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Red Commerce Limited
Annual report and
financial statements
Registered number 3914762
31 March 2018

THURSDAY



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Strategic report

Red Commerce Limited ('RED' or 'the company'), is the principal operating subsidiary within the Red Topco Limited group ('the Group'). The Red Topco Limited's group Strategic Report contains details of the Group's activities.

RED, along with its subsidiaries, is a specialist recruitment organisation focusing on contract and permanent recruitment in the SAP environment on a worldwide basis. The group provides services to clients in Europe, the Americas and across Asia Pacific.

RED's vision is to be the global SAP recruitment partner of choice.

Business Review

RED achieved an increase in turnover of £16.5 million (2017: increase of £17.1 million), and an increase in gross profit of £3.0 million (2017: increase of £2.5 million).

As a result of significant investment made in the Group's employees, through new hires (including the heads of UK Contract and Perm) and infrastructure, both Permanent and Contract divisions have seen an increase in profitability against the prior year.

Principal Risk and Uncertainty

The performance of the group is significantly affected by changes to underlying economic activity, particularly in its key geographies of the UK and Germany.

Any significant change in the demand for SAP as an enterprise resource planning software solution is another risk facing the business as any decline in the demand for SAP software would likely reduce the demand for talent recruited through the group on either a permanent or contract basis.

The group is also reliant on its ability to recruit, train, develop and retain staff to drive profitable growth.

Key Performance Indicators

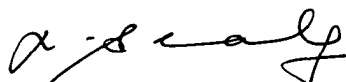
A number of key performance indicators are used within the company to monitor performance. The most important of those are noted below.

	2018	2017
Turnover growth, by region		
UK	-1%	25%
Continental Europe	28%	15%
Rest of World	-20%	59%
Gross Profit Growth	16%	15%

Funding

In August 2016, the Company refinanced the HSBC invoice discounting facility as well as the HSBC term loans held in the intermediate parent company Red Bidco Limited. A new £25m invoice discount facility was agreed with Bank Leumi ABL Limited.

By order of the board



J Sealy
Director

27 July 2018

5th floor
33 Gracechurch Street
London
EC3V 0BT

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

Principal activities

The principal activity of the company is the provision of IT recruitment and staffing services.

Dividends

The directors do not recommend payment of a dividend (2017: £nil).

Directors and directors' interests

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

R Eades (appointed 7th May 2018)

A McRae (resigned 7th May 2018)

J Sealy

Political and charitable contributions

During the year the group made no charitable contributions (2017: £nil) and no political contributions (2017: £nil).

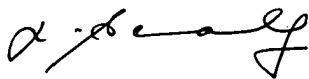
Provision of information to auditor

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 audit information of which the Company'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 Company's auditor is aware of that information.

Auditor

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

By order of the board



J Sealy
Director

27 July 2018

5th floor
33 Gracechurch Street
London
EC3V 0BT

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the 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 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Red Commerce Limited

Opinion

We have audited the financial statements of Red Commerce Limited ("the company") for the year ended 31 March 2018 which comprise the Profit and Loss account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the members of Red Commerce Limited *(continued)*

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Mark Sheppard (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

27 July 2018

Profit and loss account
for the year ended 31 March 2018

	<i>Notes</i>	2018 £'000	2017 £'000
Turnover	2	114,542	98,066
Cost of sales		<u>(92,357)</u>	<u>(78,859)</u>
Gross profit		22,185	19,207
Administration expenses (including exceptional costs)	3	(19,620)	(18,374)
Operating profit	3	<u>2,565</u>	<u>833</u>
Net finance expense	6	(1,066)	(942)
Profit/(Loss) before taxation		<u>1,499</u>	<u>(109)</u>
Tax on loss	7	(425)	(235)
Profit/(Loss) after taxation		<u><u>1,074</u></u>	<u><u>(344)</u></u>

All results arose from continuing operations.

There was no other comprehensive income in 2017 or 2018.

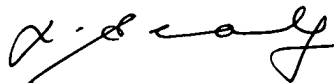
The notes on pages 10 to 20 form part of these financial statements.

Balance Sheet
as at 31 March 2018

	<i>Notes</i>	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	8	637	872
Investments	9	-	-
		<u>637</u>	<u>872</u>
Current assets			
Debtors	10	54,665	54,927
Cash at bank and in hand		803	412
		<u>55,468</u>	<u>55,339</u>
Creditors: amounts falling due within one year	11	(37,240)	(38,420)
Net current assets		<u>18,228</u>	<u>16,919</u>
Net assets		<u>18,865</u>	<u>17,791</u>
Capital and reserves			
Called up share capital	13	50	50
Profit and loss account	14	18,815	17,741
Shareholders' funds		<u>18,865</u>	<u>17,791</u>

The notes on pages 10 to 20 form part of these financial statements.

These financial statements were approved by the board of directors on 27 July 2018 and were signed on its behalf by:



J Sealy
Director

Statement of Changes in Equity

For the year ended 31 March 2018

	Share capital £'000	Profit & loss account £'000	Total equity £'000
Balance at 1 April 2017	50	17,741	17,791
Profit or loss	-	1,074	1,074
Total comprehensive income for the period	-	1,074	1,074
Balance at 31 March 2018	50	18,815	18,865

Notes to the financial statements (forming part of the financial statements)

1 Accounting policies

Red Commerce Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

These 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 Company’s parent undertaking, Red Topco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Red Topco Limited are available to the public and may be obtained from 5th floor, 33 Gracechurch Street, London, EC3V 0BT. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Red Topco Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company 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.

The financial statements are prepared on the historical cost basis.

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 18.

Notes (continued)

Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future, which the directors believe is appropriate for the following reasons.

The Company has net assets of £18.9 million at 31 March 2018 (2017: £17.8 million). The company is the principal operating company within the Red Topco group and as such the group is reliant on the cashflow generated by the company to fund its interest and debt obligations. In August 2016, the group refinanced the term loan facilities held within the group with more flexible invoice discount facilities which provide significantly greater levels of facility than previously available. Other than those relating to the new invoice discount facility, the group has no interest or debt repayment obligations within the next twelve months. Based on detailed cashflow projections prepared by the group through to 31 March 2019 and less detailed projections through to 31 March 2021, including sensitivity analysis on key assumptions, the directors consider that the Company and the Group will continue to operate within the amended facilities.

Turnover

The turnover represents amounts receivable for services, including reimbursed contractor expenses, net of VAT and trade discounts. Turnover from contract assignments is recognised when the services are performed, based on hours worked by the consultants placed. Turnover from permanent placements are recognised at the start date of placing a candidate with a client. Provisions are made for possible cancellations of placements shortly after the commencement of employment.

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 less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings and equipment	-	20 – 50% straight line
Computer equipment	-	20 – 50% straight line

Leases and hire purchase agreements

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

Pensions

The group operates a group personal pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

1 Accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Transactions in foreign currencies are translated to the Company's 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.

Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

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. 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 instrument for a similar debt instrument.

Notes (continued)

1 Accounting policies (continued)

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.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes (continued)

1 Accounting policies (continued)

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method, 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.

2 Turnover

	2018 £'000	2017 £'000
<i>By geographical market</i>		
United Kingdom	17,348	17,447
Continental Europe	86,874	67,751
Rest of World	10,320	12,868
	<u>114,542</u>	<u>98,066</u>

3 Operating profit

	2018 £'000	2017 £'000
Operating profit is stated after charging:		
Depreciation of tangible assets	373	501
Auditors' remuneration - audit of these financial statements	60	48
- non audit fees	-	-
Operating lease rentals – other	582	572

Non-recurring costs in the year totalled £694,000. This comprised £617,000 relating to restructuring and settlement costs for former directors and £77,000 relating to change management.

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2018	2017
Number of employees		
Sales	96	91
Administration	48	49
	<u>144</u>	<u>140</u>

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries	9,133	8,018
Social security costs	1,163	1,036
Other pension costs	159	157
	<u>10,455</u>	<u>9,211</u>

5 Remuneration of directors

	2018 £'000	2017 £'000
Directors' emoluments	706	399
Company contributions to money purchase pension schemes	14	13
	<u>720</u>	<u>412</u>

The aggregate of emoluments of the highest paid director was £406,249 (2017: £240,625). The company made contributions to money purchase pension schemes for one director.

6 Finance income and expense

	2018 £'000	2017 £'000
Interest payable and similar charges		
Bank loans and overdrafts and invoice finance	(595)	(446)
On shareholder loan	(125)	(200)
Gain / (Loss) on foreign exchange	(346)	(296)
Net finance expense	<u>(1,066)</u>	<u>(942)</u>

Notes (continued)

7 Taxation

	2018 £'000	2017 £'000
Current year tax		
UK corporation tax	280	-
Foreign tax relief	-	-
Overseas tax	157	263
Total current tax	437	263
	2018 £'000	2017 £'000
Deferred tax		
Origination and reversal of timing differences	(13)	(24)
Effect of tax rate change	1	11
Adjustment in respect of prior years	-	(15)
Total deferred tax	(12)	(28)
Total taxation on profit	425	235

Factors affecting the tax charge for the current period

The current tax charge for the period is at 19% (2017: 20%) being the standard rate of corporation tax in the UK. The differences are explained below.

	2018 £'000	2017 £'000
Current tax reconciliation		
Profit/(Loss) before tax	1,499	(109)
Current tax at 19% (2017: 20 %)	285	(22)
Effects of:		
Expenses not deductible for tax purposes	47	139
Under provision in respect of prior years	(1)	(15)
Impact of tax rate changes	1	11
Foreign tax charge	127	211
Effects of Group Relief	(34)	(89)
Total tax charge (see above)	425	235

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate was announced in the 2016 Budget to further reduce the tax rate to 17% (to be effective from 1 April 2020). This will reduce the company's future current tax charge accordingly. There are no other factors that may significantly impact the future tax charge.

Notes (continued)

8 Tangible fixed assets

	Computer Equipment	Fixtures, Fittings & Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2017	1,272	1,145	2,417
Additions	120	18	138
Disposals	-	-	-
At 31 March 2018	1,392	1,163	2,555
Depreciation			
At 1 April 2017	1,086	459	1,545
Charge for the year	184	189	373
Disposals	-	-	-
At 31 March 2018	1,270	648	1,918
Net book value			
At 1 April 2017	186	686	872
At 31 March 2018	122	515	637

9 Investment

The investments represent 100% holdings in Red Commerce GmbH (Germany), Red Commerce, Inc. (USA), Red Commerce Schweiz GmbH (Switzerland), Rouge Commerce AB* (Sweden) and Red Commerce Consultoria E Recrutamento Ltda* (Brazil). The principal activity of each subsidiary is the provision of IT recruitment and staffing services.

**Denotes companies that have had offices closed in the current and previous years and as such, do not have a registered office address*

The registered addresses of the subsidiaries are as follows:

Subsidiary undertaking	Registered Address
Red Commerce GmbH	Hohenzollernring 72, 50672 Cologne, Germany
Red Commerce Inc	11 th Floor, 30 Montgomery Street, Jersey City, NJ 07302
Red Commerce Schweiz GmbH	Bärengasse 29, 8001 Zurich

Notes (continued)

10 Debtors

	2018 £'000	2017 £'000
Trade debtors	18,769	19,941
Amounts due from group undertakings	31,929	32,249
Other debtors	490	172
Prepayments and accrued income	3,312	2,411
Deferred tax	165	154
	<u>54,665</u>	<u>54,927</u>

Deferred tax relates principally to differences between depreciation and capital allowances.

11 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed to group companies	7,173	6,757
Invoice finance	13,392	11,575
Trade creditors	8,877	8,957
Corporation tax	280	850
Other taxes and social security costs	427	403
Other creditors	25	19
Accruals and deferred income	6,990	7,105
Loan from shareholder	76	2,754
	<u>37,240</u>	<u>38,420</u>

In August 2016, the Company refinanced the HSBC invoice discounting facility as well as the HSBC term loans held in the intermediary parent company Red Bidco Limited. A new £25m invoice discount facility was agreed with Bank Leumi ABL Limited. This facility is secured by the Company's trade debtors.

In the prior year, the Company held a short term working capital loan from the ultimate controlling party, Dunedin LLP. The loan attracted annual interest of 8% and was fully repaid in February 2018.

12 Pension costs

The company operates a group personal pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. All contributions were paid in the year.

	2018 £'000	2017 £'000
Contributions payable by the company for the year	<u>159</u>	<u>157</u>

Notes (continued)

13 Called up share capital

	2018 £'000	2017 £'000
Authorised:		
2,000,000 Ordinary A Shares of 5p each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
1,000,000 Ordinary A Shares of 5p each	<u>50</u>	<u>50</u>

14 Reserves

	Profit and loss account £'000
Balance at 1 April 2017	17,741
Retained profit for the year	1,074
Balance at 31 March 2018	<u><u>18,815</u></u>

15 Financial commitments

Non-cancellable operating lease rentals are payable as follows:

	2018 £'000	2017 £'000
<i>Operating leases which expire:</i>		
Less than one year	594	659
Between one and five years	2,377	2,634
More than five years	<u>1,543</u>	<u>3,677</u>
	<u><u>4,514</u></u>	<u><u>6,970</u></u>

During the year £582k was recognised as an expense in the profit and loss account in respect of operating leases (2017: £572k).

16 Parent Company and Ultimate Controlling Party

Red Topco Limited is the ultimate parent company of its group and the highest level at which consolidated financial statements are prepared. The ultimate controlling party is Dunedin LLP, being the administrator of the investment fund which holds a controlling stake in Red Topco Limited.

The consolidated financial statements of this group are available to the public and may be obtained from 5th floor 33 Gracechurch Street, London, EC3V 0BT.

Notes *(continued)*

17 Contingent liability

The company has provided a charge over all its assets to the Group's bankers as security against amounts owed to the bank. At 31 March 2018 amounts owed totalled £13 million (2017: £12m).

The company has guaranteed loan notes issued by Red Midco Limited. At 31 March 2018 amounts owed under the loan notes totalled £46 million (2017: £46m).

18 Accounting estimates and judgements

Trade debtors

In its determination of the valuation of trade debtors, including the allowance for doubtful accounts, management relies on current customer information, which include customer creditworthiness and past experiences, and its planned course of action. If future collections differ from estimates, future earnings could be affected.