



# red24plc Half Year Report

for the six months to 30 September 2013



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red24 Cape Town and red24 London - composite view

## OVERVIEW

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Red24 plc (“red 24” or the “Group”) is pleased to announce its unaudited results for the half year to 30 September 2013.

### Highlights

- Revenue from continuing operations increased by 17% to £3.22 million (H1 2012: £2.75 million).
- Profit before tax from continuing operations increased by 12% to £457k (H1 2012: £409k).
- Interim Dividend of 0.22p, a 10% increase on final dividend last year.
- New contract wins in accident and healthcare, including renewal of the AIG contract for three years to March 2016.
- Acquisition of a 25% stake in an enlarged training business - Linx International Limited (“Linx”) following the sale of Arc Training International Ltd (“Arc”) to Linx. The merged training businesses are performing ahead of expectations.

## CHAIRMAN'S STATEMENT

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### Introduction

I am pleased to present our half year report, which shows continued growth in our profitability and a further strengthening of our balance sheet. I am also pleased to announce an interim dividend of 0.22p which will be paid on 18 February 2014 to those shareholders on the register at 24 January 2014. This continues our move to a twice yearly dividend payment and we would anticipate that the total full year dividend payment will be no less than 10% more than in the previous year.

These results do not include any share of the results of Linx for the two months to 30 September. Linx have adopted 31 January as their financial year end and it is the Board's intention to treat Linx as an associate company and to bring in our share of their results in our second half year. This will reflect the activity of the merged training businesses, which we expect to exceed that originally budgeted for in the second half year, had we retained full ownership of Arc.

### Financial Overview

Overall revenue from continuing operations has increased by over 17% to £3,220,000 from £2,751,000 and profit before tax has increased by 11.7% to £457,000 from £409,000.

Recurring venue from our underlying base of non-response work has grown by 3%. In addition the broader client base has led to a higher than expected level of response work which accounts for the rest of the growth in revenue. This will not necessarily be the case for the year as a whole.

We are incurring a modest net finance cost this year. This follows the acquisition of the freehold of our Crisis Response Management Centre in Cape Town and the finance cost arises from the locally funded associated borrowings. Earnings per share are unchanged as the tax charge for the half year is higher than anticipated as more profit has been generated in South Africa and the United States where the rate of corporate taxes is higher than in the UK.

## CHAIRMAN'S STATEMENT

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On 31 July 2013 we exchanged our shareholding in Arc for a 25% stake in Linx, who own Perpetuity Training Ltd, Arc's principal UK competitor. This allows the group to benefit from the creation of a truly global leader in security management training as well as from a share in a highly regarded consultancy business.

Although the exchange of shares did not involve an outflow of cash, other than fees, Arc's balance sheet at completion included £270,000 of cash and, after allowing for this, the first half has been a better cash generating period with the result that growth has not required further investment in working capital.

### Business model

The red24 business model has been developed to provide organisations and individuals with comprehensive risk management assistance from highly qualified specialists, 24 hours a day.

Assistance is provided on an escalating basis as threats develop:



Clients can select the level of assistance they wish to embed in their own product and the level they wish to buy in on an ad hoc basis. This approach has enabled us to sustain margins as the business has expanded and has led to opportunities to utilise the model to develop other services.

## CHAIRMAN'S STATEMENT

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### Security Assistance

Our global assistance product provides preventative and reactive advice to help individuals and businesses avoid and manage personal risks to themselves, their staff and their families.

Revenues for this segment show a 15% increase when compared with the same period last year, largely due to the higher than anticipated level of response work referred to earlier. Segment profits rose to £685k compared to £541k last year.

We enjoy a high degree of forward visibility as revenues are generally fixed for the life of the contract and the major cause of variation in profit is the level of additional response services required by clients. This gives a very clear idea of future income. In March 2013 we announced that our contract with HSBC had been extended until 2017 and, in this half year we are pleased to announce that another major client, AIG, have renewed their contract for three years until 2016.

In recent years we have endeavoured to move away from any exclusive arrangements in particular markets. One favourable consequence has been that we have won a contract to supply our information service to a second major accident and healthcare provider in North America which should add 5% or so to segment revenues in a full year.

### Business Support

red24 Assist, our product safety business, now makes up almost the whole of this segment, which also includes our cyber crime product and our environmental service. In the past over half the segment revenues came from training services, but these have been treated as discontinued activities following the sale of that business to Linx.

## CHAIRMAN'S STATEMENT

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This business has grown by 27% to produce revenues of £549k as against £432k in the same period last year. The product has met a need in the market place and is now being used by nine underwriters of product contamination insurance. We expect revenues to continue to grow, albeit more modestly, as support and response work follows on from the initial advisory work. Profit from the segment has fallen back slightly as there has been further investment in people and marketing but this should show benefits in the medium term and should help to ensure that our service remains the leading offering in the market.

In the past over half the segment revenues came from training services, but these have been treated as discontinued activities following the sale of that business to Linx.

### **Outlook and risks**

Clearly the economic environment remains unsettled and further turmoil in the months ahead cannot be excluded. The impact on red24 of governmental budgetary cutbacks in the UK is unlikely to be material, but the outlook for the US dollar is an external economic factor that a decline in the dollar relative to sterling could have a negative impact. Nonetheless, the business continues to perform steadily and the Board considers that the appraisal of key risks and uncertainties contained in the full year report remains valid.

### **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. We are delighted to welcome David Gill, the Chairman and principal shareholder in Linx, to our Board following the exchange of shares.

**Simon Richards**

**Chairman**

14 November 2013

## UNAUDITED CONSOLIDATED INCOME STATEMENT

	6 months ended 30 September 2013 £'000	6 months ended 30 September 2012 £'000	12 months ended 31 March 2013 £'000
<i>Continuing operations</i>			
<b>Revenue</b>	3,220	2,751	5,355
Cost of sales	(810)	(624)	(1,101)
<b>Gross Profit</b>	2,410	2,127	4,254
Administration expense	(1,938)	(1,719)	(3,388)
<b>Operating Profit</b>	472	408	866
Net finance (expense)/income	(15)	1	(1)
<b>Profit Before Taxation</b>	457	409	865
Income tax expense	(107)	(66)	(166)
Profit for the period from continuing operations	350	343	699
<i>Discontinued operations</i>			
Profit from discontinued operations	16	24	58
<b>Profit for the Period</b>			
attributable to the owners of the parent	366	367	757
<b>Earnings per share</b>			
<i>From continuing operations</i>			
Basic	0.71p	0.70p	1.43p
Diluted	0.71p	0.70p	1.42p
<i>From continuing and discontinued operations</i>			
Basic	0.75p	0.75p	1.55p
Diluted	0.74p	0.75p	1.54p

## UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 September 2013 £'000	6 months ended 30 September 2012 £'000	12 months ended 31 March 2013 £'000
Profit for the period	366	367	757
<i>Other comprehensive income for the period net of tax</i>			
Currency translation differences	(32)	(17)	(11)
Total comprehensive income for the period net of tax	334	350	746

## UNAUDITED CONSOLIDATED BALANCE SHEET

	30 September 2013 £'000	30 September 2012 £'000	31 March 2013 £'000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Intangible assets	214	336	349
Property, plant and equipment	772	87	887
Interest in associates	258	-	-
Deferred tax asset	36	99	55
Trade and other receivables	28	67	41
	1,308	589	1,332
<b>Current Assets</b>			
Trade and other receivables	1,721	1,704	1,827
Cash and cash equivalents	1,840	2,109	2,049
	3,561	3,813	3,876
<b>Total Assets</b>	4,869	4,402	5,208
<b>Capital and Reserves</b>			
Called up share capital	490	490	490
Share premium account	224	224	224
Other reserves	49	49	53
Retained earnings	2,592	2,122	2,316
Translation reserve	28	54	60
<b>Equity Attributable to Owners of the Parent</b>	3,383	2,939	3,143
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	1	2	1
Borrowings	314	-	391
	315	2	392
<b>Current Liabilities</b>			
Trade and other payables	1,029	1,339	1,531
Corporation tax	114	122	114
Borrowings	28	-	28
	1,171	1,461	1,673
<b>Total Equity And Liabilities</b>	4,869	4,402	5,208

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	£'000					Total
	Share capital	Share premium	Other reserve	Retained earnings	Translation reserve	
Balance at 1 April 2013	490	224	53	2,316	60	3,143
<i>Comprehensive income</i>						
Profit for the period	-	-	-	366	-	366
Currency translation differences	-	-	-	-	(32)	(32)
Total comprehensive income	-	-	-	366	(32)	334
<i>Transactions with owners</i>						
Dividend paid	-	-	-	(98)	-	(98)
Adjustment to earlier share based payments	-	-	(8)	8	-	-
Share based payments	-	-	4	-	-	4
Total transactions with owners	-	-	(4)	(90)	-	(94)
Balance at 30 September 2013	490	224	49	2,592	28	3,383

	£'000					Total
	Share capital	Share premium	Other reserve	Retained earnings	Translation reserve	
Balance at 1 April 2012	487	194	44	1,755	71	2,551
<i>Comprehensive income</i>						
Profit for the period	-	-	-	367	-	367
Currency translation differences	-	-	-	-	(17)	(17)
Total comprehensive income	-	-	-	367	(17)	350
<i>Transactions with owners</i>						
Share based payments	-	-	5	-	-	5
Proceeds of issue of shares and warrants	3	30	-	-	-	33
Total transactions with owners	3	30	5	-	-	38
Balance at 30 September 2012	490	224	49	2,122	54	2,939

	£'000					Total
	Share capital	Share premium	Other reserve	Retained earnings	Translation reserve	
Balance at 1 April 2012	487	194	44	1,755	71	2,551
<i>Comprehensive income</i>						
Profit for the period	-	-	-	757	-	757
Currency translation differences	-	-	-	-	(11)	(11)
Total comprehensive income	-	-	-	757	(11)	746
<i>Transactions with owners</i>						
Proceeds of issue of shares and warrants	3	30	-	-	-	33
Dividend paid	-	-	-	(196)	-	(196)
Share based payments	-	-	9	-	-	9
Total transactions with owners	3	30	9	(196)	-	(154)
Balance at 31 March 2013	490	224	53	2,316	60	3,143

## UNAUDITED CONSOLIDATED CASH FLOW

	6 months ended 30 September 2013 £'000	6 months ended 30 September 2012 £'000	12 months ended 31 March 2013 £'000
<b>Operating activities</b>			
Profit before tax including discontinued operations	453	440	940
Adjustments for:			
Investment income	(1)	(1)	(5)
Finance costs	16	-	6
Depreciation & amortisation charges	37	35	71
Share based payments	4	5	9
Exchange losses	21	12	6
Income tax expense	(101)	(5)	(80)
Working capital released from discontinued activity	163	-	-
Decrease/(increase) in receivables	17	(344)	(449)
(Decrease)/increase in payables	(317)	(70)	150
<b>Net cash inflow from operating activities</b>	292	72	648
<b>Investing activities</b>			
Interest received	1	1	5
Purchase of intangibles	(16)	(19)	(50)
Purchase of property, plant & equipment	(44)	(34)	(852)
Investment in associate	(5)	-	-
Cash disposed on sale of subsidiary	(270)	-	-
<b>Net cash outflow from investing activities</b>	(334)	(52)	(897)
<b>Financing activities</b>			
Dividend paid	(98)	-	(196)
Interest paid	(16)	-	(6)
Issue of ordinary share capital	-	33	32
Bank loans (repaid)/drawn	(13)	-	418
<b>Net cash inflow/(outflow) from financing activities</b>	(127)	33	248
<b>Net change in cash and cash equivalents</b>	(169)	53	(1)
Cash and cash equivalents at beginning of period/year	2,049	2,070	2,070
Effect of foreign exchange rate changes	(40)	(14)	(21)
Cash and cash equivalents at end of period/year	1,840	2,109	2,049

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION:

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### 1 Accounting policies

#### **Basis of preparation**

This report was approved by the directors on 14 November 2013.

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 2014, 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 2013 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 2013 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 2013 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](http://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 2013 or are expected to be effective (or available for early adoption) at 31 March 2014. 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 2014.

The adopted IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 March 2014 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 2014.

### 2 Earnings per share

The earnings per share for the six months ended 30 September 2013 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.

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NOTES TO THE UNAUDITED FINANCIAL INFORMATION CONTINUED:

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### 3 Segmental Information

For management purposes the Group is currently organised into two divisions – Security Assistance and Business Support. These divisions are the basis on which the group reports its management information to the group board. Security Assistance provides preventative and reactive security advice to customers across the globe, whilst Business Support provides advice on safety in relation to food and other products and environmental advice.

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

Business type	6 months ended 30 September 2013 £'000 (unaudited)	6 months ended 30 September 2012 £'000 (unaudited)	12 months ended 31 March 2013 £'000
<b>Continuing activities</b>			
<b>Revenue</b>			
Security assistance	2,671	2,319	4,402
Business support	549	432	954
	3,220	2,751	5,356
<b>Segment result</b>			
Security assistance	685	541	1,185
Business support	126	141	285
	811	682	1,470
Corporate costs	(339)	(274)	(604)
Operating profit	472	408	866
<b>Segment assets</b>			
Security assistance	3,520	2,739	3,743
Business support	295	737	602
	3,815	3,476	4,345
Unallocated corporate assets	1,018	827	807
Deferred tax assets	36	99	56
Total assets	4,869	4,402	5,208
<b>Segment liabilities</b>			
Security assistance	1,390	960	1,492
Business support	20	447	435
	1,410	1,407	1,927
Unallocated corporate liabilities	77	56	138
Total liabilities	1,487	1,463	2,065

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION CONTINUED:**
**3 Segmental Information (continued)**

Business type	6 months ended 30 September 2013 £'000 (unaudited)	6 months ended 30 September 2012 £'000 (unaudited)	12 months ended 31 March 2013 £'000
<b>Capital expenditure</b>			
<i>Intangibles</i>			
Security assistance	13	19	47
Business support	3	-	3
	16	19	50
<i>Property, plant &amp; equipment</i>			
Security assistance	41	29	848
Business support	3	5	5
	44	34	853
	60	53	903
<i>Amortisation of intangibles</i>			
Security assistance	5	4	7
Business support	14	14	29
	19	18	36
<i>Depreciation</i>			
Security assistance	16	15	31
Business support	2	2	4
	18	17	35

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

Geographical analysis	6 months ended 30 September 2013 £'000 (unaudited)	6 months ended 30 September 2012 £'000 (unaudited)	12 months ended 31 March 2013 £'000
<b>Continuing activities</b>			
<b>Revenue</b>			
United Kingdom	1,475	1,765	3,420
South Africa	49	7	26
Rest of Europe	648	61	27
United States of America	987	855	1,605
Rest of the World	61	63	277
	3,220	2,751	5,355

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NOTES TO THE UNAUDITED FINANCIAL INFORMATION CONTINUED:

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#### 4 Discontinued activity

On 31 July the group entered into a sale and purchase agreement to dispose of Arc Training International Ltd, which carried out the group's training business. In exchange the group received shares in Linx International Ltd equivalent to a 25% stake in that enlarged group, which will be treated as an associate company. The Board believes that this new arrangement will facilitate the training business reaching its full potential in a way that will benefit shareholders. Completion took place on 31 July.

The results of the discontinued operation, which have been included in the consolidated income statement, were as follows:

	6 months ended 30 September 2013 £'000 (unaudited)	6 months ended 30 September 2012 £'000 (unaudited)	12 months ended 31 March 2013 £'000
Revenue	328	584	1,148
Cost of Sales	(150)	(298)	(568)
Gross profit	178	286	580
Expenses	(182)	(255)	(506)
(Loss)/profit before tax	(4)	31	74
Tax expense	-	(7)	(16)
(Loss)/profit from discontinued operations	(4)	24	58
Profit on disposal of discontinued operations	20	-	-
Profit attributable to discontinued operations	16	24	58

No tax charge arises on the disposal of the discontinued operation.

The results of the Associate since acquisition are immaterial to the group and have not been included in the half yearly results.

5 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.

