

Red 24 Sales Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended
31 March 2008



Company Registration No 4004496 (England and Wales)

Red 24 Sales Limited

COMPANY INFORMATION

DIRECTORS	J Simpson-Tarling M Worsley-Tonks
SECRETARY	S A Richards
COMPANY NUMBER	4004496
REGISTERED OFFICE	The Coach House Bill Hill Park Wokingham Berks RG40 5QT
BUSINESS ADDRESS	26-28, Hammersmith Grove Hammersmith London W6 7BA
AUDITOR	Baker Tilly UK Audit LLP Chartered Accountants 2 Bloomsbury Street London WC1B 3ST
BANKERS	HSBC Bank plc 26-28 Broad Street Reading Berkshire RG1 2BU

Red 24 Sales Limited

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Red 24 Sales Limited

DIRECTORS' REPORT

For the year ended 31 March 2008

The directors present their report and financial statements for the year ended 31 March 2008

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company is the provision of security risk management services. Since 1 January 2005, the Company has acted as the UK selling agent for Red 24 CRM (Pty) Limited, a South African based company which maintains and develops the Red 24 group of personal security products worldwide. This activity is expected to continue for the foreseeable future.

The directors of red24 plc manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of Red24 Sales Limited's business. The principal risks and uncertainties of red24 plc, which include those of the company, are discussed in the red24 plc annual report which does not form part of this report.

RESULTS AND DIVIDENDS

The results for the year are set out on page 4. No dividend is recommended (2007: £Nil).

DIRECTORS AND THEIR INTERESTS

The following directors held office during the year:

J Simpson-Tarling	
S G Wakeling	- resigned 8 August 2007
M Worsley-Tonks	- appointed 23 August 2007

M Worsley-Tonks is both a director and shareholder in red24 plc and details of his interest in the shares of group companies are shown in the directors' report of that company.

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 year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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,
- d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Red 24 Sales Limited

DIRECTORS' REPORT

For the year ended 31 March 2008

STATEMENT AS TO PROVISION OF INFORMATION TO AUDITORS

Each of the directors confirms that, so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and that he has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

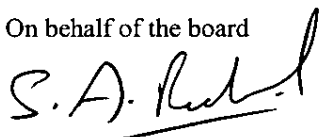
AUDITOR

The auditor, Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office

SMALL COMPANIES PROVISIONS

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities

On behalf of the board



S A Richards
Secretary

24 June 2008

Red 24 Sales Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RED 24 SALES LTD

We have audited the financial statements on pages 4 to 12

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 the information given in the Directors' Report is consistent with the financial statements.

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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.

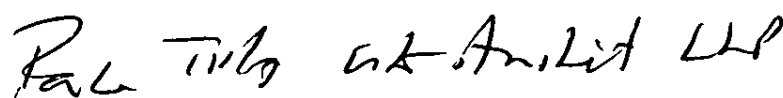
Opinion

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 company's affairs as at 31 March 2008 and of its 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(i) 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(i) 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

24 June 2008

Red 24 Sales Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2008

	<i>Notes</i>	2008 £	2007 £
TURNOVER	<i>1(b),2</i>	543,929	609,934
Cost of sales		(20,660)	-
GROSS PROFIT		<u>523,269</u>	<u>609,934</u>
Administrative expenses		(626,259)	(724,621)
OPERATING LOSS	<i>3</i>	<u>(102,990)</u>	<u>(114,687)</u>
Interest receivable and similar income	<i>4</i>	4,557	1,269
Interest payable	<i>5</i>	(4,429)	(4,839)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(102,862)</u>	<u>(118,257)</u>
Tax on loss on ordinary activities	<i>6</i>	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	<i>12</i>	<u>(102,862)</u>	<u>(118,257)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations

No separate statement of gains and losses has been presented as all such gains and losses are dealt with in the profit and loss account

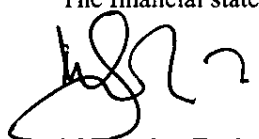
Red 24 Sales Limited

BALANCE SHEET

As at 31 March 2008

	Notes	£	2008 £	£	2007 £
FIXED ASSETS					
Tangible fixed assets	7		5,015		5,959
			<u>5,015</u>		<u>5,959</u>
CURRENT ASSETS					
Debtors	8	69,617		500,447	
Cash at bank and in hand		7,937		28,282	
		<u>77,554</u>		<u>528,729</u>	
CREDITORS amounts falling due within one year	9	(65,766)		(417,438)	
NET CURRENT ASSETS			<u>11,788</u>		<u>111,291</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>16,803</u>		<u>117,250</u>
CREDITORS amounts falling due after more than one year	10		(1,166,808)		(1,164,393)
NET LIABILITIES			<u>(1,150,005)</u>		<u>(1,047,143)</u>
CAPITAL AND RESERVES					
Called up share capital	11		851,573		851,573
Share premium account	12		622,235		622,235
Profit and loss account	13		(2,623,813)		(2,520,951)
DEFICIT ON SHAREHOLDERS' FUNDS	14		<u>(1,150,005)</u>		<u>(1,047,143)</u>

The financial statements were approved and authorised for issue by the Board on 24 June 2008



M Worsley-Tonks
Director

Red 24 Sales Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The financial statements have been drawn up on a going concern basis, which the director considers to be appropriate in view of the matters explained in note 1(i). A summary of the more important accounting policies of the company, which have been applied consistently, is set out below.

(a) *Basis of accounting*

The financial statements have been prepared in accordance with the historical cost convention.

(b) *Turnover*

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. The total turnover of the company for the year has been derived from its principal activity. An analysis of turnover on a geographic basis is shown in note 2.

(c) *Depreciation*

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rate used for this purpose is:

Fixtures, fittings and equipment	25% per annum
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The depreciation charge is pro-rated in the years of acquisition and disposal of assets.

(d) *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 capitalised and amortised over the period during which the company is expected to benefit.

(e) *Deferred taxation*

Provision is made for deferred taxation, using the liability method, on timing differences between when items are recognised in the financial statements and when they are included in the tax computation. Deferred taxation is provided at the rate expected to apply when the timing differences are expected to reverse. Deferred tax liabilities are included in all cases but deferred tax assets are only included when recovery is more probable than not. Deferred taxation is measured on a non-discounted basis.

(f) *Foreign currency transactions*

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 operating profit.

(g) *Pensions*

Pension contributions are made on a defined contribution basis. Contributions payable for the year are charged in the profit and loss account.

(h) *Operating leases*

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.

Red 24 Sales Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(i) *Going concern*

In view of the loss for the year and the excess of current liabilities over current assets, 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 Red 24 products, the company's holding company, red24 plc, has raised £499,750 of new equity capital during the year. The Group 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

red24 plc has confirmed that, subject to the availability of funds, it will make funds available to the company to enable it to continue to trade for a period of at least one year from the date on which these financial statements are approved by the director. On this basis, the directors consider that it is appropriate to prepare the financial statements on a going concern basis

(j) *Share based payments*

The parent company issues equity-settled share based payments to certain employees of the company. Equity share based payments are measured at fair value at the date of grant. The fair value determined at the date of grant is recovered by the parent company as part of its management charge on a straight line basis over the vesting period, based on the parent company's estimate of shares that will eventually vest. The assumptions underlying the number of awards that are 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) *Cash flow statement*

The company is a wholly owned subsidiary of red24 plc, which prepares a consolidated cash flow statement, and accordingly a cash flow statement is not presented with these financial statements

2	TURNOVER	2008 £	2007 £
	United Kingdom	17,160	98,730
	South Africa	526,769	511,204
		<u>543,929</u>	<u>609,934</u>
3	OPERATING LOSS	2008 £	2007 £
	Operating loss is stated after charging/(crediting)		
	Depreciation of tangible fixed assets	3,395	3,445
	Share based payments	(9,000)	5,280
	Loss on foreign exchange transactions	-	400
	Operating lease rentals - land and buildings	51,335	32,350
		<u>51,335</u>	<u>32,350</u>

Auditor's remuneration of £5,500 (2007 £5,000) was paid by the holding company

Red 24 Sales Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

4	INTEREST RECEIVABLE	2008 £	2007 £
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Bank interest	4,557	1,269
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5	INTEREST PAYABLE	2008 £	2007 £
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Bank interest	4,429	4,839
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6 TAXATION

- (a) No corporation tax is payable on the result for the year because of the trading loss (2007 £Nil)

2008 £	2007 £
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- (b) Factors affecting tax charge for the year

The tax charge for the year is different from the standard rate of corporation tax in the UK 30% (2007 30%) The differences are explained below

Loss on ordinary activities before taxation	(102,862)	(118,257)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax of 30%	(30,859)	(35,477)
Effects of		
Expenses not deductible for tax purposes	16,843	7,223
Difference between depreciation and capital allowances	1,018	1,034
Effect of non-trade income	(1,367)	(381)
Tax losses not relieved in the year	14,365	27,601
	-	-

- (c) Factors affecting tax charge for future years

The company has a potential deferred tax asset, which has not been included in the financial statements. The trading losses are available to be offset against future trading losses of the same trade as that in which the losses arose. Such losses no longer get agreed with HM Revenue & Customs, who have twenty four months from the end of an accounting period (longer in certain circumstances) to enquire into a tax return for that period. This includes any losses that are realised or claimed in that period (including claims to utilise losses brought forward). However, on the basis of the estimates made by the directors, the deferred tax asset, calculated at a corporation tax rate of 28% (2007 30%), is as follows

	2008 £	2007 £
Tax losses carried forward	482,818	503,320
Fixed asset timing differences	2,106	1,238
	484,924	504,558

The deferred tax asset may be recovered against future profits from the same trade

Red 24 Sales Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

7	TANGIBLE FIXED ASSETS		Fixtures, fittings and equipment £
	COST		
	At 1 April 2007		43,750
	Additions		2,451
	At 31 March 2008		46,201
	DEPRECIATION		
	At 1 April 2007		37,791
	Charge for the year		3,395
	At 31 March 2008		41,186
	NET BOOK AMOUNT		
	At 31 March 2008		5,015
	At 31 March 2007		5,959
8	DEBTORS	2008 £	2007 £
	Trade debtors	6,406	3,349
	Amount due from group companies	46,258	451,204
	Other debtors	8,953	43,394
	Prepayments and accrued income	8,000	2,500
		69,617	500,447
9	CREDITORS amounts falling due within one year	2008 £	2007 £
	Bank loan (i)	10,008	10,008
	Trade creditors	13,224	12,262
	Amounts due to group companies	24,654	308,962
	Taxes and social security costs	16,771	15,803
	Other creditors	1,109	70,403
		65,766	417,438

- (i) The bank loan is secured by a fixed and floating charge over the assets and undertaking of the company

Red 24 Sales Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

10	CREDITORS amounts falling due after more than one year	2008 £	2007 £
	Bank loan	30,778	40,486
	Amount due to ultimate parent undertaking	1,136,030	1,123,907
		<u>1,166,808</u>	<u>1,164,393</u>

The terms of repayment of the bank loan falling due after more than one year are as follows

	2007 £	2006 £
Payable between one and two years	10,008	10,008
Payable between two and five years	20,770	30,024
Payable after more than five years	-	454
	<u>30,778</u>	<u>40,486</u>

The bank 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. The loan is secured by a fixed and floating charge over the assets and undertaking of the company.

The amount due to the ultimate parent undertaking has no fixed terms of repayment.

11	SHARE CAPITAL	2008 £	2007 £
	Authorised 10,000,000 ordinary shares of 10p each	1,000,000	1,000,000
	Allotted, called up and fully paid 8,515,727 ordinary shares of 10p each	<u>851,573</u>	<u>851,573</u>

12	RESERVES	Share premium account £	Profit and loss account £
	Balance at 1 April 2007	622,235	(2,520,951)
	Loss for the year	-	(102,852)
	Balance at 31 March 2008	<u>622,235</u>	<u>(2,623,813)</u>

13	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2008 £	2007 £
	Opening shareholders' funds (deficit)	(1,047,143)	(928,886)
	Loss for the year	(102,862)	(118,257)
	Closing shareholders' funds (deficit)	<u>(1,150,005)</u>	<u>(1,047,143)</u>

Red 24 Sales Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

14	DIRECTORS' EMOLUMENTS	2008 £	2007 £
	Emoluments for qualifying services	76,700	114,000

No pension contributions were paid for the directors in either year

15	EMPLOYEES	2008 Number	2007 Number
	The average monthly number of employees (including directors) during the year was		
	Sales	4	4
	Office and management	3	5
		<u>7</u>	<u>9</u>

	Employment costs	£	£
	Wages and salaries	272,147	302,220
	Social security costs	26,515	28,017
	Share based payments	(9,000)	5,280
		<u>289,662</u>	<u>335,517</u>

The parent company has issued three series of share options over its shares to certain directors and employees of the company. The options cannot be exercised in the first three years following their grant and, under normal circumstances lapse if an employee leaves the group. The cost of these share based payments in relation to the company's directors and employees has been recharged to the company.

The following movements in the numbers of share options outstanding took place in the year, the numbers of options granted have been adjusted to reflect the changes to the companies ordinary shares passed at a general meeting of the parent company held on 8 December 2007.

	2006 Series	2005 Series	2004 Series	Total
At 1 April 2007	150,000	260,000	70,000	480,000
Lapsed during the year	(150,000)	(260,000)	(30,000)	(440,000)
At 31 March 2008	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>

No share options were granted during the year. The 2005 and 2006 Series of options both lapsed as the profit trigger was not met. The 2004 Series has no profit trigger and those that lapsed did so as the grantees were no longer in the groups employ.

Red 24 Sales Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

15 EMPLOYEES (continued)

The following movements took place in the previous year

	2006 Series	2005 Series	2004 Series	Total
At 1 April 2006	-	310,000	70,000	380,000
Granted during the year	150,000	-	-	150,000
Lapsed during the year	-	(50,000)	-	(50,000)
At 31 March 2007	150,000	260,000	70,000	480,000

The total credit recognised in the Profit & Loss account from share based transactions, all equity-settled, amounted to £9,000 (2007 charge £5,280) This reflects the reduction in the probability of vesting of the options contained in the various series

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	10p	10p	18 75p
Shares issued under option	150,000	260,000	70,000
Weighted average share price	7 2p	8 3p	15p
Vesting period	3 years	3 years	2 years
Expected volatility	76%	80%	83%
Contractual expiry date	31 March 2016	31 March 2015	15 April 2014
Option life taken as expected life	5 years	5 years	5 years
Risk free rate	4 5%	4 5%	4 5%
Expected dividend yield	0%	0%	0%
Probability of option vesting	0%	0%	10%
Fair value per option	10p	10p	10p

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

16 CONTROL

Control is vested in the ultimate parent undertaking red24 plc, a company incorporated in Great Britain and registered in Scotland Copies of the parent's group accounts are available from the company's offices at The Coach House, Bill Hill Park, Wokingham, Berkshire RG40 5QT

17 RELATED PARTY TRANSACTIONS

As a subsidiary company wholly owned by a company which produces consolidated accounts the entity is exempt from disclosing transactions with other group entities

18 CONTINGENT LIABILITIES

The company has a contingent liability in respect of the value added tax of its ultimate parent undertaking and certain fellow subsidiary undertakings under a group registration At 31 March 2008 the maximum potential liability was £19,812 (2007 £22,821)

Red 24 Sales Limited
SCHEDULE OF ADMINISTRATIVE EXPENSES
For the year ended 31 March 2008

	2008 £	2007 £
ADMINISTRATIVE EXPENSES		
Wages and salaries	195,447	188,220
Directors' remuneration	76,700	114,000
Employer's N I contributions	26,515	28,018
Staff seconded from South Africa	-	10,594
Staff training and recruitment	685	300
Redundancy costs	9,600	-
Share based payments	(9,000)	5,280
Rates and rent including licences	51,810	32,350
Japanese office costs	39,986	-
Repairs and maintenance	3,900	-
Printing, postage and stationery	9,566	9,068
IT and web site costs	8,323	58,186
Public relations, advertising and marketing	28,366	75,052
Telephone	30,829	43,572
Travelling expenses	62,014	85,430
Entertaining	20,596	18,797
Legal and professional fees	25,001	14,756
Bank and credit card charges	2,535	4,602
Sundry expenses	2,229	1,253
Bad debt charge	1,762	-
Depreciation of tangible fixed assets	3,395	3,445
Management charge	36,000	30,000
Exchange gain	-	400
Office relocation costs	-	1,298
	<u>626,259</u>	<u>724,621</u>

This page does not form part of the financial statements