Services Limited

For the year ended 31 December 2012



Registered number 06079704

Retail Merchant Services Limited

Company Information

Directors

Mr G Poppleton
Mr P McOmish
Mr M E Postle

Company secretary

Mr P McOmish

Company number

06079704

Registered office

Matrix House
North Fourth Street
MILTON KEYNES
MK9 1NJ

Auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
2 Broadfield Court
SHEFFIELD
South Yorkshire
S8 0XF

Bankers

Natwest Bank PLC
Victoria Street
GRIMSBY
DN31 1UX

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Directors' report

For the year ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Principal activity

The principal activity of the company during the year was providing membership to retailers

Business review

Turnover for the year increased to £4,579,503 (2011 £3,280,887) In the current trying Economic climate, we have continued to grow and are investing heavily in our future growth and sales The directors are satisfied with the results of the company for the year

Results

The profit for the year, after taxation, amounted to £644,263 (2011 - £297,149)

Directors

The directors who served during the year were

Mr G Poppleton
Mr P McOmish
Mr M E Postle

Directors' responsibilities statement

The directors are responsible for preparing the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Directors' report

For the year ended 31 December 2012

Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main issues arising from the company's financial instruments are liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks, and they are summarised below. The policies have remained unchanged from previous years.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Interest rate risk

The company finances its operations through a mixture of retained profits and inter company support. The company exposure to interest rate fluctuations is managed by the parent company on a group basis.

Provision of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 24 May 2013 and signed on its behalf



Mr G Poppleton
Director

Independent auditor's report to the members of Retail Merchant Services Limited

We have audited the financial statements of Retail Merchant Services Limited for the year ended 31 December 2012, which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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, 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 (APB'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 Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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



Independent auditor's report to the members of Retail Merchant Services Limited

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

A handwritten signature in black ink, appearing to read "Mike" followed by a checkmark-like flourish.

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

24 May 2013

Profit and loss account

For the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	1,3	4,579,503	3,280,887
Cost of sales		<u>(1,865,024)</u>	<u>(1,311,507)</u>
Gross profit		2,714,479	1,969,380
Selling and distribution costs		<u>(151,800)</u>	<u>(93,634)</u>
Administrative expenses		<u>(1,683,541)</u>	<u>(1,225,075)</u>
Operating profit	4	879,138	650,671
Interest receivable and similar income	7	51,930	52,522
Interest payable and similar charges	8	<u>(384,505)</u>	<u>(406,044)</u>
Profit on ordinary activities before taxation		546,563	297,149
Tax on profit on ordinary activities	9	<u>97,700</u>	-
Profit for the financial year	16	<u>644,263</u>	<u>297,149</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account


The notes on pages 7 to 15 form part of these financial statements

Balance sheet

As at 31 December 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	10		2,468,842		2,068,875
Current assets					
Debtors	11	4,036,680		3,354,970	
Cash at bank and in hand		142,478		114,546	
		<u>4,179,158</u>		<u>3,469,516</u>	
Creditors amounts falling due within one year	12	(1,289,478)		(1,044,183)	
Net current assets			<u>2,889,680</u>		<u>2,425,333</u>
Total assets less current liabilities			<u>5,358,522</u>		<u>4,494,208</u>
Creditors , amounts falling due after more than one year	13		5,742,741		5,522,690
Capital and reserves					
Called up share capital	15	100		100	
Profit and loss account	16	(384,319)		(1,028,582)	
	17		<u>(384,219)</u>		<u>(1,028,482)</u>
			<u>5,358,522</u>		<u>4,494,208</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 May 2013


Mr G Poppleton
 Director

The notes on pages 7 to 15 form part of these financial statements

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of services supplied during the year, exclusive of Value Added Tax

1.3 Tangible fixed assets and depreciation

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

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

1.4 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if 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

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.6 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

The company makes contributions for staff into personal pension plans. The pension cost represents contributions payable to the fund

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies (continued)

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

2. Going concern

The directors have prepared these financial statements under the going concern basis. The company directors have reviewed forecasts and are confident that the company will remain profitable and will continue to generate cash in the future. The parent company, Retail Merchant Group Limited, has confirmed that it will not seek repayment of the loan within 12 months of signing these financial statements unless the company is in a position to meet its obligations as they fall due. The company also has the ongoing financial support of the parent company and has been assured that it will continue to make sufficient funds available to enable the company to meet its obligations as they fall due.

3. Turnover

The whole of the turnover is attributable to the principal business activities of the company.

A geographical analysis of turnover is as follows:

	2012	2011
	£	£
United Kingdom	4,569,290	3,280,887
Rest of European Union	10,213	-
	<u>4,579,503</u>	<u>3,280,887</u>

Notes to the financial statements

For the year ended 31 December 2012

4. Operating profit

The operating profit is stated after charging

	2012 £	2011 £
Depreciation of tangible fixed assets		
- owned by the company	830,278	566,309
Auditor's remuneration	8,500	8,500
Auditor's remuneration - non-audit	2,400	2,400
Operating lease rentals		
- other operating leases	152,240	113,265

The company has entered into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 31 December 2012. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and was approved by shareholders by written resolution.

5. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	1,532,250	1,070,589
Social security costs	121,050	89,907
Other pension costs	3,559	2,971
	<u>1,656,859</u>	<u>1,163,467</u>

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

	2012 No	2011 No
Administration and management	37	30
Sales	47	30
	<u>84</u>	<u>60</u>

Notes to the financial statements

For the year ended 31 December 2012

6. Directors' remuneration

	2012	2011
	£	£
Emoluments	60,000	54,750
Company pension contributions to defined contribution pension schemes	1,200	-

During the year retirement benefits were accruing to 1 director (2011 - NIL) in respect of defined contribution pension schemes

7. Interest receivable

	2012	2011
	£	£
Interest receivable from group companies	49,332	51,598
Other interest receivable	2,598	924
	51,930	52,522

8. Interest payable

	2012	2011
	£	£
On loans from group undertakings	384,505	406,044

Notes to the financial statements

For the year ended 31 December 2012

9. Taxation

	2012 £	2011 £
Analysis of tax charge in the year		
Deferred tax (see note 14)		
Origination and reversal of timing differences	(97,700)	-
Tax on profit on ordinary activities	<u>(97,700)</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	<u>546,563</u>	<u>297,149</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%)	133,908	78,724
Effects of		
Expenses not deductible for tax purposes	2,035	2,923
Depreciation in excess of capital allowances	67,357	9,081
Utilisation of tax losses	(203,300)	(90,483)
Group relief	-	(245)
Current tax charge for the year (see note above)	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges

Notes to the financial statements

For the year ended 31 December 2012

10. Tangible fixed assets

	Terminals £	Office equipment £	Total £
Cost			
At 1 January 2012	3,034,898	344,017	3,378,915
Additions	1,040,202	256,063	1,296,265
Disposals	(176,616)	-	(176,616)
At 31 December 2012	3,898,484	600,080	4,498,564
Depreciation			
At 1 January 2012	1,163,088	146,952	1,310,040
Charge for the year	742,045	88,233	830,278
On disposals	(110,596)	-	(110,596)
At 31 December 2012	1,794,537	235,185	2,029,722
Net book value			
At 31 December 2012	2,103,947	364,895	2,468,842
At 31 December 2011	1,871,810	197,065	2,068,875

11. Debtors

	2012 £	2011 £
Due after more than one year		
Amounts owed by group undertakings	2,000,000	2,000,000
Due within one year		
Trade debtors	251,328	178,934
Amounts owed by group undertakings	1,618,968	1,061,198
Prepayments and other debtors	68,684	114,838
Deferred tax asset (see note 14)	97,700	-
	4,036,680	3,354,970

Notes to the financial statements

For the year ended 31 December 2012

12. Creditors: Amounts falling due within one year

	2012	2011
	£	£
Trade creditors	408,984	557,785
Social security and other taxes	196,299	111,257
Accruals and deferred income	684,195	375,141
	<u>1,289,478</u>	<u>1,044,183</u>

13. Creditors: Amounts falling due after more than one year

	2012	2011
	£	£
Amounts owed to group undertakings	<u>5,742,741</u>	<u>5,522,690</u>

14. Deferred taxation

	2012	2011
	£	£
At beginning of year	-	-
Released during year	97,700	-
	<u>97,700</u>	<u>-</u>
At end of year	<u>97,700</u>	<u>-</u>

The deferred taxation balance is made up as follows

	2012	2011
	£	£
Accelerated capital allowances	22,000	-
Tax losses carried forward	75,700	-
	<u>97,700</u>	<u>-</u>

The company has an unrecognised deferred tax asset for £nil (2011 - £256,000) relating to fixed asset timing differences and losses which are available to offset against future taxable profits. The asset was not recognised in the prior year due to the uncertainty of future taxable profits.

Notes to the financial statements

For the year ended 31 December 2012

15. Share capital

	2012	2011
	£	£
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

16. Reserves

	Profit and loss account
	£
At 1 January 2012	(1,028,582)
Profit for the year	<u>644,263</u>
At 31 December 2012	<u>(384,319)</u>

17. Reconciliation of movement in shareholders' deficit

	2012	2011
	£	£
Opening shareholders' deficit	(1,028,482)	(1,325,631)
Profit for the year	<u>644,263</u>	<u>297,149</u>
Closing shareholders' deficit	<u>(384,219)</u>	<u>(1,028,482)</u>

18. Operating lease commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings
	2012
	£
Expiry date	
Between 2 and 5 years	-
After more than 5 years	<u>78,620</u>

19. Related party transactions

As a wholly owned subsidiary of Retail Merchant Group Limited, the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group headed by that company

Notes to the financial statements

For the year ended 31 December 2012

20. Ultimate parent undertaking and controlling party

The company is wholly owned by Retail Merchant Group. Consolidated financial statements for Retail Merchant Group Limited, which is the largest and smallest group into which the results of the company are consolidated, are available at Companies House.

Its ultimate parent undertaking and controlling related party is Nighungale Holdings Limited, a company incorporated in the Isle of Man.