

RED EMBEDDED CONSULTING LIMITED
FINANCIAL STATEMENTS
31 AUGUST 2017



RED EMBEDDED CONSULTING LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2017

Contents	Pages
Officers and professional advisers	1
Strategic report	2
Directors' report	3 to 4
Independent auditor's report to the members	5 to 7
Profit and loss account	8
Balance sheet	9 to 10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13 to 21

RED EMBEDDED CONSULTING LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

S J Griffin
W T Hoath
D J Longhorn
R Mehra
D H Taylor
A D Stewart

Registered office

The Wave
1 View Croft Road
Shipley
BD17 7DU

Auditor

Wheawill & Sudworth Limited
Chartered Accountants & statutory auditor
35 Westgate
Huddersfield
HD1 1PA

Bankers

HSBC Bank plc
33 Park Row
Leeds
West Yorkshire
LS1 1LD

The Co-operative Bank plc
Pennine House
Russell Street
Park Row
Leeds
LS1 5RN

RED EMBEDDED CONSULTING LIMITED

STRATEGIC REPORT

YEAR ENDED 31 AUGUST 2017

The directors present their report for the financial year ended 31 August 2017.

Principal activity and business review

The principal activity of the company during the continued to be provision of software and hardware services covering strategic research, design and development and integration services.

Results, Performance and Developments during the year

We are pleased to report another profitable year of operations. Profit before tax was £5,275,929 compared with £1,593,662 in 2016.

In the 2017 financial year, turnover was £16,132,875 an increase of 56.18% over the previous year.

During the financial year the company continued to drive efficiencies from the existing operations in Poland through subsidiary company Red Embedded Consulting Sp.z o.o.

Principal risks and uncertainties

The process of risk management is addressed through established business processes and internal controls. Potential risks are managed through careful market and data analysis, sensible planning and early reaction to changes that affect the business.

Financial Instruments

The company's principal financial instruments comprise of bank balances, trade creditors and trade debtors. These instruments provide sufficient funding for the company's continuing operations.

Key Performance indicators

The directors use a range of key performance indicators to manage the company. These include sales order pipeline, gross margin, cash generation, staff headcount and customer satisfaction.

Outlook

The directors are continually seeking opportunities to expand the business and to drive enhanced financial performance from the core activities. The company is well placed to exploit significant growth opportunities that exist in the software engineering market and to further increase shareholder value.

This report was approved by the board of directors on 10 May 2018 and signed on behalf of the board by:



D H Taylor
Director

RED EMBEDDED CONSULTING LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 AUGUST 2017

The directors present their report and the financial statements of the company for the year ended 31 August 2017.

Principal activities

The principal activity of the company during the year was the provision of software and hardware services covering strategic research, design and development and integration services.

Directors

The directors who served the company during the year were as follows:

S J Griffin
W T Hoath
D J Longhorn
R Mehra
D H Taylor
A D Stewart

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Disclosure of information in the strategic report

In accordance with Section 414C(11), Companies Act 2006, the following information required to be contained in this report is set out in the company's Strategic Report on page 2 and 3: principal activities, business review, future developments, financial risks and uncertainties.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

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

RED EMBEDDED CONSULTING LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 AUGUST 2017

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 10 May 2018 and signed on behalf of the board by:



D H Taylor
Director

RED EMBEDDED CONSULTING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RED EMBEDDED CONSULTING LIMITED

YEAR ENDED 31 AUGUST 2017

Opinion

We have audited the financial statements of Red Embedded Consulting Limited for the year ended 31 August 2017 which comprise the profit and loss account, balance sheet, statement of changes in equity, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

RED EMBEDDED CONSULTING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RED EMBEDDED CONSULTING LIMITED *(continued)*

YEAR ENDED 31 AUGUST 2017

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

RED EMBEDDED CONSULTING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RED EMBEDDED CONSULTING LIMITED *(continued)*

YEAR ENDED 31 AUGUST 2017

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



David Butterworth (Senior Statutory Auditor)

For and on behalf of
Wheawill & Sudworth Limited
Chartered Accountants & statutory auditor
35 Westgate
Huddersfield
HD1 1PA

10 May 2018.

RED EMBEDDED CONSULTING LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 AUGUST 2017

	Note	2017 £	2016 £
Turnover	4	16,132,875	10,329,091
Cost of sales		<u>(7,815,778)</u>	<u>(4,604,193)</u>
Gross profit		8,317,097	5,724,898
Administrative expenses		<u>(4,217,000)</u>	<u>(4,248,218)</u>
Other operating income	5	<u>1,155,529</u>	<u>111,178</u>
Operating profit	6	5,255,626	1,587,858
Other interest receivable and similar income	9	21,801	6,841
Interest payable and similar expenses	10	<u>(1,498)</u>	<u>(1,037)</u>
Profit before taxation		5,275,929	1,593,662
Tax on profit	11	<u>(926,267)</u>	<u>(383,999)</u>
Profit for the financial year and total comprehensive income		<u>4,349,662</u>	<u>1,209,663</u>

All the activities of the company are from continuing operations.

The notes on pages 13 to 21 form part of these financial statements.

RED EMBEDDED CONSULTING LIMITED

BALANCE SHEET

31 AUGUST 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	13	366,729	75,508
Investments	14	19,708	19,708
		<u>386,437</u>	<u>95,216</u>
Current assets			
Debtors	15	5,149,774	3,330,144
Cash at bank and in hand		3,146,568	2,043,603
		<u>8,296,342</u>	<u>5,373,747</u>
Creditors: amounts falling due within one year	16	(1,632,923)	(1,766,769)
Net current assets		<u>6,663,419</u>	<u>3,606,978</u>
Total assets less current liabilities		<u>7,049,856</u>	<u>3,702,194</u>
Provisions			
Taxation including deferred tax	17	(8,000)	(10,000)
Net assets		<u>7,041,856</u>	<u>3,692,194</u>

The balance sheet
continues on the following page.

The notes on pages 13 to 21 form part of these financial statements.

RED EMBEDDED CONSULTING LIMITED

BALANCE SHEET *(continued)*

31 AUGUST 2017

	Note	2017 £	2016 £
Capital and reserves			
Called up share capital	20	110	110
Share premium account	21	46,490	46,490
Profit and loss account	21	<u>6,995,256</u>	<u>3,645,594</u>
Members funds		<u>7,041,856</u>	<u>3,692,194</u>

These financial statements were approved by the board of directors and authorised for issue on 10 May 2018, and are signed on behalf of the board by:



D H Taylor
Director

Company registration number: 06688270

The notes on pages 13 to 21 form part of these financial statements.

RED EMBEDDED CONSULTING LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 AUGUST 2017

		Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 September 2015		107	31,993	2,479,131	2,511,231
Profit for the year				1,209,663	1,209,663
Total comprehensive income for the year		–	–	1,209,663	1,209,663
Issue of shares		3	14,497	–	14,500
Dividends paid and payable	12	–	–	(43,200)	(43,200)
Total investments by and distributions to owners		3	14,497	(43,200)	(28,700)
At 31 August 2016		110	46,490	3,645,594	3,692,194
Profit for the year				4,349,662	4,349,662
Total comprehensive income for the year		–	–	4,349,662	4,349,662
Dividends paid and payable	12	–	–	(1,000,000)	(1,000,000)
Total investments by and distributions to owners		–	–	(1,000,000)	(1,000,000)
At 31 August 2017		110	46,490	6,995,256	7,041,856

The notes on pages 13 to 21 form part of these financial statements.

RED EMBEDDED CONSULTING LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 AUGUST 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	4,349,662	1,209,663
<i>Adjustments for:</i>		
Depreciation of tangible assets	105,908	44,583
Other interest receivable and similar income	(21,801)	(6,841)
Interest payable and similar expenses	1,498	1,037
Tax on profit	926,267	383,999
<i>Changes in:</i>		
Trade and other debtors	(1,819,630)	(624,040)
Trade and other creditors	239,824	261,174
Cash generated from operations	3,781,728	1,269,575
Interest paid	(1,498)	(1,037)
Interest received	21,801	6,841
Tax paid	(1,302,267)	(6,350)
Net cash from operating activities	<u>2,499,764</u>	<u>1,269,029</u>
Cash flows from investing activities		
Purchase of tangible assets	(397,129)	(101,035)
Acquisition of subsidiaries	—	(878)
Net cash used in investing activities	<u>(397,129)</u>	<u>(101,913)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	—	3
Proceeds from loans from group undertakings	330	(2,206)
Dividends paid	(1,000,000)	(43,200)
Net cash used in financing activities	<u>(999,670)</u>	<u>(45,403)</u>
Net increase in cash and cash equivalents	1,102,965	1,121,713
Cash and cash equivalents at beginning of year	2,043,603	921,890
Cash and cash equivalents at end of year	<u>3,146,568</u>	<u>2,043,603</u>

The notes on pages 13 to 21 form part of these financial statements.

RED EMBEDDED CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2017

1. General information

The company is a private company limited by shares, registration number 06688270, registered in England and Wales. The address of the registered office is The Wave, 1 View Croft Road, Shipley, BD17 7DU.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for hardware and software services covering strategic research, design and development and integration services rendered, stated net of discounts and of Value Added Tax.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

RED EMBEDDED CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 AUGUST 2017

3. Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the profit and loss account.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Short leasehold property	- 10% straight line
Fixtures and fittings	- 15% reducing balance
Office equipment	- 33% straight line
Bicycles	- 25% reducing balance

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

RED EMBEDDED CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 AUGUST 2017

3. Accounting policies *(continued)*

Defined contribution plans

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year.

Consolidated financial statements

The financial statements present information about the company as an individual undertaking. The company has taken advantage of the exemption in S400 Companies Act 2006 from the obligation to prepare and deliver consolidated financial statements as the company is itself a subsidiary undertaking and its immediate parent undertaking is preparing the consolidated financial statements.

Research and development

Research expenditure is written off in the period in which it is incurred.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses

4. Turnover

Turnover arises from:

	2017 £	2016 £
Rendering of services	<u>16,132,875</u>	<u>10,329,091</u>

Analysis of turnover by geographical destination:

	2017 £	2016 £
Europe	5,393,855	3,851,319
Rest of the world	<u>10,739,020</u>	<u>6,477,772</u>
	<u>16,132,875</u>	<u>10,329,091</u>

5. Other operating income

	2017 £	2016 £
Management charges receivable	–	109,850
R&D expenditure credit	1,153,089	–
Other operating income	<u>2,440</u>	<u>1,328</u>
	<u>1,155,529</u>	<u>111,178</u>

RED EMBEDDED CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 AUGUST 2017

6. Operating profit

Operating profit or loss is stated after charging/(crediting):

	2017	2016
	£	£
Depreciation of tangible assets	105,908	44,583
Impairment of trade debtors	(166,906)	794,016
Foreign exchange differences	(80,434)	(221,242)
	<u> </u>	<u> </u>

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2017	2016
	No.	No.
Administrative staff	9	9
Direct staff	44	36
	<u> </u>	<u> </u>
	53	45

The aggregate payroll costs incurred during the year, relating to the above, were:

	2017	2016
	£	£
Wages and salaries	2,846,341	2,113,886
Social security costs	281,163	216,245
Other pension costs	133,449	111,854
	<u> </u>	<u> </u>
	3,260,953	2,441,985

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2017	2016
	£	£
Remuneration	251,389	86,148
Company contributions to defined contribution pension plans	59,904	53,422
	<u> </u>	<u> </u>
	311,293	139,570

The number of directors who accrued benefits under company pension plans was as follows:

	2017	2016
	No.	No.
Defined contribution plans	6	1

Remuneration of the highest paid director in respect of qualifying services:

	2017	2016
	£	£
Aggregate remuneration	88,000	86,148
Company contributions to defined contribution pension plans	53,520	53,422
	<u> </u>	<u> </u>
	141,520	139,570

RED EMBEDDED CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 AUGUST 2017

9. Other interest receivable and similar income

	2017	2016
	£	£
Interest on loans and receivables	<u>21,801</u>	<u>6,841</u>

10. Interest payable and similar expenses

	2017	2016
	£	£
Interest on banks loans and overdrafts	<u>1,498</u>	<u>1,037</u>

11. Tax on profit

Major components of tax expense

	2017	2016
	£	£
Current tax:		
UK current tax expense	863,000	374,000
Adjustments in respect of prior periods	62,517	(1)
Double taxation relief	2,750	–
Total current tax	<u>928,267</u>	<u>373,999</u>
Deferred tax:		
Origination and reversal of timing differences	(2,000)	10,000
Tax on profit	<u>926,267</u>	<u>383,999</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19.58% (2016: 20%).

	2017	2016
	£	£
Profit on ordinary activities before taxation	<u>5,275,929</u>	<u>1,593,662</u>
Profit on ordinary activities by rate of tax	1,033,027	318,732
Adjustment to tax charge in respect of prior periods	65,267	12,590
Effect of expenses not deductible for tax purposes	(32,584)	160,571
Effect of capital allowances and depreciation	1,054	(11,344)
Rounding on tax charge	(216)	(67)
Group relief claimed	(30,006)	(118,391)
Deferred tax not recognised	(119)	(153)
Additional deduction for R&D expenditure	(15,737)	(17,896)
R&D expenditure credits	(93,953)	39,957
Adjust opening/closing deferred tax to average rate	(466)	–
Tax on profit	<u>926,267</u>	<u>383,999</u>

RED EMBEDDED CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 AUGUST 2017

12. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2017 £	2016 £
Equity dividends on ordinary shares	<u>1,000,000</u>	<u>43,200</u>

13. Tangible assets

	Short leasehold property £	Fixtures and fittings £	Office equipment £	Bicycles £	Total £
Cost					
At 1 September 2016	–	3,110	231,898	7,343	242,351
Additions	112,289	193,500	87,467	3,873	397,129
At 31 August 2017	<u>112,289</u>	<u>196,610</u>	<u>319,365</u>	<u>11,216</u>	<u>639,480</u>
Depreciation					
At 1 September 2016	–	3,110	160,093	3,640	166,843
Charge for the year	6,269	29,025	68,104	2,510	105,908
At 31 August 2017	<u>6,269</u>	<u>32,135</u>	<u>228,197</u>	<u>6,150</u>	<u>272,751</u>
Carrying amount					
At 31 August 2017	<u>106,020</u>	<u>164,475</u>	<u>91,168</u>	<u>5,066</u>	<u>366,729</u>
At 31 August 2016	<u>–</u>	<u>–</u>	<u>71,805</u>	<u>3,703</u>	<u>75,508</u>

14. Investments

	Shares in group undertakings £
Cost	
At 1 September 2016 and 31 August 2017	<u>19,708</u>
Impairment	
At 1 September 2016 and 31 August 2017	<u>–</u>
Carrying amount	
At 31 August 2017	<u>19,708</u>

The company owns the whole of the issued share capital of Red Embedded Consulting Inc, a company incorporated in the USA and Red Embedded Consulting Sp.z.o.o, a company incorporated in Poland.

These companies provide similar services to those of the UK parent company. The directors consider that the market values of these companies are not less than the carrying values of the investments shown above, such that no impairment provision is required.

RED EMBEDDED CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 AUGUST 2017

15. Debtors

	2017	2016
	£	£
Trade debtors	4,257,032	2,554,583
Amounts owed by group undertakings	529,416	609,594
Called up share capital not paid	46,490	46,490
Prepayments and accrued income	83,087	14,088
Corporation tax repayable	127,939	–
Directors loan account	652	–
Other debtors	105,158	105,389
	<u>5,149,774</u>	<u>3,330,144</u>

The amounts due from group companies are made up as follows:

	2017	2016
	£	£
Red Embedded Design Limited	–	46,410
Red Embedded Systems Limited	–	22,101
Red Embedded Consulting Inc.	115,239	96,383
Red Embedded Consulting Sp.z o.o	414,177	241,700
	<u>529,416</u>	<u>406,594</u>

16. Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	968,795	1,005,439
Amounts owed to group undertakings	8,943	8,613
Accruals and deferred income	575,456	327,694
Corporation tax	–	374,000
Social security and other taxes	79,729	51,023
	<u>1,632,923</u>	<u>1,766,769</u>

The amounts owed to group companies are made up as follows:

	2017	2016
	£	£
Red Embedded Holdings Limited	<u>8,943</u>	<u>8,613</u>

17. Provisions

	Deferred tax (note 18)
	£
At 1 September 2016	10,000
Charge against provision	<u>(2,000)</u>
At 31 August 2017	<u>8,000</u>

RED EMBEDDED CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 AUGUST 2017

18. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2017	2016
	£	£
Included in provisions (note 17)	<u>8,000</u>	<u>10,000</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2017	2016
	£	£
Accelerated capital allowances	<u>8,000</u>	<u>10,000</u>

19. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution pension plans was £133,449 (2016: £111,854).

20. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
A Ordinary shares of £0.05 each	1,920	96	1,920	96
B Ordinary shares of £0.05 each	<u>271</u>	<u>14</u>	<u>271</u>	<u>14</u>
	<u>2,191</u>	<u>110</u>	<u>2,191</u>	<u>110</u>

In November 2013 the existing issued share capital was redesignated as 1,920 A ordinary shares of £0.05 each and 80 B ordinary shares of £0.05 each. At the same time, an additional 136 B ordinary shares of £0.05 each were issued to A D Stewart for an aggregate consideration of £32,000. Of this, £7 has been paid up and £31,993 is presently unpaid.

On 18 November 2015 the company issued a further 55 B ordinary shares of £0.05 each for an aggregate consideration of £14,500. Of this, £3 has been paid up and £14,497 is presently unpaid.

The two classes of share rank pari passu.

21. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

RED EMBEDDED CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 AUGUST 2017

22. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	£	£
Not later than 1 year	128,000	95,200
Later than 1 year and not later than 5 years	512,000	512,000
Later than 5 years	153,600	281,600
	<u>793,600</u>	<u>888,800</u>

23. Directors' advances, credits and guarantees

Included within debtors (note 15) are loans to the directors of £652 (2016: £nil). These loans are unsecured, repayable on demand and currently interest free. These loans will be repaid to the company before 31 May 2018.

24. Related party transactions

During the year the company made sales of £19,721 (2016: £2,261) and made purchases of £801,309 (2016: £1,296,027) with Red Embedded Design Limited. The amounts due from that company at the balance sheet were £nil (2016: £46,410).

During the year the company made sales of £2,239 (2016: £128,738) and made purchases of £27,404 (2016: £nil) with Red Embedded System Limited. The amounts due from that company at the balance sheet were £nil (2016: £22,101).

During the year the company made purchases of £2,079,780 (2016: £482,497) with Red Embedded Consulting Sp.z o.o. The amounts due from that company at the balance sheet were £414,177 (2016: £241,700).

During the year the company made purchases of £1,014,836 (2016: £556,635) with Red Embedded Consulting Inc. The amounts due from that company at the balance sheet were £115,239 (2016: £96,383).

The amount due to parent company Red Embedded Holdings Limited at the balance sheet were £8,943 (2016: £8,613).

Red Embedded Design Limited, Red Embedded Systems Limited and Red Embedded Consulting Limited are subsidiaries of Red Embedded Holdings Limited.

Red Embedded Consulting Inc and Red Embedded Consulting Sp.z o.o are wholly owned subsidiaries of Red Embedded Consulting Limited.

25. Controlling party

The company is a subsidiary of Red Embedded Holdings Limited and is registered in England and Wales. There is no one controlling party of this company.

The consolidated financial statements of Red Embedded Holdings Limited are available from the Registrar of Companies. Red Embedded Holdings Limited is the parent of the smallest and largest group within which this company belongs and for which consolidated financial statements are prepared.