

REGISTERED NUMBER: 02027207 (England and Wales)

Redstone Converged Solutions Ltd

Annual Report 2018



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Company information

Registered office

40 Holborn Viaduct
London
EC1N 2PB

Company number

02027207

Directors

B Loughrey
M Salter
S Williams
S Dredge
R Clawson

Company Secretary

R Clawson

Auditor

KPMG LLP
Chartered Accountants & Statutory Auditors
Arlington Business Park
Theale
Reading
Berkshire
RG7 4SD

Strategic report

Strategy, business model, risks and KPIs

Strategy

Redstone aims to be a leader in infrastructure, Smart Buildings and IT Managed Services. This business is currently based in the UK and also has a history and track record of successful delivery capability throughout the Europe and beyond to support existing clients. Key priorities to develop Redstone's business include:

- To maintain Redstone's reputation as a market leader for service excellence and technical competence in its field.
- We will focus on continuing to provide high quality services to Redstone's clients by employing expert staff who are well versed in the Company's products and our clients' needs and continuing to maintain our multiple ISO and vendor accreditations.
- To grow the Smart Buildings offering through a combination of organic growth and acquisition.
- Promote the Master Services Integrator package to enable Smart Buildings.
- To grow the DAS (distributed antenna system) offering through a combination of organic growth and acquisition and as an OPEX and CAPEX business model.
- To grow the already successful Managed Services business through a combination of organic growth and, where possible, acquisition.
- Educate staff and the industry in latest technologies that will enhance the workplace and drive efficiency.
- To grow the annuity revenue in the business.
- To deliver improving profitability and cash generation.

Business model and risk profile

The Group's business model is to generate a return by providing an excellent service to its customers primarily in the UK and in overseas locations to support UK clients. Redstone's business focuses on higher value added products and services and to this end, it maintains the highest manufacturer accreditations.

Redstone's main activities are:

Managed Services and Consultancy: Around 40% of Redstone's revenue and 52% of the gross profit is derived from Managed Services and consultancy. Managed Services encompasses the provision of outsourcing services spanning network infrastructure management, Smart Buildings support services, desktop and data centre support services, smart hands, consultative and hardware maintenance contracts. Staff are normally based permanently on a client site. Contracts are generally on a long-term basis which allows services to be tailor-made and continuity of service in what are key support functions for our clients.

Implementation: Comprises Cabling, DAS, ICT, BMS controls and Smart Buildings which contributes 60% of Redstone's revenues. The services range from intelligent solutions such as lighting projects to control energy costs to a full holistic integrated platform that offers better economic, social and environmental performance for buildings and their occupants. Systems incorporated may include LAN, One Space, DAS, Energy Management, BIM, CCTV, ACS, Pull Printing, Cashless vending and intelligent lighting. Infrastructure incorporates design and installation of structured cabling systems and intelligent infrastructure management systems. Infrastructure services accounted for some 46% of revenue in this area. Revenue is project based and revenue recognition and invoicing tends to be on a staged basis.

Strategic report (continued)

KPIs

There are a number of KPI's which the Board uses to measure the Group's progress against the business plan:

- Growth in revenue and gross margin performance
- Turnover from continued operations
- Proportion of revenue which is annuity income
- Gross Profit from continuing operations
- EBITDA
- Trading profit / (loss) after taxation
- Cash flow generated by operations and by the Group as well as the net cash/overdraft position.

Risk management

The senior management is responsible for managing risk and assessing how this might prevent the Company from delivering its strategy. The key risks faced by the Company will continue to be reviewed at Board level to ensure risk management is monitored and implemented effectively. The policy is to identify the key risks which could affect the Company and to assess the appropriate mitigation, including use of insurance policies.

The Company could potentially be affected by a number of uncertainties and risks that are not wholly within its control. Some of the key risks and uncertainties are as follows:

- Potential deterioration of the UK economy
- Regulatory changes
- Maintaining and ensuring that the Company continues to attract and retain the right calibre of staff
- Controlling projects within their budgets including delivering the services in accordance with the project specifications and to the required standards
- Maintaining ISO and vendor accreditations
- Maintaining robust health and safety procedures to safeguard staff and clients
- Maintaining proper accounting and fiscal records to ensure the business is properly controlled
- Managing the Company's working capital requirements on big construction projects

Principal activities, business review and future developments

During the period the company continued its principal activities of installation and maintenance of cabling infrastructure, continued the focus on growing the Smart Building and DAS offerings. These will continue to be the Company's principal activities.

Management uses a range of performance measures to monitor and manage the business. Certain measures are particularly important in the generation of shareholder value and are considered key performance indicators (KPIs). Our KPIs measure past performance and provide information to allow us to manage the business.

Turnover and gross profit and net profit indicate the volume of work we have done and its profitability. KPI's for 2018 are shown in the table below, along with prior year's comparatives for continued operations.

Strategic report (continued)

	2018	2017	% Change
KPIs	£	£	%
Turnover from continued operations	39,166,798	39,405,193	(0.6%)
Gross Profit from continuing operations	7,294,136	7,357,159	(0.9%)
EBITDA	3,001,297	2,840,464	5.7%
Trading profit after taxation	2,473,961	2,610,502	(5.2%)
Cash flow generated by operations	(386,549)	1,936,293	(119.9%)

The key non-financial indicators monitored by the company are the ability to maintain the existing customer base, the ability to attract new customers, contract performance and the future order pipeline. The directors consider these areas to be the principal risk or uncertainty that the business faces.

There was a trading profit for the financial period before taxation of £2,473,961 (2017: £2,003,756).

Net assets of the company at the year-end were £8,383,835 (2017: £5,822,490):

The full trading results for the company's financial position at the year of the period are shown in the attached financial statements.

The RedstoneConnect PLC Group has banking facilities in place which are secured through fixed and floating charges over the Company and all property and assets of RedstoneConnect PLC group, of which the Company is a member.

Likely future developments

Redstone is looking to build on the foundations made in this current year and is looking to achieve conservative growth in the coming year of between 3% and 5%.

It is critical that we are able to try and foresee what is happening in our market place and to have the foresight to predict, envisage, imagine and create the future evolution of technology and in the coming year our focus will be within the Smart Building and DAS arenas. This is key within our strategy so that we understand the services delivered today are as future proof as possible, and that they can be upgraded if required in order that the business is evolving to meet the changing needs of our customers.

Financial risk management objective and policies

The company has a variety of financial instruments including cash, trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are market risk (including foreign exchange risk, cash flow interest rate risk and price risk) credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

Strategic report (continued)

Market risk

i) Foreign exchange risk

The company is exposed to transaction foreign exchange risk occasionally. If transaction exposures, including those associated with forecast transactions were significant, they would be hedged when known, principally using forward currency contracts. These are infrequent and whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account.

ii) Cash flow interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings. Borrowings at variable rates expose the company to cash flow interest rate risk. The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the company calculates the impact on profit and loss of a defined interest rate shift and manages its cash flow interest rate risk by using hedges where appropriate.

iii) Price risk

The Company is not exposed to significant commodity price risk.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, amounts recoverable on contracts and committed transactions. In order to manage credit risk the directors set individual risk limits for customers based on a combination of payment history and third party credit references. The utilisation of credit limits, ageing debt and collection history is regularly monitored with appropriate action taken by management in the event of a breach of credit limit.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet financial liabilities when they fall due. The Company's policy for managing liquidity risk is to ensure that the business has enough financial resources to carry out its day-to-day activities at any point in time. Management believes that the cash resources on hand, together with the profits of the business, more than cover the resources needed to meet the financial liabilities of the Company.

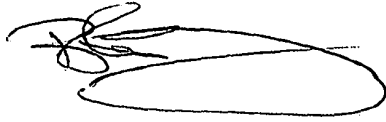
Employees

The company's employment policies are designed to ensure that they meet the statutory, social and market practices in the UK where the company operates. The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its relationship with its staff.

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Strategic report (continued)

By order of the board:

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, enclosed within a large, irregular oval shape.

B Loughrey
Director
11th June 2018

Directors' report

The directors present their report with the financial statements of the company for the year ended 31 January 2018.

Dividends

The directors do not recommend payment of a dividend.

The total distribution of dividends for the period ended 31 January 2018 is nil (2017: nil).

Events since the year end

Information relating to events since the end of the period is given in the notes to the financial statements.

Directors

The directors who have held office during the year are as follows:

B Loughrey
M Salter
S Williams
S Dredge
R Clawson – Appointed 21st June 2017

Directors' Indemnity

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company has the benefit of Directors' and Officers' liability insurance in respect of itself and its Directors which is purchased by the Company's ultimate parent company.

Political contributions

The company made no political donations or incurred any political expenditure during the year (2017: nil).

Disclosures in the strategic report

The following items are included within the strategic report:

Employees

The Company's policy in respect of disabled persons regarding consideration to applications for employment, continuing their employment and their training, career development and promotion.

Action taken to introduce, maintain or develop arrangements in connection with employees, in respect of the provision of information, consultation, involvement in performance and awareness of factors affecting the Company.

Directors' report (continued)

Risk Exposure

Financial risk management objectives.

Exposure of the company to price risk, credit risk, liquidity risk and cash flow risk.

Subsequent events

On 29 May 2018 the ultimate parent company RedstoneConnect Plc announced the sale of Redstone Converged Solutions Limited to Excel IT Services Limited. The sale is subject to shareholder approval at an AGM called by the parent company on 15 June 2018.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant 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 will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board:



B Loughrey

Director

11th June 2018

Registered office:
40 Holborn Viaduct
London
EC1N 2PB

Statement of Directors' responsibilities in respect of the strategic report, the Directors' report and financial statements

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

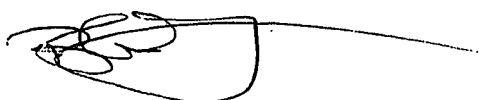
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- 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 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.

By order of the board:



B Loughrey
Director
11th June 2018

Independent Auditor's report to the members of Redstone Converged Solutions Limited

Opinion

We have audited the financial statements of Redstone Converged Solutions Ltd ("the company") for the year ended 31 January 2018 which comprise the Profit and loss account and other comprehensive income, 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 January 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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

Independent Auditor's report to the members of Redstone Converged Solutions Limited

- 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 9, 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.

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.



Derek McAllan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

12th June 2018

Profit and loss account and other comprehensive income

For the year ended 31 January 2018

	Note	2018	2017
		£	£
Revenue	2	39,166,798	39,405,193
Cost of sales		(31,872,662)	(32,048,034)
Gross profit		7,294,136	7,357,159
Administrative expenses		(4,824,552)	(5,350,431)
Operating profit	3	2,469,584	2,006,728
Other interest receivable and similar income		4,441	118
Interest payable and similar charges	6	(64)	(3,090)
Profit on ordinary activities before taxation		2,473,961	2,003,756
Tax on profit	7 (a)	-	606,746
Profit for the financial year		2,473,961	2,610,502
Total other comprehensive income		-	-
Total profit and other comprehensive income		2,473,961	2,610,502

The profit for the period equates to the total comprehensive income for the year.

The notes form part of the financial statements

Balance sheet

As at 31 January 2018

	Note	2018	2017
		£	£
Non-current assets			
Intangible asset	8	172,554	162,613
Tangible assets	9	522,043	563,612
Deferred tax asset	7 (c)	617,432	617,432
		1,312,029	1,343,657
Current assets			
Inventories	10	129,084	143,397
Trade and other debtors	11	12,382,648	8,924,216
Cash at bank and in hand		3,968,588	4,355,137
		16,480,320	13,422,750
Creditors			
Trade and other creditors	12	9,322,136	8,830,236
Net Current Assets		7,158,184	4,592,514
Total assets less current liabilities		8,470,213	5,936,171
Property provisions	13	86,378	113,681
Total net assets		8,383,835	5,822,490
Capital and reserves			
Called up share capital	14	900,000	900,000
Profit and loss account		7,483,835	4,922,490
Shareholders' funds		8,383,835	5,822,490

These financial statements were approved by the board of directors on 11th June 2018 and were signed on its behalf by:



B Loughrey
Director
11th June 2018
Company number: 02027207

The notes form part of the financial statements

Statement of changes in equity

As at 31 January 2018

	Called up Share Capital	Profit and loss account	Total equity
	£	£	£
Balance at 1 February 2016	900,000	2,291,540	3,191,540
Total comprehensive income for the period			
Profit for the year	-	2,610,502	2,610,502
Total comprehensive income for the period	-	2,610,502	2,610,502
Transactions with the owners			
Share based payment charge	-	20,448	20,448
Balance at 31 January 2017	900,000	4,922,490	5,822,490
Balance at 1 February 2017	900,000	4,922,490	5,822,490
Total comprehensive income for the period			
Profit for the year		2,473,961	2,473,961
Total comprehensive income for the period		2,473,961	2,473,961
Transactions with the owners			
Share based payment charge		87,384	87,384
Balance at 31 January 2018	900,000	7,483,835	8,383,835

There is no other comprehensive income.

Notes forming part of the financial statements

1. Accounting policies

General Information

Redstone is a company incorporated and domiciled in the UK.

Basis of preparing the financial statements

These financial statements have been prepared in accordance with the Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Share based payments – IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 1 February 2014.

The Company's ultimate parent undertaking, RedstoneConnect PLC includes the Company in its consolidated financial statements. The consolidated financial statements of RedstoneConnect PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 40 Holborn Viaduct, London, EC1N 2PB.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible fixed assets;
- Disclosures in respect of the compensation of Key Management Personnel;
- Financial Instruments
- Capital management; and
- New but not yet effective IFRSs

As the consolidated financial statements of RedstoneConnect PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- IFRS 13 Fair Value Measurements

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Notes forming part of the financial statements (continued)

1. Accounting policies (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below in turnover paragraph of note 1.

Measurement convention

The financial statements are prepared on the historical cost basis and no assets or liabilities have been stated at their fair value.

Going Concern

The directors consider that the Company has adequate resources to continue in existence for the foreseeable future. The Directors have assessed the Company's current forecasts, taking into account reasonable changes in trading performance. On the basis of this review, the Directors believe that the Company will continue to operate within the resources currently available to it. The Directors accordingly continue to adopt the going concern basis in preparing these financial statements.

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. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured. Turnover is measured at the fair value of its consideration received, excluding discounts, value added tax and other sales duty.

Turnover from fixed price construction contracts is recognised on the percentage of completion method, to the extent that the level of completion for a contract can be reliably measured. Turnover includes expenses to the extent that they are recoverable. Where the percentage of completion cannot be reliably measured, turnover is recognised when specified contractual milestones are met or on project completion. When it is probable that the total contract costs will exceed total turnover, the expected loss is recognised immediately. Turnover relating to contractual maintenance is recognised evenly over the period of the agreement.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as 'amounts receivable on contracts' within debtors. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as deferred income within creditors.

Notes forming part of the financial statements (continued)

1. Accounting policies (continued)

Tangible fixed assets

All tangible fixed assets are recorded at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Leasehold	- depreciated over the length remaining on the corresponding improvements lease
Fixtures & fittings	- 5 years
Office equipment	- 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible Assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangibles

Software assets are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Capitalised development costs	- 3 years
Software	- 3 years

Inventory

Inventory are valued at the lower of standard cost and net realisable value on a first in first out (FIFO) basis after making allowance for any obsolete or slow moving items.

Notes forming part of the financial statements (continued)

1. Accounting policies (continued)

Amounts recoverable on contracts

Amounts recoverable on contracts represent the gross unbilled amount for contract work performed to date. They are recognised using a cost completion percentage less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity. Contracts that experience losses are fully recognised as soon as those losses are foreseen.

Amounts recoverable on contracts are presented separately to trade debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

Financial Assets

The Company classifies its financial assets into one of the categories below, depending on the purpose for which the asset was acquired.

Trade other debtors: These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents: These include cash in hand, deposits held at call with banks and bank overdrafts. The Company has access to a revolving loan facility of £2.24m at the balance sheet date held by the ultimate parent, RedstoneConnect PLC.

Financial Liabilities

The Company's financial liabilities are trade payables and other financial liabilities. These are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

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 determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Corporation tax

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.

Notes forming part of the financial statements (continued)

1. Accounting policies (continued)

Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Expenses

Operating lease payments

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. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of estimated useful life and lease term, future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between finance element, which is charged to the profit and loss account on a reducing balance basis, and the capital element which reduces the outstanding obligation for future instalments.

Employee benefits

Defined contribution plans

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.

Share based payments

Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Group or the Company as the case may be account for these share-based payments as equity-settled. Amounts recharged by the parent are recognised as a recharge liability with a corresponding debit to equity.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Notes forming part of the financial statements (continued)

2. Revenue

An analysis of revenue by activity and geographical market is given below:

	2018	2017
By activity	£	£
Cabling infrastructure	17,894,211	17,118,922
Smart building infrastructure	5,099,020	6,636,518
DAS (distributed antenna system)	511,427	811,417
Consultancy	257,304	19,040
OneSpace	-	24,550
Managed services	15,404,836	14,794,746
Total revenue	39,166,798	39,405,193

	2018	2017
By geographical market	£	£
United Kingdom	35,328,252	34,767,597
Europe	3,524,922	4,388,314
Rest of world	313,624	249,282
Total revenue	39,166,798	39,405,193

3. Operating profit

Operating profit is stated after charging:

	2018	2017
	£	£
Amortisation of intangible assets	165,791	221,376
Depreciation of owned tangible fixed assets	236,438	387,091
Impairment of internally developed intangible asset	-	145,944
Staff costs	14,960,069	14,057,748
Loss / (gain) of foreign exchange	(128,864)	(50,643)
Operating lease costs		
- Plant and machinery	71,447	71,330
- Land and buildings	87,782	85,534
Hire of equipment	36,969	41,832
Audit fees for these financial statements	24,000	24,000

Notes forming part of the financial statements (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		
Administrative staff	26	24
Sales and distribution staff	247	242
	273	266

The aggregate payroll costs of these persons was as follows:

	2018	2017
	£	£
Wages and salaries	13,185,886	12,419,920
Social security costs	1,478,433	1,382,524
Pension costs	295,750	255,304
	14,960,069	14,057,748

£11,452,867 (2017: £11,179,754) of the above staff costs were included in cost of sales in the income statement.

5. Directors' emoluments

Remuneration in respect of the directors was as follows:

	2018	2017
	£	£
Aggregate emoluments (excluding pension contributions)	509,253	443,039
Value of company pension contributions to money purchase schemes	48,429	16,230

Emoluments to highest paid director was £213,369 (2017: £173,498), and company pension contributions of £20,649 (2017: £8,450) were made to a money purchase scheme on his behalf.

Notes forming part of the financial statements (continued)

6. Interest payable and similar charges

	2018	2017
	£	£
Bank interest	64	3,090

7. Taxation

(a) Recognised in the profit and loss account:

	2018	2017
	£	£
UK corporation tax		
Current tax on income for the period	-	10,686
Deferred tax movement	-	(617,432)
Adjustment in respect of prior periods	-	-
Tax on profit on ordinary activities	-	(606,746)

(b) Reconciliation of effective tax rate:

	2018	2017
	£	£
Profit for the year	2,473,961	2,003,756
Taxation	-	(606,746)
Profit excluding taxation	2,473,961	2,610,502
Tax at the UK corporation tax rate of 19.00% (2017: 19.77%)	474,176	400,751
Overseas tax payable	-	5,754
Non (taxable) / deductible expenses	64,581	31,845
Deferred tax movement	-	(617,432)
Research and development relief	-	(36,235)
Under / (over) provided in prior years	-	4,932
Utilisation of previously unrecognized tax losses	(82,891)	(112,456)
Depreciation in excess of capital allowances	(36,471)	33,213
Double taxation relief	-	(5,154)
Utilisation of tax losses and group relief	(419,395)	(311,964)
Total tax expense	-	(606,746)

Notes forming part of the financial statements (continued)

7. Taxation (continued)

(c) Recognised in the balance sheet:

	2018	2017
	£	£
Deferred tax asset	617,432	617,432

8. Intangible assets

	Software	Development costs	Total
	£	£	£
Cost			
Balance at 1 February 2017	1,294,216	210,800	1,505,016
Acquisitions	175,732	-	
Additions – internally developed	-	-	
Balance at 31 January 2018	1,469,948	210,800	
Amortisation and impairment			
Balance at 1 February 2017	1,131,603	210,800	1,342,403
Charge for the year	165,791	-	
Impairment	-	-	
Balance at 31 January 2018	1,297,394	210,800	
Net book value			
Balance at 31 January 2018	172,554	-	
Balance at 31 January 2017	162,613	-	162,613

Amortisation

The amortisation charge is recognised in the following line item in the profit and loss account:

	2018	2017
	£	£
Administrative expenses	165,791	221,376
	165,791	221,376

Notes forming part of the financial statements (continued)

9. Tangible assets

	Leasehold improvements	Fixtures & fittings	Office equipment	Total
	£	£	£	£
Cost				
Balance at 1 February 2017	588,685	134,466	997,733	1,720,884
Acquisitions	37,111	-	157,758	194,869
Disposals	-	-	-	-
Balance at 31 January 2018	625,796	134,466	1,155,491	1,915,753
Depreciation				
Balance at 1 February 2017	243,166	43,134	870,972	1,157,272
Charge for the year	123,997	26,893	85,548	236,438
Disposals	-	-	-	-
Balance at 31 January 2018	367,163	70,027	956,520	1,393,710
Net book value				
Balance at 31 January 2018	258,633	64,439	198,971	522,043
Balance at 31 January 2017	345,519	91,332	126,761	563,612

10. Inventory

	2018	2017
	£	£
Raw materials and consumables	129,084	143,397

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £67,162 (2017: £85,141). The write-down of stocks to net realisable value amounted to £28,578 (2017: £20,459). There were no reversals of write-downs within the year (2017: nil).

Notes forming part of the financial statements (continued)

11. Trade and other debtors

	2018	2017
	£	£
Current		
Trade debtors	4,600,118	4,407,703
Amounts recoverable on contracts	5,143,861	1,645,212
Amounts owed by group undertakings	1,875,922	2,095,226
Prepayments	762,747	776,075
Due within one year	12,382,648	8,924,216

The Directors consider that the carrying amounts of trade and other receivables equals their fair value.

Amounts recoverable on contracts includes the following:

Contract costs plus recognised profits of £15,194,382 (2017: £7,227,184) less progress billings of £10,742,157 (2017: £6,104,033) and retention monies of £720,502 (2017: £808,663);
Accrued managed services revenue of £189,265 (2017: (£27,609)); and
Doubtful debt provision of £218,131 (2017: £258,993).

12. Trade and other creditors: amounts falling due within one year

	2018	2017
	£	£
Current		
Trade creditors	5,796,200	4,503,414
Payments received on account	163,207	339,536
Amounts owed to group undertakings	912,096	912,096
Taxation	-	10,686
Social security and other taxes	1,095,865	784,712
Accruals	1,105,393	2,049,511
Deferred income	249,375	230,281
	9,322,136	8,830,236

The amounts owed to group undertaking are non-interest bearing and repayable on demand.
The Directors consider the carrying amount of trade and other payables equals their fair value.

Notes forming part of the financial statements (continued)

13. Provisions

	Repair obligations
	£
At 1 February 2016	89,680
Charged / (credited) to the income statement	
- Additional provision	24,001
- Used during the period	-
At 1 February 2017	113,681
Charged / (credited) to the income statement	
- Additional provision	9,000
- Released during the period	(35,000)
- Used during the period	(1,303)
At 31 January 2018	86,378

The company has various property leases expiring on the 24 December 2018 and the 15 December 2019 which require the company to return the property to the landlord at the end of the tenancy in a specified condition. The above provision has been made by the management in recognition of the estimated cost of returning these premises to the condition specified in the leases based on historic property dilapidation costs and dealings with the present landlords. Until expiry of these leases these provisions will remain as management estimations.

14. Capital and reserves

Share Capital

	2018	2017
	£	£
Ordinary shares		
On issue at 1 February 2017	900,000	900,000
On issue as 31 January 2018	900,000	900,000

Allotted, called up and fully paid

	2018	2017
	£	£
Ordinary shares		
Ordinary shares of £1 each	900,000	900,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes forming part of the financial statements (continued)

15. Ultimate parent company

The Company is a subsidiary undertaking of RedstoneConnect PLC which is the ultimate parent company incorporated in England and Wales. The ultimate controlling party is RedstoneConnect PLC.

The largest group in which the results of the Company are consolidated is that headed by RedstoneConnect PLC, incorporated in England and Wales. The smallest group in which they are consolidated is that headed by RedstoneConnect PLC incorporated in England and Wales. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from 40 Holborn Viaduct, London, EC1N 2PB.

16. Retirement benefit schemes

The Company operates a defined contribution company pension scheme for the Directors and employees. For the year, pension costs incurred were £295,750 (2017: £255,304) with £188,489 (2017: £188,220) being included in cost of sales.

17. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018	2017
	£	£
Less than one year	173,737	170,269
Between one and five years	56,677	172,443
More than five years	-	-
	230,414	342,712

The Company leases a warehouse and motor vehicles under operating leases.

During the year £87,782 (2017: £85,534) was recognised as an expense in the profit and loss account in respect of property operating leases and £71,447 (2017: £71,330) in respect of motor vehicle operating leases.

18. Subsequent events

On 29 May 2018 the ultimate parent company RedstoneConnect Plc announced the sale of Redstone Converged Solutions Limited to Excel IT Services Limited. The sale is subject to shareholder approval at an AGM called by the parent company on 15 June 2018.