Financial Statements
Retail Merchant Services Limited

For the year ended 31 December 2013

Registered number: 06079704

Company Information

Directors	Mr G Poppleton Mr P McOmish Mr M E Postle
Company secretary	Mr P McOmish
Registered number	06079704
Registered office	Matrix House North Fourth Street MILTON KEYNES MK9 1NJ
Independent 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

Contents

Directors' report
For the year ended 31 December 2013

The directors present their report and the financial statements for the year ended 31 December 2013.

Principal activity

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

Results

The profit for the year, after taxation, amounted to £847,826 (2012 - £644,263).

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 Strategic report and 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 2013

Disclosure of information to auditor

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

- so far as 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 relevant audit information 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 15 July 2014 and signed on its behalf.

Mr G Poppleton
Director

Strategic report
For the year ended 31 December 2013

Business review

Turnover for the year increased to £5,947,392 (2012: £4,579,503). The directors are satisfied with the annual results. We continue to develop and invest in new technologies and services todrive the growth and efficiency of the business and create additional opportunities with both new and existing customers.

Principal risks and uncertainties

The principal risk to the business is competitors who offer the same service. To mitigate this risk we ensure that we recruit experienced staff and offer a competitive package to our customers. We continue to grow the business through customer referrals direct marketing,social media and PR activities to spread the message about the unique offering and benefits package and to expand our head count with new offices and a growing sales force.

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

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.

Financial key performance indicators

The directors manage the ongoing performance of the business by reviewing the management accounts, monitoring variance analysis and reviewing ongoing customer feedback.

This report was approved by the board on 15 July 2014 and signed on its behalf.

Mr G Poppleton
Director

Grant Thornton

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 2013, 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 Financial Reporting Council'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 2013 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Grant Thornton

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.

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

15 July 2014

Profit and loss account

For the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover	1,3	**5,947,342**	4,579,503
Cost of sales		**(2,463,262)**	(1,865,024)
Gross profit		**3,484,080**	2,714,479
Selling and distribution costs		**(160,014)**	(151,800)
Administrative expenses		**(1,997,691)**	(1,683,541)
Operating profit	4	**1,326,375**	879,138
Interest receivable and similar income	7	**45,504**	51,930
Interest payable and similar charges	8	**(368,353)**	(384,505)
Profit on ordinary activities before taxation		**1,003,526**	546,563
Tax on profit on ordinary activities	9	**(155,700)**	97,700
Profit for the financial year	16	**847,826**	644,263

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the profit and loss account.

The notes on pages 8 to 16 form part of these financial statements.

Balance sheet
As at 31 December 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Tangible assets	10		**3,313,434**		2,468,842
Current assets					
Debtors	11	**4,604,800**		4,036,680	
Cash at bank and in hand		**541,335**		142,478	
		5,146,135		4,179,158	
Creditors: amounts falling due within one year	12	**(3,995,962)**		(1,289,478)	
Net current assets			**1,150,173**		2,889,680
Total assets less current liabilities			**4,463,607**		5,358,522
Creditors: amounts falling due after more than one year	13		**4,000,000**		5,742,741
Capital and reserves					
Called up share capital	15	**100**		100	
Profit and loss account	16	**463,507**		(384,319)	
	17		**463,607**		(384,219)
			4,463,607		5,358,522

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 July 2014.

Mr G Poppleton
Director

The notes on pages 8 to 16 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2013

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 2013

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:

	2013	2012
	£	£
United Kingdom	5,854,982	4,569,290
Rest of European Union	92,360	10,213
	5,947,342	4,579,503

Notes to the financial statements

For the year ended 31 December 2013

4. Operating profit

The operating profit is stated after charging:

	2013	2012
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	**1,023,998**	830,278
Auditor's remuneration	**8,700**	8,500
Auditor's remuneration - non-audit	**2,500**	2,400
Operating lease rentals:		
- land and buildings	**164,797**	152,240

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 2013. 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:

	2013	2012
	£	£
Wages and salaries	**2,002,433**	1,532,250
Social security costs	**159,511**	121,050
Other pension costs	**4,457**	3,559
	2,166,401	1,656,859

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

	2013	2012
	No.	No.
Administration and management	**60**	37
Sales	**60**	47
	120	84

Notes to the financial statements
For the year ended 31 December 2013

6. Directors' remuneration

	2013	2012
	£	£
Remuneration	**60,000**	60,000
Company pension contributions to defined contribution pension schemes	**2,000**	1,200

During the year retirement benefits were accruing to 1 director (2012 - 1) in respect of defined contribution pension schemes.

7. Interest receivable

	2013	2012
	£	£
Interest receivable from group companies	**42,782**	49,332
Other interest receivable	**2,722**	2,598
	45,504	51,930

8. Interest payable

	2013	2012
	£	£
On loans from group undertakings	**368,353**	384,505

Notes to the financial statements

For the year ended 31 December 2013

9. Taxation

	2013 £	2012 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	**80,000**	-
Deferred tax (see note 14)		
Origination and reversal of timing differences	**75,700**	(97,700)
Tax on profit on ordinary activities	**155,700**	(97,700)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%). The differences are explained below:

	2013 £	2012 £
Profit on ordinary activities before tax	**1,003,526**	546,563
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	**233,320**	133,908
Effects of:		
Expenses not deductible for tax purposes	**-**	2,035
Depreciation in excess of capital allowances	**8,743**	67,357
Utilisation of tax losses	**(75,177)**	(203,300)
Other timing differences	**(1,557)**	-
Group relief	**(85,329)**	-
Current tax charge for the year (see note above)	**80,000**	-

Notes to the financial statements

For the year ended 31 December 2013

10. Tangible fixed assets

	Terminals	Office equipment	Total
	£	£	£
Cost			
At 1 January 2013	3,898,484	600,080	4,498,564
Additions	1,609,525	273,850	1,883,375
Disposals	(255,197)	-	(255,197)
At 31 December 2013	5,252,812	873,930	6,126,742
Depreciation			
At 1 January 2013	1,794,537	235,185	2,029,722
Charge for the year	900,950	123,048	1,023,998
On disposals	(240,412)	-	(240,412)
At 31 December 2013	2,455,075	358,233	2,813,308
Net book value			
At 31 December 2013	2,797,737	515,697	3,313,434
At 31 December 2012	2,103,947	364,895	2,468,842

11. Debtors

	2013	2012
	£	£
Due after more than one year		
Amounts owed by group undertakings	2,000,000	2,000,000
Due within one year		
Trade debtors	206,812	251,328
Amounts owed by group undertakings	2,312,539	1,618,968
Prepayments and other debtors	63,449	68,684
Deferred tax asset (see note 14)	22,000	97,700
	4,604,800	4,036,680

Notes to the financial statements
For the year ended 31 December 2013

12. Creditors:
Amounts falling due within one year

	2013	2012
	£	£
Trade creditors	731,201	408,984
Amounts owed to group undertakings	2,113,591	-
Corporation tax	80,000	-
Other taxation and social security	195,440	196,299
Accruals and deferred income	875,730	684,195
	3,995,962	1,289,478

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

	2013	2012
	£	£
Amounts owed to group undertakings	4,000,000	5,742,741

14. Deferred tax asset

	2013	2012
	£	£
At beginning of year	97,700	-
(Charge for)/released during year (P&L)	(75,700)	97,700
At end of year	22,000	97,700

The deferred tax asset is made up as follows:

	2013	2012
	£	£
Accelerated capital allowances	22,000	22,000
Tax losses carried forward	-	75,700
	22,000	97,700

Notes to the financial statements

For the year ended 31 December 2013

15. Share capital

	2013	2012
	£	£
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	**100**	100

16. Reserves

	Profit and loss account
	£
At 1 January 2013	**(384,319)**
Profit for the financial year	**847,826**
At 31 December 2013	**463,507**

17. Reconciliation of movement in shareholders' funds

	2013	2012
	£	£
Opening shareholders' deficit	**(384,219)**	(1,028,482)
Profit for the financial year	**847,826**	644,263
Closing shareholders' funds/(deficit)	**463,607**	(384,219)

18. Operating lease commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2013	2012
	£	£
Expiry date:		
Between 2 and 5 years	**127,023**	-
After more than 5 years	**-**	78,620

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 2013

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 Nightingale Holdings Limited, a company incorporated in the Isle of Man.