

A low-angle photograph of four business professionals (two men and two women) in a modern office setting, looking upwards and to the right. They are dressed in business attire. The background is a blurred, geometric structure of blue and white, suggesting a modern building or office interior. A semi-transparent grey horizontal band is overlaid across the middle of the image, containing the report title and logo. A solid red vertical bar is on the left side of the grey band.

## Half year report



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for the six months to 30 September 2010



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



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## CHAIRMAN'S STATEMENT

I am pleased to present our half year report showing continued profitability and further strengthening of our balance sheet. I am also particularly pleased to report a substantial increase in the dividend from 0.15p to 0.24p per share, which will be paid on 17 January 2011 to those shareholders on the register at 17 December 2010.

### Financial Overview

Overall revenue has increased by 33% to £2,479,000 from £1,866,000 and the profit before tax has increased by 31% to £302,000 from £231,000. In this half year both segments of the business have shown revenue growth in excess of 20%, which is pleasing and beyond our budget expectations.

The business continues to generate cash and for the first time we have a strategic cash reserve in the parent company which is available should the right acquisition opportunity present itself. Further, in line with our commitment to pursue a progressive dividend policy, the cash generation has enabled the Board to declare an increase in the dividend of 60%. The total cash cost of the dividend is £116,000 and this is five times covered by last years retained profits.

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

The results for the half year continue to be adversely affected by exchange rate movements. This is due to the fact that almost all of our revenue in is in dollars or sterling whereas 47% of our costs are incurred in rand, which has appreciated by 5% against the dollar and 1% against sterling during the half year, despite a significantly higher rate of inflation. The other impact of the downward trend of the dollar is that sales

Profit before tax increased by 31% to £320k (H1 2009: £231k)

Dividend increase of 60%

## CHAIRMAN'S STATEMENT

CONTINUED

### Financial Overview continued

invoiced in dollars tend to be worth less in local currency terms when payment is actually received, whether this is in the UK or South Africa. The impact of exchange rate movements on our results is complex and, whilst the Board believes that it is neither practicable nor desirable to fully hedge these risks, they are trialing a new system that aims to reduce their impact.

### red24™

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

Revenues for the red24 business segment grew by some 36% when compared with the same period last year. This year we have planned to more fully recover our central corporate costs through charges to the business segment. The charge to the red24 segment has increased by £84,000 in the half year and this has caused the reported segment profits to fall back to £302,000 from £360,000. The strength of the rand on the cost base also held back profitability.

Much of the growth in revenues in the half year has come from the additional services provided to writers of special risk insurance business. Although these clients are US insurers we actually invoice their UK operations and so these are included in the UK sales line in the geographic analysis of sales, and these contracts are responsible for 75% of the increase in UK sales. We continue to recruit additional staff in these fields and believe there is the opportunity to win more business in this area.

Our travel tracker product continues to win new clients and is responsible for most of the rest of the increase in UK sales with seven major corporations taking the product in the last six months. Welcome as this broadening of our customer base is, we continue to work very closely with our key distribution channels – HSBC and Chartis, to develop more business with them. red24 inc, our US subsidiary, has received a licence to trade in both Washington DC and New York, and we believe this will assist with servicing our US customers.

Growth in customer base leads to 35% increase (2009: 30%) in red24 segment revenues

## CHAIRMAN'S STATEMENT

CONTINUED

### Training

Training revenues have risen by 21% in the half year and profit has increased from £14,000 to £45,000. This has been most encouraging and one of our training courses in July attracted a record number of delegates so that two courses had to be run in parallel. The affects of the squeeze on training budgets, evident in the downturn, appears to have passed, at least for the moment.

In the first quarter Arc Training received government recognition as an approved training provider, which should make it easier for overseas students to obtain visas, which has been an issue in the past. At the same time, overseas work continues to grow and prospects for the second half appear encouraging. Although we have been unable to recruit suitable full time trainers we have managed to find sufficient suitable specialist trainers to continue to develop our range of courses.

### Outlook and risks

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

The Board continues to be encouraged by the solid progress of the business and the strength of the balance sheet.

**Simon Richards**  
Chairman

4 November 2010

July training  
course attracts  
a record number  
of delegates

## UNAUDITED CONSOLIDATED INCOME STATEMENT

|                               | 6 months ended<br>30 September<br>2010<br>£'000 | 6 months ended<br>30 September<br>2009<br>£'000 | 12 months ended<br>31 March<br>2010<br>£'000 |
|-------------------------------|---|---|--|
| <b>Revenue</b>                | 2,479   | 1,866   | 4,288  |
| Cost of sales                 | (551)   | (336)   | (926)  |
| <b>Gross profit</b>           | 1,928   | 1,530   | 3,362  |
| Administration expense        | (1,625)   | (1,283)   | (2,705)                                      |
| <b>Operating profit</b>       | 303   | 247   | 657  |
| Net finance expense           | (1)   | (16)  | (29)   |
| <b>Profit before taxation</b> | 302   | 231   | 628  |
| Income tax expense            | (31)  | (40)  | 9  |
| <b>Profit for the period</b>  | 271   | 191   | 637  |
| Earnings per share            |   |   |  |
| Basic                         | 0.57p   | 0.43p   | 1.43p  |
| Diluted                       | 0.56p   | 0.43p   | 1.40p  |

## UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

|   | 6 months ended<br>30 September<br>2010<br>£'000 | 6 months ended<br>30 September<br>2009<br>£'000 | 12 months ended<br>31 March<br>2010<br>£'000 |
|---|---|---|--|
| Profit for the period                                   | 271   | 191   | 637  |
| Other comprehensive income for<br>the period net of tax |   |   |  |
| Currency translation differences                        | 12  | (30)  | 6  |
| Total comprehensive income for<br>the period net of tax | 283   | 161   | 643  |

## UNAUDITED CONSOLIDATED BALANCE SHEET

|  | 30 September<br>2010<br>£'000 | 30 September<br>2009<br>£'000 | 31 March<br>2010<br>£'000 |
|--|-------------------------------|-------------------------------|---------------------------|
| <b>Assets</b>  |                               |                               |                           |
| <b>Non-current assets</b>                                  |                               |                               |                           |
| Intangible assets  | 276                           | 276                           | 273                       |
| Property, plant and equipment                              | 77                            | 49                            | 73                        |
| Deferred tax asset   | 132                           | 106                           | 163                       |
| Trade and other receivables                                | 31                            | –                             | 36                        |
|  | 516                           | 431                           | 545                       |
| <b>Current assets</b>                                      |                               |                               |                           |
| Trade and other receivables                                | 941                           | 691                           | 946                       |
| Cash and cash equivalents                                  | 1,126                         | 474                           | 968                       |
|  | 2,067                         | 1,165                         | 1,914                     |
| <b>Total assets</b>  | 2,583                         | 1,596                         | 2,459                     |
| <b>Capital and reserves</b>                                |                               |                               |                           |
| Called up share capital                                    | 484                           | 444                           | 472                       |
| Share premium account                                      | 160                           | –                             | 115                       |
| Other reserves   | 45                            | 46                            | 45                        |
| Retained earnings  | 824                           | 168                           | 553                       |
| Translation reserve  | 80                            | 32                            | 68                        |
| <b>Equity attributable to equity holders of the parent</b> | 1,593                         | 690                           | 1,253                     |
| <b>Current liabilities</b>                                 |                               |                               |                           |
| Trade and other payables                                   | 989                           | 741                           | 1,177                     |
| Borrowings   | 1                             | 146                           | 19                        |
|  | 990                           | 887                           | 1,196                     |
| <b>Non-current liabilities</b>                             |                               |                               |                           |
| Borrowings   | –                             | 19                            | 10                        |
|  | –                             | 19                            | 10                        |
| <b>Total equity and liabilities</b>                        | 2,583                         | 1,596                         | 2,459                     |

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

|                                  | £'000         |               |               |                   |                     |       |
|----------------------------------|---------------|---------------|---------------|-------------------|---------------------|-------|
|                                  | Share capital | Share premium | Other reserve | Retained earnings | Translation reserve | Total |
| Balance at 1 April 2009          | 444           | –             | 46            | (23)              | 62                  | 529   |
| Comprehensive income             |               |               |               |                   |                     |       |
| Profit for the period            | –             | –             | –             | 191               | –                   | 191   |
| Currency translation differences | –             | –             | –             | –                 | (30)                | (30)  |
| Total comprehensive income       | –             | –             | –             | 191               | (30)                | 161   |
| Balance at 30 September 2009     | 444           | –             | 46            | 168               | 32                  | 690   |



## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONTINUED

|  | £'000         |               |               |                   |                     |       |
|--|---------------|---------------|---------------|-------------------|---------------------|-------|
|  | Share capital | Share premium | Other reserve | Retained earnings | Translation reserve | Total |
| Balance at 1 April 2009                  | 444           | –             | 46            | (23)              | 62                  | 529   |
| Comprehensive income                     |               |               |               |                   |                     |       |
| Profit for the period                    | –             | –             | –             | 637               | –                   | 637   |
| Currency translation differences         | –             | –             | –             | –                 | 6                   | 6     |
| Total comprehensive income               | –             | –             | –             | 637               | 6                   | 643   |
| Transactions with owners                 |               |               |               |                   |                     |       |
| Proceeds of issue of shares and warrants | 28            | 115           | (6)           | 6                 | –                   | 143   |
| Dividend paid                            | –             | –             | –             | (67)              | –                   | (67)  |
| Share based payments                     | –             | –             | 5             | –                 | –                   | 5     |
| Total transactions with owners           | 28            | 115           | (1)           | (61)              | –                   | 81    |
| Balance at 31 March 2010                 | 472           | 115           | 45            | 553               | 68                  | 1,253 |

## UNAUDITED CONSOLIDATED CASH FLOW

|  | 6 months ended<br>30 September<br>2010<br>£'000 | 6 months ended<br>30 September<br>2009<br>£'000 | 12 months ended<br>31 March<br>2010<br>£'000 |
|--|---|---|--|
| <b>Operating activities</b>                                |   |   |  |
| Profit before tax  | 302   | 231   | 628  |
| Adjustments for:   |   |   |  |
| Investment income  | (1)   | (2)   | (4)  |
| Finance costs  | 2   | 18  | 32   |
| Depreciation & amortisation charges                        | 28  | 20  | 44   |
| Share based payments                                       | –   | –   | 5  |
| Exchange losses/(gains)                                    | 12  | (30)  | 6  |
| Decrease/(increase) in receivables                         | 9   | (263)   | (556)  |
| Decrease/(increase) in payables                            | (185)   | (23)  | 393  |
| <b>Net cash inflow/(outflow) from operating activities</b> | <b>167</b>                                      | <b>(49)</b>                                     | <b>548</b>                                   |
| <b>Investing activities</b>                                |   |   |  |
| Interest received  | 1   | 2   | 4  |
| Purchase of intangibles                                    | (8)   | –   | (2)  |
| Purchase of property, plant & equipment                    | (27)  | (5)   | (37)   |
| <b>Net cash outflow from investing activities</b>          | <b>(34)</b>                                     | <b>(3)</b>                                      | <b>(35)</b>                                  |
| <b>Financing activities</b>                                |   |   |  |
| Dividend paid  | –   | –   | (67)   |
| Interest paid  | (2)   | (18)  | (47)   |
| Repayment of finance leases                                | (8)   | (3)   | (9)  |
| Issue of ordinary share capital                            | 57  | –   | 143  |
| Repayment of bank loans                                    | (21)  | (5)   | (10)   |
| Repayment of loan notes                                    | –   | (125)   | (250)  |
| <b>Net cash inflow/(outflow) from financing activities</b> | <b>26</b>                                       | <b>(151)</b>                                    | <b>(240)</b>                                 |
| <b>Net change in cash and cash equivalents</b>             | <b>159</b>                                      | <b>(203)</b>                                    | <b>273</b>                                   |
| Cash and cash equivalents at beginning of period/year      | 968   | 626   | 626  |
| Effect of foreign exchange rate changes                    | (1)   | 51  | 69   |
| Cash and cash equivalents at end of period/year            | 1,126   | 474   | 968  |

# NOTES TO THE UNAUDITED FINANCIAL INFORMATION

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## 1. Accounting policies

### **Basis of preparation**

This report was approved by the directors on 4 November 2010.

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

The accounting policies applied in this unaudited interim financial information are those that the Group expects to apply in the annual financial statements for the year ended 31 March 2011, which will be prepared in accordance with IFRS, and those parts of the Companies Act 2006 that remain applicable to companies reporting under IFRS.

The financial information for the six months ended 30 September 2010 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 2010 have been filed with the Registrar of Companies and contain a report from the auditors that is unqualified. The results for the year ended 31 March 2010 disclosed in this report are an abridged version of the company's audited financial statements. It does not constitute the Financial Statements for that period. Copies of the statutory accounts may be obtained from the Company or Seymour Pierce Limited.

# NOTES TO THE UNAUDITED FINANCIAL INFORMATION

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## 1. Accounting policies continued

### 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 2010 or are expected to be effective (or available for early adoption) at 31 March 2011. 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 2011.

The adopted IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 March 2011 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 2011.

## 2. Earnings per share

The earnings per share for the six months ended 30 September 2010 have been calculated based on the profit on ordinary activities after taxation divided by the weighted average number of shares in issue during the period.

## 3. Segmental Information

For management purposes the group is currently organised into two divisions – red24 and Training. These divisions are the basis on which the group reports its management information to the group board. The red24 segment provides preventative and reactive advice to customers across the globe, whilst the Training segment provides training in security management both in the UK and overseas.

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

CONTINUED

### 3. Segmental Information continued

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

| Business type                     | 6 months ended<br>30 September<br>2010<br>£'000<br>(unaudited) | 6 months ended<br>30 September<br>2009<br>£'000<br>(unaudited) | 12 months ended<br>31 March<br>2010<br>£'000 |
|-----------------------------------|--|--|--|
| <b>Revenue</b>                    |  |  |  |
| Red24                             | 2,035  | 1,498  | 3,586  |
| Training                          | 444  | 368  | 702  |
|                                   | 2,479  | 1,866  | 4,288  |
| <b>Segment result</b>             |  |  |  |
| Red24                             | 302  | 360  | 789  |
| Training                          | 45   | 14   | 28   |
|                                   | 347  | 374  | 817  |
| Unallocated corporate costs       | (44)   | (127)  | (160)  |
| Operating profit                  | 303  | 247  | 657  |
| <b>Segment assets</b>             |  |  |  |
| Red24                             | 1,717  | 1,153  | 1,798  |
| Training                          | 419  | 277  | 269  |
|                                   | 2,136  | 1,430  | 2,067  |
| Unallocated corporate assets      | 315  | 60   | 229  |
| Deferred tax assets               | 132  | 106  | 163  |
| Total assets                      | 2,583  | 1,596  | 2,459  |
| <b>Segment liabilities</b>        |  |  |  |
| Red24                             | 570  | 458  | 836  |
| Training                          | 377  | 240  | 256  |
|                                   | 947  | 698  | 1,092  |
| Unallocated corporate liabilities | 42   | 43   | 85   |
| Borrowings                        | 1  | 165  | 29   |
| Total liabilities                 | 990  | 906  | 1,206  |

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

CONTINUED

### 3. Segmental Information continued

| Business type                          | 6 months ended<br>30 September<br>2010<br>£'000<br>(unaudited) | 6 months ended<br>30 September<br>2009<br>£'000<br>(unaudited) | 12 months ended<br>31 March<br>2010<br>£'000 |
|--|--|--|--|
| <b>Capital expenditure</b>             |  |  |  |
| <b>Intangibles</b>                     |  |  |  |
| Red24                                  | 5  | –  | 2  |
| Training                               | 3  | –  | –  |
|  | 8  | –  | 2  |
| <b>Property, plant &amp; equipment</b> |  |  |  |
| Red24                                  | 27   | 5  | 34   |
| Training                               | –  | –  | 3  |
|  | 27   | 5  | 37   |
|  | 35   | 5  | 39   |
| <b>Amortisation of intangibles</b>     |  |  |  |
| Red24                                  | 4  | 3  | 6  |
| Training                               | 1  | 1  | 2  |
|  | 5  | 4  | 8  |
| <b>Depreciation</b>                    |  |  |  |
| Red24                                  | 22   | 15   | 33   |
| Training                               | 1  | 1  | 3  |
|  | 23   | 16   | 36   |

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.

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

CONTINUED

### 3. Segmental Information continued

|                       | 6 months ended<br>30 September<br>2010<br>£'000<br>(unaudited) | 6 months ended<br>30 September<br>2009<br>£'000<br>(unaudited) | 12 months ended<br>31 March<br>2010<br>£'000 |
|-----------------------|--|--|--|
| Geographical analysis |  |  |  |
| <b>Revenue</b>        |  |  |  |
| United Kingdom        | 1,701  | 1,315  | 2,190  |
| South Africa          | 17   | 14   | 33   |
| Europe                | 10   | 3  | 112  |
| United States         | 585  | 464  | 1,666  |
| Rest of the World     | 166  | 70   | 287  |
|                       | 2,479  | 1,866  | 4,288  |

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



red24 London Office

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