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Company [Red24 PLC](#)
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Headline Preliminary Results
Released 07:00 11-Jun-2010
Number 4450N07

RNS Number : 4450N
Red24 PLC
11 June 2010

RED24 PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2010

Red24 plc ("red 24" or the "Group") is pleased to announce its results for the year ended 31 March 2010.

Highlights

- Revenue increased by 29% to £4,287,744 (2009: £3,320,725)
- Profit Before Tax up 17% to £628,294 (2009: £536,737)
- Basic EPS of 1.43p (2009: 0.95p)
- Maiden dividend payment of 0.15p per share paid in January
- Net cash increased to £937,885 (2009: £327,836)
- Two main distribution deals renewed for a further three years
- Three contracts with leading US underwriters commenced in January 2010 to provide additional special risk services

Simon Richards, Chairman, commented:

"This has been an excellent year for the Group and one that saw us build on the sound platform created in the previous year. The strength of our performance was across the board, with revenues, profits and cash generation all showing marked improvements on the prior year and providing us with the confidence to pay our first dividend.

"During the course of the year we renewed our two key distribution deals with TravelGuard and HSBC for a further three years which re-affirms the benefit those customers see in our products and provides opportunities to grow the business. Since then we have added further resources to meet the demand for additional special risk services and it is pleasing to note that we have

already had notable successes in this field. With this substantial progress in our business we continue to view the future with confidence."

Enquiries:

Red24 plc

Simon Richards, Chairman
Mal Worsley-Tonks, Director

Tel: 0203 291 2424

Threadneedle Communications

Josh Royston
Graham Herring

Tel: 0207 653 9850

Seymour Pierce

Mark Percy / David Foreman (Corporate Finance)
Jeremy Stephenson (Corporate Broking)

Tel: 0207 107 8000

red24 is a provider of a range of security risk management services, offering preventative and reactive advice to help individuals and organisations to avoid and manage security risks to themselves, their families and their organisations. The products are principally distributed through leading international financial service companies.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present our annual report for the year ended 31 March 2010.

Financial Overview

I am pleased to report that, since the half yearly report, we have continued with the excellent progress the business has made in the past two years. Compared with the last financial year revenue has increased by 29% to £4,287,744 from £3,320,725 and a profit before tax of £628,294 is an increase of 17% on the prior year's profit of £536,737. This improvement is entirely due to the growth in the red24 business which, as discussed further below, is attributable partly to one-off responses and partly due to the significant expansion of our services to insurance providers.

Counter-intuitively, the improved profitability has led to a significant reduction in the tax charge as there is a greater chance that at least some of the tax losses incurred in earlier years can be utilised. Thus, there is little difference this year between before and after tax profits, all of which have been retained bar the modest but significant maiden dividend of 0.15p per share paid in January 2010. The Board intend to pursue a progressive dividend policy. Clearly the exact dividend will be determined by the events of 2010 but the Board intend to pursue a similar timetable to last year, that is to declare the amount of the dividend at the time of release of the half yearly statements that will be payable to shareholders mid-January.

The retained profits have improved the balance sheet as has the decision by warrant holders to exercise their warrants. The only unexercised warrants that remain are held by Sidebell Limited and were not exercised in compliance with their undertaking not to exercise if to do so would have triggered a bid obligation and involved the company in the costs associated with such a bid. During the year we repaid the remaining loan notes and next year will benefit from the corresponding reduction in finance costs.

As a result, the net assets per share have more than doubled to 2.65p, much of which is represented by cash, which has increased by 55%. The balance sheet also shows a significant rise in debtors, which reflects both the increase in activity and also the changing nature of some

of the revenue streams, where payment follows performance rather than being on a monthly retainer. The increased level of response work does require the retention of significant cash reserves to meet the working capital demands of a crisis, but there is still sufficient cash for the Board to begin to consider the acquisition of additional capabilities to expand the business further.

red24

red24 is a global security service providing preventative and reactive advice to help individuals and businesses avoid and manage personal risks to themselves, their staff and their families.

Revenues for the red24 business segment grew by 49%. As I mentioned at the time of the half year report, the strength of the rand against both sterling and the dollar has tended to increase the costs of our Crisis Risk Management Centre (CRM) in Cape Town where we have little local revenue. At the half year the effect was a 15% rise in costs and this trend continued in the second half, meaning the exchange rate pushed costs up by 17.6% for the year as a whole.

However, the growth in business has enabled us to absorb these cost increases. Of the increase in revenue some 10% came about from an increase in response work for those clients who do not buy the product on an inclusive basis. Such revenues are clearly unpredictable and only arise where there is a security crisis or a natural disaster that affects members.

The other major source of increasing revenue comes from the opportunities to provide additional services to special risk insurance providers. I alluded to this in the half year report as market changes have led to new market entrants who require response providers. Since then we have succeeded in becoming the retained provider for certain special risks with three leading US underwriters. These contracts only took effect at the beginning of January and are generally for three years.

The expansion of the business has required a change in premises and in November 2009 we moved in to the London Underwriting Centre in the City of London where we are very close to our key insurance markets. The increased proportion of our sales to North America has led to our incorporating a US subsidiary, red24 Inc and we anticipate that this company will become a fully functioning subsidiary, with local employees, during the course of the coming year.

Training

The Arc Training International Academy for Security Management is one of the UK's leading providers of security management training courses and one of the best-known international security management training companies in the world. The courses offer a range of qualifications and education for full-time security professionals and for managers for whom security is one of their key responsibilities. Each year a published programme of courses, open to all, is run in the UK and, increasingly, overseas where they may be held as Arc courses or in conjunction with local training partners.

The Training segment has seen a 23% fall in revenues in the year, but the impact on profit has been much less marked as more work has been conducted overseas where hotel costs, which are the largest single cost in running a course, are significantly lower. We are actively seeking to recruit more trainers, either in the UK or South Africa to enable us to meet demand and until the right personnel are in place progress in this business segment may be limited.

Outlook

The greatly improved financial performance of the business has put the group in a position to take advantage of new opportunities that may arise. This has been put into good effect in the last six months and other opportunities are under consideration. Amongst the considerations are the margins achievable, the Board being unanimous in agreeing that we do not wish to enter low margin security businesses, which would include labour intensive activities and the distribution of

manufactured products. We have worked hard to establish a reputation for good quality work for well established clients and see future growth both with our existing services and by adding other services that are likely to be of assistance to our customers.

Clearly, there are risks to any business and these are considered in the Directors' Report. Nonetheless, the Board feel encouraged by the progress of the last year and are confident of further progress to come. We would hope that in time the share price will reflect the improved outlook for earnings and also the quality of those earnings when compared to others in the sector.

Staff

Our staff are absolutely crucial to the quality of service provided and to creating a working environment where we can attract good quality people who want to come and work for us. The Board are most grateful to all the staff for their hard work and are gratified that so many of them are choosing to build their careers with the group. This was exemplified by the success of the last offer under the staff share loan scheme where more than a quarter of the staff took up the opportunity offered to buy shares in the company.

Simon Richards
Chairman

11 June 2010

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CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 March 2010

	<i>Notes</i>	2010 £	2009 £
REVENUE		4,287,744	3,320,725
Cost of sales		(926,148)	(727,124)
		<hr/>	<hr/>
GROSS PROFIT		3,361,596	2,593,601
Administrative expenses		(2,704,818)	(2,009,876)
		<hr/>	<hr/>
OPERATING PROFIT		656,778	583,725
Investment income		3,622	7,141
Finance costs		(32,106)	(54,129)
		<hr/>	<hr/>
PROFIT BEFORE TAX		628,294	536,737
Tax credit/(charge)		9,075	(121,088)
		<hr/>	<hr/>
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY		637,369	415,649

HOLDERS OF THE PARENT COMPANY

BASIC PROFIT PER SHARE (PENCE)	2	1.43p	0.95p
DILUTED PROFIT PER SHARE (PENCE)	2	1.40p	0.95p

The results above arose from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Group 2010 £	Group 2009 £
Profit for the year		637,369	415,649
Currency translation differences		5,536	(34,562)
Total comprehensive income for the year net of tax attributable to owners of the parent		642,905	381,087

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Consolidated Balance Sheet
31 March 2010

	Group 2010 £	Group 2009 £
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	273,190	278,925
Property, plant & equipment	73,214	61,095
Deferred tax assets	163,244	138,144
Trade and other receivables	36,060	10,780
	545,708	488,944
CURRENT ASSETS		
Trade and other receivables	945,913	415,037
Cash and cash equivalents	967,623	626,180
	1,913,536	1,041,217
TOTAL ASSETS	2,459,244	1,530,161
CAPITAL AND RESERVES		
Called up share capital	472,411	444,411
Share premium account	114,600	-

Other reserves	44,380	45,570
Translation reserve	67,654	62,118
Retained earnings	553,526	(23,321)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	1,252,571	528,778
NON-CURRENT LIABILITIES		
Borrowings	10,762	28,121
CURRENT LIABILITIES		
Trade and other payables	1,176,935	703,039
Borrowings	18,976	270,223
	1,195,911	973,262
TOTAL EQUITY AND LIABILITIES	2,459,244	1,530,161

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Cash Flow Statements
For the year ended 31 March 2010

	<i>Notes</i>	Group 2010 £	Group 2009 £
Net cash inflow from operating activities	3	548,587	728,075
Investing activities			
Interest received		3,622	7,141
Purchase of intangibles		(2,131)	(18,749)
Purchase of property, plant & equipment		(37,206)	(13,136)
Net cash (outflow) from investing activities		(35,715)	(24,744)
Financing activities			
Dividends paid		(66,662)	-
Interest paid		(47,106)	(61,629)
Repayment of finance lease obligations		(8,598)	(3,401)
Issue of ordinary share capital		142,600	22,100
Cost of share cancellation		-	(11,400)
Repayment of bank loans		(10,008)	(10,008)
Repayment of loan notes		(250,000)	(125,000)
Net cash (outflow) from financing activities		(239,774)	(189,338)
Net increase in cash and cash equivalents		273,098	513,993
Cash and cash equivalents at the beginning of the year		626,180	82,380
Effect of foreign exchange rates		68,345	29,807
Cash and cash equivalents at the end of the year	3	967,623	626,180

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

1. Basis of preparation

From 1 April 2007, the group and company have adopted International Financial Reporting Standards ("IFRS") and the International Financial Report Interpretations Committee ("IFRIC") interpretations as adopted by the European Union ("EU") in the preparation of its consolidated financial statements. The financial statements have been prepared under the historical cost basis.

The accounts are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, the directors have taken into account relevant available information about the future including profit and cash forecasts for the next two financial years and the assumptions on which they are based.

2. Profit per share

	2010	2009
Attributable profit (£)	637,369	415,649
Weighted average number of ordinary shares in issue for the purposes of basic profit per share	44,485,409	43,779,687
Effect of dilutive potential ordinary shares on exercise of warrants	947,535	-
Weighted average number of ordinary shares in issue for the purposes of diluted profit per share	45,432,944	43,779,687
Basic profit per share (pence)	1.43p	0.95p
Diluted profit per share (pence)	1.40p	0.95p

3. Notes to the cash flow statement**(a) Net cash inflow from operating activities**

	Group 2010	Group 2009
	£	£
Operating activities		
Profit before income taxation	628,294	536,737
Adjustments for:		
Investment income	(3,622)	(7,141)
Finance costs	32,106	54,129
Depreciation and amortisation	44,321	33,720
Provisions	-	-

Share based payments	4,950	(1,670)
Loss on disposal of property, plant & equipment	131	-
Exchange gains and losses	5,536	(35,842)
(Increase)/decrease in receivables	(556,156)	178,529
Increase/(decrease) in payables	393,027	(30,387)
Net cash inflow from operating activities	548,587	728,075

(b) Analysis of changes in net cash (group)

	1 April 2009 £	Cash flows £	Other movements £	31 March 2010 £
Cash and cash equivalents	626,180	246,668	94,775	967,623
Debt due within one year	(260,008)	260,008	(10,008)	(10,008)
Debt due after more than one year	(20,770)	-	10,008	(10,762)
	<u>345,402</u>	<u>506,676</u>	<u>94,775</u>	<u>946,853</u>
Finance leases due within one year	(10,215)	11,118	(9,871)	(8,968)
Finance leases after more than one year	(7,351)	-	7,351	-
Net cash	<u>327,836</u>	<u>517,794</u>	<u>92,255</u>	<u>937,885</u>

Included in other movements on cash and cash equivalents is a foreign exchange movement of £68,345 (2009: £29,807).

(c) Reconciliation of net cash flow movement to movement in net cash (group)

	2010 £	2009 £
Increase in cash	273,098	513,993
Decrease in finance leases	8,598	3,401
Decrease in bank loan	10,008	10,008
Decrease in loan notes	250,000	125,000
Translation difference	68,345	29,807
Increase in net cash	<u>610,049</u>	<u>682,209</u>
Opening net cash/(debt)	327,836	(354,373)
Closing net cash	<u>937,885</u>	<u>327,836</u>

4. The report and accounts for the year ended 31 March 2010 will be sent to shareholders in the week commencing 14 June 2010 and will be available on the Company's website www.red24plc.com.

5. **Financial Information**

The above financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The above figures for the year ended 31 March 2010 are an abridged version of the Company's accounts which will be reported on by the Company's auditors before dispatch to the shareholders and filing with the Registrar of Companies. The preliminary announcement was approved by the Board on 10 June 2010.

The statutory accounts for the year ended 31 March 2009 have been lodged with the Registrar of Companies. These accounts received an audit report which was unqualified and did not include any reference to matters to which the auditors drew attention by way of emphasis without qualifying their report or a statement under section 237(2) or section 237(3) of the Companies Act 1985.

This information is provided by RNS
The company news service from the London Stock Exchange

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Source: London Stock Exchange website (11 June 2010)
<http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-detail.html?announcementId=10528802>