red24 plc

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2008

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For the year ended
31 March 2008

Company Registration No. SC086069

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DIRECTORS AND ADVISERS

Directors:

S A Richards, MA MSc FCA (*Executive Chairman*)
J E A Mocatta, MA FCA (*Non-Executive Director*)
M S H Worsley-Tonks (*Executive Director*)

Secretary:

J E A Mocatta, MA FCA

Registered Office:

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Glasgow G2 3EH

Administrative Office:

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Nominated Adviser and Broker:

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40 Marsh Wall
Docklands
London E14 9TP

Bankers:

HSBC Bank plc
26-28 Broad Street
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Berkshire
RG1 2BU

Registrars:

Capita Registrars
The Registry
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Beckenham
Kent BR3 4TU

Solicitors:

Farrer & Co
66 Lincoln's Inn Fields
London WC2A 3LH

Auditor:

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present our annual report for the year ended 31 March 2008. This is the first year in which we have adopted International Financial Reporting Standards, as adopted by the European Union, and shareholders will find that there are significant presentational changes and additional disclosures. I believe shareholders will find the additional segmental information particularly useful.

Financial overview

At the beginning of the year your Board were expecting a significant expansion of revenues for the red24 product through its key distributors and permitted a substantial increase in our cost base to take place in anticipation of those revenues. By the beginning of August it had become clear that these revenues were not materialising in the time frame expected and the Board decided that change was essential. As a result Simon Wakeling resigned and no longer has any involvement with the company.

Maldwyn Worsley-Tonks has taken charge of the red24 business segment with the specific brief to ensure profitability on existing revenues. A thorough re-appraisal of the way the red24 business was run led to significant changes, including the closure of the Japanese office and the loss of 32 staff, both in London and Cape Town. This has reduced monthly overhead by over £60,000 and brought us back to breakeven.

Since the interim statement, good progress has been made in ensuring that we achieve a profit on existing revenues and this was largely achieved in the second half of the year. For the year as a whole the loss after tax was £262,661 compared to £274,965 suffered last year. However, when one recalls that a loss of £316,000 was reported at the interim stage, it can be seen both that progress has been made and that our efforts to reduce costs are having a real effect.

The re-appraisal also highlighted the need to strengthen the balance sheet in order to ensure that the erosion of our capital, caused by the losses, did not adversely affect the chances of winning business for our products. In the early part of the year we were able to extend the life of the loan notes to 31 March 2009 and to raise £200,000 of new equity. This was not sufficient to achieve the balance sheet strength the re-appraisal required and so a general meeting was held in December which approved a reduction in the par value of the shares and a subsequent share consolidation. Since then the shares have traded well above their adjusted par value and we have raised an additional £299,750 of equity capital.

red24

red24 is a global security service providing preventative and reactive advice to assist both businesses and individual consumers and their families manage security related risks.

For consumers our route to market is through key distributors, the most important of which are HSBC Bank and AIG International Services. In the UK the red24 product continues to form part of the HSBC Premier and Plus banking offering, which is enjoyed by over one million people. This is now the third year of inclusion and consumer feedback is very positive. During the year additional enhancements were added to the service. One example is the Passport account, launched by HSBC in May 2007. This provides a bank account and relocation service in the UK for all new-to-country arrivals and red24 provides advice to those customers. Internationally revenues have increased in recent months to reach a similar level to last year. The temporary dip was caused by a lack of progress in Japan which led to the closure of the office there but we are now enjoying good income levels from Korea and China whilst Singapore has started to generate revenue on a monthly basis. Significantly we have made progress in the United States and from April 2008 red24 has gone live in a book of business that will add some 10% to red24 sales in 2008.

We continue to invest in product development and are pleased to report that our "travel tracker" product has been available from May 2008. This product enables a company to be advised of the location of an employee travelling overseas thereby providing reassurance and, if necessary, assistance. Although other products exist we believe our offering is at the forefront because we proactively monitor clients' travelling personnel from our CRM, with the technology linking directly to our core security services.

New business had also been won from a number of new clients in the last three months, including Aviva and Interglobal. In the second half of the year we have refined and developed our consulting business to ensure that current and potential clients are aware of our capabilities and as a result consulting revenues have grown and there are prospects for further growth. Our consulting services are well regarded in a number of areas, including product contamination where we are retained by insurance companies on a pro-active and reactive basis to deal with incidents. For many years we have been retained by QBE in this market but they announced their withdrawal from underwriting this business at the end of last year. This enabled us to offer our services to Sagicor at Lloyds Limited and, from January 2008 we have been contracted by them to provide services to their crisis management business, as a result of which we anticipate that revenues from them will be not less than those enjoyed from QBE in the past.

As a result of the re-appraisal of our activities, the red24 business is now far better positioned to expand its client base. The introduction of new products and the decision to develop business into a considerably broader market should grow the range of clients significantly.

Training

Our training business is the recognised leader in the provision of training for security managers and is at the forefront in driving forward qualifications and standards in the security business sector. A published programme of external courses, open to all, is run in the UK between March and November, which does give rise to some seasonality in the sales pattern. Throughout the year we run in-house courses for clients at their premises, both in the UK and overseas.

Overall the Training segment has produced an increase in revenues of 41% and a leap in operating profits of 225%. The additional cash generated has made a significant contribution to overall working capital. In 2008 additional courses aimed at security issues in the retail sector are planned. Venues continue to be the largest single cost to the training business and the Board is considering alternatives, as these costs have to be recovered in the price of the training course and have reached a level where some delegates are deterred from coming.

Outlook

The group has two business segments that, since the year end, have both traded profitably in their own right and are now able to cover the head office costs, thereby bringing the group as a whole in to profitability. As indicated above, our cost base is now stable, and new sources of revenue are coming through which make the group cash generative and, whilst risks remain, the Board are confident that the developmental phase of the business, with a regular requirement for more capital to cover losses, is now over.

Staff

Any re-appraisal of a business makes for a difficult time for staff, particularly for those based at our Cape Town office where the need for re-appraisal was less obvious. The Board have worked hard to get the new message across to staff and to ensure that they understand that the changes were necessary to provide a stable platform on which staff can now look to build a career. The Board is grateful for the support and understanding of all their colleagues in this difficult year and believe that the benefits of the changes are becoming apparent to all.

Simon Richards
Chairman

24 June 2008

DIRECTORS' REPORT

Year ended 31 March 2008

The directors present their report and the audited financial statements of the company and of the group for the year ended 31 March 2008. red24 plc is incorporated in Scotland and domiciled in England. Its shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange.

Principal activities, business review and future developments

The company acts as a holding company. The principal activity of its wholly-owned trading subsidiaries is the provision of security risk management and training services. This activity is expected to continue for the foreseeable future.

A fair review of the business, and its future prospects, is contained in the Chairman's Statement on pages 3 and 4. The Board considers the key performance indicators to be turnover, gross profit, profit before tax and available cash. The Board considers the progress made in the second half of the year to be satisfactory. The Board intend to adopt non-financial key performance indicators in the coming year.

The principal risks and uncertainties facing the group continue to include the timing of revenues. This particularly applies to the red24 business where there can be significant delays between the signing of contracts with clients and the implementation of those contracts in the clients' own books of business. This can lead to periods of inadequate working capital which the Board endeavour to anticipate and ensure that adequate capital finance is in place, whether debt or equity. Nonetheless the very uncertainty of the process leads to a risk that the two may not coincide. As explained more fully in the corporate governance statement on page 10, the Board have continued to adopt the going concern basis when preparing these accounts. In the year under review the share price has been below par for much of the time and, with the increasingly difficult outlook in credit markets, the Board decided that there was no alternative than to seek shareholders consent to reduce the par value of the shares. This was approved by shareholders at a meeting in December 2007. This has reduced the exposure of the business to interest rate risk. Other normal business risks include dependence on the continued availability of key personnel to ensure that our clients receive the level of service they are entitled to expect, and that the group does indeed continue to provide that level of service.

Results for the year

The financial result for the year ended 31 March 2008 and the year ended 31 March 2007 are set out on page 16. No dividend is recommended (2007: £Nil).

Directors

S A Richards, J E A Mocatta and M Worsley-Tonks held office throughout the year. S G Wakeling served from the beginning of the year until his resignation on 7 August 2007.

J E A Mocatta retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Biographies of directors

Simon Richards, who is a Chartered Accountant, is the company's executive chairman. He also acts as the company's part time finance director as well as being the chairman of Sidebell Limited.

Mal Worsley-Tonks is a former Lieutenant Colonel in the British Army, having commanded a regular Parachute Battalion. He has over ten years' experience in the security industry. He is responsible for the red24 business segment worldwide.

John Mocatta, who is a Chartered Accountant, and the company's non-executive director. He is a specialist in corporate finance and company reorganisation and has previously been both an executive and a non-executive director of a number of public companies.

Directors' Interests

The interests of the directors in the company's share capital, including shares held by companies controlled by the directors, were as follows:

			31 March 2008		
	New ordinary shares of 1p each	*Deferred shares of 0.9p each*	*Warrants to subscribe for shares(ii)*	*Warrants to subscribe for shares(iii)*	*Ordinary share options(iv)*
S A Richards (i)	445,000	2,600,000	45,000	185,000	50,000
J E A Mocatta	365,000	2,650,000	50,000	100,000	50,000
M S H Worsley-Tonks	513,500	1,500,000	25,000	363,500	175,000

			31 March 2007		
	Ordinary shares of 1p each	*Warrants to subscribe for shares(ii)*	*Ordinary share options(iv)*	*Ordinary share options(v)*	*Ordinary share options(vi)*
S A Richards (i)	2,600,000	450,000	500,000	1,000,000	500,000
J E A Mocatta	2,650,000	500,000	500,000	1,000,000	500,000
S G Wakeling	7,559,833	500,000	3,250,000	5,000,000	5,000,000
M S H Worsley-Tonks	1,500,000	250,000	1,750,000	1,750,000	500,000

(i) S A Richards is also interested in the shares of Sidebell Limited, which held 9,779,250 new ordinary shares of 1p each at 31 March 2008 (1 April 2007: 56,442,500 ordinary shares of 1p each). At 31 March 2008 Sidebell Limited also held warrants to subscribe for 3,635,000 new ordinary shares of 1p each at a subscription price of 3.75p per share at any time up to 31 March 2009 and held further warrants to subscribe to 3,000,000 new ordinary shares of 1p each at a subscription price of 10p per share at any time up to 31 March 2009. Sidebell Limited also held £300,000 of the 12% Loan Notes 2009 at 31 March 2008 (1 April 2007: £300,000). S A Richards is also interested in the shares of Financial & General Securities Limited, which held 500,000 new ordinary shares of 1p each at 31 March 2008.

(ii) The warrants are exercisable at a price of 10p per new ordinary share (2007: 1p per ordinary share) at any time up to 31 March 2009.

(iii) The warrants are exercisable at a price of 3.75p per new ordinary share at any time up to 31 March 2009.

(iv) On 16 April 2004 options over new ordinary shares of 1p each at a price of 18.75p per share (2007: 1.875p per ordinary share) were granted to directors and certain employees. These options are exercisable between 16 April 2006 and 15 April 2014.

(v) On 14 July 2005 options over ordinary shares of 1p each at a price of 10p per share (2007: 1p per ordinary share) were granted to the directors and certain employees. These options are exercisable between 30 June 2008 and 31 March 2015 if the consolidated audited profit before tax of the group derived from its normal operating activities in the financial year ending 31 March 2008 exceeds £1,000,000. These options have now lapsed as profit target was not met.

(vi) On 27 July 2006 options over new ordinary shares of 1p each at a price of 10p per share (2007: 1p per ordinary share) were granted to the directors and certain employees. These options are exercisable between 30 June 2008 and 31 March 2015 if the consolidated audited profit before tax of the group derived from its normal operating activities in the financial year ending 31 March 2008 exceeds £2,000,000. These options have now lapsed as the profit target was not met.

(vii) In addition S A Richards and J E A Mocatta each hold £5,000 (2007: £5,000) of the 12% Loan Notes 2009. Each £1 of loan note carries a warrant to subscribe for 10 new ordinary shares of 1p each at a price of 10p each, exercisable at any time before 31 March 2009 (2007: 100 ordinary shares at 1p each).

Substantial shareholdings

The following shareholders had advised the company of holding an interest of 3 per cent or more in the issued ordinary share capital of the company at 31 May 2008:

	Number of ordinary shares of 1p each	*Percentage of issued ordinary share capital*
Sidebell Limited	9,779,250	22.55
J M Briggs and EMIS	5,336,500	12.30
Hoodless Brennan	4,737,168	10.92
Pershing Nominees Limited	2,056,295	4.74
Nortrust Nominees Limited	1,595,285	3.68
BNY GIL Client Account (Nominees) Limited LST Acct	1,389,975	3.20
Raven Nominees Limited	1,332,522	3.07

Directors' and officers liability insurance

During the year the company has maintained insurance to indemnify the directors against potential claims arising from the performance of their duties.

Related parties

The group considers that the Directors, their spouses and children and other companies or businesses of which the Directors, their spouses or children are either directors or principals, or both, are related parties. Transactions with related parties are carried out at arms length and full details are disclosed in note 24 to these accounts. The interests of related parties in the shares and loan notes issued by the company are set out above.

Equal opportunities

The group endorses and supports the principles of equal employment opportunities. It is the policy of the group to provide equal employment opportunities to all qualified individuals, which ensures that all employment decisions are made, subject to legal obligations, on a non-discriminatory basis.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that the training, career development and promotion opportunities of disabled persons should, as far as possible, be identical with those of other employees.

Product development

The group invests in its products and services on a continuous basis to ensure that its offerings remain at the forefront of those on offer in the market place.

Suppliers' payment terms

It is the policy of the group to agree terms of payment with its suppliers when trading relationships are established, to ensure that the terms of payment are clear and to abide by the agreed terms, provided the suppliers meet their obligations. Payable days at 31 March 2008 were 38 (2007: 38) for the group and 51 (2007: 52) for the company.

Financial instruments

Details of the financial instruments of the company and its subsidiary undertakings are contained in note 25.

Employee participation

The group places considerable value on the involvement of its employees and keeps them informed of matters affecting them as employees and on the various factors affecting the performance of the group.

Statement as to disclosure of information to auditors

Each of the directors confirms that, so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and that he has taken all 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.

Auditor

A resolution proposing that Baker Tilly UK Audit LLP, Chartered Accountants, be appointed as auditor of the company will be put to the members at the Annual General Meeting. Baker Tilly UK Audit LLP have indicated its willingness to continue in office.

By order of the Board

J E A Mocatta
Secretary

24 June 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have also elected to prepare financial statements for the company in accordance with IFRS. UK Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful reflection of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a true and fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. In preparing and presenting those financial statements the directors are also required to:

(a) properly select and apply accounting policies consistently;

(b) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

(c) provide additional disclosures when compliance with the specific requirements for IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;

(d) make judgements and estimates that are reasonable and prudent; and

(e) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are also responsible for ensuring that the group keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the red24 plc website.

The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CORPORATE GOVERNANCE STATEMENT

As a company listed on the Alternative Investment Market of the London Stock Exchange, the Directors' policy is, as far as is possible in relation to the group's size, to manage the affairs of the group in accordance with the Principles of Good Governance and Code of Best Practice issued by the Financial Reporting Council ("the Combined Code").

Application of the principles of good governance

The names of the directors and their respective responsibilities are shown on page 5. The Board presently consists of two executive and one non-executive director. The full Board meets regularly and receives appropriate information from management in advance of its meetings. Certain functions are delegated to Board Committees.

The Remuneration Committee is chaired by the non-executive director and consists of that director and the chairman. Its key role is to make recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost and to determine on behalf of the Board specific remuneration packages for the Executive Directors.

The Audit Committee consists of the Chairman and the non-executive director, both of whom are Chartered Accountants. The Committee, which is chaired by the non-executive director, meets with the independent auditors to consider the group's financial reporting in advance of its publication.

The Board considers that its structure is appropriate to its present stage of development and that the non-executive is independent of the executives in both character and judgement.

Internal financial control

The Board of directors has overall responsibility for ensuring that the group maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The key features of the internal financial control system that operated during the year may be summarised as follows:

- the Board is responsible for overall strategy and for approving budgets, forecasts and plans;
- clear lines of authority, responsibility and financial accountability within each business unit, ensuring an appropriate organisational structure for planning, executing, controlling and monitoring its business operations;
- consideration and review by the Board of monthly management accounts which compare actual results with budgets and prior years' results;
- regular reporting of legal and accounting developments to the Board;
- comprehensive accounting policies and regular reviews of compliance with those policies; and
- on behalf of the Board, the Audit Committee has reviewed the interim results and annual financial statements along with the nature and scope of the external audit. Action is taken to ensure that any significant findings or risks identified by these reviews are dealt with.

The Audit Committee reviews the operation and effectiveness of this framework on a regular basis. The directors consider that there have been no weaknesses in internal financial control that have resulted in any material losses, contingencies or uncertainties requiring disclosure in the group's financial statements.

Relations with shareholders

The Chairman makes himself available to major shareholders on request and periodically attends meetings with and presentations to shareholders. The Annual General Meeting is normally attended by all directors and shareholders are invited to ask questions during the meeting and to meet with directors after the formal proceedings have ended.

Going concern

Having made enquiries, the directors have a reasonable expectation that the company and the group as a whole will have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts. Further details are included in note 2 to the financial statements.

Auditor independence

The Audit Committee undertakes a formal assessment of the external auditors' independence each year which includes:

- a review of non-audit services provided to the group and related fees;
- receipt from the auditors of a written report detailing relationships with the company and any other parties that could affect independence or the perception of independence;
- a review of the auditors' own procedures for ensuring independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
- obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in Note 4 to the accounts.

On behalf of the board

J E A Mocatta
Chairman
Audit committee

24 June 2008

REMUNERATION REPORT

Year ended 31 March 2008

The Remuneration Committee comprises J E A Mocatta, as Chairman, and S A Richards.

Policy on remuneration of executive directors

The purpose of the Remuneration Committee is to consider all aspects of executive directors' remuneration and determine the specific remuneration packages of each of the executive directors and, as appropriate, other senior executives, ensuring that the remuneration packages are competitive within the service industry and reflect both group and personal performance.

The current remuneration packages of the executive directors consist of basic salary, share options and a discretionary bonus.

M S H Worsley-Tonks has a letter of appointment dated 1 April 2008, which is capable of termination by twelve months notice by either party. Prior to that date his services were provided by Worsley-Tonks Consulting to Red24 Operations Limited under an agreement dated 23 September 2004.

S A Richards has a letter of appointment dated 23 September 2004, which is capable of termination by twelve months' notice by either party.

Non-executive director

John Mocatta & Co has agreed to provide the services of J E A Mocatta, as a non-executive director, under a letter of appointment dated 23 September 2004. The remuneration of the Non-Executive Director is set by the Board as a whole and the appointment is capable of termination by the giving of twelve months notice by either party.

Directors' remuneration

The emoluments of the individual directors, which comprise entirely salaries or fees, were as follows:

	2008 Total £	*2007 Total* £
S A Richards	60,000	42,000
J E A Mocatta – through John Mocatta & Co	28,500	24,000
S G Wakeling	70,504	93,200
M S H Worsley-Tonks – through Worsley-Tonks Consulting	75,000	60,000
	234,004	219,200

S G Wakeling resigned on 7 August 2007 and received £28,000 as compensation for loss of office, which sum is included in the total emoluments received by him in the year. None of the directors received a bonus payment or any benefits in kind during the year or during the previous year, nor were any pension contributions made on behalf of any director in either year.

Directors' interests in shares and options

The interests of the directors holding office at 31 March 2008 in the company's share capital, including share options and also including shares held by companies controlled by the directors, are shown in the directors' report on page 6.

The directors believe that the success of the group will depend to a high degree on the future performance of the management team. The group has established incentive arrangements which will reward the directors and other key employees, when shareholder value is created, thereby aligning the interests of management directly with those of shareholders.

Of the three series of share options granted prior to 31 March 2007, the terms of which are set out in the directors' report on page 6, two have lapsed as the performance targets, which were based on profits, were not met.

In the coming year the Board are considering the introduction of a new series of options under which the price of the company's ordinary shares will be the performance criteria.

J E A Mocatta
Chairman
Remuneration Committee

24 June 2008

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RED24 PLC

Year ended 31 March 2008

We have audited the group and parent company financial statements on pages 16 to 48.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information in the Directors' Report includes specific information contained in the Chairman's Statement that is cross referenced from the Principal Activities, Business Review and Future Developments section in the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Director's Report, the Chairman's Statement, the Corporate Governance Statement and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Emphasis of matter – going concern

Without qualifying our opinion, we draw attention to note 2 in the financial statements, which explains the matters considered by the directors in determining the appropriateness of continuing to prepare the financial statements on the going concern basis. The matters explained in note 2 indicate the existence of a material uncertainty, which may cast significant doubt on the company's ability to continue as a going concern.

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 1985, of the state of the group's affairs as at 31 March 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

24 June 2008

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 March 2008

Consolidated income statement

	Notes	2008 £	2007 £
Revenue	3	2,763,148	2,853,234
Cost of sales		(718,778)	(869,522)
Gross profit		2,044,370	1,983,712
Administrative expenses		(2,337,960)	(2,246,191)
Operating loss	4	(293,590)	(262,479)
Investment income	5	8,618	4,822
Finance costs	6	(58,269)	(58,329)
Loss before tax	3	(343,241)	(315,986)
Tax credit	10	80,580	41,021
Loss for the year attributable to equity holders of the parent company	21	(262,661)	(274,965)
Basic and diluted loss per share (pence)	11	(0.78p)	(0.91p)

The results above arose from continuing operations.

Consolidated statement of recognised income and expense

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Currency translation differences	–	(5,332)	–	–
Net income recognised directly in equity	–	(5,332)	–	–
Loss for the year	(262,661)	(274,965)	(352,344)	(626,471)
Total recognised income for the year attributable to equity holders of the parent company	(262,661)	(280,297)	(352,344)	(626,471)

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

31 March 2008

	Notes	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Assets					
Non-current assets					
Intangible assets	12	262,561	258,309	–	–
Investment in group companies	13	–	–	127,125	147,125
Property, plant & equipment	14	67,291	95,961	–	–
Deferred tax assets	15	230,445	172,499	–	–
Trade and other receivables	16	–	–	531,796	501,504
		560,297	526,769	658,921	648,629
Current assets					
Trade and other receivables	16	604,346	602,342	193,065	167,020
Cash and cash equivalents	17	82,380	127,900	3,232	36,400
		686,726	730,242	196,297	203,420
Total assets		1,247,023	1,257,011	855,218	852,049
Capital and reserves					
Called up share capital	20	3,356,108	3,047,108	3,356,108	3,047,108
Share premium account	21	748,303	557,553	748,303	557,553
Other reserves	21	47,240	146,500	47,240	100,000
Translation reserve	21	96,680	35,842	–	–
Retained earnings	21	(4,109,670)	(3,847,009)	(3,891,748)	(3,539,404)
Equity attributable to equity holders of the parent	21	138,661	(60,006)	259,903	165,257
Non-current liabilities					
Borrowings	19	45,229	64,446	–	–
Current liabilities					
Trade and other payables	18	671,609	862,377	220,315	313,092
Borrowings	19	391,524	390,194	375,000	373,700
		1,063,133	1,252,571	595,315	686,792
Total equity and liabilities		1,247,023	1,257,011	855,218	852,049

The financial statements on pages 16 to 48 were approved and authorised for issue by the Board of Directors on 24 June 2008

Signed on behalf of the Board of Directors

S A Richards
J E A Mocatta } Directors

The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENTS

For the year ended 31 March 2008

	Notes	*Group 2008 £*	*Group 2007 £*	*Company 2008 £*	*Company 2007 £*
Net cash outflow from operating activities	22	(461,393)	(186,010)	(538,591)	(64,693)
Investing activities					
Interest received		8,618	4,822	925	1,291
Dividend received		–	–	50,000	–
Purchase of intangibles		(5,778)	(1,476)	–	–
Purchase of property, plant & equipment		(11,037)	(44,700)	–	–
Proceeds on disposal of property, plant & equipment		2,072	985	–	–
Net cash (outflow)/inflow from investing activities		(6,125)	(40,369)	50,925	1,291
Financing activities					
Interest paid		(58,269)	(16,362)	(45,252)	(23,852)
Repayment of finance lease obligations		(7,749)	(24,063)	–	–
Issue of ordinary share capital		499,750	15,000	499,750	15,000
Repayment of bank loans		(10,138)	(9,878)	–	–
Issue of loan notes and share warrants		–	100,000	–	100,000
Net cash inflow from financing activities		423,594	64,697	454,498	91,148
Net (decrease)/increase in cash and cash equivalents	22	(43,924)	(161,682)	(33,168)	27,746
Cash and cash equivalents at the beginning of the year		127,900	307,366	36,400	8,654
Effect of foreign exchange rates		(1,596)	(17,784)	–	–
Cash and cash equivalents at the end of the year		82,380	127,900	3,232	36,400

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

1 Accounting policies

(a) Basis of preparation

From 1 April 2007, the group has 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. Prior to 1 April 2007, the group prepared its audited financial statements under UK GAAP. Accordingly the financial information for the previous year has been re-presented to present the comparative information in accordance with IFRS based on the transition date of 1 April 2006. The financial statements have been prepared under the historical cost basis. Information on the impact on accounting policies and the financial results resulting from the transition from United Kingdom Generally Accepted Accounting Practice ("UK GAAP") to IFRS is given in note 27 to this report.

(b) Transitional arrangements

The group has taken the following optional exemptions contained in IFRS 1 "First-time Adoption of IFRS" in preparing the group's balance sheet on transition to IFRS at 1 April 2006:

- cumulative translation differences – the cumulative translation difference for the foreign subsidiary has been set at zero at 1 April 2006 and exchange differences arising prior to this date will not be recycled to the income statement;
- business combinations – the group has elected not to apply IFRS 3 "Business Combinations" to those business combinations that occurred prior to the date of transition to IFRS.

A UK GAAP to IFRS reconciliation for the comparative periods is included in note 27.

(c) Basis of consolidation

The consolidated income financial statement includes the financial statements of the company and all of the entities controlled by the company (its subsidiaries) made up to 31 March each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefit from its activities. The acquisition of subsidiaries is accounted for using the purchase method. The cost of an acquisition is measured as the cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange of contracts, plus cost directly attributable to the acquisition.

The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The company has not presented its own income statement as permitted by Section 230 (3) of the Companies Act 1985. The loss for the year was £352,344 (2007: £626,471).

(d) **Revenue recognition**

Revenue represents the fair value of the consideration received or receivable in respect of services provided in the normal course of business, net of discounts, value added tax and other sales related taxes. Sales of services are recognised when the services have been provided, services invoiced in advance are treated as deferred income and income is accrued where services have been provided but not yet invoiced.

Interest income is accrued on a time-apportioned basis.

(e) **Cost of sales, gross profit and operating loss**

Cost of sales represent the fair value of costs directly incurred in the supply of goods sold and services provided. Costs are recognised at the time when the goods have been supplied or the services have been provided. Costs relating to services still to be provided are carried forward in other receivables to the extent it is considered probable they will be recovered.

Gross profit is defined as revenue recognised less cost of sales.

Operating profit is arrived at after deducting all administrative expenses from gross profit, including restructuring and impairment costs, but before investment income and finance costs.

(f) **Borrowing costs**

All borrowing costs are recognised in the income statement in the period in which they are incurred. Interest costs are accrued on a time basis by reference to the principal outstanding at the effective interest rate applicable.

(g) **Taxation**

The tax credit or expense represents the sum of the current tax expense and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statements because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using rates that have been enacted or subsequently enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred income tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

Deferred tax is provided on temporary timing differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

(h) **Intangible assets**

Goodwill, being the excess of the cost of acquisition over the fair value of net assets, including any intangible assets identified, acquired, is capitalised. Goodwill is not amortised but is tested at least annually for impairment and carried at cost less accumulated impairment provisions.

Goodwill is allocated to cash generating units for the purpose of impairment testing. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, then any goodwill is considered to be impaired. Impairment losses recognised for goodwill are not reversed in subsequent periods. The value of goodwill has been restated to its carrying value at the transition date and the directors have concluded that no charge for impairment is necessary.

The recoverable amounts of the cash generating units are determined from value in use calculations. The group prepares cash flow forecasts from the most recent financial budgets approved by management. The cash flows are then discounted at an appropriate interest rate to determine value in use.

Computer software licences are capitalised at cost and are amortised over their estimated useful economic lives of between one and three years.

(i) **Property, plant & equipment and depreciation**

Property, plant and equipment is valued at cost less accumulated depreciation and less provisions for impairment. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Fixtures, fittings and equipment	16.67% to 50% per annum
Motor vehicles	20% per annum
Leased assets	the shorter of the lease term and the useful economic life of the asset

The depreciation charge is time apportioned in the years of acquisition and disposal of assets.

(j) **Product development**

Product development is written off to the income statement as incurred unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

(k) **Foreign currency translation**

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each group company are expressed in sterling, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions expressed in currencies other then the entity’s functional currency (foreign currencies) are at rates of exchange approximating to those ruling at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at rates ruling at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit or loss before income tax for the period.

In presenting the consolidated financial statements the assets and liabilities of the overseas subsidiary are translated at the rate ruling at the balance sheet date. The results of the overseas subsidiary have been translated at the average exchange rate ruling during the year. Differences arising on retranslation are added to or deducted from the group’s translation reserve.

(l) **Financial assets**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “Loans and receivables”. These receivables are initially recognised at fair value and subsequently measured at their amortised cost using the effective interest rate method less any provision for impairment.

Financial assets are assessed for indications of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the asset have been impacted. For trade and other receivables the carrying amount is reduced by an allowance reflecting the impairment. When a trade receivable is uncollectible it is written off against the allowance, subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are reflected in the income statement.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(m) **Financial liabilities and equity**

Financial liabilities and equity are classified according to the substance of the contracted arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance the substance of the transaction. At the date of issue the fair value of the liability is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instrument reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised in equity through other reserves and is not subsequently re-measured.

Other financial liabilities are initially measured at fair value, net of transaction costs, and subsequently at amortised cost using the effective interest method. Interest bearing bank loans and overdrafts together with obligations under finance leases are classified as “Borrowings”. Trade payables and other payables and borrowings for the purposes of IAS 39 are classified as “other financial liabilities”.

(n) **Net debt**

Net debt is defined as the excess of Borrowings over cash and cash equivalents.

(o) **Investments**

Non-current investments representing investments in subsidiary undertakings are valued at cost less any provision for impairment in the value of the investment.

(p) **Share based payments**

The group issues equity-settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the group’s estimate of options that will eventually vest. Fair value is measured by use of the Black Scholes model. The assumptions underlying the number of awards expected to vest are subsequently adjusted to reflect conditions prevailing at the balance sheet date. At the vesting date of an award, the cumulative expense is adjusted to take account of the awards that actually vest.

The group has issued warrants to subscribers of certain equity issues and these are measured at fair value at the date of grant in the same way as employee related share based payments.

(q) **Leased assets and obligations**

An asset is acquired when substantially all the risks and rewards are transferred and is capitalised as an asset under a finance lease with the corresponding liability to the finance company included in trade and other payables. Depreciation on assets held under finance leases is provided in accordance with the policy noted in (i) above. Finance lease payments are treated as consisting of capital and interest elements and the interest is charged to the income statement on a geometric basis over the period of the agreement. Finance charges are charged directly to income. All other leases are operating leases.

Rentals receivable or payable under operating leases are credited or charged to the income statement on a straight line basis over the lease term.

(r) **Adoption of new and revised standards**

IFRS 7 'Financial Instruments: Disclosures', and the related amendment to IAS 1 on capital disclosures, is mandatory for the Group's accounting periods beginning on or after 1 January 2007. This Standard requires additional disclosures on capital and financial instruments given in the notes to these financial statements.

The following Standards and Interpretations, which were effective for this financial period, have no material impact on the financial statements of the Group:

- IFRIC 7 'Applying the Restatement Approach under IAS 29 'Reporting in Hyperinflatory Economies'';
- IFRIC 8 'Scope of IFRS 2';
- IFRIC 9 'Reassessment of Embedded Derivatives';
- IFRIC 10 'Interim Financial Reporting and Impairment'.

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective:

- IFRS 8 'Operating Segments' (effective for annual periods beginning on or after 1 January 2009); this Standard replaces IAS 14 'Segment Reporting' and requires segmental information reported to be based on that which management uses internally for evaluating performance of operating segments and requires increased disclosure relating to reportable segments.

There were no other Standards and Interpretations which were in issue but not effective at the date of authorisation of these financial statements that the directors anticipate will have a material impact on the financial statements of the Group.

2 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are evaluated on a continual basis and are based on historical experience together with expectations of future events believed to be reasonable at the time. In considering the possible impairment of intangible assets and in recognising deferred tax assets, estimates of future revenues is particularly critical. The directors have prepared forecasts of revenues and expenses covering the next two financial years to assist in the making of estimates and judgements.

In the process of applying the group's accounting policies, which are described in note 1, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Going concern

In view of the loss for the year the directors have considered the application of the going concern basis to the preparation of these financial statements.

Experience to date has shown that delays to revenue can occur at any stage and, to provide the group with additional working capital whilst it develops its sales, particularly for the red24 products, the company raised £499,750 of new equity capital during the year. The Board regularly reviews the funding requirements of the business which will largely be determined by whether or not future revenues are in accordance with their projections, which have been based on discussions with existing and prospective clients. On the basis of this review and current expectations the Board are satisfied that it remains appropriate to prepare the financial statements on the going concern basis.

3 Revenue and segment analysis

For management purposes the group is currently organised into two divisions – red24 and Training. These divisions are the basis on which the group reports its management information and thus is considered its primary segment information.

Primary
Business segment

	red 24	*2008 Training*	*Consolidated*	*red 24*	*2007 Training*	*Consolidated*
	£	£	£	£	£	£
Revenue	1,978,486	784,662	2,763,148	2,298,599	554,635	2,853,234
Segment result	(100,847)	108,878	8,031	365	33,466	33,831
Unallocated head office costs			(301,621)			(296,310)
Operating loss			(293,590)			(262,479)
Investment income			8,618			4,822
Finance expense			(58,269)			(58,329)
Loss before income taxation			(343,241)			(315,986)
Income tax			80,580			41,021
Loss for the year			(262,661)			(274,965)

Primary
Business segment
Balance sheet

	2008 red 24 £	2008 Training £	2008 Consolidated £	2007 red 24 £	2007 Training £	2007 Consolidated £
Segment assets	521,897	357,959	879,856	671,424	356,651	1,028,075
Unallocated corporate assets			136,712			56,437
Deferred tax assets			230,455			172,499
Consolidated total assets			1,247,023			1,257,011
Segment liabilities	321,419	215,890	537,309	652,899	175,031	827,930
Unallocated corporate liabilities			134,300			34,447
Borrowings			436,753			454,640
Consolidated total liabilities			1,108,362			1,317,017

Primary
Business segment
Other segment items

	2008 red 24 £	2008 Training £	2008 Consolidated £	2007 red 24 £	2007 Training £	2007 Consolidated £
Capital expenditure						
– intangible assets	768	5,010	5,778	1,476	–	1,476
– property, plant & equipment	9,358	1,689	11,047	40,065	4,635	44,700
Depreciation	24,288	2,756	27,044	23,362	2,563	25,925
Amortisation of intangibles	1,229	–	1,229	894	–	894

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 additions to property, plant and equipment and intangible assets.

Secondary
Geographic segment

	Revenue 2008 £	Revenue 2007 £	Segment assets 2008 £	Segment assets 2007 £	Capital expenditure 2008 £	Capital expenditure 2007 £
United Kingdom	2,258,935	2,362,803	645,504	703,123	9,733	10,286
South Africa	4,814	–	464,807	497,451	7,092	35,890
Europe	103,915	33,993	–	–	–	–
Rest of the World	395,484	456,438	–	–	–	–
	2,763,148	2,853,234	1,110,311	1,200,574	16,825	46,176
Shared corporate assets	–	–	136,712	56,437	–	–
	2,763,148	2,853,234	1,247,023	1,257,011	16,825	46,176

4 Operating loss

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

	2008 £	2007 £
Amortisation of intangible assets	1,229	894
Depreciation of property, plant and equipment	27,044	25,925
Loss on disposal of property, plant and equipment	10	199
Operating lease rentals – land and buildings	102,125	86,248
– equipment	1,057	3,648
Loss on foreign exchange transactions	42,082	27,534
Share based payments	(99,260)	28,770
Rent receivable	(1,013)	(1,522)
Fees payable to the auditor for the audit of the company and group annual accounts	13,000	8,000
Fees payable to auditor and their associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	15,500	14,000
Other services pursuant to legislation	7,871	1,175
Fees payable to auditor's associate for the audit of the South African subsidiary	5,348	3,565

Auditor's remuneration includes £36,371 (2007: £23,175) in respect of the group auditors, of which £28,500 (2007: £22,000) relates to audit services and £7,871 (2007: £1,175) to non audit services. Other services comprise £5,000 (2007: £Nil) relating to advisory services in relation to the impact of IFRS, £871 (2007: £700) for the use of the auditor's Glasgow office as the company's registered office and £2,000 (2007: £475) relating to a review of the group's half year report. The cost of the audit of the UK subsidiaries has been borne by the parent company. Fees payable in the year ended 31 March 2007 to Baker Tilly amounted to £1,175 and fees paid to Baker Tilly UK Audit LLP were £22,000.

5 Investment income

	2008 £	2007 £
Bank and other interest receivable	8,618	4,822

6 Finance costs

	2008 £	2007 £
Interest on bank loans and overdrafts	5,239	4,979
Loan note interest	46,300	46,352
Interest element of finance leases	6,730	6,998
	58,269	58,329

7 Employees

	2008 Number	2007 Number
(a) Average monthly number of employees of the group, including executive directors, during the year:		
Consultants and sales	10	9
Office and management	61	62
	71	71

		2008 £	2007 £
(b)	Staff costs including executive directors:		
	Wages and salaries	1,189,063	1,068,397
	Social security costs	83,343	52,941
	Share based payments	(99,260)	28,770
		1,173,146	1,150,108

Employee costs are included in administrative expenses in the income statement.

8 Share based payments

The Company has issued three series of share options to certain directors and employees. The options cannot be exercised in the first three years following their grant and, under normal circumstances, the options lapse if an employee leaves the group.

On 16 April 2004, the company granted 15,950,000 options over ordinary shares of 1p each under the company's new general share option scheme, exercisable at 1.875p per share between 16 April 2006 and 15 April 2014 and are not subject to any performance conditions. Following the changes to the authorised share capital these options became 1,595,000 options to subscribe at 18.75p per share.

On 14 July 2005, the company granted 16,730,000 options over ordinary shares of 1p each under the company's new general share option scheme, exercisable at 1p per share between 30 June 2008 and 31 March 2015 provided that the pre-tax profits for the year ended 31 March 2008 exceed £1,000,000. Following the changes to the authorised share capital these options became 1,673,000 options to subscribe at 10p per share. All of these options have now lapsed as the profit trigger was not achieved.

On 27 July 2006, the company granted 10,400,000 options over ordinary shares of 1p each under the company's new general share option scheme, exercisable at 1p per share between 30 June 2008 and 31 March 2015 provided that the pre-tax profits for the year ended 31 March 2008 exceed £2,000,000. Following the changes to the authorised share capital these options became 1,040,000 options to subscribe at 10p per share. All of these options have now lapsed as the profit trigger was not achieved.

The following movements in the numbers of share options outstanding took place in the year. The number of options granted has been adjusted to reflect the changes to the company's ordinary shares passed on 6 December 2007:

	2006 Series	*2005 Series*	*2004 Series*	*Total*
At 1 April 2007	1,020,000	1,613,000	1,595,000	4,228,000
Lapsed during the year	(1,020,000)	(1,613,000)	(1,047,500)	(3,680,500)
At 31 March 2008	–	–	547,500	547,500

No share options were granted during the year. The 2005 and 2006 Series of options both lapsed as the profit trigger was not met. The 2004 Series has no profit trigger and those that lapsed did so as the grantees were no longer in the group's employ. At 31 March 2008 all the outstanding options are exercisable (2007: 1,595,000). The weighted average exercise prices were 10p, 10p and 18.75p for the 2006, 2005 and 2004 options respectively.

The following movement took place in the previous year:

	2006 Series	*2005 Series*	*2004 Series*	*Total*
At 1 April 2006	–	1,673,000	1,595,000	3,268,000
Granted during the year	1,040,000	–	–	1,040,000
Lapsed during the year	(20,000)	(60,000)	–	(80,000)
At 31 March 2007	1,020,000	1,613,000	1,595,000	4,228,000

The total credit recognised in administration expenses in the income statement from share based transactions, all equity-settled, amounted to £99,260 (2007: expense £28,770). This reflects the reduction in the probability of vesting of the options contained in the 2005 and 2006 Series, as well as credit relating to options of the 2004 series that have lapsed due to the departure of the holder.

Fair value is determined by use of the Black Scholes model using the following assumptions:

	2006 Series	*2005 Series*	*2004 Series*
Grant date	27 July 2006	14 July 2005	16 April 2004
Exercise price	10p	10p	18.75p
Shares issued under option	1,040,000	1,665,000	1,320,000
Weighted average share price	7.2p	8.3p	15p
Vesting period	3 years	3 years	2 years
Expected volatility	76%	80%	83%
Contractual expiry date	31 March 2016	31 March 2015	15 April 2014
Option life taken as expected life	5 years	5 years	5 years
Risk free rate	4.5%	4.5%	4.5%
Expected dividend yield	0%	0%	0%
Probability of option vesting	0%	0%	10%
Fair value per option	10p	10p	10p

The expected volatility of all equity compensation benefits is based on the expected volatility of the underlying share price over the term of the option. This has been calculated using historical share price data.

9 Directors' emoluments

The emoluments of the individual directors, who are considered to be the key management personnel, were as follows:

	2008 £	*2007* £
S A Richards	60,000	42,000
J E A Mocatta – through John Mocatta & Co	28,500	24,000
S G Wakeling	70,504	93,200
M S H Worsley-Tonks – through Worsley-Tonks Consulting	75,000	60,000
	234,004	219,200

S G Wakeling resigned on 7 August 2007 and received £28,000 in compensation for loss of office, which sum is included in the total emoluments received by him during the year. None of the directors received a bonus payment or any benefits in kind during the year or during the previous year, nor were any pension contributions made on behalf of any director in either year. Details of the highest paid director are provided in the table above and details of the directors' interests in share options are given in the directors' report.

10 Taxation

(a) Analysis of income tax credit for the year

	2008 £	2007 £
Current tax	–	–
Deferred tax:		
United Kingdom	19,200	–
South Africa	61,380	41,021
	80,580	41,021

(b) Factors affecting the income tax credit for the year

The charge for the year can be reconciled to the loss per the income statement as follows:

	2008 £	2007 £
Loss on ordinary activities before taxation	(343,241)	(315,986)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2007: 30%)	(102,972)	(94,796)
Effects of:		
Expenses not deductible for tax purposes	15,965	24,539
Temporary differences	1,582	2,066
Difference between interest paid and payable	–	4,092
Difference between UK and overseas tax rates	2,339	326
Tax losses not utilised in the year	114,794	72,418
Utilisation of tax losses brought forward	(31,708)	(8,645)
Effect on deferred tax asset of reduction in UK corporation tax rate from 30% to 28% on 1 April 2008	3,620	–
Initial recognition of tax losses	(84,200)	(41,021)
Income tax credit	(80,580)	(41,021)

(c) Factors affecting tax charge for future years

The company has capital losses for tax purposes at 31 March 2008 of £605,994 (2007: £605,994) available to carry forward against future capital gains and excess management expenses of £1,122,348 (2007: £889,770), subject to acceptance by H M Revenue & Customs. The trading subsidiaries have losses for corporation tax purposes at 31 March 2008 available to carry forward against profits from the same trade of £2,748,555 (2007: £2,481,441) subject to acceptance by H M Revenue & Customs and the South African tax authorities.

The group and the company have deferred tax assets not included in the financial statements as recovery is not sufficiently certain, calculated at a corporation tax rate of 28% (2007: 30%), as follows:

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Tax losses carried forward:				
Capital losses	169,678	181,798	169,678	181,798
Management expenses	314,257	266,931	314,257	266,931
Trading losses	652,151	744,432	–	–
Non-current asset temporary differences	5,181	3,443	–	–
Short term temporary differences	–	4,092	–	4,092
	1,141,267	1,200,696	483,935	452,821

The deferred tax asset in respect of trading losses is recoverable against future profits from the same trade.

11 Loss per share

	2008	2007
Attributable loss (£)	(262,661)	(274,965)
Weighted average number of ordinary shares in issue	33,732,179	30,371,632
Basic loss per share (pence)	(0.78p)	(0.91p)

The number of ordinary shares in issue reflects the sub-division of the share capital approved on 6 December 2007. Fully diluted loss per share is the same as basic loss per share.

12 Intangible assets

Group	*Computer software* £	*Goodwill* £	*Total* £
Cost			
At 1 April 2006	4,250	256,020	260,270
Foreign currency adjustment	(1,056)	–	(1,056)
Additions	1,476	–	1,476
At 1 April 2007	4,670	256,020	260,690
Foreign currency adjustment	(606)	–	(606)
Additions	5,778	–	5,778
At 31 March 2008	9,842	256,020	265,862
Amortisation and impairment			
At 1 April 2006	1,979	–	1,979
Foreign currency adjustment	(492)	–	(492)
Amortisation charge for the year	894	–	894
At 1 April 2007	2,381	–	2,381
Foreign currency adjustment	(309)	–	(309)
Amortisation charge for the year	1,229	–	1,229
At 31 March 2008	3,301	–	3,301
Carrying amount			
At 31 March 2008	6,541	256,020	262,561
At 31 March 2007	2,289	256,020	258,309
At 1 April 2006	2,271	256,020	258,291

The goodwill acquired in a business combination is allocated, at acquisition, to the cash generating segments that are expected to benefit from that business combination. At the date of transition to IFRS the carrying amount of goodwill had been allocated as red24 segment £136,020 and training segment £120,000.

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Charges for amortisation and impairment are included within administrative expenses.

The recoverable amounts of the cash generating units are determined from value in use calculations. The group prepares cash flow forecasts from the most recent financial budgets approved by management. The cash flows are then discounted at an appropriate interest rate to determine value in use.

The forecast cash flows for the next two years, taking forecast revenues, based upon historical experience, and anticipated expenditure are then discounted at a rate of ten percent per annum to arrive at a recoverable amount for each cash generating unit. This shows that each cash generating unit has a recoverable amount in excess of the carrying value of goodwill and that no charge for impairment in necessary.

13 Investment in group companies

Investments in subsidiary companies: Cost	*Company* £
At 1 April 2006, 2007 and 31 March 2008	1,646,029
Impairment provisions	
At 1 April 2006 and 2007	1,498,904
Impairment charge for the year	20,000
At 31 March 2008	1,518,904
Net book amount	
At 31 March 2008	127,125
At 31 March 2007	147,125
At 1 April 2006	147,125

The subsidiary companies at 31 March 2008 and their activities during the year were:

	Percentage of ordinary share capital held	*Activity*
Held directly:		
Red24 Operations Limited	100%	Security risk management services
Red24 CRM (Pty) Limited	100%	Security risk management services
Red24 Sales Limited	100%	Security risk management services
ARC Training International Limited	100%	Security risk management services

All of the subsidiary companies are incorporated in Great Britain and registered in England and Wales, with the exception of Red24 CRM (Pty) Limited, which is incorporated and registered in South Africa. The financial statements of all the above subsidiaries are included in these financial statements.

The company's investment in Red24 CRM (Pty) Limited includes R1,300,000 5% convertible redeemable cumulative preference shares of R1 each. The company has waived its right to the dividend due on these shares up to 31 March 2008, which would have amounted to R325,000 (2007: R260,000).

The company's loan to Red24 CRM (Pty) Limited is subordinated in favour of that company's creditors until such time as the net assets of that subsidiary exceed its net liabilities.

Each year the company reviews the carrying value of the investment in each subsidiary against the amount estimated to be recoverable from that subsidiary, if recovery is not reasonably foreseeable then the investment is considered impaired and a charge made. At 31 March 2008 a further charge was recognised on the investment in another subsidiary where recoverability was no longer considered reasonably foreseeable and so an impairment provision has been made.

14 Property, plant & equipment

Group

	Motor vehicles £	*Fixtures, fittings and equipment* £	*Total* £
Cost			
At 1 April 2006	3,806	170,036	173,842
Foreign currency adjustment	(946)	(29,510)	(30,456)
Additions	4,218	40,482	44,700
Disposals	(2,368)	–	(2,368)
At 1 April 2007	4,710	181,008	185,718
Foreign currency adjustment	(612)	(15,524)	(16,136)
Additions	–	11,047	11,047
Disposals	(428)	(1,974)	(2,402)
At 31 March 2008	3,670	174,557	178,227
Depreciation			
At 1 April 2006	1,470	71,725	73,195
Foreign currency adjustment	(365)	(7,814)	(8,179)
Charge for the year	566	25,359	25,925
Disposals	(1,184)	–	(1,184)
At 1 April 2007	487	89,270	89,757
Foreign currency adjustment	(63)	(5,472)	(5,535)
Charge for the year	430	26,614	27,044
Disposals	(149)	(181)	(330)
At 31 March 2008	705	110,231	110,936
Carrying amount			
At 31 March 2008	2,965	64,326	67,291
At 31 March 2007	4,223	91,738	95,961
At 1 April 2006	2,336	98,311	100,647

The depreciation has been charged to administrative expenses.

At 31 March 2008 the group had no capital commitments (2007: £Nil).

At 31 March 2008 the group held fixtures, fittings and equipment under finance leases, secured on those assets, as follows:

	2008 £	2007 £
Cost	32,394	49,527
Accumulated depreciation	(15,657)	(22,846)
Net book amount	16,737	26,681
Depreciation charged in the year	7,351	7,446

15 Deferred tax assets

The deferred tax assets, realisable after more than one year, are included at current tax rates and represent the following:

	Total	Group Tax losses carried forward	Temporary differences
	£	£	£
At 1 April 2006	156,973	153,026	3,947
Foreign currency adjustment	(25,495)	(24,854)	(641)
Income statement credit/(charge)	41,021	42,078	(1,057)
At 1 April 2007	172,499	170,250	2,249
Foreign currency adjustment	(22,634)	(22,328)	(306)
Income statement credit/(charge)	80,580	81,107	(527)
At 31 March 2008	230,445	229,029	1,416

The deferred tax assets recognised in respect of tax losses carried forward represent £73,500 (2007: £54,300) relating to UK subsidiary companies and £156,945 (2007: £118,199) relating to the South African subsidiary. Projections prepared by the Board indicate that the South African subsidiary, which has incurred losses in the year ended 31 March 2008, will generate sufficient profits in the foreseeable future to utilise these losses. Tax losses, which may be carried forward indefinitely, are recoverable against future profits from the same trade and in the country in which they were incurred.

16 Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Amounts falling due within one year:				
Trade receivables (i)	417,270	459,510	–	–
Provisions for impairment (ii)	(4,643)	(6,415)	–	–
	412,627	453,095	–	–
Due from subsidiary undertakings (iii)	–	–	59,585	96,000
Other receivables	144,465	123,606	104,500	62,720
Prepayments and accrued income	47,254	25,641	28,980	8,300
	604,346	602,342	193,065	167,020
Amounts falling due after more than one year:				
Due from subsidiary undertakings (iii)	–	–	1,848,180	1,611,311
Provisions for impairment (ii)	–	–	(1,316,384)	(1,109,807)
Net amount due from subsidiary undertakings (iii)	–	–	531,796	501,504

(i) The average credit period on sales of services is 55 days (2007: 58 days). Trade receivables over 120 days at the balance sheet date, that have not been received within 60 days of the balance sheet date are provided for in full. Other trade receivables over 60 days at the balance sheet date are provided for on estimated irrecoverable amounts. The carrying value of trade and other receivables is considered to be the same as their fair value.

Included in trade receivables are receivables with a carrying amount of £36,773 (2007: £9,560) that are designated in foreign currencies, of which £6,789 (2007: £9,560) are designated in US dollars and £31,335 (2007: £Nil) in other currencies.

Included in the group's trade receivables are debtors with a carrying amount of £92,874 (2007: £81,324) which are overdue at the balance sheet date for which the group has not provided as there has not been a significant change in credit quality and the group believes that these amounts are still recoverable. The group does not hold any collateral over these balances. The ageing of amounts past due but not impaired is as follows:

	2008 £	*2007* £
60-90 days	24,447	6,891
90-120 days	21,609	52,204
120+ days	46,818	22,229
	92,874	81,324

The red24 product is sold through key distributors, which does lead to a significant concentration of credit risk. These distributors are major global concerns and this limits the risk. At the balance sheet date £105,430 (2007: £113,756) was due to the group from key distributors and is included within trade and other receivables.

(ii) Movement in the allowances against trade and other receivables:

	Group Trade receivables		*Company Due from subsidiary undertakings*	
	2008 £	*2007* £	*2008* £	*2007* £
Balance at 1 April 2007	6,415	7,970	1,109,807	554,707
Increase in provision	–	–	206,577	555,100
Release of provision to income statement	(1,772)	(1,555)	–	–
Balance at 31 March 2008	4,643	6,415	1,316,384	1,109,807

(iii) The amounts due from subsidiary companies are unsecured and interest to 31 March 2008 has been waived. There are no fixed terms for repayment.

17 Cash and cash equivalents

	Group		*Company*	
	2008 £	*2007* £	*2008* £	*2007* £
Cash and cash equivalents	82,380	127,900	3,232	36,400

Cash and cash equivalents comprise cash held in short-term bank deposits with a maturity of three months or less. The carrying amount of these assets approximated to their fair value. Repatriation of funds to the UK is subject to South African exchange control legislation.

18 Trade and other payables due within one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade payables	197,746	204,563	62,336	25,091
Other taxation and social security	81,020	69,861	4,430	9,356
Accruals and deferred income	392,843	587,953	153,549	278,645
	671,609	862,377	220,315	313,092

The average credit period taken on purchases of services is 38 days (2007: 38 days). The carrying value of trade and other payables is considered to be the same as their fair value.

Included in trade payables are payables with a carrying amount of £16,606 (2007: £39,846) that are designated in foreign currencies.

19 Borrowings

Due within one year	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Bank loan (i)	10,008	10,138	–	–
Loan notes (ii)	375,000	373,700	375,000	373,700
Obligations under finance leases (iii)	6,516	6,356	–	–
	391,524	390,194	375,000	373,700

Due after more than one year	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Bank loan (i)	30,778	40,786	–	–
Obligations under finance leases (iii)	14,451	23,660	–	–
	45,229	64,446	–	–

(i) Secured by a fixed and floating charge over the assets and undertaking of the company and those of a subsidiary company, Red24 Sales Limited. The loan is being repaid at the rate of £834 per calendar month. The interest charged on the loan is 2.75% per annum over the base rate of HSBC Bank plc.

(ii) Unsecured, repayable on 31 March 2009, and bearing interest at 12%. The loan notes were issued on 23 December 2005 and had an original maturity of 30 September 2007 but on 20 June 2007 this was extended to 31 March 2009 at the same rate of interest.

(iii) Secured on the related property, plant and equipment as shown in note 14.

The fair value of group borrowings is considered to be the same as the carrying value.

The minimum future payments under the finance leases are as follows:

Group	*Minimum future payments* 2008 £	*Minimum future payments* 2007 £	*Present value of payments* 2008 £	*Present value of payments* 2007 £
Payable within one year	11,236	12,736	6,516	6,356
Payable between one and two years	11,236	12,736	8,431	6,355
Payable between two and five years	6,554	20,622	6,020	17,305
	29,026	46,094	20,967	30,016
Future finance charges	(8,059)	(16,078)	–	–
Present value of minimum lease payments	20,967	30,016	20,967	30,016

20 Share capital

	Ordinary Number	*New Ordinary Number*	*Deferred Number*	*Total Number*
Authorised				
Number of shares				
Ordinary shares of 1p each				
At 1 April 2006 and 2007	500,000,000	–	–	500,000,000
Share division (see below)	(500,000,000)	–	–	(500,000,000)
New ordinary shares of 1p each	–	50,000,000	–	50,000,000
Deferred shares of 0.9p each	–	–	500,000,000	500,000,000
At 31 March 2008	–	50,000,000	500,000,000	550,000,000
	£	£	£	£
Value of shares				
Ordinary shares of 1p each				
At 1 April 2006 and 2007	5,000,000	–	–	5,000,000
Share division (see below)	(5,000,000)	–	–	(5,000,000)
New ordinary shares of 1p each	–	500,000	–	500,000
Deferred shares of 0.9p each	–	–	4,500,000	4,500,000
At 31 March 2008	–	500,000	4,500,000	5,000,000

	Ordinary Number	New ordinary Number	Deferred Number	Total Number
Issued & Fully paid				
Number of shares				
At 1 April 2006	303,210,836	–	–	303,210,836
Issued during the year	1,500,000	–	–	1,500,000
At 1 April 2007	304,710,836	–	–	304,710,836
Issued during the year	20,000,000	–	–	20,000,000
Share division (see below)	(324,710,836)	32,471,083	324,710,836	32,471,083
Issued during the year	–	10,900,000	–	10,900,000
At 31 March 2008	–	43,371,083	324,710,836	368,081,919
	£	£	£	£
Value of shares				
At 1 April 2006	3,032,108	–	–	3,032,108
Issued during the year	15,000	–	–	15,000
At 1 April 2007	3,047,108	–	–	3,047,108
Issued during the year	200,000	–	–	200,000
Share division (see below)	(3,247,108)	324,711	2,922,397	–
Issued during the year	–	109,000	–	109,000
At 31 March 2008	–	433,711	2,922,397	3,356,108

On 9 June 2005 the company granted warrants to subscribe for 16,000,000 ordinary shares of 1p each at a subscription price of 1p per share, exercisable at any time up to 30 March 2008. The warrants were issued to the subscribers to the issue of new shares on 9 June 2005. Following the changes to the authorised share capital these warrants are now 1,600,000 warrants to subscribe to new ordinary shares of 1p each at a price of 10p per share at any time up to 30 March 2008. None of these warrants were exercised prior to the expiry date and these warrants have now expired.

On 23 December 2005 the company granted warrants to subscribe for 27,500,000 ordinary shares of 1p each at a subscription price of 1p per share, exercisable at any time up to 30 June 2007. The warrants were issued to the subscribers to the Loan Notes issued on 23 December 2005. On 1 August 2006 the exercise date on the warrants was extended to 30 September 2008 and warrants to subscribe for a further 10,000,000 ordinary shares of 1p each at a subscription price of 1p per share were issued to subscribers to the additional loan notes issued on 1 August 2006. On 20 June 2007 the exercise date on these warrants was further extended to 31 March 2009. Following the changes to the authorised share capital these warrants are now 3,750,000 warrants to subscribe to new ordinary shares of 1p each at a price of 10p per share at any time up to 31 March 2009.

On 14 August 2007 the company issued 20,000,000 ordinary shares of 1p each at a price of 1p and also issued warrants to subscribe to 20,000,000 ordinary shares of 1p each at a price of 1p per share at any time up to 31 March 2009. Following the changes to the authorised share capital these warrants are now 2,000,000 warrants to subscribe to new ordinary shares of 1p each at a price of 10p per share at any time up to 31 March 2009.

On 6 December 2007 the authorised share capital of 500,000,000 ordinary shares of 1p each was subdivided into 50,000,000 new ordinary shares of 1p each and 500,000,000 deferred shares of 0.9p each and the 324,710,836 ordinary shares of 1p each then in issue were subdivided into 32,471,083 ordinary shares of 1p each and 324,710,836 deferred shares of 0.9p each.

The deferred shares have no voting rights. The shares may be transferred on the direction of the company without payment to the deferred shareholders. In the event that the company passes a resolution for a reduction in capital which involves the cancellation of the deferred shares without any repayment of capital to the deferred shareholders, this shall not constitute a variation of the rights attaching to the deferred shares. The deferred shares are therefore valueless and the entirety of the shareholders' funds is considered to belong to the equity shareholders.

On 24 January 2008 the company issued 10,900,000 ordinary shares of 1p each at a price of 2.75p and also issued warrants to subscribe to 10,900,000 ordinary shares of 1p each at a price of 3.75p per share at any time up to 31 March 2009. The company also issued further warrants to subscribe to 1,000,000 ordinary shares at 1p each at a price of 4p per share at any time up to 31 March 2010. These warrants were issued to a distributor as part of a variation to the distribution agreement.

21 Share capital and reserves

	Group					
	Retained earnings £	*Share capital* £	*Share premium* £	*Other reserves* £	*Translation reserve* £	*Total* £
1 April 2006	(3,566,712)	3,032,108	557,553	115,130	–	138,079
Exchange differences on translation of overseas operations	(5,332)	–	–	–	35,842	30,510
Loss for the year	(274,965)	–	–	–	–	(274,965)
Issue of shares	–	15,000	–	–	–	15,000
Issue of warrants	–	–	–	2,600	–	2,600
Share based payments	–	–	–	28,770	–	28,770
1 April 2007	(3,847,009)	3,047,108	557,553	146,500	35,842	(60,006)
Exchange differences on translation of overseas operations	–	–	–	–	60,838	60,838
Loss for the year	(262,661)	–	–	–	–	(262,661)
Issue of shares	–	309,000	190,750	–	–	499,750
Share based payments	–	–	–	(99,260)	–	(99,260)
31 March 2008	(4,109,670)	3,356,108	748,303	47,240	96,680	138,661

	Company				
	Retained earnings £	*Share capital* £	*Share premium* £	*Other reserves* £	*Total* £
1 April 2006	(2,912,933)	3,032,108	557,553	82,130	758,858
Loss for the year	(626,471)	–	–	–	(626,471)
Issue of shares	–	15,000	–	–	15,000
Issue of warrants	–	–	–	2,600	2,600
Share based payments	–	–	–	15,270	15,270
1 April 2007	(3,539,404)	3,047,108	557,553	100,000	165,257
Loss for the year	(352,344)	–	–	–	(352,344)
Issue of shares	–	309,000	190,750	–	499,750
Share based payments	–	–	–	(52,760)	(52,760)
31 March 2008	(3,891,748)	3,356,108	748,303	47,240	259,903

The share premium reserve records the premium above the par value of the shares paid on the issue of shares by the company, less the costs of the issue of shares.

The translation reserve arises from currency differences arising on the retranslation of foreign currency balances as explained in accounting policy 1(k).

Retained earnings reflect changes in equity not shown elsewhere and are the group and company's distributable reserves.

Other reserves includes both the cumulative amount of the fair value of warrants and the cumulative amount charged to the income statement in respect of the company's share options as set out in note 8. The following table provides further detail on these reserves:

Other reserves

	Fair Value of Warrants £	*Group Share options reserve* £	*Total* £	*Fair Value of Warrants* £	*Company Share option reserve* £	*Total* £
1 April 2006	5,500	109,630	115,130	5,500	76,630	82,130
Issue of warrants	2,600	–	2,600	2,600	–	2,600
Share based payments	–	28,770	28,770	–	15,270	15,270
1 April 2007	8,100	138,400	146,500	8,100	91,900	100,000
Share based payments	–	(99,260)	(99,260)	–	(52,760)	(52,760)
31 March 2008	8,100	39,140	47,240	8,100	39,140	47,240

22 Notes to the cash flow statement

(a) Net cash outflow from operating activities

	Group 2008 £	*Group 2007* £	*Company 2008* £	*Company 2007* £
Operating activities				
Loss before income taxation	(343,241)	(315,986)	(352,344)	(626,471)
Adjustments for:				
Investment income	(8,618)	(4,822)	(50,925)	(1,291)
Finance costs	58,269	58,329	45,252	43,752
Depreciation and amortisation	28,273	26,819	–	–
Provisions	–	–	20,000	–
Share based payments	(99,260)	28,770	(52,760)	17,870
Loss on disposal of property, plant & equipment	10	199	–	–
Loan note issue costs	1,300	2,600	1,300	2,600
Exchange gains and losses	60,838	30,510	–	–
(Increase)/decrease in receivables	(2,004)	(266,124)	(56,336)	276,664
(Decrease)/increase in payables	(156,960)	253,695	(92,778)	222,183
Net cash outflow from operating activities	(461,393)	(186,010)	(538,591)	(64,693)

(b) **Analysis of changes in net debt (group)**

	1 April 2007 £	*Cash flows* £	*Other movements* £	*31 March 2008* £
Cash and cash equivalents	127,900	(43,924)	(1,596)	82,380
Debt due within one year	(383,838)	10,138	(11,308)	(385,008)
Debt due after more than one year	(40,786)	–	10,008	(30,778)
	(296,724)	(33,786)	(2,896)	(333,406)
Finance leases due within one year	(6,356)	7,749	(7,909)	(6,516)
Finance leases after more than one year	(23,660)	–	9,209	(14,451)
Net debt	(326,740)	(26,037)	(1,596)	(354,373)

Included in other movements on cash and cash equivalents is a foreign exchange movement of £1,596 (2007: £17,784).

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

	2008 £	*2007* £
Decrease in cash	(43,924)	(161,682)
Decrease in finance leases	7,749	17,065
Decrease in bank loan	10,138	9,878
Increase in loan notes	–	(102,300)
Translation difference	(1,596)	(17,784)
Increase in net debt	(27,633)	(254,823)
Opening net debt	(326,740)	(71,917)
Closing net debt	(354,373)	(326,740)

23 Operating lease commitments

At 31 March 2008 the group was committed to making minimum lease payments under non-cancellable operating leases as follows:

	Group			
	Office equipment		*Land and buildings*	
	2008 £	*2007* £	*2008* £	*2007* £
Leases expiring				
Within one year	1,132	576	5,625	30,829
Between one and five years	2,264	–	–	2,569
	3,396	576	5,625	33,398

The average contractual life of these leases is one year and in the ordinary course of business these leases are renewable. Rental payments under these leases are fixed until the end of the term.

24 Related party transactions

Since 1 January 2005, the company has paid Sidebell Limited amounts for the use of Sidebell's offices and the use of accountancy services. S A Richards, a director of the company, has an interest in the share capital of Sidebell Limited. In the year to 31 March 2008, these amounts were £2,000 per month, totalling £24,000 (2007: £24,000). The balance due to Sidebell Limited at 31 March 2007 was £Nil (2007: £Nil).

From 1 April 2006 until 30 September 2007, a subsidiary company has paid S A Richards amounts for the use of a flat in Ealing, London for the use of the company's staff when on secondment to London from the Cape Town office. In the year to 31 March 2008, these amounts totalled £2,850 (2007: £4,750). The amount outstanding at 31 March 2008 was £Nil (2007: £Nil). The transaction was at arms length.

Sidebell Limited, S A Richards and J E A Mocatta hold £300,000, £5,000 and £5,000 respectively of the loan notes 2009. Interest due, of £37,200, on the loan notes was paid on 30 September 2007. These loan notes carry warrants to subscribe to ordinary shares, full details of these and other warrants held by related parties are set out in the director's report.

The directors' report sets out the interests of the directors in the share capital of the company, in addition all the directors hold share options under the group's share option scheme and these are also disclosed in that report. Key management remuneration is as follows:

	2008 £	*2007* £
Salaries	206,004	219,200
Social security costs	9,989	6,651
Termination benefits	28,000	–
Share-based payments	(52,760)	15,270
	191,233	241,121

Refer to the remuneration report, and note 9, for further details of the remuneration of directors employed by the company.

The transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year the company entered into the following transactions with its subsidiaries:

	2008 £	*2007* £
Management charges received	72,000	90,000
Dividends received	50,000	–
Licence fee received	120,000	120,000
Amounts owed by subsidiaries at year end	1,848,180	1,611,311

The management charges reflect a charge to partly recover the time of the group directors and the cost of central services such as administrative offices, the conduct of the audit and the maintenance of professional insurances.

As shown in note 16, impairment provisions totalling £1,316,384 (2007: £1,109,807) have been made against the amounts shown as due from subsidiaries in the table above.

25 Financial instruments and risk summary

(a) Financial risk policies and objectives

The group's financial instruments comprise, for the purposes of IFRS 7, cash and cash equivalents, loans and finance leases. Details of the significant accounting policies in relation to these financial assets and liabilities are disclosed in note 1 to the financial statements.

The Board's principal objective in managing its financial assets and liabilities is to ensure that the operating units have sufficient working capital for their day-to-day needs. Surplus cash is maintained on call deposits with the clearing bankers to the operating units, as the group is not yet sufficiently cash generative to warrant a separate treasury function or take advantage of greater returns that may be available from other sources or maturities. The group does derive income in overseas currencies, principally the US dollar, and does incur expenses in overseas currencies, principally the costs of its South African operation which is Rand based. No forward contracts have been entered into to hedge these exposures as these would give the group's bankers additional credit exposure and the Board consider that such exposure as is available to them is better deployed elsewhere in the group's operations. The Board would expect this policy to change as the group develops.

(b) Capital risk management

The directors consider the company's capital comprises its share capital, any premium thereon and the loan notes in issue. Whenever possible the group has finances its operations from equity share issues, as the Board considers this helps to ensure that entities in the group will be able to continue in business as going concerns. In the past there have been occasions when capital has been required and the market price of the group's shares has been below their par value, and in those circumstances the group has raised convertible debt finance. The market price of the group's shares is regularly reviewed by the Board and if it persists at below par value for a prolonged period the Board convene a meeting of shareholders to consider a reduction in the par value of the shares in order to ensure that equity markets remain open to the group as a source of capital.

(c) Foreign currency risk and sensitivity

The group has an overseas subsidiary whose functional currency is Rand and in addition undertakes transactions denominated in foreign currencies, principally US dollars, hence exposures to exchange rate fluctuations arise. The carrying amount of the group's foreign currency denominated financial assets and financial liabilities at the reporting date is as follows:

	Assets		*Liabilities*	
	2008	*2007*	*2008*	*2007*
	£	£	£	£
Rand	34,539	1,117	20,967	30,016
Dollar	7,023	14,840	–	–
	41,562	15,957	20,967	30,016

The company does not have any exposure to foreign currencies as all its transactions are in sterling. The group's exposure to the Rand is such that were the Rand to appreciate by 10% against sterling the cost of its operations in South Africa would rise by £112,868 (2007: £126,315), this would be mitigated by a rise in the value of the groups' Rand assets of £28,894 (2007: £23,414). The groups' exposure to the US dollar is such that were the dollar to depreciate by 10% against sterling profit would be reduced by £25,902 (2007: £17,583) this would be mitigated by a reduction in liabilities of £7,819 (2007: £15,552). The Board are aware that these are significant risks and are intending to negotiate forward exchange facilities with their bankers when the group's credit position is sufficiently strong to warrant them.

(d) **Market risk**

The group's activities expose it to the financial risks of changes in foreign currency exchange rates (see section (c)) and interest rates (see section (f)). As explained above, the group has, for the present, accepted exposure to these risks.

(e) **Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the board of directors, which regularly reviews the short, medium and long term funding and liquidity management requirements. The board consider that equity remains the most appropriate source of funds for the business at its present stage of development and endeavours to maintain access to equity capital markets to fund medium and long term liquidity requirements. Financial assets are maintained on short term deposit to assist with the management of day-to-day working capital requirements.

(f) **Interest rate risk and sensitivity**

The group has financial assets of £542,261 at 31 March 2008 (2007: £606,636) comprising cash deposits and trade and other receivables. Trade and other receivables have been excluded from the following tables as they are non-interest bearing.

The interest rate profile of the group's financial assets, excluding trade and other receivables was:

Group	*Floating rate deposits 2008* £	*Average rate 2008*	*Floating rate deposits 2007* £	*Average rate 2007*
Currency				
Sterling	40,818	3.25%	111,943	3.5%
Rand	34,539	2.75%	1,117	1.5%
Dollar	7,023	0%	14,840	0%
	82,380		127,900	
Company				
Sterling	3,232	3.0%	36,400	3.5%

The group has financial liabilities of £801,451 (2007: £896,169). Trade and other payables are excluded from the following tables as they are non-interest bearing.

The interest rate profile of the group's financial liabilities, excluding trade and other payables, at 31 March 2008 was:

Group	*Floating rate liabilities* £	*Fixed rate liabilities* £	*Total financial liabilities* £	*Average rate of floating rate liabilities*
Currency				
Sterling loan notes	–	375,000	375,000	
Sterling bank loan	40,786	–	40,786	8.25%
Rand finance lease	–	20,967	20,967	
	40,786	395,967	436,753	
Company				
Sterling loan notes	–	375,000	375,000	

The interest rate profile of the group's financial liabilities, excluding trade and other payables, at 31 March 2007 was:

Group	*Floating rate liabilities* £	*Fixed rate liabilities* £	*Total financial liabilities* £	*Average rate of floating rate liabilities*
Currency				
Sterling loan notes	–	373,700	373,700	
Sterling bank loan	50,924	–	50,924	8.25%
Rand finance lease	–	30,016	30,016	
	50,924	403,716	454,640	
Company				
Sterling loan notes	–	373,700	373,700	

The average interest rate of floating rate liabilities in the year and in the previous year is based on Libor +2%.

The entire group's trade and other payables falling due within one year (other than bank loans, loan notes and finance leases) are excluded from above because they are either short term payables or fall outside the definition of a financial liability. The group's loan facilities at 31 March 2008 were fully drawn.

The sterling fixed rate liability is fixed at 12% and the Rand fixed rate liability is at 21.06% for five years from the inception of the lease.

The bulk of the group's borrowings are at fixed rates and an increase or decrease of 1% in interest rates would have no material affect on the group's income statement.

The following tables detail the remaining contractual maturity for the group and company's financial liabilities. The table is based on the earliest date on which the group can be required to pay. The table includes both principal cash flows and interest, or an estimate of interest for floating rate instruments and excludes trade and other payables as the contractual maturities are all due within one year of the balance sheet date.

Group	*Average interest rate*	*Due within one year* £	*Due in one to two years* £	*Due in two-five years* £	*Total* £
2008					
Finance lease liability	26%	12,809	12,809	7,472	33,090
Floating rate bank loan	8.25%	12,871	12,070	22,492	47,433
Sterling loan notes	12%	442,500	–	–	442,500
		468,180	24,879	29,964	523,023
2007					
Finance lease liability	20%	14,519	14,721	23,308	52,548
Floating rate bank loan	8.25%	13,671	12,871	34,562	61,104
Sterling loan notes	12%	417,500	–	–	417,500
		445,690	27,592	57,870	531,152

Company	*Average interest rate*	*Due within one year* £	*Due in one to two years* £	*Due in two-five years* £	*Total* £
2008					
Sterling loan notes	12%	442,500	-	-	442,500
2007					
Sterling loan notes	12%	417,500	-	-	417,500

(g) **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has a credit policy of only dealing with creditworthy counterparties as a means of mitigating this risk. The group's exposure to credit risk is monitored on a monthly basis and remedial action taken where appropriate.

Despite the above policies there does remain a concentration of credit risk in that two customers, one a major bank and the other a major insurance company, constitute 25.6% (2007: 35.0%) of the groups trade and other receivables. These receivables are within their trading terms but nonetheless present an ongoing risk. The group is endeavouring to mitigate this risk by gaining new customers at a faster rate than business with these two counterparties develops.

The group's maximum exposure to credit risk on its financial assets is £542,261 (2007: £606,636), for the company its maximum exposure, excluding amounts due from subsidiaries, is £134,480 (2007: £66,020). The group does not hold any collateral against these financial assets.

(h) **Fair value of financial instruments**

There is no material difference between the fair value and carrying value of financial assets and liabilities.

26 Contingent liabilities

The company has a contingent liability in respect of the value added tax of certain subsidiary companies under a group registration and is therefore jointly and severally liable for all the other group companies debt in this respect. At 31 March 2008 the maximum potential liability was £19,812 (2007: £22,904).

The company has an additional contingent liability in respect a guarantee given in relation to banking facilities granted to a subsidiary company. At 31 March 2008 the extent of these facilities was £40,486 (2007: £50,494).

The company disposed of interests in a number of leasehold properties during the 15 months to 31 March 2002 but retains a contingent liability in respect of one of those properties should the assignees fail to fulfil their obligations under the lease. For this lease, which expires in 2013 and where the annual rent is £135,000, the assignee's obligations are guaranteed by a major clearing bank. The directors consider it unlikely that there will be any cost to the company.

27 Transition to IFRS

As required by IFRS 1, the impact of the transition from UK GAAP to IFRS is explained below. The accounting policies adopted have been applied consistently to the current and previous year and in preparing an opening IFRS balance sheet at 1 April 2006 for the purposes of transition to IFRS.

IAS 1 – Presentation of Financial Statements. The form and presentation of the UK GAAP financial statements has been changed to be in compliance with IAS 1.

IAS 7 – Cash flow statements. The IFRS Cash Flow Statement, prepared under IAS 7, presents cash flows in three categories: cash flow from operating activities; cash flow from investing activities and cash flow from financing activities. Other than the reclassification of cash flows into the new disclosure categories, there are no significant differences between the Group's cash flow statements under UK GAAP and IFRS. Consequently, no cash flow reconciliations are provided.

Year ended 31 March 2007
Income statement

	Under UK GAAP £	*IFRS adjustment* £	*Under IFRS* £
REVENUE	2,786,393	66,841	2,853,234
Cost of sales	(864,340)	(5,182)	(869,522)
GROSS PROFIT	1,922,053	61,659	1,983,712
Administration expense	(2,221,350)	(24,841)	(2,246,191)
OPERATING LOSS	(299,297)	36,818	(262,479)
Net finance expense	(53,507)	–	(53,507)
LOSS BEFORE TAX	(352,804)	36,818	(315,986)
Income tax credit	41,021	–	41,021
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	(311,783)	36,818	(274,965)
Loss per share			
Basic and diluted	(0.10p)	0.01p	(0.09p)

Currency translation and translation reserve

The income statement has been adjusted to reflect the results of the overseas subsidiary using the average exchange rate ruling during the period rather than that at the end of the period. In the balance sheet the translation reserve arising from the translation of the Groups' net investment in the overseas subsidiary has been shown as a separate translation reserve under IFRS rather than taken to profit and loss account as it was previously. The recognition of this reserve has had the effect of increasing the loss incurred in the year to 31 March 2007 by £35,842.

Intangible assets

Under IFRS no amortisation of goodwill is permitted, instead the value of goodwill is subject to an annual impairment review. Accordingly the value of goodwill has been restated to its carrying value at the transition date and the directors have considered the question of impairment and have concluded that no charge for impairment is necessary. The restating of goodwill to its carrying value has meant a reduction in the loss for the year to 31 March 2007 of £72,660.

Computer software, with a net book value of £2,289 (2006: £2,271) has been reclassified from property, plant and equipment to intangible assets.

Company balance sheet

There are no adjustments to the company's own profit or loss or equity at transition and accordingly no reconciliation is necessary.

Year ended 31 March 2007
Consolidated balance sheet

	Under UK GAAP £	*IFRS adjustment* £	*Under IFRS* £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	183,360	74,949	258,309
Property, plant and equipment	98,250	(2,289)	95,961
Deferred tax assets	172,499	–	172,499
	454,109	72,660	526,769
CURRENT ASSETS			
Trade and other receivables	602,342	–	602,342
Cash and cash equivalents	127,900	–	127,900
	730,242	–	730,242
TOTAL ASSETS	1,184,351	72,660	1,257,011
CAPITAL AND RESERVES			
Called up share capital	3,047,108	–	3,047,108
Share premium account	557,553	–	557,553
Other reserves	146,500	–	146,500
Translation reserve	–	35,842	35,842
Retained earnings	(3,883,827)	36,818	(3,847,009)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	(132,666)	72,660	(60,006)
NON-CURRENT LIABILITIES			
Borrowings	64,446	–	64,446
CURRENT LIABILITIES			
Trade and other payables	862,377	–	862,377
Borrowings	390,194	–	390,194
	1,252,571	–	1,252,571
TOTAL EQUITY AND LIABILITIES	1,184,351	72,660	1,257,011

Consolidated balance sheet
at transition 1 April 2006

	Under UK GAAP £	*IFRS adjustment* £	*Under IFRS* £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	256,020	2,271	258,291
Property, plant and equipment	102,918	(2,271)	100,647
Deferred tax assets	156,973	–	156,973
	515,911	–	515,911
CURRENT ASSETS			
Trade and other receivables	357,798	–	357,798
Cash and cash equivalents	307,366	–	307,366
	665,164	–	665,164
TOTAL ASSETS	1,181,075	–	1,181,075
CAPITAL AND RESERVES			
Called up share capital	3,032,108	–	3,032,108
Share premium account	557,553	–	557,553
Other reserves	115,130	–	115,130
Translation reserve	–	–	–
Retained earnings	(3,566,712)	–	(3,566,712)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	138,079	–	138,079
NON-CURRENT LIABILITIES			
Borrowings	91,059	–	91,059
CURRENT LIABILITIES			
Trade and other payables	663,713	–	663,713
Borrowings	288,224	–	288,224
	951,937	–	951,937
TOTAL EQUITY AND LIABILITIES	1,181,075	–	1,181,075

red24 plc

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY given that the Annual General Meeting of red24 plc ('the Company') will be held at 11.00 a.m. on Tuesday 5 August 2008 at the offices of Farrer & Co, 66, Lincoln's Inn Fields, London, WC2A 3LH, for the following purposes:

Ordinary business

To consider as ordinary business and, if thought fit, to pass the following resolutions which will be proposed as an ordinary resolutions:

1 To receive and consider the Company's accounts for the year ended 31 March 2008 and the Directors' Report and Auditors' Report thereon.

2 To re-appoint J E A Mocatta as a director of the Company.

3 To appoint Baker Tilly UK Audit LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the members and to authorise the directors to agree their remuneration.

Special business

To consider as special business and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

4 THAT: subject only to Resolution 6 below being passed as a Special Resolution, the directors of the Company be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (as defined in Section 80 of the Act) up to a nominal amount equal to £1,000,000 provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the earlier of the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution and 15 months from the date of this Resolution and further provided that the Company shall be entitled before such expiry to make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors of the Company shall be entitled to allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.

To consider as special business and, if thought fit, to pass the following resolutions which will be proposed as special resolutions:

5 THAT: the share capital of the Company be increased to £5,250,000 by the creation of 25,000,000 ordinary shares of 1p each to rank pari-passu with the existing 50,000,000 ordinary shares.

6 THAT subject to Resolution 4 above being duly passed as an Ordinary Resolution, the directors of the Company be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to and for the duration of the authority conferred on them by Resolution 4 above as if Section 89(1) of the Act did not apply to any such allotment provided that this authority is limited to:

6.1 the allotment of equity securities in connection with any rights issue in favour of ordinary shareholders on the register of members at such record date or dates as the directors of the Company may determine where the equity securities to be issued are respectively attributable to the interests of all such holders of ordinary shares held by them at such record date or dates, provided that the directors of the Company may make such arrangements or exclusions as they consider necessary or expedient in respect of fractional entitlements or legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange;

6.2 the allotment of equity securities pursuant to the terms of any share scheme for employees adopted by the Company; and

6.3 the allotment (otherwise than pursuant to sub-paragraphs 5.1 or 5.2 above) of equity securities up to an aggregate nominal amount of £750,000.

and save that the Company may before the expiry of the authority conferred by this Resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such offer or agreement notwithstanding that such authority has expired.

7 THAT subject to confirmation by the Court:

7.1 the balance of the share premium account of the Company at 31 March 2008 be reduced by £748,303;

7.2 the fully paid issued share capital of the Company of £3,356,108 divided into 324,710,836 deferred shares of 0.9p each and 43,371,083 new ordinary shares of 1p each be reduced by £2,922,397 to £433,711 and that such reduction be effected by cancelling the paid-up capital on each of the said 324,710,836 deferred shares;

7.3 a separate reserve in the books of the Company be credited with the amount of £3,670,700 arising by reason of such reduction in the share premium account and the issued share capital of the Company;

7.4 an amount of £3,670,700 be written off the deficit on the Company's profit and loss account at 31 March 2008, thereby leaving a deficit on that account of £221,048

AND THAT subject to and conditional upon the said reduction in the share premium account and the issued share capital taking effect the authorised capital of the Company be varied by the cancellation of the 500,000,000 deferred shares of 0.9p each and the creation of 450,000,000 new ordinary shares of 1p each to rank pari passu in all respects with the existing new ordinary shares of 1p each in the capital of the Company.

By order of the Board

J E A Mocatta
Secretary

24 June 2008

Registered office
Breckenridge House
274 Sauchiehall Street
Glasgow G2 3EH

Registered in Scotland No. SCO86069

Notes

1 A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him or her. A proxy need not also be a member.

A form of proxy is enclosed which you are invited to complete and return. Completion and return of the proxy form in accordance with the instructions thereon will not prevent you from attending and voting at the Meeting, instead of your proxy, if you wish to do so.

2 Copies of the directors' contracts of service are available for inspection at the Company's registered office during normal business hours on each business day from the date of this notice until the day of the Annual General Meeting and will be at the place of the Annual General Meeting for one hour before, and until the conclusion of, the Meeting.

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