



red24 Plc
Half Year Report
for the six months to 30 September 2011





red24 is a provider of a range of assistance services, offering risk management in a number of fields, including preventative and reactive advice to help individuals and organisations to avoid and manage security risks to themselves, their families and their organisations. The services are supplied to leading international financial service companies.



red24 Cape Town

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CHAIRMAN'S STATEMENT

Introduction

I am pleased to present our half year report, which shows continued growth in our profitability and a further strengthening of our balance sheet. I am also particularly pleased to report a substantial increase in the dividend from 0.24p to 0.32p per share, which will be paid on 19 January 2012 to those shareholders on the register at 16 December 2011.

Financial Overview

Overall revenue has increased by nearly 17% to £2,890,000 from £2,479,000 and the profit before tax has increased by 36% to £412,000 from £302,000. In this half year both segments of the business have shown revenue growth in excess of 15%, which is pleasing and beyond our budget expectations.

The business continues to generate cash and, for the first time we have a strategic cash reserve in the parent company, which is available should the right acquisition opportunity present itself. Further, in line with our commitment to pursue a progressive dividend policy, the cash generation has enabled the Board to declare an increase in the dividend of 33%. The total cash cost of the dividend is £156,000 and this is four times covered by last year's retained profits.

The Board is conscious that the cash balances are currently earning very little by way of interest but consider that the advantage of greater flexibility that short term deposits offer outweighs the potential additional interest that might be obtained from a portfolio of fixed interest securities.

The results for the half year continue to be affected by exchange rate movements but, in the half year under review the average exchange rate for our Rand expenses has been almost identical to that in the second half of last year. The weakening of sterling against the dollar in recent weeks has also been a modest boost to the half year results.

Security Assistance

red24 is the brand name for our global security service, which provides preventative and reactive advice to help individuals and businesses avoid and manage personal risks to themselves, their staff and their families.

Profit before tax increased by 36% to £412k (2010: £302k)

Dividend increase of 33% over four times covered.

CHAIRMAN'S STATEMENT

CONTINUED

Revenues for the security assistance business segment grew by some 16% when compared with the same period last year. The segment has reported a profit of £458k compared to £302k last year, despite an increase in allocated corporate costs of £36k. In the period under review the average rand rate has been virtually identical to that in the previous six months and the dollar rate has moved in our favour. These favourable exchange movements explain almost half the increase in profitability. Should the recent softening of the rand exchange rate be sustained this will help the second half.

Much of the growth in revenues in the half year continues to come from the additional services provided to writers of special risk insurance business. Although these clients are US insurers we actually invoice their UK operations and so these are included in the UK sales line in the geographic analysis of sales. These contracts are responsible for 75% of the increase in UK sales.

Our travel tracker product continues to win new clients and is responsible for most of the rest of the increase in UK sales with seven major corporations taking the product in the last six months. Welcome as this broadening of our customer base is, we continue to work very closely with our key distribution channels – HSBC and Chartis, to develop more business with them.

In July we moved our offices in Cape Town a short distance to a new building that is able to accommodate all the staff on one floor and leave room for planned growth. The Board would like to congratulate Sarah Spolander and her team for the seamless way in which the move was carried out.

Other Assistance

This segment comprises the Arc Training International Academy for Security Management, our environmental advisory service, green24, and our Food Safety product.

Training revenues have risen by 23% in the half year, a record level of business and profitability. This almost entirely reflects an increase in delegate numbers and in the demand for courses held overseas, as prices have scarcely changed. The training business can be seasonal but, in the medium term, this performance bodes well for sustained growth as our course structure encourages repeat business.

Growth in special risk insurance revenues spurs 16% growth in security assistance

CHAIRMAN'S STATEMENT

CONTINUED

Our environmental service has had a disappointing half year and has failed to generate any significant revenue. This is largely attributable to the difficult economic climate.

The cost of this service, together with the cost of developing our food safety product have pushed the segment as a whole into a loss of £18k, but this is after an allocation of £70k of corporate costs. At the same stage last year the segment reported a profit of £45k after an allocation of corporate costs of £34k which means that the segment has almost maintained its contribution to the group despite absorbing the costs of these new products.

Looking forward, the Board are enthusiastic about the prospects for the food safety product. At the AGM I reported that we expected it to generate \$1m revenue in its first twelve months and I am pleased to confirm that contracts to generate most of this revenue have already been signed and from October this year have been producing revenue.

Outlook and risks

Clearly the economic environment remains unsettled and further turmoil in the months ahead cannot be excluded. The impact on the company of governmental budgetary cutbacks in the UK is unlikely to be material, but the outlook for the US dollar is an external economic factor that could have a negative impact. Nonetheless, the business continues to perform steadily and the Board considers that the appraisal of key risks and uncertainties contained in the full year report remains valid.

The business has grown rapidly in recent years and parts of the structure are becoming strained. In particular, as a result of the number and variety of our products and services there is not always the consistency and coherence in the offering to individual customers that the Board would wish to see. The Board are, therefore, actively engaged in refining the organisational structure so that the group is in a position take advantage of the solid progress that has been achieved and the strength of our balance sheet to continue to grow at the same rate in the years ahead.

Simon Richards

Chairman

3 November 2011

Training achieves record revenues

Exciting prospects for new Food Safety Product

UNAUDITED CONSOLIDATED INCOME STATEMENT

	6 months ended 30 September 2011 £'000	6 months ended 30 September 2010 £'000	12 months ended 31 March 2011 £'000
Revenue	2,892	2,479	5,263
Cost of sales	(728)	(551)	(1,245)
Gross profit	2,164	1,928	4,018
Administration expense	(1,753)	(1,625)	(3,277)
Operating profit	411	303	741
Net finance income/(expense)	1	(1)	1
Profit before taxation	412	302	742
Income tax expense	(57)	(31)	(18)
Profit for the period	355	271	724
Earnings per share			
Basic	0.73p	0.57p	1.51p
Diluted	0.73p	0.56p	1.50p

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 September 2011 £'000	6 months ended 30 September 2010 £'000	12 months ended 31 March 2011 £'000
Profit for the period	355	271	724
Other comprehensive income for the period net of tax			
Currency translation differences	(38)	12	13
Total comprehensive income for the period net of tax	317	283	737

UNAUDITED CONSOLIDATED BALANCE SHEET

	30 September 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
Assets			
Non-current assets			
Intangible assets	304	276	315
Property, plant and equipment	87	77	74
Deferred tax asset	136	132	159
Trade and other receivables	48	31	27
	575	516	575
Current assets			
Trade and other receivables	1,388	941	1,454
Cash and cash equivalents	1,623	1,126	1,196
	3,011	2,067	2,650
Total assets	3,586	2,583	3,225
Capital and reserves			
Called up share capital	487	484	484
Share premium account	194	160	161
Other reserves	43	45	43
Retained earnings	1,518	824	1,163
Translation reserve	43	80	81
Equity attributable to owners of the parent	2,285	1,593	1,932
Current liabilities			
Trade and other payables	1,301	989	1,293
Borrowings	–	1	–
	1,301	990	1,293
Total equity and liabilities	3,586	2,583	3,225

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	£'000					
	Share capital	Share premium	Other reserve	Retained earnings	Translation reserve	Total
Balance at 1 April 2011	484	161	43	1,163	81	1,932
Comprehensive income						
Profit for the period	–	–	–	355	–	355
Currency translation differences	–	–	–	–	(38)	(38)
Total comprehensive income	–	–	–	355	(38)	317
Transactions with owners						
Proceeds of issue of shares and warrants	3	33	–	–	–	36
Total transactions with owners	3	33	–	–	–	36
Balance at 30 September 2011	487	194	43	1,518	43	2,285

	£'000					
	Share capital	Share premium	Other reserve	Retained earnings	Translation reserve	Total
Balance at 1 April 2010	472	115	45	553	68	1,253
Comprehensive income						
Profit for the period	–	–	–	271	–	271
Currency translation differences	–	–	–	–	12	12
Total comprehensive income	–	–	–	271	12	283
Transactions with owners						
Proceeds of issue of shares and warrants	12	45	–	–	–	57
Total transactions with owners	12	45	–	–	–	57
Balance at 30 September 2010	484	160	45	824	80	1,593

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONTINUED

	£'000					
	Share capital	Share premium	Other reserve	Retained earnings	Translation reserve	Total
Balance at 1 April 2010	472	115	45	553	68	1,253
Comprehensive income						
Profit for the period	-	-	-	724	-	724
Currency translation differences	-	-	-	-	13	13
Total comprehensive income	-	-	-	724	13	737
Transactions with owners						
Proceeds of issue of shares and warrants	12	46	-	-	-	58
Dividend paid	-	-	-	(116)	-	(116)
Share based payments	-	-	(2)	2	-	-
Total transactions with owners	12	46	(2)	(114)	-	(58)
Balance at 31 March 2011	484	161	43	1,163	81	1,932

UNAUDITED CONSOLIDATED CASH FLOW

	6 months ended 30 September 2011 £'000	6 months ended 30 September 2010 £'000	12 months ended 31 March 2011 £'000
Operating activities			
Profit before tax	412	302	742
Adjustments for:			
Investment income	(1)	(1)	(3)
Finance costs	–	2	2
Depreciation & amortisation charges	31	28	50
Exchange (gains)/losses	(38)	12	12
Income tax expense	(57)	–	(6)
Decrease/(increase) in receivables	45	9	(499)
Increase/(decrease) in payables	67	(185)	106
Net cash inflow from operating activities	459	167	404
Investing activities			
Interest received	1	1	3
Purchase of intangibles	(3)	(8)	(56)
Purchase of property, plant & equipment	(37)	(27)	(34)
Net cash outflow from investing activities	(39)	(34)	(87)
Financing activities			
Dividend paid	–	–	(116)
Interest paid	–	(2)	(2)
Repayment of finance leases	–	(8)	(8)
Issue of ordinary share capital	37	57	57
Repayment of bank loans	–	(21)	(21)
Net cash inflow/(outflow) from financing activities	37	26	(90)
Net change in cash and cash equivalents	457	159	227
Cash and cash equivalents at beginning of period/year	1,196	968	968
Effect of foreign exchange rate changes	(30)	(1)	1
Cash and cash equivalents at end of period/year	1,623	1,126	1,196

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

1. Accounting policies

Basis of preparation

This report was approved by the directors on 3 November 2011.

From 1 April 2007, the Group has adopted International Financial Reporting Standards (“IFRS”) and the International Financial Report Interpretations Committee (“IFRIC”) interpretations in the preparation of its consolidated financial statements.

The accounting policies applied in this unaudited interim financial information are those that the Group expects to apply in the annual financial statements for the year ended 31 March 2012, which will be prepared in accordance with IFRS, and those parts of the Companies Act 2006 that remain applicable to companies reporting under IFRS.

The financial information for the six months ended 30 September 2011 is unaudited and does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2011 have been filed with the Registrar of Companies and contain a report from the auditors that is unqualified. The results for the year ended 31 March 2011 disclosed in this report are an abridged version of the company’s audited financial statements. It does not constitute the Financial Statements for that period. Copies of the statutory accounts may be obtained from the Company or Seymour Pierce Limited.

Principal accounting policies of the Group

This financial information has been prepared on the basis of the recognition and measurement requirements of IFRSs in issue that either are endorsed by the EU and effective (or available for early adoption) at 30 September 2011 or are expected to be effective (or available for early adoption) at 31 March 2012. Based on these adopted and unadopted IFRSs, the directors have made assumptions about the accounting policies expected to be applied when the annual IFRS financial statements are prepared for the year ending 31 March 2012.

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

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1. Accounting policies continued

Basis of preparation continued

The adopted IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 March 2012 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for the annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 March 2012.

2. Earnings per share

The earnings per share for the six months ended 30 September 2011 have been calculated based on the profit on ordinary activities after taxation divided by the weighted average number of shares in issue during the period.

3. Segmental Information

For management purposes the group is currently organised into two divisions – security assistance and other assistance. These divisions are the basis on which the group reports its management information to the group board. The security assistance segment provides preventative and reactive security advice to customers across the globe, whilst the other assistance segment provides training in security management both in the UK and overseas, environmental advice and advice on safety in relation to food and other products.

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

CONTINUED

The following tables provide details of the revenue, profit, assets and liabilities and capital expenditure by business segment:

Business type	6 months ended 30 September 2011 £'000 (unaudited)	6 months ended 30 September 2010 £'000 (unaudited)	12 months ended 31 March 2011 £'000
Revenue			
Security assistance	2,343	2,035	4,430
Other assistance	549	444	833
	2,892	2,479	5,263
Segment result			
Security assistance	458	302	861
Other assistance	(18)	45	12
	440	347	873
Unallocated corporate costs	(29)	(44)	(132)
Operating profit	411	303	741
Segment assets			
Security assistance	2,348	1,717	2,353
Other assistance	539	419	336
	2,887	2,136	2,689
Unallocated corporate assets	563	315	377
Deferred tax assets	136	132	159
Total assets	3,586	2,583	3,225
Segment liabilities			
Security assistance	809	570	877
Other assistance	430	377	310
	1,239	947	1,187
Unallocated corporate liabilities	62	42	106
Borrowings	–	1	–
Total liabilities	1,301	990	1,293

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

CONTINUED

3. Segmental Information continued

Business type	6 months ended 30 September 2011 £'000 (unaudited)	6 months ended 30 September 2010 £'000 (unaudited)	12 months ended 31 March 2011 £'000
Capital expenditure			
Intangibles			
Security assistance	3	5	2
Other assistance	–	3	54
	3	8	56
Property, plant & equipment			
Security assistance	37	27	30
Other assistance	–	–	4
	37	27	34
	40	35	90
Amortisation of intangibles			
Security assistance	5	4	2
Other assistance	8	1	15
	13	5	17
Depreciation			
Security assistance	17	22	31
Other assistance	1	1	2
	18	23	33

The group's operations are located in the United Kingdom and in the Republic of South Africa. The following table provides an analysis of the group's sales by location of customer, irrespective of the origin of the services, and a geographical analysis of the location of segment assets and liabilities.

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

CONTINUED

	6 months ended 30 September 2011 £'000 (unaudited)	6 months ended 30 September 2010 £'000 (unaudited)	12 months ended 31 March 2011 £'000
Geographical analysis			
Revenue			
United Kingdom	1,860	1,701	3,006
South Africa	37	17	50
Europe	29	10	47
United States	824	585	1,856
Rest of the World	142	166	304
	2,892	2,479	5,263

4. Copies of this half yearly financial report are available on the Company's website www.red24.com and printed copies will be available for at least one month from the Company's administrative offices at The Coach House, Bill Hill Park, Wokingham, Berkshire RG40 5QT.



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