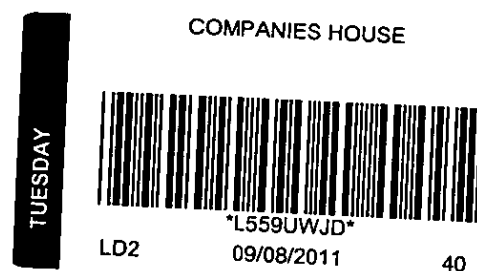


Rouge 2 Limited
Directors' report and financial
statements
Registered number 05611304
31 March 2011



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2011

Principal activities

The principal activity of the company is to act as an intermediate holding company

Business review, results and dividends

The results for the period from 1 April 2010 to 31 March 2011 are set out on page 4

The directors do not recommend payment of a dividend

Directors and directors' interests

The directors who held office during the period were as follows

S Turner
A Mainwaring
A Hunt
R Vercesi
S Lawrence

Political and charitable contributions

During the year the group made a charitable contribution of £100 (2010 £nil) and no political contributions (2010 £nil)

Provision of information to auditors

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 auditors are 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 auditors are aware of that information

By order of the board



S Lawrence
Secretary

4th and 5th Floor
Quadrant House
80 – 82 Regent Street
London
W1B 5 AU

Date 22 June 2011

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

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 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 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 Rouge 2 Limited

We have audited the financial statements of Rouge 2 Limited for the year ended 31 March 2011 set out on pages 4 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 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 APB's web-site 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 March 2011 and of its loss 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

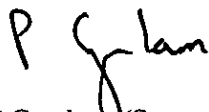
Opinion on other matter prescribed by the Companies Act 2006

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.

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



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

Date **22 June 2011**

Profit and loss account
for the year ended 31 March 2011

	<i>Notes</i>	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Turnover		-	-
Administration expenses		(108)	(356)
Operating loss		(108)	(356)
Net finance expense	4	(962,996)	(815,728)
Loss on ordinary activities before taxation		(963,104)	(816,084)
Taxation on loss on ordinary activities	5	196,869	159,448
Loss for the year		(766,235)	(656,636)

All results arose from continuing operations

There were no recognised gains or losses for the year other than the retained loss for the year above

The notes on pages 7 to 12 form part of these financial statements

Balance sheet
 at 31 March 2011

	Note	2011	2010
		£	£
Fixed assets			
Investments	6	16,135,290	14,726,109
Current assets			
Debtors	7	196,869	159,447
Cash at bank and in hand		1,254	1,388
		<u>198,123</u>	<u>160,835</u>
Creditors: amounts falling due within one year	8	<u>(19,217,101)</u>	<u>(9,497,379)</u>
Net current liabilities		(19,018,978)	(9,336,544)
Total assets less current liabilities		(2,883,688)	5,389,565
Creditors: amounts falling due after more than one year	9	(1,519,076)	(10,435,275)
Provisions for liabilities	12	(1,409,181)	-
Net liabilities		(5,811,945)	(5,045,710)
Capital and reserves			
Called up share capital	10	100	100
Profit and loss account	11	(5,812,045)	(5,045,810)
Equity shareholders' deficit		(5,811,945)	(5,045,710)

The notes on pages 7 to 12 form part of these financial statements

These financial statements were approved by the board of directors on 22 June 2011 and were signed on its behalf by


S Lawrence
 Director

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2011

	2011 £	2010 £
Loss for the financial year	(766,235)	(656,636)
Net reduction into shareholders' funds	(766,235)	(656,636)
Opening shareholders' funds	(5,045,710)	(4,389,074)
Closing shareholders' deficit	(5,811,945)	(5,045,710)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules and 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 currently has term loans and an invoice finance facility which are secured on the assets of the Company and its UK subsidiaries. As with other groups with similar financing structures, the ongoing availability of these facilities is subject to periodic financial covenant tests
- The directors have prepared detailed cash flow projections for the period to 31 March 2012, including sensitivity analysis on key assumptions. The directors have considered the assumptions made and consider the forecasts reasonable and realistic. On the basis of these projections and current trading, the directors consider the Group and Company will continue to operate within the currently agreed facilities and remain compliant with banking covenants for the foreseeable future, and hence that the use of the going concern basis is appropriate
- In addition, the group has loan notes totaling £7.1m due for repayment in March 2012. Based on discussions with the group's bankers and with the loan note holders, the Directors are satisfied that appropriate facilities will be in place as and when the loan notes are to be repaid

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.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Rouge 1 Limited, the company's voting rights are controlled within the group headed by Rouge 1 Limited and the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Rouge 1 Limited can be obtained from 4th and 5th floor, Quadrant House, 80 – 82 Regent Street, London, W1B 5AU.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account within finance income and expense.

Investments

Investments in subsidiary undertakings are stated at cost.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

2 Remuneration of directors

None of the directors received remuneration for their services to the company during the period (2010 £nil)

3 Staff numbers

The company is an intermediate holding company and does not employ any staff directly (2010 nil)

4 Finance income and expense

	Year ended 31 March 2011 £	Year ended 31 March 2011 £	Year ended 31 March 2010 £	Year ended 31 March 2010 £
Interest payable and similar charges				
On bank loans and overdrafts	(145,396)		(208,331)	
On secured loan notes	(923,000)		(875,537)	
		(1,068,396)		(1,083,868)
Gain on foreign exchange		105,400		268,140
		(962,996)		(815,728)

Notes (continued)

5 Taxation

Analysis of credit in period

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<i>UK corporation tax</i>		
Current tax for the period	196,869	159,448
	<hr/>	<hr/>
Tax credit on loss on ordinary activities	196,869	159,448
	<hr/>	<hr/>

Factors affecting the tax credit for the current period

The current tax credit for the period is not equal to the standard rate of corporation tax in the UK of 28% (2010 28%) as there is £260,000 (28% - £72,800) (2010 246,630 (28% - £69 056) of disallowable expenditure relating to loan interest

6 Fixed asset investments

	Shares in group undertaking £
Cost at 1 April 2010	14,726,109
Additions	1,409,181
	<hr/>
Cost at 31 March 2011	16,135,290
	<hr/>

Addition due to recognition of deferred consideration (note 12)

The company's principal subsidiary undertakings at the period end are as follows

Subsidiary undertakings	Country of Incorporation	Principal activity	Direct/ Indirect	Class and percentage of shares held
Red Commerce Limited	England & Wales	IT staffing	Direct	100% Ordinary
Red Commerce GmbH	Germany	IT staffing	Indirect	100% Ordinary
Red Commerce AB	Sweden	IT staffing	Indirect	100% Ordinary

Notes (continued)

7 Debtors

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Taxation recoverable	196,869	159,477
	<u>196,869</u>	<u>159,477</u>

8 Creditors: amounts falling due within one year

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Bank loans	1,775,629	1,654,318
Other loans	7,363,323	261,073
Amounts due to group undertakings	10,078,149	7,581,988
	<u>19,217,101</u>	<u>9,497,379</u>

9 Creditors: amounts falling due after more than one year

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Bank loans	1,519,076	3,335,275
Other loans	-	7,100,000
	<u>1,519,076</u>	<u>10,435,275</u>

Analysis of debt.

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Debt can be analysed as falling due		
In one year or less, or on demand	9,138,952	1,915,391
Between one and two years	1,519,076	1,797,385
Between two and five years	-	8,637,891
	<u>10,658,028</u>	<u>12,350,677</u>

Notes (continued)

Bank loans bear interest at varying rates, comprising LIBOR at the dates of commencement of the relevant interest period plus a margin ranging from 2.25% - 3%. The loans are secured by guarantees and debentures given by the company and certain group companies. The loans are repayable over a 1 year and 8 month period expiring on 30 November 2012.

Secured, redeemable subordinated loan notes bear interest at the rate of 8% to 12% per annum. The loan notes are secured by a debenture given by the group company. The loan notes are redeemable at par on 31 March 2012.

10 Called up share capital

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Authorised		
Equity		
100,000 ordinary shares of £0.01 each	1,000	1,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
Equity		
10,000 ordinary shares of £0.01 each	100	100
	<u> </u>	<u> </u>

11 Reserves

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
At beginning of year	(5,045,810)	(4,389,174)
Retained loss for the year	(766,235)	(656,636)
	<u> </u>	<u> </u>
At end of year	(5,812,045)	(5,045,810)
	<u> </u>	<u> </u>

12 Provisions for liabilities

Provisions comprise an amount of contingent deferred consideration due to the former shareholders of Red Commerce Limited, arising from the company's terms of acquisition of that business in 2005. The amount payable is contingent upon certain events and circumstances, for which, during the year, the directors reassessed the likelihood of occurrence and the reliability of estimation of the due amount and concluded that the conditions for recognition were met.

Notes *(continued)*

13 Related party disclosures

The registered holders of £6.6m of the loan notes in issue by the group at the end of the period were Inflexion Fund 2 Limited Partnership and HCI Limited Partnership, who also have an interest in 68.5% of the ordinary share capital (see note 14)

14 Ultimate parent company

The company's parent company is Rouge 1 Limited. 63.49% of the ordinary share capital of Rouge 1 Limited is held by Inflexion Fund 2 Limited Partnership and Inflexion Red Co-Invest Limited Partnership. These are collective investment schemes managed by Inflexion Managers Limited, a subsidiary of Inflexion Private Equity Partners LLP.

The consolidated financial statements of this group are available to the public and may be obtained from 4th and 5th floor, Quadrant House, 80 – 82 Regent Street, London, W1B 5AU.