

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2019

FOR

CLANCHATTON BIRMINGHAM LIMITED

T/A

SIGMA RED

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FOR THE YEAR ENDED 30 APRIL 2019**

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**CLANCHATTON BIRMINGHAM LIMITED**  
**T/A SIGMA RED**

**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 30 APRIL 2019**

<b>DIRECTORS:</b>	M J Harfield G E Gilburd
<b>SECRETARY:</b>	Industrial & Commercial Consultancy Ltd
<b>REGISTERED OFFICE:</b>	Grosvenor House Prospect Hill Redditch Worcestershire B97 4DL
<b>REGISTERED NUMBER:</b>	01221157 (England and Wales)
<b>SENIOR STATUTORY AUDITOR:</b>	T P Curtis
<b>INDEPENDENT AUDITORS:</b>	Barrow LLP Jackson House Station Road Chingford London E4 7BU
<b>BANKER:</b>	HSBC Bank PLC 60 Queen Victoria Street London EC4N 4TR

**STRATEGIC REPORT  
FOR THE YEAR ENDED 30 APRIL 2019**

The directors present their strategic report for the year ended 30 April 2019.

**BUSINESS REVIEW AND FUTURE OUTLOOK**

Clanchatton Birmingham Limited trading as Sigma Red is a wholly owned subsidiary of The Sigma Financial Group Limited. The company has had a very successful year with a number of strategic business wins, alongside a continued track record of improved economic performance, ultimately resulting in the business delivering profitable results. The strong performance has further expanded in all areas of the business with growth seen in its credit management, customer care, and complaints service lines. Alongside this, the growth of Sigma's offshore solution, based in South Africa, has gained increased momentum with new clients being won in this space. Overall, the progression has driven a revenue increase in excess of 48% on prior year.

During the year, the business had significant contract wins from a number of energy clients. Key contracts won include a three year agreement with one of the 'Big Six' energy companies to deliver their Early Collections operation with c250 Full Time Employee (FTE) and a three year agreement to provide up to c100 FTE dedicated to customer service operations for another 'Big Six' energy company. At the same time, a number of successful proof of concept trials have been conducted in Cape Town which will deliver large scale future growth in this region. All of these successes have, and will, enable the business to leverage further scale on the operating model.

Despite additional pressure on operating margins from increases in the living wage and the increase in statutory pension contributions, the business has maintained a strict focus on cost control. This focus, alongside the year on year sales growth in the company's core offering, has overturned a prior year operating loss of £0.41m in 2018 to deliver an operating profit of £0.624m in 2019. During the year Extra Energy Supply Limited, a key client, went into administration and an exceptional provision for bad debt of £529k has been recognised. Whilst the loss of Extra Energy was a significant blow for the business, the volume of work has been replaced by new client wins.

Beyond the year-end, the business has continued to focus on its core objective, "to be the number one BPO in the UK energy market". In May 2019, it signed a three year deal with one of the 'Big Six' energy companies to provide a Customer Service operation from Cape Town which will bring significant growth to the operations. All of this reinforces the commercial progress being made and the directors expect that 2020 will build on the strong performance delivered in 2019.

The results for the period show a turnover of £17,512,160 (2018: £11,807,546) and a profit before tax of £94,876 (2018: loss before tax of £406,953).

**PRINCIPAL RISKS AND UNCERTAINTIES**

There are a number of risks and uncertainties that could have a material impact on the company's future performance.

**Financial risks and their management**

As part of its ordinary activities the company is exposed to a number of financial risks including liquidity risk and credit risk. The company proactively monitors these risks to ensure that they are managed appropriately.

**Liquidity risk**

Liquidity risk relates to the company's ability to meet the cash flow requirements of its operations. Liquidity is managed through regular review of working capital requirements and close dialogue with funding partners.

**Credit risk**

Credit risk principally relates to trade receivables from clients. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer. The amounts presented in the financial statements are net of allowances for doubtful debts estimated by management.

**Commercial relationships**

The company's business activity is centred on a core base of close commercial relationships. Any risk to the loss of these contracts is managed through regular reviews and contact with their relationship manager to ensure that the company responds to their needs and delivers the service levels that they expect.

**STRATEGIC REPORT  
FOR THE YEAR ENDED 30 APRIL 2019**

**Regulatory compliance**

Failing to comply with regulatory requirements could result in the company having to suspend or permanently cease activities. The company has an in house compliance function, led by a regulatory specialist Head of Compliance, to ensure that the business operates in a compliant manner and keeps up to date with the regulatory changes occurring within the industry.

**Personnel**

Personnel risk focuses on the ability of the company to attract and retain skilled individuals to deliver its growth plans. The company employment policies, remuneration and benefits packages are regularly reviewed to ensure that they remain competitive with other companies. The company also monitors employees to identify high performing individuals and ensure that they are developed and progressed within the company.

**IT systems**

The ability to increase the scale of the technology infrastructure at pace whilst retaining a secure and compliant environment is paramount to delivering the company's growth strategy. The business manages this risk through continuous improvement methodology and continues to invest in developing the core systems to ensure that they remain current and compliant.

**EMPLOYMENT**

Clanchatton Birmingham Limited operates an equal opportunities employment policy and is opposed to all forms of discrimination. The company selection processes are non-discriminatory and always seek to give full and fair consideration to those with disabilities for all vacancies, taking into account their aptitudes and skills. In the event of employees becoming disabled, every effort is made to ensure their employment with the company continues and appropriate training arranged. So far as possible the company ensures that the training, career development and promotion of any disabled person is identical to that of a colleague who does not suffer from such a disability.

**KEY PERFORMANCE INDICATORS**

During the year, the business continued to invest in its UK property footprint to support growth, with additional floor space leased within the Birmingham location.

Total outsourced seats delivered by the business increased by 72% to 492. Within this, a 112% increase in the number of seats serviced via Sigma's offshore solution was achieved, ending the year with 216 seats based from South Africa.

Four new client relationships were secured during the year and a total of 10 additional new campaigns became operational across the total client base.

**ON BEHALF OF THE BOARD:**

G E Gilburd - Director

11 July 2019

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30 APRIL 2019**

The directors present their report with the financial statements of the company for the year ended 30 April 2019.

**PRINCIPAL ACTIVITIES**

The principal activity of the company during the year was the provision of Business Process Outsourcing "BPO" services.

**DIVIDENDS**

No dividends will be distributed for the year ended 30 April 2019.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 May 2018 to the date of this report.

M J Harfield  
G E Gilburd

**DONATIONS**

During the year, the company's employees made charitable donations of £12,374 (2018: £10,434) and made £Nil (2018: £Nil) donations to political parties.

**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 also maintained Directors' and Officers' liability insurance during the year in respect of itself and its directors.

**GOING CONCERN**

The company achieved operating profit of £623,660 and returned to profitability by achieving profit before tax of £94,876 for the year to 30 April 2019. In considering the appropriateness of the going concern basis for the preparation of these financial statements, the directors have considered the working capital requirements of the company for the short, medium and longer term. They have reviewed the cash flow forecasts and considered the future funding requirements which show that the company may require further financing to support near term trading performance. Based on the continued support from the company's immediate parent undertaking, the directors have formed a judgement that the business has access to adequate resources to continue in operation for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

**CLANCHATTON BIRMINGHAM LIMITED (REGISTERED NUMBER: 01221157)  
T/A SIGMA RED**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30 APRIL 2019**

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) 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 in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**ON BEHALF OF THE BOARD:**

G E Gilburd - Director

11 July 2019

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CLANCHATTON BIRMINGHAM LIMITED

### Opinion

We have audited the financial statements of Clanchatton Birmingham Limited (the 'company') for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### 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 Auditors' 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.

### Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 Report of the Directors.

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.



## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CLANCHATTON BIRMINGHAM LIMITED**

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page four, 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 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.

### **Auditors' 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 a Report of the Auditors 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

### **Use of our report**

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 a Report of the Auditors 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.

T P Curtis (Senior Statutory Auditor)  
for and on behalf of Barrow LLP  
Jackson House  
Station Road  
Chingford  
London  
E4 7BU

11 July 2019

**CLANCHATTON BIRMINGHAM LIMITED (REGISTERED NUMBER: 01221157)**  
**T/A SIGMA RED**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 APRIL 2019**

	Notes	30.4.19 £	30.4.18 £
<b>TURNOVER</b>	<b>4</b>	17,512,160	11,807,546
Cost of sales		<u>(11,769,576)</u>	<u>(8,496,225)</u>
<b>GROSS PROFIT</b>		5,742,584	3,311,321
Administrative expenses		<u>(5,118,924)</u>	<u>(3,720,712)</u>
<b>OPERATING PROFIT/(LOSS)</b>	<b>6</b>	623,660	(409,391)
Bad debts	<b>7</b>	<u>(528,858)</u>	<u>-</u>
		94,802	(409,391)
Interest payable and similar expenses	<b>8</b>	<u>74</u>	<u>2,438</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		94,876	(406,953)
Tax on profit/(loss)	<b>9</b>	<u>-</u>	<u>-</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		94,876	(406,953)
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>94,876</u>	<u>(406,953)</u>

The notes form part of these financial statements

**CLANCHATTON BIRMINGHAM LIMITED (REGISTERED NUMBER: 01221157)**  
**T/A SIGMA RED**

**BALANCE SHEET**  
**30 APRIL 2019**

	Notes	30.4.19 £	30.4.18 £
<b>FIXED ASSETS</b>			
Tangible assets	10	422,585	136,693
<b>CURRENT ASSETS</b>			
Debtors	11	5,915,531	2,967,233
Cash at bank		<u>702,904</u>	<u>289,060</u>
		6,618,435	3,256,293
<b>CREDITORS</b>			
Amounts falling due within one year	12	<u>(5,820,594)</u>	<u>(2,267,436)</u>
<b>NET CURRENT ASSETS</b>		<u>797,841</u>	<u>988,857</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,220,426</u>	<u>1,125,550</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	2,775,100	2,775,100
Retained earnings	16	<u>(1,554,674)</u>	<u>(1,649,550)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>1,220,426</u>	<u>1,125,550</u>

The financial statements were approved by the Board of Directors on 11 July 2019 and were signed on its behalf by:

G E Gilburd - Director

The notes form part of these financial statements

**CLANCHATTON BIRMINGHAM LIMITED (REGISTERED NUMBER: 01221157)**  
**T/A SIGMA RED**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 APRIL 2019**

	Called up share capital £	Retained earnings £	Total equity £
<b>Balance at 1 May 2017</b>	2,775,100	(1,242,597)	1,532,503
<b>Changes in equity</b>			
Total comprehensive income	-	(406,953)	(406,953)
<b>Balance at 30 April 2018</b>	<u>2,775,100</u>	<u>(1,649,550)</u>	<u>1,125,550</u>
<b>Changes in equity</b>			
Total comprehensive income	-	94,876	94,876
<b>Balance at 30 April 2019</b>	<u><u>2,775,100</u></u>	<u><u>(1,554,674)</u></u>	<u><u>1,220,426</u></u>

The notes form part of these financial statements

**CLANCHATTON BIRMINGHAM LIMITED (REGISTERED NUMBER: 01221157)**  
**T/A SIGMA RED**

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 APRIL 2019**

	Notes	30.4.19 £	30.4.18 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(1,800,586)	82,677
Interest paid		-	600
Interest element of hire purchase or finance lease rental payments paid		74	-
Net cash from operating activities		<u>(1,800,512)</u>	<u>83,277</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		<u>(460,644)</u>	<u>(87,403)</u>
Net cash from investing activities		<u>(460,644)</u>	<u>(87,403)</u>
<b>Cash flows from financing activities</b>			
Group loans raised		2,675,000	200,000
Amount introduced by directors		-	52,968
Amount withdrawn by directors		-	(143,042)
Net cash from financing activities		<u>2,675,000</u>	<u>109,926</u>
<b>Increase in cash and cash equivalents</b>		<u>413,844</u>	<u>105,800</u>
<b>Cash and cash equivalents at beginning of year</b>	2	289,060	183,260
<b>Cash and cash equivalents at end of year</b>	2	<u><u>702,904</u></u>	<u><u>289,060</u></u>

The notes form part of these financial statements

**CLANCHATTON BIRMINGHAM LIMITED (REGISTERED NUMBER: 01221157)**  
**T/A SIGMA RED**

**NOTES TO THE CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 APRIL 2019**

**1. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	30.4.19	30.4.18
	£	£
Profit/(loss) before taxation	94,876	(406,953)
Depreciation charges	174,752	156,324
Finance costs	(74)	(2,438)
	<u>269,554</u>	<u>(253,067)</u>
Increase in trade and other debtors	(2,948,298)	(291,268)
Increase in trade and other creditors	878,158	627,012
<b>Cash generated from operations</b>	<u><u>(1,800,586)</u></u>	<u><u>82,677</u></u>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 30 April 2019**

	30.4.19	1.5.18
	£	£
Cash and cash equivalents	<u>702,904</u>	<u>289,060</u>

**Year ended 30 April 2018**

	30.4.18	1.5.17
	£	£
Cash and cash equivalents	<u>289,060</u>	<u>183,260</u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019**

**1. STATUTORY INFORMATION**

Clanchatton Birmingham Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

**3. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The financial statements have been prepared under the historical cost convention.

Some of the items within these financial statements have been reclassified to improve the comparability, reliability and relevance of the financial statements.

**Related party exemption**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions occurred on an arm's length basis with the other wholly owned subsidiaries within the group.

**Critical accounting 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 assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. The following are the Company's key sources of estimation uncertainty and judgements made by management in preparing these financial statements.

**Allowance for doubtful debts**

Management undertakes a review of all new customers and a periodic review of existing customers to determine whether specific risks of default exist. Beyond identification of specific risks, management undertakes periodic reviews into the calculation of allowances for doubtful debts to ensure historic trends continue to provide a basis for determining a reliable estimate for doubtful debts.

**Determining residual values and useful economic lives of tangible assets**

The Company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of the asset is based on historic performance as well as expectations of future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes. Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 APRIL 2019

3. ACCOUNTING POLICIES - continued

**Turnover**

Turnover represents the value, net of value added tax and discounts, of work carried out in respect of business process outsourcing services provided to clients.

Sales invoices for the white label services provided by the contact centres are raised monthly and cover the activity performed in that month. Income is recognised when the invoice is raised. Income is accrued where a customer's billing period is not in line with month end.

Sales invoices for contingent fee based services are raised monthly and reflect the predetermined billing criteria agreed with the client. Income is recognised when the invoice is raised.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Short leasehold	- over the term of the lease
Fixtures and fittings	- Straight line over 3 years
Computer equipment	- Straight line over 3 years

**Financial instruments**

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instruments.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes, in effect, a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.



NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 APRIL 2019

3. **ACCOUNTING POLICIES - continued**

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

**Pension costs and other post-retirement benefits**

The company operates defined contribution schemes. Contributions payable to the company's pension schemes are charged to the profit and loss account in the period to which they relate. The schemes funds are independently administered.

**Going concern**

The company achieved operating profit of £623,660 and returned to profitability by achieving profit before tax of £94,876 for the year to 30 April 2019. In considering the appropriateness of the going concern basis for the preparation of these financial statements, the directors have considered the working capital requirements of the company for the short, medium and longer term. They have reviewed the cash flow forecasts and considered the future funding requirements which show that the company may require further financing to support near term trading performance. Based on the continued support from the company's immediate parent undertaking, the directors have formed a judgement that the business has access to adequate resources to continue in operation for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

**Operating leases**

Rentals applicable to operating leases, where substantially all of the benefits and risks of the benefits of ownership remain with the lessor, are charged against income on a straight line basis.

**Debtors**

Short term debtors are measured at transaction price, less any impairment. Amounts receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**Creditors**

Short term trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**Provisions**

Provisions are recognised when the company has a legal or constructive obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

A provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months is recognised. The provision is measured at the salary cost payable for the period of absence.

**CLANCHATTON BIRMINGHAM LIMITED (REGISTERED NUMBER: 01221157)**  
**T/A SIGMA RED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 APRIL 2019**

**4. TURNOVER**

The turnover and profit (2018 - loss) before taxation are attributable to the principal activities of the company.

An analysis of turnover by geographical market is given below:

	30.4.19 £	30.4.18 £
United Kingdom	17,512,160	11,807,546
	<u>17,512,160</u>	<u>11,807,546</u>

**5. EMPLOYEES AND DIRECTORS**

	30.4.19 £	30.4.18 £
Wages and salaries	9,428,686	6,914,924
Social security costs	725,376	515,981
Other pension costs	136,046	60,268
	<u>10,290,108</u>	<u>7,491,173</u>

The average number of employees during the year was as follows:

	30.4.19	30.4.18
Fee earner	421	317
Administration	32	23
Direct support	14	21
	<u>467</u>	<u>361</u>

	30.4.19 £	30.4.18 £
Directors' remuneration	494,000	321,569
Directors' pension contributions to money purchase schemes	<u>10,512</u>	<u>3,510</u>

Information regarding the highest paid director is as follows:

	30.4.19 £	30.4.18 £
Emoluments etc	285,000	168,760
Pension contributions to money purchase schemes	<u>6,075</u>	<u>1,885</u>

**6. OPERATING PROFIT/(LOSS)**

The operating profit (2018 - operating loss) is stated after charging/(crediting):

	30.4.19 £	30.4.18 £
Depreciation - owned assets	174,752	156,324
Auditors' remuneration	18,400	12,000
Foreign exchange differences	<u>(203)</u>	<u>67</u>

**CLANCHATTON BIRMINGHAM LIMITED (REGISTERED NUMBER: 01221157)**  
**T/A SIGMA RED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 APRIL 2019**

**7. EXCEPTIONAL ITEMS**

	30.4.19	30.4.18
	£	£
Bad debts	<u>(528,858)</u>	<u>-</u>

Bad debts provision is related to one customer which went into administration during the year. Management has provided against 96% of receivable and considers the remaining 4% to be recoverable.

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	30.4.19	30.4.18
	£	£
Loan interest	-	(600)
Hire purchase	<u>(74)</u>	<u>(1,838)</u>
	<u>(74)</u>	<u>(2,438)</u>

**9. TAXATION**

**Analysis of the tax charge**

No liability to UK corporation tax arose for the year ended 30 April 2019 nor for the year ended 30 April 2018.

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	30.4.19	30.4.18
	£	£
Profit/(loss) before tax	<u>94,876</u>	<u>(406,953)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	18,026	(77,321)
Effects of:		
Expenses not deductible for tax purposes	4,253	3,740
Deferred tax asset unable to recognise	(44,651)	(7,561)
Effects of group relief / other reliefs	14,479	81,142
Non-qualifying depreciation	<u>7,893</u>	<u>-</u>
Total tax charge	<u>-</u>	<u>-</u>

**Factors that may affect future tax charges**

**Tax losses**

The company has corporation tax losses of £16,750,359 (2018 - £16,751,905) available to carry forward to offset against future taxable profits.

**Deferred tax**

No deferred tax asset has been recognised due to the uncertainty as to the timing and quantum of the recovery of these losses within the company. The total amount of unprovided deferred tax is as follows:

	30.04.19	30.04.18
£		
Fixed asset timing differences	(96,564)	(141,484)
Timing difference - trading	(6,838)	(1,628)
Losses	<u>(2,847,561)</u>	<u>(2,847,824)</u>
Total unprovided deferred tax asset	<u>(2,950,963)</u>	<u>(2,990,936)</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 APRIL 2019**

**10. TANGIBLE FIXED ASSETS**

	Short leasehold £	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>				
At 1 May 2018	150,586	174,811	729,094	1,054,491
Additions	104,954	57,138	298,552	460,644
Disposals	(17,824)	-	(301,260)	(319,084)
At 30 April 2019	<u>237,716</u>	<u>231,949</u>	<u>726,386</u>	<u>1,196,051</u>
<b>DEPRECIATION</b>				
At 1 May 2018	125,770	157,791	634,237	917,798
Charge for year	35,770	26,041	112,941	174,752
Eliminated on disposal	(17,824)	-	(301,260)	(319,084)
At 30 April 2019	<u>143,716</u>	<u>183,832</u>	<u>445,918</u>	<u>773,466</u>
<b>NET BOOK VALUE</b>				
At 30 April 2019	<u>94,000</u>	<u>48,117</u>	<u>280,468</u>	<u>422,585</u>
At 30 April 2018	<u>24,816</u>	<u>17,020</u>	<u>94,857</u>	<u>136,693</u>

The directors have undertaken an impairment review, which takes into account future cash flows. This exercise has confirmed the "value in use" supports the continued recognition of these assets, with sufficient headroom to accommodate any reasonably foreseeable events or changes in circumstances.

**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30.4.19 £	30.4.18 £
Trade debtors	4,710,466	2,059,036
Amounts owed by group undertakings	23,654	79,662
Other debtors	11,343	-
Directors' loan accounts	143,042	143,042
Prepayments and accrued income	<u>1,027,026</u>	<u>685,493</u>
	<u>5,915,531</u>	<u>2,967,233</u>

Amounts owed by group undertakings are all unsecured, repayable on demand and non-interest bearing.

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30.4.19 £	30.4.18 £
Other loans (see note 13)	2,875,000	200,000
Trade creditors	552,797	557,288
Amounts owed to group undertakings	821,905	408,779
Other taxation and social security	825,653	477,604
Other creditors	102,016	178,634
Accruals and deferred income	<u>643,223</u>	<u>445,131</u>
	<u>5,820,594</u>	<u>2,267,436</u>

Amounts owed to group undertakings are all unsecured, repayable on demand and non-interest bearing.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 APRIL 2019**

**13. LOANS**

An analysis of the maturity of loans is given below:

	30.4.19 £	30.4.18 £
Amounts falling due within one year or on demand:		
Amounts owed to group undertakings – Loans	<u>2,875,000</u>	<u>200,000</u>
	<u>2,875,000</u>	<u>200,000</u>

**Loan from parent company**

The loan of £2,875,000 (2018: £200,000) from the parent company is not of a commercial nature and therefore interest-free, with no fixed repayment terms. The loan is intended to provide the company a source of funding. The parent company can recall these loans when cash is required.

**14. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	30.4.19 £	30.4.18 £
Within one year	100,364	100,364
Between one and five years	<u>-</u>	<u>100,364</u>
	<u>100,364</u>	<u>200,728</u>

At the period end the company had commitments under non-cancellable operating leases in respect of land and buildings of £100,364 (2018: £200,728).

**15. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	30.4.19 £	30.4.18 £
2,775,100	Ordinary shares	£1	<u>2,775,100</u>	<u>2,775,100</u>

**16. RESERVES**

	Retained earnings £
At 1 May 2018	(1,649,550)
Profit for the year	<u>94,876</u>
At 30 April 2019	<u>(1,554,674)</u>

**17. PENSION COMMITMENTS**

The company operates defined contribution pension schemes in respect of the staff and directors. The charges for the year to this scheme were £136,046 (2018: £60,268). The number of directors to whom retirement benefits were accruing was 2 (2018: 2). There was £39,545 (2018: £4,312) outstanding contributions at the end of the year.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 APRIL 2019**

**18. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES**

The following advances and credits to directors subsisted during the years ended 30 April 2019 and 30 April 2018:

	30.4.19 £	30.4.18 £
<b>G E Gilburd</b>		
Balance outstanding at start of year	113,042	52,968
Amounts advanced	-	60,074
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>113,042</u>	<u>113,042</u>
<b>M J Harfield</b>		
Balance outstanding at start of year	30,000	-
Amounts advanced	-	30,000
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>30,000</u>	<u>30,000</u>

Included within debtors is an amount of £143,042 owing to the company by the directors for which, interest at 3% per annum is charged by the company.

**19. RELATED PARTY DISCLOSURES**

**Entities with control, joint control or significant influence over the entity**

**Sanclare (UK) Limited**

Intermediate holding company

At 30 April 2019 the company owed £2,875,000 (2018: £200,000) to Sanclare (UK) Limited in relation to loan funding provided.

**Sigma International Proprietary Limited**

Fellow Subsidiary

During the year the company purchased services in the sum of £2,067,248 (2018: £1,408,160) from Sigma International Proprietary Limited.

At 30 April 2019 the company had an amount owed to Sigma International Proprietary Limited of £723,667 (2018: £239,664) relating to recharge of costs.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 APRIL 2019

**Other related parties**

**Industrial & Commercial Consultancy Limited**  
Key Personnel Management

Industrial & Commercial Consultancy Limited is the company secretary of the company. Martyn Harfield, the director of Industrial & Commercial Consultancy Limited, is connected to Michael Harfield, a director of the company. During the period, Industrial & Commercial Consultancy Limited charged £46,000 (2018: £46,000) for the provision of consultancy services. These were paid in full during the period.

**Key management personnel compensation**  
Directors and key staff

The total remuneration of directors and other key staff members in 2019 (including salaries and other benefits) was £864,252 (2018: £609,386).

20. **ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is Digicall Holdings (Pty) Ltd, a company incorporated in South Africa.

The controlling party is Sanclare (UK) Limited.

The immediate parent undertaking is The Sigma Financial Group Limited.

Sanclore (UK) Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 30 April 2019. The consolidation financial statements of Sanclare (UK) Limited are available from:

Grosvenor House  
Prospect Hill  
Redditch  
Worcestershire  
B97 4DL

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