



red24 plc

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2007



Awareness of red24 has grown significantly in the last year and our personnel appear regularly on Sky News, Fox and the BBC to comment on security related topics. The demand for our services, as shown from our distribution partners across four continents, underlies the fact that our focus on personal security assistance is a message that resonates across cultures, languages and borders.



Simon Richards

Chairman, red24 plc

red24 plc

(formerly ARC Risk Management Group plc)

Report and Financial Statements

For the year ended 31 March 2007

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(formerly ARC Risk Management Group plc)

**REPORT AND
FINANCIAL STATEMENTS**

**For the year ended
31 March 2007**

Company Registration No. SC086069

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DIRECTORS AND ADVISERS

Directors:

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

Secretary:

J E A Mocatta, MA FCA

Registered Office:

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274 Sauchiehall Street
Glasgow G2 3EH

Administrative Office:

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Nominated Adviser and Broker:

HB Corporate Limited
40 Marsh Wall
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E14 9TP

Bankers:

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Registrars:

Capita Registrars
The Registry
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Beckenham
Kent BR3 4TU

Solicitors:

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

Auditors:

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 2007.

Change of name

On 8 March 2007 shareholders approved a change of name to red24 plc, a reflection of the growing importance of this family of products to our business.

Financial overview

Turnover demonstrated a healthy 39 percent year on year growth to £2,786,393, while the loss before tax of £352,804 compares favourably with the loss of £700,045 in the previous financial year (as restated). Although this improvement is welcome it falls below the targets we set ourselves for the year of reaching a cash flow breakeven. However, although we have incurred an outflow before financing of £249,740, this was a reduction in the outflow, on the previous year's, of £418,003.

In the previous year we had been able to raise £320,000 of new equity but, whilst the share price remains below par, this outflow has had to continue to be funded by debt which carries an interest burden and has slowed the achievement of profitability. The Board consider that a share price below par does not reflect the very significant progress that the business has made in the last two years and whilst a reduction in the par value remains an option, the Board do not consider that such a course would be in the best interests of those shareholders who have supported us from the outset. As a result any fundraising plans for the current financial year will have to remain flexible. However, they do include the extension of the life of the debt instrument to March 2009.

red24

red24 is a global security service providing preventative and reactive advice to help individuals avoid and manage personal risks to themselves and their families. In June 2005 we entered into an agreement with HSBC Bank plc to incorporate red24's personal security service as part of HSBC's Premier banking offering and ID imposter into their HSBC Plus banking offering. red24 is very pleased to have been part of a very successful account for HSBC and the total number of their customers with red24 is now well over 700,000. We believe this proves the value of red24 as a product differentiator when included, on a mandatory basis, in financial service products.

Awareness of red24 has grown significantly in the last year and our personnel appear regularly on Sky News, Fox and the BBC to comment on security related topics. The demand for our services, as shown from our distribution partners across four continents, underlies the fact that our focus on personal security assistance is a message that resonates across cultures, languages and borders. Our experience of working in challenging cultural environments around the world in the past three years has given us a better understanding of how quickly our services can reach the market in various regulatory environments. By the end of the financial year we had established contractual commitments in the UK, Japan, Korea, Singapore and the USA and in the next financial year we expect a continuation of this growth.

In the interim statements I spoke of our new distribution agreement with AIG International Services which is for five years and provides a significant regular cash flow to the Group. I am pleased to report that utilisation of this service is growing steadily and contributed over \$300,000 in the present year. Korean and Chinese language websites have been developed for AIG customers and we are confident that revenues from the Far East will continue to grow. To help service this we have opened, at modest expense, an office in Tokyo to facilitate any responses that may be required in that region.

Other high profile new customers have started to take products from us in recent months – Hogg Robinson Group, Ace Insurance and the International Air Passengers Association to name three. As yet the revenues from these sources do not compensate for the loss of business from Hiscox which I reported in the interims.

Increasingly we are finding that red24 responses, and indeed our training courses, lead to consultancy work – very rarely is it the other way round – and so we have decided to integrate our consulting business within the red24 response framework, offering security consulting as an ancillary service to our core products. This reduces costs and helps to ensure that all our work is of a consistently high standard.

Training

Our training business is the recognised leader in security management training and is at the forefront in driving forward qualifications and standards in the security business sector. Clients include all of the five largest UK multinational companies and seven out of the top ten corporations in the world (Fortune 500).

Financially it was a year of two contrasting halves. In the first half revenues rose by 30 percent but recruiting the right staff proved difficult. In the second half we were successful in attracting an additional trainer but the one-off courses, that so buoyed second half revenues last year, did not materialise, and, as a result revenues for the year as a whole were only up 10 percent and profitability fell. This is the second significant factor holding back our progress in the second half of the year.

The more positive news is that an additional trainer has enabled us to increase the number of courses we can offer in the rest of 2007, particularly to meet demand for the Security Management courses that are accredited by Middlesex University. This should lead to increased revenues and margins with little additional overhead. All of our courses are accredited by Skills for Security, the UK skills and standards body for the security business sector.

Outlook

red24 is strongly positioned as a leading provider of security risk management services to meet the growing requirement for greater protection for those travelling, whether on business or for pleasure. We have invested heavily to ensure that our service levels are at the standard required from our distribution partners and have the systems in place to cater for a much greater level of call handling and response to our members' needs. This gives us considerable scope for substantial growth without a proportionate increase in our direct costs.

Whilst competition in these markets has undoubtedly increased the overall size of the market, it is growing rapidly and we remain well placed to win a significant share of this business. We expect to continue to grow our relationships with existing and new partners in the financial service and insurance industries and envisage increasing growth in the worldwide adoption of our products.

Staff

Finally, I would like to thank all my colleagues and staff for their support and unfailing enthusiasm for something which we all regard as a very special project.

Simon Richards
Chairman

21 June 2007

DIRECTORS' REPORT

Year ended 31 March 2007

The directors present their report and the audited financial statements of the company and of the group for the year ended 31 March 2007.

Change of name

On 8 March 2007 shareholders approved a change of name from Arc Risk Management Group plc to red24 plc and this change was confirmed by the Registrar of Companies on 26 March 2007.

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 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. The Board considers that this does not fairly reflect the long term prospects for the business and have sought to raise debt finance rather than reduce the par value of the shares. As a consequence this does expose the business to an 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 results for the year ended 31 March 2007 are set out in the accompanying financial statements. No dividend is recommended (2006: £nil).

Directors

S A Richards, J E A Mocatta, S G Wakeling and M Worsley-Tonks held office throughout the year.

S A Richards 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.

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.

Simon Wakeling has over 20 years' experience in sales and marketing, with the last seven being in the security industry. He is responsible for the marketing, sales and customer service of the red24 product and services.

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

Directors' interests

The interests of the directors holding office at 31 March 2007 in the company's share capital, including shares held by companies controlled by the directors, were as follows:

	31 March 2007				
	Ordinary shares of 1p each	Warrants to subscribe for shares ⁽ⁱ⁾	Ordinary share options ⁽ⁱⁱⁱ⁾	Ordinary share options ^(iv)	Ordinary share options ^(v)
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

	1 April 2006			
	Ordinary shares of 1p each	Warrants to subscribe for shares ⁽ⁱ⁾	Ordinary share options ⁽ⁱⁱⁱ⁾	Ordinary share options ^(iv)
S A Richards ⁽ⁱ⁾	1,450,000	450,000	500,000	1,000,000
J E A Mocatta	1,500,000	500,000	500,000	1,000,000
S G Wakeling	7,559,833	500,000	3,250,000	5,000,000
M S H Worsley-Tonks	1,500,000	250,000	1,750,000	1,750,000

- (i) S A Richards is also interested in the shares of Sidebell Limited, which held 56,442,500 ordinary shares of 1p each at 31 March 2007 (1 April 2006: 53,692,500 new ordinary shares of 1p each). At 31 March 2007 Sidebell Limited also held warrants to subscribe for 32,250,000 ordinary shares of 1p each at a subscription price of 1p per share, of which 3,750,000 are exercisable at any time up to 31 March 2008, and a further 30,000,000 at any time up to 31 March 2009. Sidebell Limited also held £300,000 of the 2007 Loan Notes at 31 March 2007 (1 April 2006: £200,000). S A Richards is also interested in the shares of Financial & General Securities Limited, which held 5,000,000 ordinary shares of 1p each at 31 March 2007 (1 April 2006: nil).
- (ii) The warrants are exercisable at a price of 1p per share at any time up to 30 September 2008.
- (iii) On 16 April 2004 options over ordinary shares of 1p each at a price of 1.875p per share were granted to directors and certain employees. These options are exercisable between 16 April 2006 and 15 April 2014.
- (iv) On 14 July 2005 options over ordinary shares of 1p each at a price of 1p per 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.
- (v) On 27 July 2006 options over ordinary shares of 1p each at a price of 1p per 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.

- (vi) In addition S A Richards and J E A Mocatta each hold £5,000 (2006: £5,000) of the £1 of loan note 2007. Each £1 of loan note carries a warrant to subscribe for 100 ordinary shares at 1p each, exercisable at any time before 31 March 2009.

Substantial shareholdings

The following shareholders had advised the company of holding an interest of 3 percent or more in the issued share capital of the company at 31 May 2007:

	<i>Number of ordinary shares of 1p each</i>	<i>Percentage of issued ordinary share capital</i>
Sidebell Limited	56,442,500	18.52%
Raven Nominees Limited	24,289,745	7.97%
Nortrust Nominees Limited	16,202,858	5.32%
Giltspur Nominees Limited	14,530,000	4.77%
BNY GIL Client Account (Nominees) Limited LST Acct	13,899,752	4.57%
Regent Trust Company Limited	12,499,221	4.10%
Pershing Keen Nominees Limited	11,186,378	3.67%

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 22 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.

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. Creditor days at 31 March 2007 were 38 (2006: 35).

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 they are aware, there is no relevant audit information of which the company's auditors are unaware, and that they have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor to the Company with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989 S26(5). Baker Tilly UK Audit LLP have indicated its willingness to continue in office.

A resolution proposing that Baker Tilly UK Audit LLP, Chartered Accountants, be appointed as auditors of the company will be put to the members at the Annual General Meeting.

By order of the Board

J E A Mocatta
Secretary

21 June 2007

CORPORATE GOVERNANCE

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").

Set out below is a summary of how, at 31 March 2007, the key recommendations of the Combined Code were complied with.

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 three executive and one non-executive director. The 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 consider 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 1(a) to the financial statements.

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company and the group as a whole 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.

Auditors' responsibilities

Company law requires auditors to form an independent opinion on the financial statements presented by the directors based on their audit and to report their opinion to the shareholders. The Companies Act 1985 also requires auditors to report to the shareholders if the following requirements are not met:

- that the group has maintained proper accounting records;
- that the financial statements are in agreement with the accounting records;
- that directors' emoluments and other transactions with directors are properly disclosed in the financial statements; and

- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The auditors' opinion does not encompass the Chairman's Statement, the Directors' Report, the disclosures relating to corporate governance or the Remuneration Report. However, the Companies Act 1985 requires auditors to report to the shareholders whether or not the matters contained in the Directors' Report are consistent with 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 3 to the accounts.

International Financial Reporting Standards

Under a European Union Directive, the company will be required to present its financial statements in accordance with International Financial Reporting Standards with effect from the year ending 31 March 2008. Preliminary work undertaken by the directors suggests the company will need to adopt different accounting policies in some areas, such as foreign currency translation, and there will be a number of presentational changes to the format of the financial statements. However, with the exception of goodwill, which will be subject to annual impairment reviews rather than systematic amortisation, the directors do not expect that the introduction of International Financial Reporting Standards will result in material changes to the reported profits or losses of the group. The directors intend to provide more detailed information on the effect of the introduction of International Financial Reporting Standards on the group's financial statements next year.

On behalf of the board

S A Richards
Director

21 June 2007

REMUNERATION REPORT

Year ended 31 March 2007

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.

S G Wakeling has a service contract with the company, which is capable of termination by either party giving not less than twelve months' notice.

Worsley-Tonks Consulting has agreed to provide the services of M S H Worsley-Tonks to Red24 Operations Limited under an agreement dated 23 September 2004. The agreement may be terminated by either party giving not less than 30 days' notice.

S A Richards has a letters of appointment, which is capable of termination by twelve months' notice by either party. On 15 April 2005 the Chairman's function was changed to a semi-executive nature with a variation of his remuneration, otherwise the terms of his letter of appointment remain unchanged.

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:

	<i>2007</i> <i>Total</i> £	<i>2006</i> <i>Total</i> £
S A Richards	42,000	39,000
J E A Mocatta – through John Mocatta & Co	24,000	29,500
R G C Whiting	–	2,500
S G Wakeling – highest paid director	93,200	81,059
M S H Worsley-Tonks – through Worsley-Tonks Consulting	60,000	60,000
	<u>219,200</u>	<u>212,059</u>

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.

R G C Whiting resigned as a director on 15 April 2005 but continued to receive his normal salary until the expiry of his normal period of notice. During the year £5,000 (2006: £57,500) was paid in this regard.

Directors' interests in shares and options

The interests of the directors holding office at 31 March 2007 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.

To this end three series of share options have been granted the terms of which are set out in the directors report on page 6.

J E A Mocatta
Chairman
Remuneration Committee

21 June 2007

INDEPENDENT AUDITORS' REPORT

Year ended 31 March 2007

We have audited the group and parent company financial statements on pages 16 to 35.

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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 to the Business Review 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.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 March 2007 and of the group's loss for the year then ended; and
- 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.

Emphasis of matter – going concern

Without qualifying our opinion, we draw attention to note 1(a) 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 1(a) indicate the existence of a material uncertainty, which may cast significant doubt on the company's ability to continue as a going concern.

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

21 June 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2007

		2007	2006
	<i>Notes</i>	£	(restated) £
Turnover	2	2,786,393	2,008,683
Cost of sales		<u>(864,340)</u>	<u>(503,398)</u>
Gross profit		1,922,053	1,505,285
Administrative expenses		<u>(2,221,350)</u>	<u>(2,187,794)</u>
Operating loss	3	(299,297)	(682,509)
Interest receivable	4	4,822	3,839
Interest payable	5	<u>(58,329)</u>	<u>(21,375)</u>
Loss on ordinary activities before taxation	2	(352,804)	(700,045)
Taxation	8	<u>41,021</u>	<u>156,973</u>
Loss for the year	18	<u><u>(311,783)</u></u>	<u><u>(543,072)</u></u>
Basic loss per share (pence)	9	<u><u>(0.10p)</u></u>	<u><u>(0.18p)</u></u>
Diluted loss per share (pence)	9	<u><u>(0.10p)</u></u>	<u><u>(0.18p)</u></u>

All turnover and results arose from continuing operations.

Consolidated statement of total recognised gains and losses

		2007	2006
		£	(restated) £
Loss for the year		(311,783)	(543,072)
Currency translation difference on opening capital and reserves of overseas subsidiary		<u>(5,332)</u>	<u>3,519</u>
Total gains and losses recognised for the year		(317,115)	(539,553)
Prior year adjustment (as explained in note 6)		<u>(109,630)</u>	<u>–</u>
Total losses recognised since the last annual report		<u><u>(426,745)</u></u>	<u><u>(539,553)</u></u>

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

CONSOLIDATED BALANCE SHEET

31 March 2007

			2007		2006 <i>(restated)</i>
	Notes	£	£	£	£
Fixed assets					
Intangible assets	10		183,360		256,020
Tangible assets	11		<u>98,250</u>		<u>102,918</u>
			281,610		358,938
Current assets					
Debtors: amounts falling due within one year	14	602,342		357,798	
Debtors: amounts falling due after more than one year	14	172,499		156,973	
Cash at bank and in hand		<u>127,900</u>		<u>307,366</u>	
		902,741		822,137	
Creditors: amounts falling due within one year	15	<u>(1,252,571)</u>		<u>(951,937)</u>	
Net current liabilities			<u>(349,830)</u>		<u>(129,800)</u>
Total assets less current liabilities			(68,220)		229,138
Creditors: amounts falling due after more than one year	16		<u>(64,446)</u>		<u>(91,059)</u>
Net (liabilities)/assets			<u><u>(132,666)</u></u>		<u><u>138,079</u></u>
Capital and reserves					
Called up share capital	17		3,047,108		3,032,108
Share premium account	18		557,553		557,553
Fair value reserve	18		146,500		115,130
Profit and loss account	18		<u>(3,883,827)</u>		<u>(3,566,712)</u>
Equity shareholders' (deficit)/funds	19		<u><u>(132,666)</u></u>		<u><u>138,079</u></u>

The financial statements on pages 16 to 35 were approved and authorised for issue by the Board of Directors on 21 June 2007

Signed on behalf of the Board of Directors

S A Richards	}	Directors
J E A Mocatta		

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

COMPANY BALANCE SHEET

31 March 2007

	Notes	£	2007 £	2006 (restated) £
Fixed assets				
Investments	12		147,125	147,125
Current assets				
Debtors: amounts falling due within one year	14	167,020	217,161	
Debtors: amounts falling due after more than one year	14	501,504	728,027	
Cash at bank and in hand		36,400	8,654	
		<u>704,924</u>	<u>953,842</u>	
Creditors: amounts falling due within one year	15	<u>(686,792)</u>	<u>(342,109)</u>	
Net current assets			<u>18,132</u>	<u>611,733</u>
Net assets			<u><u>165,257</u></u>	<u><u>758,858</u></u>
Capital and reserves				
Called up share capital	17		3,047,108	3,032,108
Share premium account	18		557,553	557,553
Fair value reserve	18		100,000	82,130
Profit and loss account	18		<u>(3,539,404)</u>	<u>(2,912,933)</u>
Equity shareholders' funds	19		<u><u>165,257</u></u>	<u><u>758,858</u></u>

The financial statements on pages 16 to 35 were approved and authorised for issue by the Board of Directors on 21 June 2007

Signed on behalf of the Board of Directors

S A Richards	}	Directors
J E A Mocatta		

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

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2007

		2007		2006
	Notes	£	£	(restated) £
Net cash outflow from operating activities	20(a)		(186,010)	(389,052)
Returns on investments and servicing of finance				
Interest received		4,822	3,839	
Interest paid		(16,363)	(15,213)	
Interest element of finance lease rental payments		(6,998)	(4,262)	
Net cash outflow from returns on investments and servicing of finance			(18,539)	(15,636)
Capital expenditure				
Payments to acquire tangible fixed assets		(46,176)	(13,315)	
Proceeds on sale of tangible fixed assets		985		
Net cash outflow from capital expenditure			(45,191)	(13,315)
Net cash outflow before financing			(249,740)	(418,003)
Financing				
Capital element of finance lease rental payments		(17,065)	(6,708)	
Issue of ordinary share capital		15,000	320,000	
Expenses of issue of ordinary share capital		–	(6,650)	
Repayment of bank loans		(9,878)	(10,008)	
Issue of loan notes and share warrants		100,000	275,000	
Net cash inflow from financing			88,057	571,634
(Decrease)/increase in cash	20(c)		(161,683)	153,631

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

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 £15,000 of new equity capital and £100,000 of debt finance 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. Should additional working capital be required whilst the share price remains below par then the Board will seek to raise additional loan finance. Since the year end, the Board have arranged that the maturity of the term loan of £375,000 be extended to 31 March 2009. On the basis of the Board's current expectations the directors are satisfied that it remains appropriate to prepare the financial statements on the going concern basis.

(b) Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and all of its subsidiary undertakings. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes.

The company has not presented its own profit and loss account as permitted by Section 230 (3) of the Companies Act 1985.

(c) Turnover

Turnover represents the value of goods sold and services provided, excluding value added tax. red24 membership income is time apportioned over the period to which it relates.

(d) Goodwill

Goodwill, being the excess of the cost of acquisition over the fair value of net assets acquired, is capitalised and written off over a period of between 5 and 10 years.

(e) Tangible fixed assets and depreciation

Tangible fixed assets are valued at cost less accumulated depreciation. 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.

(f) **Product development**

Product development is written off to the profit and loss account 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.

(g) **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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.

(h) **Foreign currency translation**

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. Exchange differences are included in the operating profit or loss.

Assets, liabilities and results of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Differences arising on retranslation are added to or deducted from reserves.

Exchange differences arising in the consolidated accounts on the re-translation at the closing rate of the group's net investment in the overseas subsidiary are recorded as a movement on reserves and are reported in the statement of total recognised gains and losses.

(i) **Financial instruments**

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.

(j) **Share based payments**

The group has changed its accounting policy for share based payments following the introduction of FRS20 "Share-based Payment".

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. 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.

(k) **Leasing and hire purchase transactions**

Rentals receivable or payable under operating leases are credited or charged to the profit and loss account on a straight line basis over the period of the lease.

An asset is acquired when substantially all the risks and rewards are transferred and is capitalised as an asset under a finance lease or hire purchase agreement with the corresponding liability to the finance company included in creditors. Depreciation on assets held under finance leases and being acquired under hire purchase agreements is provided in accordance with the policy noted in (e) above. Finance lease payments and hire purchase repayments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account on a geometric basis over the period of the agreement.

(l) **Investments**

Long term investments representing investments in subsidiary undertakings are valued at cost less any provision for impairment in the value of the fixed asset investment.

2 Turnover and segmental analysis

The analysis of the group's results by area of supply is:

	2007			2006 (restated)		
	<i>Turnover</i>	<i>Loss on ordinary activities before tax</i>	<i>Net assets (deficit) at year end</i>	<i>Turnover</i>	<i>Loss on ordinary activities before tax</i>	<i>Net assets (deficit) at year end</i>
	£	£	£	£	£	£
United Kingdom	1,417,166	(255,789)	66,664	1,158,761	(319,636)	351,224
South Africa	<u>2,007,497</u>	<u>(97,015)</u>	<u>(199,330)</u>	<u>1,156,734</u>	<u>(315,779)</u>	<u>(213,145)</u>
	3,424,663	(352,804)	(132,666)	2,315,495	(635,415)	138,079
Eliminated on consolidation	<u>(638,270)</u>	<u>—</u>	<u>—</u>	<u>(306,812)</u>	<u>—</u>	<u>—</u>
	<u><u>2,786,393</u></u>	<u><u>(352,804)</u></u>	<u><u>(132,666)</u></u>	<u><u>2,008,683</u></u>	<u><u>(635,415)</u></u>	<u><u>138,079</u></u>

An analysis of turnover by geographical market:

	2007 £	2006 £
United Kingdom	2,295,962	1,576,668
Europe	33,993	11,220
Rest of the World	<u>456,438</u>	<u>420,795</u>
	<u><u>2,768,393</u></u>	<u><u>2,008,683</u></u>

The analysis of the group's results by area of activity is:

	2007			2006 (restated)		
	Turnover £	Profit/(loss) on ordinary activities before tax £	Net assets (deficit) at year end £	Turnover £	Profit/(loss) on ordinary activities before tax £	Net assets (deficit) at year end £
red24	2,213,758	(356,270)	(265,772)	1,511,202	(672,599)	8,439
Training	<u>554,635</u>	<u>3,466</u>	<u>133,106</u>	<u>497,481</u>	<u>37,184</u>	<u>129,640</u>
	<u><u>2,786,393</u></u>	<u><u>(352,804)</u></u>	<u><u>(132,666)</u></u>	<u><u>2,008,683</u></u>	<u><u>(635,415)</u></u>	<u><u>138,079</u></u>

3 Operating loss

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

	2007 £	2006 £
Amortisation of intangible fixed assets	72,660	72,660
Depreciation of tangible fixed assets	26,819	25,091
Loss on disposal of tangible fixed assets	199	1,638
Operating lease rentals – land and buildings	86,248	64,650
– equipment	3,648	3,559
Loss on foreign exchange transactions	27,534	1,676
Share based payments	28,770	64,630
Rent receivable	(1,522)	–
Fees payable to the auditors for the audit of the group annual accounts	22,000	20,500
Fees payable to auditors and their associates for other services:		
Taxation services	–	800
Review of half year report	475	450
Other secretarial services	700	600
Fees payable to auditor's associate for the audit of the South African subsidiary	<u>6,158</u>	<u>2,678</u>

Auditors' remuneration includes £23,175 (2006: £22,350) in respect of the group auditors, of which £22,000 (2006: £20,500) relates to audit services and £1,175 (2006: £1,850) to non audit services. Non audit services comprise £Nil (2006: £800) relating to tax compliance services, £475 (2006: £450) for the use of the auditor's Glasgow office as the company's registered office and £700 (2006: £600) 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 and is included in the amount shown as fee payable to the auditor for the audit of the group annual accounts.

4 Interest receivable

	2007 £	2006 £
Bank and other interest	<u>4,822</u>	<u>3,899</u>

5 Interest payable

	2007 £	2006 £
Bank interest	4,979	6,353
Loan note interest	46,352	10,760
Interest element of finance leases	6,998	4,262
	<u>58,329</u>	<u>21,375</u>

6 Employees

	2007 Number	2006 Number
(a) Average monthly number of employees of the group, including executive directors, during the year:		
Office and management	<u>71</u>	<u>55</u>
	2007 £	2006 £
(b) Staff costs including executive directors:		
Wages and salaries	1,068,397	963,198
Social security costs	52,941	45,563
Share based payment costs	28,770	64,630
	<u>1,150,108</u>	<u>1,053,391</u>

The Company has issued three series of share options to certain directors and employees. Details of the dates of issue, numbers of options granted and any performance conditions can be found in note 17. 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.

The following movements in the numbers of share options outstanding took place in the year:

	2006 Series	2005 Series	2004 Series	Total
At 1 April 2006	–	16,730,000	15,950,000	32,680,000
Granted during the year	10,400,000	–	–	10,400,000
Lapsed during the year	<u>(200,000)</u>	<u>(600,000)</u>	<u>–</u>	<u>(800,000)</u>
At 31 March 2007	<u>10,200,000</u>	<u>16,130,000</u>	<u>15,950,000</u>	<u>42,280,000</u>

The total expense recognised in the Profit & Loss account from share based transactions, all equity-settled, amounted to £28,770 (2006: £64,630). This represents a change in accounting policy following the adoption of FRS20. As such the charge for prior years, amounting in aggregate to £109,630 is shown as a prior year adjustment and comparative figures for previous years have been restated to show the position had this policy been adopted at the time.

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
Weighted average exercise price	1p	1p	1.875p
Shares issued under option	10,400,000	16,650,000	13,200,000
Weighted average share price	0.72p	0.83p	1.5p
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	70%	50%	10%
Fair value per option	1p	1p	1p

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.

7 Directors' emoluments

The emoluments of the individual directors were as follows:

	2007 £	2006 £
S A Richards	42,000	39,000
J E A Mocatta – through John Mocatta & Co	24,000	29,500
R G C Whiting	–	2,500
S G Wakeling – highest paid director	93,200	81,059
M S H Worsley-Tonks – through Worsley-Tonks Consulting	60,000	60,000
	<u>219,200</u>	<u>212,059</u>

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.

R G C Whiting resigned as a director on 15 April 2005 but continued to receive his normal salary until the expiry of his normal period of notice. During the year £5,000 (2006: £57,500) was paid in this regard.

8 Taxation

(a) Analysis of tax credit for the year

	2007 £	2006 £
Deferred tax:		
United Kingdom	–	54,300
South Africa	41,021	102,673
	<u>41,021</u>	<u>156,973</u>

(b) **Factors affecting the current tax charge for the year**

The current tax for the year does not equate to the loss before tax at the standard rate of corporation tax in the United Kingdom of 30 percent (2006: 30 percent). The differences are explained below:

2007/2006

	£	(restated) £
Loss on ordinary activities before taxation	<u>(352,804)</u>	<u>(700,045)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(105,841)	(210,013)
Effects of:		
Expenses not deductible for tax purposes (primarily amortisation of goodwill)	35,584	51,313
Difference between depreciation and capital allowances	2,066	1,867
Difference between interest paid and payable	4,092	3,228
Difference between UK and overseas tax rates	326	3,483
Tax losses not utilised in the year	72,418	177,660
Utilisation of tax losses brought forward	<u>(8,645)</u>	<u>(27,538)</u>
Current tax charge	<u>-</u>	<u>-</u>

(c) **Factors affecting tax charge for future years**

The company has capital losses for tax purposes at 31 March 2007 of £605,994 (2006: £605,994) available to carry forward against future capital gains and excess management expenses of £889,770 (2006: £800,065), subject to acceptance by H M Revenue & Customs. The trading subsidiaries have losses for corporation tax purposes at 31 March 2007 available to carry forward against profits from the same trade of £2,481,441 (2006: £2,462,870) 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 certain, calculated at a corporation tax rate of 30 percent, as follows:

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	£	£	£	£
Tax losses carried forward:				
Capital losses	181,798	181,798	181,798	181,798
Management expenses	266,931	240,020	266,931	240,020
Trading losses	744,432	738,861	-	-
Fixed asset timing differences	3,443	1,377	-	-
Short term timing differences	<u>4,092</u>	<u>2,658</u>	<u>4,092</u>	<u>2,658</u>
	<u>1,200,696</u>	<u>1,164,714</u>	<u>452,821</u>	<u>424,476</u>

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

9 Loss per share

	2007	2006 (restated)
Attributable loss (£)	(311,783)	(543,072)
Average number of ordinary shares in issue	303,716,315	296,635,494
Basic loss per share (pence)	(0.10p)	(0.18p)

Fully diluted loss per share is the same as basic loss per share.

10 Intangible fixed assets

	Goodwill £	Group Total £
Cost		
At 1 April 2006 and 31 March 2007	708,692	708,692
Amortisation and impairment		
At 1 April 2006	452,672	452,672
Charge for the year	72,660	72,660
At 31 March 2007	525,332	525,332
Net book amount		
At 31 March 2007	183,360	183,360
At 31 March 2006	256,020	256,020

The goodwill on acquisition of subsidiary companies has been allocated over the activities of the subsidiary companies and is being amortised over 5 or 10 years from the date of acquisition, being the expected useful life of the goodwill.

11 Tangible fixed assets

	Motor vehicles £	Group Fixtures, fittings and equipment £	Total £
Cost			
At 1 April 2006	3,806	174,286	178,092
Foreign currency adjustment	(946)	(30,566)	(31,512)
Additions	4,218	41,958	46,176
Disposals	(2,368)	–	(2,368)
At 31 March 2007	4,710	185,678	190,388
Depreciation			
At 1 April 2006	1,470	73,704	75,174
Foreign currency adjustment	(365)	(8,306)	(8,671)
Charge for the year	566	26,253	26,819
Disposals	(1,184)	–	(1,184)
At 31 March 2007	487	91,651	92,138
Net book amount			
At 31 March 2007	4,223	94,027	98,250
At 31 March 2006	2,336	100,582	102,918

At 31 March 2007 the group had no capital commitments (2006: £ Nil).

At 31 March 2007 the group held fixtures, fittings and equipment under finance leases as follows:

	2007	2006
	£	£
Cost	49,527	53,789
Accumulated depreciation	<u>(22,846)</u>	<u>(8,390)</u>
Net book amount	<u>26,681</u>	<u>45,399</u>
Depreciation charged in the year	<u>7,446</u>	<u>8,390</u>

12 Fixed asset investments

	<i>Company</i>
	£
Investments in subsidiary companies:	
Cost	
At 1 April 2006 and 31 March 2007	<u>1,646,029</u>
Provision	
At 1 April 2006 and 31 March 2007	<u>1,498,904</u>
Net book amount	
At 1 April 2006 and 31 March 2007	<u>147,125</u>

The subsidiary companies at 31 March 2007 and their activities during the year were:

	<i>Percentage of ordinary share capital held</i>	<i>Activity</i>
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 2007, which would have amounted to R260,000.

13 Deferred tax assets

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

	<i>Group</i>			
	<i>Total</i>	<i>Tax losses carried forward</i>	<i>Fixed asset timing differences</i>	<i>Short term timing differences</i>
	£	£	£	£
At 1 April 2006	156,973	153,026	(225)	4,172
Foreign currency adjustment	(25,495)	(24,854)	37	(678)
Profit and loss account	<u>41,021</u>	<u>42,078</u>	<u>(889)</u>	<u>(168)</u>
At 31 March 2007	<u>172,499</u>	<u>170,250</u>	<u>(1,077)</u>	<u>3,326</u>

The deferred tax assets recognised in respect of tax losses carried forward represent £54,300 relating to UK subsidiary companies and £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 2007, will generate sufficient profits in the foreseeable future to utilise these losses.

14 Debtors

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	453,095	253,872	–	–
Due from subsidiary undertakings	–	–	96,000	206,000
Other debtors	123,606	62,916	62,720	10,161
Prepayments and accrued income	25,641	41,010	8,300	1,000
	<u>602,342</u>	<u>357,798</u>	<u>167,020</u>	<u>217,161</u>
Amounts falling due after more than one year:				
Deferred tax (note 13)	172,499	156,973	–	–
Due from subsidiary undertakings	–	–	501,504	728,027
	<u>172,499</u>	<u>156,973</u>	<u>501,504</u>	<u>728,027</u>

The amounts due from subsidiary companies are shown net of provisions and are unsecured and interest to 31 March 2007 has been waived. There are no fixed terms for repayment.

15 Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	£	£	£	£
Bank loan (i)	10,138	10,008	–	–
Loan notes 2007 (ii)	373,700	271,400	373,700	271,400
Obligations under finance leases (iii)	6,356	6,816	–	–
Trade creditors	204,563	153,157	25,091	17,574
Other taxation and social security	69,861	37,464	9,356	13,425
Accruals and deferred income	587,953	473,092	278,645	39,710
	<u>1,252,571</u>	<u>951,937</u>	<u>686,792</u>	<u>342,109</u>

- (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.
- (ii) Unsecured, repayable on 30 September 2007, now extended to 31 March 2009, and bearing interest at 12% per annum.
- (iii) Secured on the related tangible fixed assets as shown in note 11.

16 Creditors: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	£	£	£	£
Bank loan (i)	40,786	50,794	–	–
Obligations under finance leases (ii)	23,660	40,265	–	–
	<u>64,446</u>	<u>91,059</u>	<u>–</u>	<u>–</u>

- (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) Secured on the related tangible fixed assets as shown in note 11.

The terms of payment of creditors falling due after more than one year are as follows:

<i>Group</i>	<i>Bank loans</i>		<i>Finance leases</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	£	£	£	£
Payable between one and two years	10,008	10,008	6,355	6,816
Payable between two and five years	30,778	30,024	17,305	33,449
Payable after more than five years	–	10,762	–	–
	<u>40,786</u>	<u>50,794</u>	<u>23,660</u>	<u>40,265</u>

17 Share capital

	<i>2007</i>		<i>2006</i>	
	<i>Number</i>	£	<i>Number</i>	£
Authorised				
Ordinary shares of 1p each	<u>500,000,000</u>	<u>5,000,000</u>	<u>500,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid				
Ordinary shares of 1p each	<u>304,710,836</u>	<u>3,047,108</u>	<u>303,210,836</u>	<u>3,032,108</u>

On 29 November 2006 the company issued, for cash, 1,500,000 ordinary shares of 1p each at par.

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. The options are 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. 200,000 of these options have since lapsed leaving 10,200,000 outstanding.

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 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. The options are 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. 600,000 of these options have since lapsed leaving 16,130,000 outstanding.

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.

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. At 31 March 2006 13,300,000 of these options are outstanding. 2,650,000 have lapsed following the departure of the relevant employees. The options are exercisable at 1.875p per share between 16 April 2006 and 15 April 2014 and are not subject to any performance conditions. 3,750,000 of these options have since lapsed leaving 12,200,000 outstanding.

On 27 August 2003 the company granted warrants to subscribe for 10,000,000 ordinary shares of 1p each at a subscription price of 1p per share, exercisable at any time up to 30 September 2006. The warrants were issued to Sidebell Limited and Regent Trust Company Limited in consideration of the provision of £85,000 and £15,000 respectively of interim finance by these companies pending a share issue in the summer of 2003. These warrants were not exercised and have now expired.

18 Reserves

	<i>Group</i>			<i>Profit and loss account</i> £
	<i>Total</i> £	<i>Share premium</i> £	<i>Fair value reserve</i> £	
1 April 2006	(2,894,029)	557,553	5,500	(3,457,082)
Prior year adjustment	—	—	109,630	(109,630)
1 April 2006 as restated	(2,894,029)	557,553	115,130	(3,566,712)
Currency translation difference on opening capital and reserves of overseas subsidiary company	(5,332)	—	—	(5,332)
Loss for the year	(311,783)	—	—	(311,783)
Issue of warrants	2,600	—	2,600	—
Share based payments	28,770	—	28,770	—
31 March 2007	<u>(3,179,774)</u>	<u>557,553</u>	<u>146,500</u>	<u>(3,883,827)</u>

	<i>Company</i>			<i>Profit and loss account</i> £
	<i>Total</i> £	<i>Share premium</i> £	<i>Fair value reserve</i> £	
1 April 2006 as previously stated	(2,273,250)	557,553	5,500	(2,836,303)
Prior year adjustment	—	—	76,630	(76,630)
1 April 2006 as restated	(2,273,250)	557,553	82,130	(2,912,933)
Loss for the year	(626,471)	—	—	(626,471)
Issue of warrants	2,600	—	2,600	—
Share based payments	15,270	—	15,270	—
31 March 2007	<u>(2,881,851)</u>	<u>557,553</u>	<u>100,000</u>	<u>(3,539,404)</u>

As explained in note 1(j) the group has changed its accounting policy for share based payments following the introduction of FRS20 "Share-based Payment". This has led to a prior year adjustment to reflect the cumulative affect of this change of policy on preceding accounting periods as set out in note 6.

19 Reconciliation of movement on shareholders' funds

	<i>Group</i>		<i>Company</i>	
	<i>2007</i>	<i>2006</i> (restated)	<i>2007</i>	<i>2006</i> (restated)
	£	£	£	£
Opening shareholders' funds	138,079	294,152	758,858	568,326
Currency translation difference on opening capital and reserves of overseas subsidiary company	(5,332)	3,519	–	–
Loss for the year	(311,783)	(543,072)	(626,471)	(171,948)
Issue of shares	15,000	320,000	15,000	320,000
Share issue expenses	–	(6,650)	–	(6,650)
Issue of warrants	2,600	5,500	2,600	5,500
Share based payments	28,770	64,630	15,270	43,630
Closing shareholders' funds	<u>(132,666)</u>	<u>138,079</u>	<u>165,257</u>	<u>758,858</u>

20 Notes to the cash flow statement

(a) Reconciliation of operating loss to net cash outflow from operating activities

	<i>2007</i>	<i>2006</i> (restated)
	£	£
Operating loss	(299,297)	(682,509)
Charge attributed to employee share options	28,770	64,630
Depreciation charges	26,819	25,091
Amortisation charges	72,660	72,660
Loan note cost of issue	2,600	–
Loss on disposal of tangible fixed assets	199	1,638
Increase in debtors	(266,124)	(97,401)
Increase in creditors	248,363	226,839
Net cash outflow from operating activities	<u>(186,010)</u>	<u>(389,052)</u>

(b) Analysis of changes in net debt

	<i>1 April</i> <i>2006</i>	<i>Cash</i> <i>flows</i>	<i>Other</i> <i>movements</i>	<i>31 March</i> <i>2007</i>
	£	£	£	£
Cash at bank and in hand	307,366	(161,683)	(17,783)	127,900
Debt due within one year	(281,408)	(90,121)	(12,309)	(383,838)
Debt due after more than one year	<u>(50,794)</u>	<u>–</u>	<u>10,008</u>	<u>(40,786)</u>
	(24,836)	(251,804)	(20,084)	(296,724)
Finance leases due within one year	(6,816)	460	–	(6,356)
Finance leases after more than one year	<u>(40,265)</u>	<u>16,605</u>	<u>–</u>	<u>(23,660)</u>
Net debt	<u>(71,917)</u>	<u>(234,739)</u>	<u>(20,084)</u>	<u>(326,740)</u>

Included in other movements on cash at bank and in hand is a foreign exchange movement of £17,783.

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

	2007	2006
	£	£
Decrease/(increase) in cash	161,683	(153,631)
(Decrease)/increase in finance leases	(17,065)	47,081
Decrease in bank loan	(9,879)	(10,008)
Increase in loan notes	102,300	271,400
Translation difference	17,783	–
Increase in net debt	<u>254,822</u>	<u>154,842</u>
Opening net debt/(funds)	<u>71,917</u>	<u>(82,925)</u>
Closing net debt	<u><u>326,739</u></u>	<u><u>71,917</u></u>

21 Operating lease commitments

At 31 March 2007 the group had the following annual commitments under operating leases for the year ending 31 March 2008:

	<i>Group</i>			
	<i>Office equipment</i>		<i>Land and buildings</i>	
	2007	2006	2007	2006
	£	£	£	£
Leases expiring				
Within one year	576	517	30,829	6,250
Between one and five years	–	–	2,569	37,595
	<u>576</u>	<u>517</u>	<u>33,398</u>	<u>43,845</u>

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.

22 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 2007, these amounts were £2,000 per month, totalling £24,000 (2006: £24,000). The balance due to Sidebell Limited at 31 March 2007 was £Nil (2006: £Nil).

Since 1 April 2006, 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 2007, these amounts totalled £4,750 (2006: £ Nil). The amount outstanding at 31 March 2007 was £Nil (2006: £Nil).

Sidebell Limited, S A Richards and J E A Mocatta hold £300,000, £5,000 and £5,000 respectively of the loan notes 2007. Interest due on the loan notes was paid on 30 September 2006.

As set out in the directors' report, all the directors hold share options under the group's share option scheme and these are disclosed in that report.

23 Financial instruments and risk summary

The group's financial instruments comprise, for the purposes of FRS13 "Derivatives and other financial instruments", cash, short-term deposits, loans and finance leases.

The company has historically financed its operations from equity share issues. Red24 Sales Limited, acquired during the year ended 31 March 2003, had bank finance at the date of acquisition.

The main risk arising from the group's financial instruments is interest rate risk. The Board reviews and agrees policies for managing risks, which are summarised below:

(i) Interest rate risk profile of financial assets and liabilities

Financial assets

The group has financial assets of £127,900 at 31 March 2007 (2006: £307,366) comprising cash deposits. All of the group's debtors are excluded from financial assets as they do not play a significant role in the financial risk profile of the group.

The interest rate profile of the group's financial assets was:

	<i>Floating rate deposits 2007 £</i>	<i>Average rate 2007</i>	<i>Floating rate deposits 2006 £</i>	<i>Average rate 2006</i>
Currency				
Sterling	111,943	3.5%	236,330	3.25%
Rand	1,117	1.5%	71,036	1.5%
Dollar	14,840	0%	–	–
	<u>127,900</u>		<u>307,366</u>	

Financial liabilities

The interest rate profile of the group's financial liabilities at 31 March 2007 was:

	<i>Floating rate liabilities £</i>	<i>Fixed rate liabilities £</i>	<i>Total financial liabilities £</i>	<i>Average rate of floating rate liabilities</i>
Currency				
Sterling	50,924	373,700	424,624	8.25%
Rand	–	30,016	30,016	
	<u>50,924</u>	<u>403,716</u>	<u>454,640</u>	

The interest rate profile of the group's financial liabilities at 31 March 2006 was:

	<i>Floating rate liabilities £</i>	<i>Fixed rate liabilities £</i>	<i>Total financial liabilities £</i>	<i>Average rate of floating rate liabilities</i>
Currency				
Sterling	60,802	271,400	332,202	7.75%
Rand	–	47,081	47,081	
	<u>60,802</u>	<u>318,481</u>	<u>379,283</u>	

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

All the group's creditors falling due within one year (other than bank loans, loan notes and finance leases) are excluded from above because they are either short term creditors or fall outside the definition of a financial liability. The group's loan facilities at 31 March 2007 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.

(ii) **Liquidity risk**

The directors consider that the successful implementation of their fund raising plans, which they expect to announce very shortly, will lead to a significantly reduced liquidity risk. Nevertheless, future liquidity requirements are dependent on the achievement of the sales targets and there remains a risk that these will not be met.

(iii) **Currency risk**

The overseas subsidiary undertaking is funded through equity investment and intercompany loans from UK based group companies and by way of a finance lease.

No group undertakings have any material monetary assets and liabilities in currencies other than their local currency. To the extent that they do have such assets and liabilities, exchange differences on the retranslation of these are taken to the profit and loss account. The exchange loss charged to profit and loss account for the year was £27,534 (2006: £1,676).

(iv) **Maturity of financial instruments**

The maturity profile of the carrying amount of the group's financial liabilities, other than short term trade creditors and accruals is shown in notes 15 and 16.

Fair value of financial instruments

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

24 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 2007 the maximum potential liability was £22,904 (2006: £12,180).

red24 plc **(formerly ARC Risk Management Group 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 7 August 2007 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 2007 and the Directors' Report and Auditors' Report thereon.
- 2 To re-appoint S A Richards 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 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 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 5 above as if Section 89(1) of the Act did not apply to any such allotment provided that this authority is limited to:
 - 5.1 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;
 - 5.2 the allotment of equity securities pursuant to the terms of any share scheme for employees adopted by the Company; and

5.3 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.

6. THAT the Articles of Association of the Company be and are hereby amended as follows:-

6.1 by the insertion of the following two new definitions in Article 1 in alphabetical order of appearance in such Article:

“CA 2006” the Companies Act 2006;’

‘ “Electronic Communication” means any document or information which is sent in such form and by such electronic means as set out in section 1168 of the CA 2006;’

6.2 by the deletion of Article 35 in its entirety and the substitution of the following new Article 35 therefor:

‘NOTICE GIVEN UNDER SECTION 793 OF THE CA 2006

(1) If any member, or any other person appearing to be interested in shares held by that member, has been given a notice under section 793 of the CA 2006 and has failed in relation to any shares (the “default shares”) to give to the Company the information thereby required within 14 days from the date of giving the notice, the following sanctions shall apply, unless the Board otherwise determines:-

(1) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at separate meeting of the Holders of any class of shares or on any poll; and

(2) where the default shares represent at least 0.25 per cent of their class:-

1. any dividend payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect, pursuant to these Articles, to receive shares instead of that dividend; and

2. no transfer, other than an excepted transfer, of any shares held by the member shall be registered unless:-

(1) the member is not himself in default as regards supplying the information required; and

(2) the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

(2) Where the sanctions under paragraph (1) of this Article apply in relation to any shares, they shall cease to have effect at the end of the period of seven days (or such shorter period as the Board may determine) following the earlier of:-

(1) receipt by the Company of the information required by the section 793 notice mentioned in that paragraph; and

(2) receipt by the Company of notice that the shares have been transferred by means of an excepted transfer,

and the Board may suspend or cancel any of the sanctions at any time in relation to any shares.

- (3) Any new shares in the Company issued in right of default shares shall be subject to the same sanctions as apply to the default shares, and the Board may make any right to an allotment of the new shares subject to sanctions corresponding to those which will apply to those shares on issue provided that any sanctions applying to, or to a right to, new shares by virtue of this paragraph shall cease to have effect when the sanctions applying to the related default shares cease to have effect (and shall be suspended or cancelled if and to the extent that the sanctions applying to the related default shares are suspended or cancelled) and provided further that paragraph (1) of this Article shall apply to the exclusion of this paragraph if the Company gives a separate notice under section 793 of the CA 2006 in relation to the new shares.
- (4) Where, on the basis of information obtained from a member in respect of any share held by him, the Company gives a notice under section 793 of the CA 2006 to any other person, it shall at the same time send a copy of the notice to the member, but the accidental omission to do so, or the non-receipt by the member of the copy, shall not invalidate or otherwise affect the application of paragraph (1) of this Article.
- (5) For the purposes of this Article:-
 - (1) a person, other than the member holding a share, shall be treated as appearing to be interested in that share if the member has informed the Company that the person is, or may be, so interested, or if the Company (after taking account of any information obtained from the member or, pursuant to a notice under section 793 of the CA 2006, from anyone else) knows or has reasonable cause to believe that the person is, or may be, so interested;
 - (2) "interested" shall be construed as it is for the purpose of section 793 of the CA 2006;
 - (3) reference to a person having failed to give the Company the information required by a notice, or being in default as regards supplying such information, includes (i) reference to his having failed or refused to give all or any part of it and (ii) reference to his having given information which he knows to be false in a material particular or having recklessly given information which is false in a material particular,
 - (4) an "excepted transfer" means, in relation to any shares held by a member:
 1. a transfer pursuant to acceptance of a takeover offer (within the meaning in Part XIII A of the Act) in respect of shares in the Company; or
 2. a transfer in consequence of a sale made through a recognised investment exchange (as defined in section 285 of the Financial Services and Markets Act 2000) or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded; or
 3. a transfer which is made in consequence of a sale of the beneficial interest in the shares to a person who is unconnected with the member and with any other person appearing to be interested in the shares.
 - (6) Nothing in this Article shall limit the powers of the Company under sections 794 – 796 of the CA 2006 or any other power of the Company whatsoever.'

6.3 by the addition of a new sub-paragraph (4) to Article 73 after the existing sub-paragraph (3) in such Article:

- '(4) in the case of an Electronic Communication, be received at such address as may have been specified for that purpose in:
 - (i) the notice convening the meeting or notice of any adjournment;
 - (ii) any instrument of proxy sent out by the Company in relation to the meeting; or

- (iii) any invitation contained in an Electronic Communication to appoint a proxy

and an instrument of proxy which is not so deposited, delivered or sent shall be invalid.'

- 6.4 by the deletion of Article 142 in its entirety and the substitution of the following new Article 142 therefor:

'METHOD OF GIVING NOTICE

The Company may serve or deliver any notice or other document on or to a member either personally or by sending it by post in a prepaid envelope addressed to the member at his registered address or by leaving it at that address or by sending it by Electronic Communication to an address for the time being notified to the Company by the member or by placing it on a website and sending the member concerned notification, in such manner as permitted by these Articles, of the notice or document in lieu of sending the notice or document. In the case of joint Holders of a share, all notices or other documents shall be served on or delivered to the joint Holder whose name stands first in the register in respect of the joint holding and any notice or other document so served or delivered shall be deemed for all purposes sufficient service on or delivery to all the joint holders. A member whose registered address is not within the United Kingdom and who gives to the Company an address within the United Kingdom at which notices may be given to him shall be entitled to have notices given to him at that address, but otherwise no such member shall be entitled to receive any notice from the Company.'

- 6.5 by the deletion of the reference to "Section 212 of the Act" in sub-paragraph (2) of Article 144 and the substitution with the words "Section 793 of the CA 2006".

- 6.6 by the deletion of Article 146 in its entirety and the substitution of the following new Article 146 therefor:

'WHEN NOTICES BY POST OR ELECTRONIC COMMUNICATION DEEMED SERVED

Proof that an envelope containing a notice was properly addressed, prepaid and posted (or put into a post office) shall be conclusive evidence that the notice was given. A notice sent by post shall be deemed to be given on the day following the day upon which the envelope containing the same was posted unless it was sent by second class post in which case it shall be deemed to have been given on the day next but one after it was posted. Any notice or document sent using Electronic Communication shall be deemed to be given on the day following the day upon which it was sent, and in proving such delivery or service, proof that a notice or document contained in Electronic Communication was sent in accordance with the guidance issued by the Institute of Chartered Secretaries and Administrators shall be conclusive evidence that the notice or document was served or delivered.'

By order of the Board

Registered office
Breckenridge House
274 Sauchiehall Street
Glasgow G2 3EH

J E A Mocatta
Secretary

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.

**KIDNAPPED
AT GUNPOINT
FOR OUR PIN NUMBERS**

**HOW TO
SURVIVE THE
HOLIDAY
FROM HELL**

**They're
taking
YOUR
name**



red24 has appeared in a wide range of publications in the past year to provide expert commentary on personal and corporate security issues. Publications include *Cosmopolitan*, *Moneywise Magazine*, *The Times* and *The Daily Mirror*.

red24 plc

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