



red24plc Half Year Report

for the six months to 30 September 2015



OVERVIEW

Red24 plc ("red 24" or the "Group") is pleased to announce its unaudited results for the half year to 30 September 2015.

Highlights

- Acquisition of RISQ Worldwide completed 1 July 2015 and trading ahead of expectations
- New travel assistance clients replace 75% of the revenues lost with HSBC including contracts with Allianz and other major businesses
- Significant investment in US based product safety team and launch of red24 Academy
- Loss of HSBC revenues and lower levels of Response activity held back revenues to £2.96 million (H1 2014: £3.27 million), down 10%
- Profit before tax decreased by 29% to £346k (H1 2014: £487k) impacted by the above and loss on foreign currency hedging activities
- Earnings per share decreased by 33% to 0.55p (H1 2014: 0.81p)
- Interim dividend of 0.25p, a 9% increase

Simon Richards, Chairman, commented:

"In many ways this year was always going to be challenging for red24 and, whilst we have made great strides in replacing our lost HSBC revenues with new contracts with Allianz and others, we have also faced a tough comparable period in which we gained from particularly strong Response activity in Libya.

In other ways the first half has been hugely exciting and has established important growth drivers for us going forward; we completed the acquisition of RISQ which is performing strongly, invested in the development of our US based Product Safety Team and launched the red24 Academy.

This level of investment may hold back the results in the short term but places us on a firm growth path for the future. Our confidence in these plans underpins our decision to increase the interim dividend by 9%."

red24 is a crisis assistance company that provides a range of security and business support services, offering preventative and reactive advice to help organisations and individuals to avoid or manage security and business risks to themselves, their families and their businesses. Its products and services are distributed through leading international financial service companies.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present our half year report, which shows the significant investment we have made to build the medium term success of the business. I am also pleased to announce an increase in our interim dividend to 0.25p which will be paid on 25 February 2016 to those shareholders on the register at 29 January 2016.

Financial Overview

Our last full year results, reported on in June, exceeded expectations as we responded to the news of the loss of the HSBC contract by cutting costs rapidly and by putting resources into diversifying the customer base. As a result we enjoyed the last few months of revenue from HSBC with few of the costs, while profitability for that period was further enhanced by some currency gains.

The first half of this year saw our revenue from HSBC drop by £600,000 compared with the first half of last year, and, likewise, saw a lower level of Response activity than the prior year which saw a major evacuation event in Libya producing over £500,000 of revenue. Against this background the overall revenue decline of just 10% to £2,957,000 (2014: £3,269,000) was creditable and shows we are making significant strides in developing other sources of business.

The impact of the above on profit before tax was pronounced, due to the fixed cost nature of our Crisis Response and Management Centre in Cape Town, and to the low level of variable cost associated with the HSBC contract. In addition we were adversely affected by a £100,000 loss on Rand/Sterling currency hedging activities during the first half. As a result, profit for the half year has fallen by 29% to £346,000 from £487,000.

The first half saw a three month first time contribution to revenue and profits from the RISQ Worldwide acquisition which was completed on 1 July 2015. RISQ has bedded in well with our other activities in the Asia Pacific region. The costs of the acquisition have been expensed.

Late in the first half we undertook significant investment in the business with the recruitment of a US based Product Safety team and the launch of the red24 Academy. Whilst both are expected to boost sales in the medium term, their associated costs have had some impact on the first half.

CHAIRMAN'S STATEMENT

Financial Overview *continued*

Earnings per share were further affected by a relatively high tax charge due to an increase in the proportion of our profit earned in South Africa, where the tax rate is 28%. This is slightly mitigated by the purchase of shares in the company by the Employee Benefit Trust in the last financial year. The Trust now holds 1,050,000 shares and this serves to reduce the number of shares in issue for the purposes of the earnings per share calculation.

Net cash has decreased by 16% following the acquisition of RISQ; although the receipt of the second instalment from the sale of our interest in Linx has offset some of this investment. The balance sheet continues to be strong and provides a sound basis for taking advantage of any other suitable acquisition opportunities that may arise.

Outlook and risks

The prospects for future revenue growth look brighter than they have for some years and we anticipate significant medium term growth in revenue from our acquisition of RISQ, from our new product safety team in the USA and from our partnership with Allianz. However, in the short term, the recent investment we have made in our business is likely to continue to impact on the current year profitability. Notwithstanding this, our confidence in the future prospects of red24 are borne out by today's dividend announcement. The business continues to perform steadily, the balance sheet is strong and the Board considers that the appraisal of key risks and uncertainties contained in the full year report remains valid.

Staff and Board

The Board continues to be grateful to staff for their industry and application and they remain crucial to the quality of service provided and to creating an environment where we can attract good quality people to work for us.

Simon Richards
Chairman

9 November 2015

CHIEF EXECUTIVE'S REPORT

I am pleased to report that, in this half year we have made significant advances in meeting our strategic objectives for the medium term growth of the business. On 1 July we completed the acquisition of RISQ Worldwide, a Singapore based investigations business and its results, which are included here for the three months after acquisition; a quarter in which it contributed £285,000 of revenue and a 9% pre-tax profit on that revenue. Organically our travel assistance business has won a significant number of new clients and this has replaced 75% of the lost HSBC revenue.

Business model

The heart of the red24 business model is our 24/7 Crisis Response Management Centre (CRM) in Cape Town. This state of the art response centre is staffed 24 hours a day, 365 days a year by a dedicated team of multi-lingual customer service representatives, regional analysts and experienced security professionals. The centre enables our experts to give accurate impartial, up to the minute information and advice to our clients. Across the group clients are offered escalating levels of assistance that are appropriate to the threat they face.

Travel assistance

Our travel assistance service has been significantly enhanced by the investment in our travel tracker product, which has placed it onto a new technical platform that will make it both easier to interface with new clients and with new travel data-bases. The product was launched at the business travel show in London in February 2015 and met with a most encouraging response from FTSE350 companies and higher education establishments. We think that this will assist materially in ensuring that this revenue stream is maintained in 2016, notwithstanding the loss of business from HSBC.

In this period, gaining contracts with Allianz has been a significant development and has opened a large potential market for our travel services and 2016 should see a significant increase in our travel assistance business across the globe.

In October 2015 we launched our on-line training platform, the red24 Academy. Initial modules are aimed at the business traveller, but the platform is capable of supporting training requirements across all our revenue streams and suitable courses will be added as they receive appropriate external accreditation.

We were pleased to be awarded the title of Risk Management Firm of the Year, 2015, by Finance Monthly and believe that the period under review has seen our reputation continue to grow.

CHIEF EXECUTIVE'S REPORT

Special risks

Our special risks business had a quiet half year and dealt with few significant incidents. We continue to publish our respected "Threat forecast" and have added new books of business over the year. The office we set up in Munich, primarily to service this unit, has created a number of promising opportunities, and has brought on books of business with German insurers and opened sales channels to their clients.

Consulting and response

Throughout the year this unit has been busy with requests for close protection work and for evacuation planning services. Last year a Far Eastern client requested a large evacuation from Libya involving several hundred of their staff. This was successfully completed and remains our largest operation to date, generating revenues a little in excess of £500k. This year, the largest response to date has been in Nepal, following the earthquake, and this produced revenue of £210k.

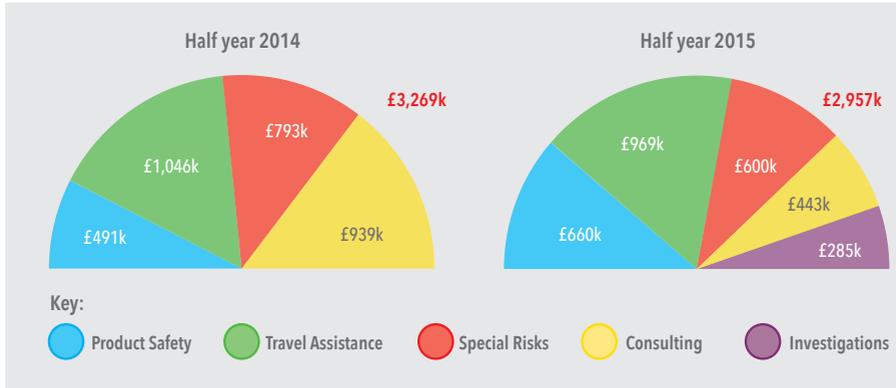
Product safety

Red24 Assist our product safety brand has had a busy half year and this is expected to accelerate in the second half year following the recruitment of a US product safety team to provide additional resource to US insurers and to provide capacity to service the business to business market there. In the summer we responded on a serious food contamination case for a manufacturer, not through an insured incident, and we believe there is significant opportunity in helping food businesses manage their product safety risks.

Investigations

The acquisition of RISQ Worldwide, which was completed on 1 July, has brought with it an improved geographic coverage to the group and an increase in our range of services. RISQ specialises in Employee Vetting and Business Investigations as well as supporting our consulting and response business. Both these specialisms had busy quarters, and there appears to be significant demand for our services from European companies investing in Asia, where we have been marketing these in conjunction with Allianz. RISQ moved to larger premises in May and have taken on additional staff to manage this work, benefiting from the increased working capital that the group can make available.

CHIEF EXECUTIVE'S REPORT



Results

The CRM represents a substantial investment and a relatively high fixed cost with the result that the gain or loss of a major contract makes a significant difference to our overall profitability. This half year is the first in over ten years where we have not had a contract with HSBC to underpin a significant part of this fixed cost and this has led to a short term dip in profitability.

Looking forward

The addition of RISQ, the addition of a new product safety team and the addition of Allianz as a major client offer significant growth opportunities to the group over the next two to three years and we are enthusiastic about the prospects for the business over that time horizon. We are confident that steps taken to mitigate the short term dip in revenue from the loss of the HSBC contract will result in a far stronger and more diversified group in the medium term.

Maldwyn Worsley-Tonks
Chief Executive

9 November 2015

KEY PERFORMANCE INDICATORS

The key performance indicators for the group are those that communicate the financial performance to shareholders and are summarised as follows:

Six month periods	2015 £'000	2014 £'000
Financial		
Revenue	2,957	3,269
Gross profit	2,164	2,302
Profit before tax	346	487
Available cash	2,877	2,421
Earnings per share (pence)	0.55p	0.81p
Dividend per share (pence)	0.25p	0.23p

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2015

	Note	Unaudited 6 months ended 30 September 2015 £'000	Unaudited 6 months ended 30 September 2014 £'000	Audited 12 months ended 31 March 2015 £'000
Continuing operations				
Revenue	4	2,957	3,269	5,947
Cost of sales		(793)	(967)	(1,529)
Gross Profit		2,164	2,302	4,418
Administrative expenses		(1,814)	(1,805)	(3,341)
Operating Profit		350	497	1,077
Net finance expense		(4)	(10)	(11)
Profit Before Taxation		346	487	1,066
Income tax expense	2	(81)	(93)	(178)
Profit for the Period				
Attributable to the owners of the parent	4	265	394	888
Earnings per share	3			
Basic		0.55p	0.81p	1.83p
Diluted		0.54p	0.80p	1.82p

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 30 September 2015 £'000	Unaudited 6 months ended 30 September 2014 £'000	Audited 12 months ended 31 March 2015 £'000
Profit for the period	265	394	888
Other comprehensive income for the period net of tax			
Revaluation of property	-	-	19
Currency translation differences	(102)	(18)	(3)
Total comprehensive income for the period net of tax	163	376	904

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 September 2015

Note	Unaudited 30 September 2015 £'000	Unaudited 30 September 2014 £'000	Audited 31 March 2015 £'000
Assets			
Non-Current Assets			
Intangible assets	5 1,429	351	432
Property, plant and equipment	660	713	756
Deferred tax asset	49	36	51
Trade and other receivables	4	8	6
	2,142	1,107	1,246
Current Assets			
Trade and other receivables	1,195	1,482	905
Cash and cash equivalents	2,877	2,421	3,418
	4,072	3,903	4,323
Assets held for sale	125	250	250
Total Assets	6,339	5,260	5,819
Capital and Reserves			
Called up share capital	490	490	490
Share premium account	224	224	224
Other reserves	(80)	(34)	(80)
Retained earnings	3,759	3,239	3,623
Valuation reserves	(83)	(15)	19
Equity Attributable to Owners of the Parent	4,310	3,904	4,276
Non-Current Liabilities			
Deferred tax liabilities	130	5	44
Other payables	393	-	-
Borrowings	174	220	215
	697	225	259
Current Liabilities			
Trade and other payables	1,153	992	1,180
Corporation tax	162	122	86
Borrowings	17	17	18
	1,332	1,131	1,284
Total Equity And Liabilities	6,339	5,260	5,819

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	£'000					Total
	Share capital	Share premium	Other reserves	Retained earnings	Valuation reserves	
Balance at 1 April 2015	490	224	(80)	3,623	19	4,276
Comprehensive income						
Profit for the period	-	-	-	265	-	265
Other comprehensive income	-	-	-	-	(102)	(102)
Total comprehensive income	-	-	-	265	(102)	163
Transactions with owners						
Dividends paid	-	-	-	(129)	-	(129)
Total transactions with owners	-	-	-	(129)	-	(129)
Balance at 30 September 2015	490	224	(80)	3,759	(83)	4,310

	£'000					Total
	Share capital	Share premium	Other reserves	Retained earnings	Valuation reserves	
Balance at 1 April 2014	490	224	54	2,936	3	3,707
Comprehensive income						
Profit for the period	-	-	-	394	-	394
Other comprehensive income	-	-	-	-	(18)	(18)
Total comprehensive income	-	-	-	394	(18)	376
Transactions with owners						
Dividends paid	-	-	-	(112)	-	(112)
Purchase of own shares	-	-	(71)	-	-	(71)
Share based payments	-	-	(17)	21	-	4
Total transactions with owners	-	-	(88)	(91)	-	(179)
Balance at 30 September 2014	490	224	(34)	3,239	(15)	3,904

	£'000					Total
	Share capital	Share premium	Other reserves	Retained earnings	Valuation reserves	
Balance at 1 April 2014	490	224	54	2,936	3	3,707
Comprehensive income						
Profit for the period	-	-	-	888	-	888
Other comprehensive income	-	-	-	-	16	16
Total comprehensive income	-	-	-	888	19	904
Transactions with owners						
Dividends paid	-	-	-	(222)	-	(222)
Purchase of own shares	-	-	(122)	-	-	(122)
Share based payments	-	-	(12)	21	-	9
Total transactions with owners	-	-	(134)	(201)	-	(335)
Balance at 31 March 2015	490	224	(80)	3,623	19	4,276

UNAUDITED CONSOLIDATED CASH FLOW

For the six months ended 30 September 2015

	Unaudited 6 months ended 30 September 2015 £'000	Unaudited 6 months ended 30 September 2014 £'000	Audited 12 months ended 31 March 2015 £'000
Operating activities			
Profit before tax	346	487	1,066
Adjustments for:			
Investment income	(7)	(2)	(13)
Finance costs	11	12	24
Depreciation & amortisation charges	93	34	99
Share based payments	-	4	9
Exchange losses	4	12	14
Income tax expense	(81)	(125)	(223)
(Increase)/decrease in receivables	(101)	(236)	355
(Decrease)/increase in payables	(464)	140	311
Net cash (outflow)/inflow from operating activities	(199)	326	1,642
Investing activities			
Interest received	7	2	13
Purchase of intangibles	(79)	(92)	(217)
Purchase of property, plant & equipment	(19)	(17)	(46)
Purchase of subsidiary net of cash acquired	(195)	-	-
Trade investment sale	125	122	122
Net cash (outflow)/inflow from investing activities	(161)	15	(128)
Financing activities			
Own shares purchased	-	(71)	(122)
Dividends paid	(129)	(112)	(222)
Interest paid	(11)	(12)	(24)
Bank loans repaid	(9)	(9)	(19)
Net cash outflow from financing activities	(149)	(204)	(387)
Net change in cash and cash equivalents	(509)	137	1,127
Cash and cash equivalents at beginning of period/year	3,418	2,303	2,303
Effect of foreign exchange rate changes	(32)	(19)	(12)
Cash and cash equivalents at end of period/year	2,877	2,421	3,418

NOTES TO THE UNAUDITED FINANCIAL INFORMATION:

1 Accounting policies

Basis of preparation

This report was approved by the directors on 9 November 2015.

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

The financial information for the six months ended 30 September 2015 is unaudited and does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2015 on which the auditors gave an audit report that was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2016 have been filed with the Registrar of Companies. The results for the year ended 31 March 2015 disclosed in this report are an abridged version of the company's audited financial statements. It does not constitute the Financial Statements for that period. Copies of the statutory accounts may be obtained from the Company and are also available on our website at www.red24.com

Principal accounting policies of the Group

This financial information has been prepared on the basis of the recognition and measurement requirements of IFRSs in issue that either are endorsed by the EU and effective (or available for early adoption) at 30 September 2015 are expected to be effective (or available for early adoption) at 31 March 2016. Based on these adopted and unadopted IFRSs, the directors have made assumptions about the accounting policies expected to be applied when the annual IFRS financial statements are prepared for the year ending 31 March 2016.

The adopted IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 March 2016 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for the annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 March 2016.

2 Taxation

The underlying tax charge is based on the expected effective tax rate for the full year to 31 March 2016.

NOTES TO THE UNAUDITED FINANCIAL INFORMATION CONTINUED:

3 Earnings per share

The earnings per share for the six months ended 30 September 2015 have been calculated based on the profit on ordinary activities after taxation divided by the weighted average number of shares in issue during the period.

	Unaudited 6 months ended 30 September 2015	Unaudited 6 months ended 30 September 2014	Audited 12 months ended 31 March 2015
Attributable profit for the period £'000	265	394	888
Weighted average number of shares in issue			
Basic earnings per share (millions)	47.933	48.433	48.478
Fully diluted earnings per share (millions)	48.667	49.954	49.913

4 Segmental Information

For management purposes the Group is now organised as a single unit and this is the basis on which the group now reports its management information to the group board.

The Group's operations are located in the United Kingdom, the United States and in the Republic of South Africa. The following tables provide an analysis of the Group's sales by location of customer, irrespective of the origin of the services, a geographical analysis of the location of segment assets and liabilities and an analysis of capital expenditure.

Geographical analysis	Unaudited 6 months ended 30 September 2015 £'000	Unaudited 6 months ended 30 September 2014 £'000	Audited 12 months ended 31 March 2015 £'000
Revenue			
United Kingdom	1,124	1,448	2,833
South Africa	10	10	37
Rest of Europe	232	189	472
United States of America	1,138	965	1,821
Rest of the World	453	657	784
	2,957	3,269	5,947

NOTES TO THE UNAUDITED FINANCIAL INFORMATION CONTINUED:

4 Segmental Information (continued)

Geographical analysis	Unaudited 6 months ended 30 September 2015 £'000	Unaudited 6 months ended 30 September 2014 £'000	Audited 12 months ended 31 March 2015 £'000
Assets			
United Kingdom	4,169	3,478	4,173
South Africa	1,540	1,757	1,629
Singapore	326	-	-
United States of America	23	25	18
	6,058	5,260	5,820
Liabilities			
United Kingdom	1,105	795	1,056
South Africa	444	557	465
Singapore	182	-	-
United States of America	17	4	22
	1,748	1,356	1,543
	Unaudited 6 months ended 30 September 2015 £'000	Unaudited 6 months ended 30 September 2014 £'000	Audited 12 months ended 31 March 2015 £'000
Capital expenditure			
<i>Intangibles</i>	79	92	217
<i>Property, plant & equipment</i>	19	17	46
	98	109	263
<i>Amortisation of intangibles</i>	71	20	64
<i>Depreciation</i>	22	14	35
	93	34	99

NOTES TO THE UNAUDITED FINANCIAL INFORMATION CONTINUED:

5 Acquisition/Business Combination

On 1 July 2015 the Company acquired 100% of RISQ Worldwide for an initial cash consideration of £259k and a deferred consideration of £371k depending on the future profit before tax of RISQ Worldwide.

The Group is still in the process of establishing the fair value of the assets and liabilities acquired but it is anticipated that the fair value of the consideration paid over the book value of the net assets acquired will comprise customer relationships, supply networks, IT systems and goodwill representing the value attributable to cross selling opportunities that are expected to arise and the trained workforce. The table below represents the provisional fair value of assets and liabilities of RISQ Worldwide at the date of acquisition.

	Provisional fair value at acquisition 1 July 2015 £'000
Intangible assets	484
Property, plant and equipment	13
Trade and other receivables	214
Cash and cash equivalents	64
Trade and other payables	(507)
Vendor loans	(135)
Deferred tax	(87)
Total fair value of assets acquired	56
Goodwill	584
Total consideration	630
Satisfied by:	
Cash consideration	259
Deferred consideration	371
Total consideration	630

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Copies of this half yearly financial report are available on the Company's website www.red24plc.com and printed copies will be available for at least one month from the Company's administrative offices at The Coach House, Bill Hill Park, Wokingham, Berkshire RG40 5QT.

