

THIS DOCUMENT CONTAINS A NOTICE OF AN EXTRAORDINARY MEETING AND IT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and/or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this document, together with the accompanying Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

The Directors, whose names appear on page 3 of this document, and the Company accept responsibility, collectively and individually, for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Shares after the Reorganisation.

Redstone plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 3336134)

Approval for waiver of obligation under Rule 9 of the City Code on Takeovers and Mergers Proposed Share Capital Reorganisation Notice of Extraordinary General Meeting

Your attention is drawn to the letter from the Chairman of the Company which is set out in Part 1 of this document and which recommends you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting referred to below.

Whether or not you intend to attend the Extraordinary General Meeting, you are encouraged to complete and return the enclosed Form of Proxy in accordance with the instructions printed on the form.

FinnCap is a trading name of JM Finn Capital Markets Limited which is a private limited company authorised and regulated in the UK by the Financial Services Authority. FinnCap is acting as nominated and financial adviser to the Company in connection with the matters described in this document. Persons receiving this document should note that FinnCap will not be responsible to anyone other than the Company for providing the protections afforded to clients of FinnCap or for advising any other person on the arrangements described in this document. FinnCap has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by FinnCap for the accuracy of any information or opinions contained in this document or for the omission of any information.

The New Ordinary Shares will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States or qualify for distribution under any of the relevant securities laws of Canada, Australia or Japan, nor has any prospectus in relation to the New Ordinary Shares been lodged with or registered by the Australian Securities and Investments Commission or the Japanese Ministry of Finance. Accordingly, subject to certain exceptions, the New Ordinary Shares may not be, directly or indirectly, offered, sold, taken up, delivered or transferred in or into the United States, Canada, Australia or Japan. Overseas Shareholders and any person (including, without limitation, custodians nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate advice before taking any action.

Notice of an Extraordinary General Meeting of Redstone plc, to be held at the offices of Osborne Clarke at One London Wall, London EC2Y 5EB at 11.00 a.m. on 30 December 2009 is set out in Part 4 of this document. To be valid the accompanying Form of Proxy for use in connection with the meeting should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, at Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 11.00 a.m. on 24 December 2009. Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting should they so wish. For full details on proxy appointments, see the notes to the Notice of Extraordinary General Meeting and the Form of Proxy.

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STATISTICS

Number of Existing Shares in issue at the date of this document	145,772,810
Number of New Ordinary Shares in issue following the Sub-Division	145,772,810
Number of Deferred Shares in issue following the Sub-Division	145,772,810

EXPECTED TIMETABLE

Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 24 December 2009
Extraordinary General Meeting	11.00 a.m. on 30 December 2009

DIRECTORS, SECRETARY AND ADVISERS

Directors	Stephen Yapp <i>Executive Chairman</i> Peter Hallett <i>Chief Financial Officer</i> David Graham Payne <i>Non-executive Director</i> Timothy Robin Sherwood <i>Non-executive Director</i>
Company secretary	Peter Hayes
Registered office	80 Great Eastern Street London EC2A 3RS
Nominated adviser and Broker	FinnCap 4 Coleman Street London EC2R 5TA
Auditors to the Company	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Solicitors to the Company	Osborne Clarke One London Wall London EC2Y 5EB
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

“Act”	the Companies Act 2006
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM rules for companies published by the London Stock Exchange from time to time
“Capita Registrars”	a trading name of Capita Registrars Limited
“Company” or “Redstone”	Redstone plc
“Conversion”	a conversion of the Loan Notes into ordinary shares in the capital of the Company pursuant to the Loan Note Instrument
“Conversion Price”	1.37 pence
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear (as defined in those regulations) is the operator
“Deferred Shares”	deferred shares of 9.9 pence each in the capital of the Company, arising pursuant to the Sub-Division
“Directors” or “Board”	the directors of the Company whose names are set out on page 3 of this document, or any duly authorised committee thereof
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at the offices of Osborne Clarke at One London Wall, London, EC2Y 5EB at 11.00 a.m. on 30 December 2009
“EGM Notice” or “Notice of Extraordinary General Meeting”	the notice convening the EGM, which is set out in Part 4 of this document
“Existing Articles”	the articles of association of the Company adopted by the Shareholders on 30 July 2008
“FinnCap”	JM Finn Capital Markets Limited trading as FinnCap, the Company’s nominated adviser and broker
“Existing Shares”	the Ordinary Shares in issue at the date of this document, all of which are admitted to trading on AIM
“Form of Proxy”	the form of proxy for use in connection with the EGM which accompanies this document
“Full Conversion”	means a Conversion whereby the £6 million of Loan Notes (being the aggregate amount Gartmore and SVGIM are able to subscribe for as at the date of this document) have attracted the Repayment Premium and the Noteholders have converted their full entitlement pursuant to the Loan Note Instrument
“Gartmore”	Gartmore Investment Limited
“Group”	the Company, its subsidiaries and its subsidiary undertakings
“Independent Director”	David Graham Payne

“Independent Shareholders”	the Shareholders excluding Gartmore, SVGIM and those Directors that are not the Independent Director
“Loan Note Instrument”	the convertible loan note instrument of up to £8,000,000 created by the Company on 17 September 2009
“Loan Notes”	the convertible loan notes issued pursuant to the Loan Note Instrument
“Loan Note Shares”	means the New Ordinary Shares issued to the Noteholders pursuant to a Conversion
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the new ordinary shares of 0.1 pence each arising pursuant to the Sub-Division
“Noteholders”	the subscribers to the Loan Note Instrument, more particularly set out in paragraphs 3.6 and 3.8, Part 3 of this document
“Ordinary Shares”	ordinary shares of 10 pence each in the capital of the Company
“Panel”	the Panel on Takeovers and Mergers
“Proposals”	the proposed Reorganisation and the Waiver
“Remuneration Committee”	the Nominations and Remuneration Committee of the Board
“Reorganisation”	the proposed reorganisation of the share capital of the Company as described in paragraph 7 of Part 1 of this document and pursuant to Resolution 2 set out in the EGM Notice
“Repayment Premium”	a cash premium equal to two times the outstanding premium amount on the Loan Notes
“Resolutions”	the resolutions set out in the EGM Notice
“Rule 9”	Rule 9 of the Takeover Code
“Shareholders”	holders of Ordinary Shares
“Shareholders’ Rights Regulations”	Companies (Shareholders’ Rights) Regulations 2009
“Sub-Division”	the proposed sub-division of each of the issued Existing Shares into one New Ordinary Share and one Deferred Share
“Super Premium”	a cash sum equal to two times the outstanding principal amount that the Noteholders are unable to convert without being required to make an offer for the Company under Rule 9
“SVGIM”	SVG Investment Managers Limited
“Takeover Code”	the City Code on Takeovers and Mergers
“UK”	the United Kingdom of Great Britain and Northern Ireland
“US” or “United States”	the United States of America, each State thereof, its territories and possessions (including the District of Columbia) and all other areas subject to its jurisdiction

“Waiver”

the waiver granted by the Panel (subject to the passing of the Whitewash Resolution) in respect of the obligations of each of SVGIM and Gartmore to make a mandatory offer under Rule 9 of the Takeover Code in connection with a Conversion, as more particularly described in paragraph 6 of Part 1 of this document

“Whitewash Resolution”

the ordinary resolution of the Independent Shareholders concerning the waiver of obligations under Rule 9 of the Takeover Code to be proposed at the EGM in connection with the issue of the Loan Note Shares to each of Gartmore and SVGIM and set out in the EGM Notice as Resolution 1

PART 1

Letter from the Chairman of Redstone plc

Redstone plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 3336134)

Directors:

Stephen Yapp
Peter Hallett
David Graham Payne
Timothy Robin Sherwood

Registered Office:

80 Great Eastern Street
London
EC2A 3RS

10 December 2009

Dear Shareholder,

Approval for waiver of an obligation under Rule 9 of the Takeover Code

Proposed reorganisation

Notice of extraordinary general meeting

1. Introduction and summary

On 17 September 2009, your Board announced its intention to seek approval from Shareholders for certain matters relating to the issue of Loan Notes to the Noteholders. This letter sets out the Board's proposals in that regard and the reasons why the Board are unanimously recommending that you vote in favour of the Proposals.

Gartmore's shareholding of 21,260,097 Ordinary Shares represents 14.59 per cent. of the Ordinary Shares in issue at the date of this document whilst SVGIM's shareholding of 28,972,502 Ordinary Shares represents 19.88 per cent. of the Ordinary Shares in issue at the date of this document. Under Rule 9 of the Takeover Code, unless a specific waiver is obtained from the Panel and approved by the Independent Shareholders on a poll, Gartmore and/or SVGIM would normally be obliged to make a mandatory offer for the Company in the event that either of their aggregate percentage holding of voting rights attaching to the Company's issued share capital increased to 30 per cent. or more as a result of a Conversion.

The Board is also asking shareholders to approve a number of amendments to the Existing Articles primarily to reflect the implementation of the remaining provisions of the Companies Act 2006, the Shareholders' Rights Regulations, where applicable, and the Reorganisation (more particularly explained in paragraph 7 below). An explanation of the main changes between the proposed articles of association and the Existing Articles is set out in paragraph 8, Part 3.

The purpose of this document is to explain why your Board and, more particularly, the Independent Director considers that the Proposals are in the best interests of the Company and its Shareholders as a whole and to seek the approval of the Independent Shareholders, on a poll, of a waiver, which the Panel has agreed to give (subject to such approval being given), of the obligation that might otherwise arise under Rule 9 of the Takeover Code for Gartmore and/or SVGIM to make a mandatory offer for the Company as a result of a Conversion.

Stephen Yapp, Peter Hallett and Tim Sherwood are not considered to be independent as they are all expected to be eligible to participate in the Redstone Management Incentive Plan as set out in paragraph 5, Part 1 of this document.

2. Background to and reasons for the Proposals

As previously announced, the Group has spent much of the latter part of 2009 exploring potential ways to reduce the Group's indebtedness to a more sustainable level. Having disposed of the Telecoms division for £17 million, the Board worked with its advisors in exploring potential ways of funding the business. It was subsequently announced that the Company had secured up to £6 million of new funding for the Group, with the provision for a further £2 million and revised its agreements with the Group's other debt providers. The injection of new capital and revision of existing debt agreements has helped, and will continue to help, secure the future development of the Group as it focuses on its key information and communication technology strengths.

The Board is aware that the potentially dilutive nature of the Loan Notes may not be attractive to Shareholders. However, having explored the alternatives in the timeframe available, the Board believes that the issue of the Loan Notes, which provided the Group with the financing it required to secure its future, was the correct course of action.

3. Future business of the Company and current intentions

The Board is of the view that, following implementation of the Proposals, the business of the Company would be carried on in substantially the same manner as it is at present, with no major changes although the Company will continue to seek cost-savings and reductions where appropriate.

Gartmore has subscribed for Loan Notes to support its existing investment in the Company. Gartmore is not intending to seek any changes to the Board, and has confirmed that it would be its intention that, following any increase in its proportionate shareholding as a result of Conversion, the business of the Company would be continued in substantially the same manner as at present, with no major changes. It has also confirmed that it has no intentions regarding employment, the location of the Company's places of business or redeployment of the Company's fixed assets. Furthermore Gartmore is not intending to prejudice the existing employment rights, including pension rights, of any of the employees or management of the Group nor to procure any material change in the conditions of employment of any such employees or management. For more information on Gartmore, refer to paragraph 3.6, Part 3.

The SVGIM entities detailed at paragraph 3.8, Part 3 have an interest in Ordinary Shares and Loan Notes in the amounts set out in that paragraph. All such interests are managed by SVGIM acting either as investment adviser or investment manager to each of the entities. SVGIM is not intending to seek any changes to the Board, and has confirmed that it would be its intention that, following any increase in the proportionate shareholding controlled by it as a result of Conversion, the business of the Company would be continued in substantially the same manner as at present, with no major changes. It has also confirmed that it has no intentions regarding employment, the location of the Company's places of business or redeployment of the Company's fixed assets. Furthermore SVGIM is not intending to prejudice the existing employment rights, including pension rights, of any of the employees or management of the Group nor to procure any material change in the conditions of employment of any such employees or management. For further information on SVGIM, refer to paragraph 3.8, Part 3.

4. The Loan Notes

As announced on 17 September 2009, the Group completed a fundraising of up to £6 million through the issue of the Loan Notes to Gartmore and SVGIM in the amounts set out in paragraphs 3.6 and 3.8, respectively, of Part 3 of this document, with the provision for a further £2 million. The proceeds from the Loan Notes have provided funds for general working capital purposes and to strengthen the Group's balance sheet.

The key terms of the Loan Note Instrument are as follows:

- the Loan Notes can be converted into ordinary shares in the Company at the Conversion Price but only if the Noteholder is not required to make a mandatory offer for the Company under Rule 9;

- the Loan Notes will have the benefit of a second charge, ranking behind the indebtedness to Barclays Bank PLC;
- the Repayment Premium shall be payable on the maturity date;
- in the event that the Whitewash Resolution is not passed, as well as the Repayment Premium, the Super Premium shall also be payable on the maturity date;
- the Loan Notes may be issued in tranches on different dates with the initial tranche being an aggregate of £3 million;
- the second tranche of up to £3 million, can be requested by the Company at any time provided that there has not been a Material Adverse Change (as defined in the Loan Note Instrument);
- the maturity date shall be 1 October 2011 or, if earlier, the occurrence of a Major Transaction (as defined in the Loan Note Instrument).

At the date of this document, £3 million of the committed £6 million of Loan Notes had been issued by the Company.

Each of Gartmore and SVGIM have received an arrangement fee of 0.5 per cent. of the aggregate facility (£6 million).

Based on the assumptions set out in paragraph 3.5, Part 3, the interests of the Noteholders in the share capital of the Company on a Full Conversion would be as follows:

<i>Noteholder</i>	<i>Number of New Ordinary Shares</i>	<i>Number of Loan Note Shares</i>	<i>% voting rights on a Full Conversion</i>
Gartmore	21,260,097	656,934,307	46.46
SVGIM	28,972,502	656,934,307	46.99

5. Incentivisation of senior management

- 5.1 The Board believes that to enhance the value of the business in the future it is essential that the senior management of the Group are well motivated and appropriately rewarded. Whilst the Company has a number of share option schemes in place which enable selected employees to benefit from a rising share price, your Board is keen to provide an additional incentive which is also aligned as closely as possible to the interests of the Shareholders.
- 5.2 The Board has therefore agreed in principle with the Noteholders that a management incentive plan (the “**Redstone Management Incentive Plan**”) will be put in place, under which, senior management would be granted options to subscribe for Loan Notes. As at the date of posting this document, the Redstone Management Incentive Plan remained under negotiation although it was expected that the Board, save for the Independent Director, would be eligible to participate in the Redstone Management Incentive Plan. The total amount of Loan Notes to be made available to senior management will be calculated by reference to the amount of Loan Notes in issue at the time the Redstone Management Incentive Plan is put in place. Any allocation will be decided by the Remuneration Committee after the Redstone Management Incentive Plan has been put in place.
- 5.3 The aggregate amount of Loan Notes that may be issued to the senior management is not expected to exceed 35 per cent. of the total issued Loan Notes and any Conversion of these Loan Notes would not result in management holding in excess of 29.99 per cent. of the entire issued share capital of the Company.
- 5.4 Accordingly, the Remuneration Committee has undertaken a review of the current incentive arrangements for senior management and has approved the framework of the Redstone Management Incentive Plan and Resolution 6 therefore proposes that the Redstone Management Incentive Plan be

adopted in accordance with the principal terms as outlined in paragraphs 5.2 to 5.3, Part 1 above. Save for the Independent Director, the Board shall be disenfranchised from voting on Resolution 6.

- 5.5 The Board also wishes to restructure the current option arrangements for existing employees. It is recognised that all outstanding options are currently out of the money and are not providing an effective incentive for employees throughout the Group. It is therefore intended to allow employees to surrender their existing underwater options in return for the grant of new options with an exercise price equal to the Conversion Price. The current option schemes provide for the issue of new shares to satisfy options up to a maximum of 10 per cent. of the issued share capital in any rolling 10 year period. Due to the potential dilutive effect of the proposed issue of Loan Notes, it is proposed that this limit be increased to 25 per cent. of the issued share capital of the Company prior to conversion of the Loan Notes. Assuming that there is a Full Conversion, and options were granted to the new 25 per cent. maximum dilution limit, the number of options would represent approximately 3.4 per cent. of the entire issued ordinary share capital of the Company following a Full Conversion.

It is intended that the rules of the Redstone Unapproved 2008 Incentive Option Scheme will be amended to allow for the grant of options at a price lower than the market value of a New Ordinary Share and for the rules of the Redstone Approved 2008 Incentive Option Scheme and the rules of the Redstone Unapproved 2008 Incentive Option Scheme (together, the “**Option Schemes**”) to be amended to reflect the increased share capital dilution limit.

It is not intended that Peter Hallett or Stephen Yapp would participate in the amended Option Schemes.

Save for the Independent Director, the Board shall be disenfranchised from voting on Resolution 7.

- 5.6 The Remuneration Committee considers, having looked at alternative incentive plan arrangements and having been so advised by FinnCap, that the Redstone Management Incentive Plan and the proposed amendments to the Option Schemes would be fair and reasonable insofar as the Shareholders are concerned.

6. The Takeover Code and the Waiver

The Takeover Code governs, *inter alia*, transactions which may result in the change of control of a public company to which the Takeover Code applies.

As explained in paragraph 1 of this Part 1, under Rule 9 of the Takeover Code, any person who acquires an interest (as defined in the Takeover Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the Company during the 12 months prior to the announcement of the offer.

A table showing the interests in shares of each Noteholder on a Full Conversion is set out in paragraph 3.5 of Part 3.

Following completion of the Proposals, Gartmore and SVGIM will each be interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of the Company but neither will hold shares carrying more than 50 per cent. of such voting rights and if Gartmore and SVGIM or any person acting in concert with either of them, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which either of them are interested, the provisions of Rule 9 shall apply to that increase.

The Panel has agreed, however, to waive the obligation to make a general offer that would otherwise arise as a result of a Conversion, subject to the approval of the Independent Shareholders. Accordingly, Resolution 1

is being proposed at the EGM, and will be taken on a poll. Only the Independent Shareholders will be entitled to vote on Resolution 1.

The Independent Director considers the Proposals to be in the best interests of the Company and the Independent Shareholders, and recommends that you vote in favour of the Whitewash Resolution. It should be noted that in the event that the Shareholders do not pass the Whitewash Resolution, the Loan Notes will attract the Super Premium and a further £12 million may become payable to the Noteholders that would otherwise not be payable.

7. Reorganisation

The Conversion Price represents a discount to the current 10 pence nominal value of an Existing Share.

However, company law prohibits the issue of shares at a price below their nominal value and, accordingly, a share capital reorganisation will be necessary in order to undertake any Conversion. It is therefore proposed to reorganise the share capital of the Company by subdividing each issued Existing Share of 10 pence into one New Ordinary Share of 0.1 pence and one Deferred Share of 9.9 pence.

The New Ordinary Shares will have the same rights (including voting and dividend rights) as each Existing Share has at present. No new certificates will be issued in respect of the New Ordinary Shares and existing share certificates in respect of Existing Shares will be valid and will continue to be accepted as evidence of title for the New Ordinary Shares. The Company's ISIN (GB00B1VGFJ79) shall remain unchanged.

In order to effect the Reorganisation, new articles of association will need to be adopted to include the rights of the Deferred Shares, which will be minimal thereby rendering them effectively valueless. Further information on the proposed new articles of association is set out at paragraph 8, Part 3.

The rights attaching to the Deferred Shares can be summarised as follows:

- they do not entitle holders to receive any dividend or other distribution or to receive notice or, speak or vote at general meetings of the Company;
- on a return of assets on a winding up, they only entitle the holder to the amounts paid up on such shares after the repayment of the capital paid up on the New Ordinary Shares and the payment of £100 million per New Ordinary Share;
- they are not freely transferable;
- the creation and issue of further shares which rank equally or in priority to the Deferred Shares or the passing of a resolution of the Company to cancel the Deferred Shares or to effect a reduction of capital shall not constitute a modification or abrogation of their rights; and
- the Company shall have the right at any time to purchase all of the Deferred Shares for an aggregate consideration of not more than £1.00.

No application will be made for the Deferred Shares to be admitted to trading on AIM or any other stock exchange. No share certificates will be issued for any of the Deferred Shares. There are no immediate plans to purchase or to cancel the Deferred Shares, although the Directors propose to keep the situation under review.

8. Extraordinary General Meeting

Set out in Part 4 of this document is a notice convening the EGM to be held on 30 December 2009 at the offices of Osborne Clarke at One London Wall, London, EC2Y 5EB at 11.00 a.m., at which the Resolutions will be proposed for the purposes of implementing the Proposals.

9. Action to be taken

A Form of Proxy for use at the EGM accompanies this document. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Company's

registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU soon as possible, but in any event so as to be received by no later than 11.00 a.m. on 24 December 2009. The completion and return of a Form of Proxy will not preclude Shareholders from attending the EGM and voting in person should they so wish.

10. Recommendation

The Independent Director, who has been so advised by FinnCap, considers the Proposals to be fair and reasonable and in the best interests of the Independent Shareholders and the Company as a whole. In providing advice to the Independent Director, FinnCap has taken into account the commercial assessment of the Board.

Accordingly the Independent Director recommends the Independent Shareholders to vote in favour of the Resolutions, as the Independent Director intends to do in respect of his beneficial shareholding amounting to 50,000 Ordinary Shares representing 0.03 per cent. of the Ordinary Shares.

Yours faithfully

Stephen Yapp

PART 2

Financial information on the Company

The following information can be found at www.redstone.co.uk/annual_interim_reports.html:

	<i>Annual Report FY 2008-09</i>		<i>Annual Report FY 2007-08</i>		<i>Annual Report FY 2006-07</i>	
	<i>Note/Ref</i>	<i>Page</i>	<i>Note/Ref</i>	<i>Page</i>	<i>Note/Ref</i>	<i>Page</i>
(a) (i) Turnover	Income Statement	28	Income Statement	28	Income Statement	30
Net profit or loss before tax	Income Statement	28	Income Statement	28	Income Statement	30
Net profit or loss after tax	Income Statement	28	Income Statement	28	Income Statement	30
Charge for tax	Income Statement	28	Income Statement	28	Income Statement	30
Exceptional/Extraordinary items	Income Statement	28	Income Statement	28	Income Statement	30
Minority interests	N/A		N/A		N/A	
Dividends	N/A		N/A		N/A	
Earnings per share	Income Statement	28	Income Statement	28	Income Statement	30
Dividends per share	N/A		N/A		N/A	
(ii) Statement of assets and liabilities	Balance Sheet	30	Balance Sheet	30	Balance Sheet	32
(iii) Cash flow statement	Cash Flow	31	Cash Flow	31	Cash Flow	33
(iv) Material changes subsequent to the last published audited accounts	Subsequent events Note 2	59 – 60	N/A		N/A	
(v) Interim statement since the last published accounts	N/A		N/A		N/A	
(vi) Inflation adjusted information	N/A		N/A		N/A	
(vii) Significant accounting policies and notes to the accounts	Notes to the Consolidated Financial Statements	32 – 60	Notes to the Consolidated Financial Statements	32 – 62	Notes to the Consolidated Financial Statements	34 – 62
(viii) Changes in accounting policy	None		Note 1	32	None	
(ix) Names of the Directors	Executive and Non-executive Directors	16	Executive and Non-executive Directors	18	Executive and Non-executive Directors	18
(x) Nature of business and prospects	Operational Review	7 – 9	Chief Executives Review	7 – 13	Chief Executives Review	5 – 14
(xi) Principal contents of material contracts	Operational Review	7 – 9	Chief Executives Review	7 – 13	Chief Executives Review	5 – 14

Financial information on SVG Capital plc¹

The following information can be found at www.svgcapital.com/investors/reportandaccounts/:

	<i>Annual Report 2008</i>		<i>Annual Report 2007</i>		<i>Annual Report 2006</i>	
	<i>Note/Ref</i>	<i>Page</i>	<i>Note/Ref</i>	<i>Page</i>	<i>Note/Ref</i>	<i>Page</i>
(a) (i) Turnover	Income Statement	44	Income Statement	46	Income Statement	46
Net profit or loss before tax	Income Statement	44	Income Statement	46	Income Statement	46
Net profit or loss after tax	Income Statement	44	Income Statement	46	Income Statement	46
Charge for tax	Income Statement	44	Income Statement	46	Income Statement	46
Exceptional/Extraordinary items	N/A		N/A		N/A	
Minority interests	Income Statement	44	Income Statement	46	Income Statement	46
Dividends	N/A		N/A		N/A	
Earnings per share	Income Statement	44	Income Statement	46	Income Statement	46
Dividends per share	N/A		N/A		N/A	
(ii) Statement of assets and liabilities	Balance Sheet	48	Balance Sheet	50	Balance Sheet	50
(iii) Cash flow statement	Cash Flow Statement	50	Cash Flow Statement	52	Cash Flow Statement	52
(iv) Material changes subsequent to the last published audited accounts	N/A		N/A		N/A	
(v) Details of (i) above if interim statement or preliminary announcement since last published audited accounts	Interim Report 2009		N/A		N/A	
Net profit or loss after tax	Income Statement	20	N/A		N/A	
Charge for tax	Income Statement	20	N/A		N/A	
Exceptional/Extraordinary items	N/A		N/A		N/A	
Minority interests	Income Statement	20	N/A		N/A	
Dividends	N/A		N/A		N/A	
Earnings per share	Income Statement	20	N/A		N/A	
Dividends per share	N/A		N/A		N/A	
(vi) Inflation adjusted information	N/A		N/A		N/A	
(vii) Significant accounting policies and notes to the accounts	Notes to the Accounts	52 – 81	Notes to the Accounts	54 – 78	Notes to the Accounts	54 – 78
(viii) Changes in accounting policy	N/A		N/A		N/A	
(ix) Names of the Directors	Directors	26 – 27	Directors	28 – 29	Directors	30 – 31
(x) Nature of business and prospects	Financial Director's Report	6 – 7	Chairman's Statement	6 – 7	Chairman's Statement	6 – 8
	Business Review	8 – 23	CEO's Review	8 – 9	CEO's Review	9
(xi) Principal contents of material contracts			Business Review	10 – 23	Business Review	12 – 27
	Business Review	8 – 23	Business Review	10 – 23	Business Review	12 – 27

Since publication of the 2009 Interim Report, SVG Capital has also released an interim management statement for the period from 1 July 2009 to 31 October 2009 which can be viewed at www.svgcapital.com.investors/rns/.

¹ SVG Capital plc, which is registered in England, is the ultimate holding company of SVGIM.

PART 3

Additional information

1. The Company

- 1.1 The name of the Company is Redstone plc. It was incorporated in England and Wales under the Companies Act 1985 under registered number 3336134. The Company's registered office is situated at 80 Great Eastern Street, London EC2A 3RS.
- 1.2 The Company is the holding company of a group of companies providing information and communication technology services to mid-market and enterprise clients including Building Schools for the Future.

2. Responsibility

- 2.1 The Directors whose names and functions are set out on page 3 of this document accept responsibility, both collectively and individually, for the information contained in this document, other than that relating to the Noteholders and their related trusts and persons connected with them for which the Noteholders accept responsibility as set out below. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 2.2 Dominic Rossi (a director of Gartmore) and Robert Giles (in his capacity as manager of the Gartmore funds) accept responsibility for the information contained in this document relating to Gartmore. To the best of the knowledge and belief of Gartmore and Robert Giles (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 2.3 The directors of SVGIM whose names are set out in paragraph 3.8, Part 3 accept responsibility for the information contained in this document relating to SVGIM and SVG Capital plc. To the best of the knowledge and belief of those directors (having taken all reasonable care to ensure that such is the case), the information contained in this document for which it is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

3. Interests and Dealings

- 3.1 For the purposes of this paragraph 3:

“acting in concert” has the meaning attributed to it in the Takeover Code.

“arrangement” includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing.

“associate” of any company means:

- (a) its parent, subsidiaries and fellow subsidiaries, their associated companies, and companies of which any such parent, subsidiaries, fellow subsidiaries or associated companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status);
- (b) its connected advisers and persons controlling, controlled by or under the same control as such connected advisers;

- (c) its directors and the directors of any company covered in (a) above (together in each case with their close relatives and related trusts); and
- (d) its pension funds or the pension funds of a company covered in (a) above.

“connected adviser” has the meaning attributed to it in the Takeover Code.

“connected person” has the meaning attributed to it in section 252 of the Act.

“control” means an interest, or interests in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give *de facto* control.

“dealing” or “dealt” includes the following:

- (a) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to relevant securities, or of general control of relevant securities;
- (b) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities;
- (c) subscribing or agreeing to subscribe for relevant securities;
- (d) the exercise of conversion of any relevant securities carrying conversion or subscription rights;
- (e) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities; or
- (f) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position.

“derivative” includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying security.

“disclosure date” means 9 December 2009, being the latest practicable date prior to the posting of this document.

“disclosure period” means the 12 month period ending on the disclosure date.

“exempt principal trader” or “exempt fund manager” has the meaning attributed to it in the Takeover Code.

being “interested” in relevant securities includes where a person:

- (a) owns relevant securities;
- (b) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or has general control of them;
- (c) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
- (d) is party to any derivative whose value is determined by reference to its price and which results, or may result, in his having a long position in it.

“paragraph 1 associate” means, in relation to a company, its parent, subsidiaries and fellow subsidiaries, their associated companies, and companies of which such parent, subsidiaries, fellow subsidiaries or associated companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status).

“relevant securities” means shares in the Company (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof excluding the Loan Notes.

“short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

- 3.2 As at the close of business on the disclosure date, the interests of the Directors and their immediate families, related trusts and the interests of persons connected with them in the issued share capital of the Company were as follows:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>% of Ordinary Shares</i>
Peter Hallett	0	0.00
David Graham Payne	50,000	0.03
Timothy Robin Sherwood	3,505	0.00
Stephen Yapp	0	0.00

- 3.3 During the disclosure period, there were no dealings for value in the Ordinary Shares by the Directors, their immediate families, related trusts and connected persons.

- 3.4 As at the close of business on the disclosure date, the interests of the Noteholders in the share capital of the Company were as follows:

<i>Noteholder</i>	<i>Number of Ordinary Shares</i>	<i>% of Ordinary Shares</i>
Gartmore	21,260,097	14.59
SVGIM	28,972,502	19.88

For a detailed breakdown of Gartmore’s interests at the close of business on the disclosure date, refer to paragraph 3.6, Part 3. For a detailed breakdown of SVGIM’s interests at the close of business on the disclosure date, refer to paragraph 3.8, Part 3.

- 3.5 If the Whitewash Resolution is passed at the Extraordinary General Meeting, and on the assumption that:

- (a) the Noteholders do not acquire further shares in the Company;
- (b) a Full Conversion takes place; and
- (c) save for the Reorganisation, there are no other changes to the issued share capital of the Company;

the interests of the Noteholders in the share capital of the Company would be as follows:

<i>Noteholder</i>	<i>Number of New Ordinary Shares</i>	<i>Number of Loan Note Shares</i>	<i>% voting rights on a Full Conversion</i>
Gartmore	21,260,097	656,934,307	46.46
SVGIM	28,972,502	656,934,307	46.99

For a detailed breakdown of the potential interests of Gartmore at the close of business on the disclosure date, refer to paragraph 3.6, Part 3. For a detailed breakdown of the potential interests of SVGIM at the close of business on the disclosure date, refer to paragraph 3.8, Part 3.

- 3.6 Gartmore is an independent fund manager, whose sole focus is asset management. Gartmore offers a wide range of investment products and services tailored to meet the varying needs of both retail and institutional clients. Gartmore has offices strategically located in London, Tokyo, Boston, Madrid and Frankfurt.

The directors of Gartmore are David Antony Francis, William Lindsay McGowan, Jeffrey Stuart Meyer, Dominic Michael Joseph Rossi, Keith Andrew Starling and Philip Charles Wagstaff.

Gartmore's head office is located at Gartmore House, 8 Fenchurch Place, London EC3M 4PB. Gartmore currently has an interest in 21,260,097 Ordinary Shares (registered in the name of various nominees), equivalent to 14.58 per cent. of the issued share capital of the Company, in seven Gartmore funds: Alphagen Volantis Fund (9,400,864 Ordinary Shares), Strathclyde Pension Fund (3,910,569 Ordinary Shares), Gartmore Growth Opportunities fund (684,080 Ordinary Shares), Gartmore UK and Irish Smaller Companies fund (4,143,296 Ordinary Shares), Gartmore Sicav Pan Euro Smaller Companies Fund (200,000 Ordinary Shares) and Swiss Federal Social Security Fund (1,621,288 Ordinary Shares) and Gartmore UK Small Cap Best Ideas Fund (1,300,000 Ordinary Shares). Gartmore has already subscribed for £1,500,000 Loan Notes and, if the Board requests, Gartmore will subscribe for up to a further £1,500,000 resulting in Gartmore potentially, assuming Full Conversion of their rights being interested in 46.46 per cent. of the enlarged issued share capital of the Company (assuming Full Conversion by SVGIM). The breakdown of Gartmore's interest in the Loan Notes is as follows:

- (a) The Alphagen Volantis Fund (the "**Alphagen Volantis Fund**") is an absolute return fund investing primarily in UK smaller companies. The trustees of the Alphagen Volantis Fund have subscribed for £777,411 of Loan Notes from the initial tranche of £1,500,000 of Loan Notes subscribed by funds controlled by Gartmore. It is proposed that from the second tranche of £1,500,000 of Loan Notes, should they be issued by the Company, £777,411 will be allocated to the trustees of the Alphagen Volantis Fund, resulting in the fund potentially, assuming Full Conversion being interested in 23.97 per cent. of the enlarged issued share capital of the Company. The Alphagen Volantis Fund's net asset value was £244 million on 4 December 2009 (being the latest practicable date prior to the posting of this document).
- (b) Gartmore Growth Opportunities plc (the "**Growth Fund**") seeks capital appreciation from investment primarily in the shares of quoted UK smaller companies. The trustees of the Growth Fund have subscribed for £56,570 of Loan Notes from the initial tranche of £1,500,000 of Loan notes subscribed by funds controlled by Gartmore. It is proposed that from the second tranche of £1,500,000 of Loan Notes, should they be issued by the Company, £56,570 will be allocated to the trustees of the Growth Fund, resulting in the fund potentially, assuming Full Conversion being interested in 1.74 per cent. of the enlarged issued share capital of the Company. The fund's net asset value was £59 million on 4 December 2009 (being the latest practicable date prior to the posting of this document).
- (c) Gartmore Investment Funds Series I (Gartmore UK and Irish Smaller Companies Fund) (the "**UK & Ireland Fund**") offers exposure to UK and Irish smaller companies. The trustees of the UK & Ireland Fund have subscribed for £342,632 of Loan Notes from the initial tranche of £1,500,000 of Loan Notes subscribed by funds controlled by Gartmore. It is proposed that from the second tranche of £1,500,000 of Loan Notes, should they be issued by the Company, £342,632 will be allocated to the trustees of the UK & Ireland Fund, resulting in the fund potentially, assuming Full Conversion being interested in 10.56 per cent. of the enlarged issued share capital of the Company. The fund's net asset value was £162 million on 4 December 2009 (being the latest practicable date prior to the posting of this document).

- (d) Glasgow City Council (as administering authority for Strathclyde Pension Fund) (the “**Strathclyde Fund**”), also managed by Gartmore, seeks capital appreciation through investment primarily in the shares of quoted UK smaller companies. The trustees of the Strathclyde Fund have subscribed for £323,387 of Loan Notes from the initial tranche of £1,500,000 of Loan Notes subscribed by funds controlled by Gartmore. It is proposed that from the second tranche of £1,500,000 of Loan Notes, should they be issued by the Company, £323,387 will be allocated to the trustees of the Strathclyde Fund, resulting in the fund potentially, assuming Full Conversion being interested in 9.97 per cent. of the enlarged issued share capital of the Company. The fund’s net asset value was £199 million on 4 December 2009 (being the latest practicable date prior to the posting of this document).

Each of the funds is managed by Robert Giles.

- 3.7 The table below sets out the dealings in relevant securities made by Gartmore in the Company during the disclosure period:

<i>Fund</i>	<i>Deal Type</i>	<i>Deal Date</i>	<i>Quantity</i>	<i>Price</i>
Strathclyde Pension Fund	Buy	22/09/08	100,000	0.455
Strathclyde Pension Fund	Buy	29/09/08	886,259	0.4575
Alphagen Volantis FD Prime Brokerage	Sell	29/09/08	886,259	0.4575
Alphagen Volantis FD Prime Brokerage	Buy	15/10/08	2,434,124	0.1502
Alphagen Volantis FD Prime Brokerage	Buy	23/10/08	2,000,000	0.1003
Gartmore Smaller Companies TS *DED*	Sell	21/01/09	2,221,294	0.085
Alphagen Volantis FD Prime Brokerage	Buy	02/02/09	325,000	0.1219
Alphagen Volantis FD Prime Brokerage	Buy	03/02/09	150,000	0.1304
Alphagen Volantis FD Prime Brokerage	Buy	03/02/09	25,000	0.1404
Gartmore Growth Opportunities	Buy	24/02/09	100,000	0.16
Gartmore Growth Opportunities	Buy	26/02/09	75,000	0.16
Strathclyde Pension Fund	Buy	27/02/09	35,000	0.16
Strathclyde Pension Fund	Buy	02/03/09	50,000	0.16
Strathclyde Pension Fund	Buy	03/03/09	50,000	0.15
Alphagen Volantis FD Prime Brokerage	Sell	16/03/09	250,000	0.1446
Alphagen Volantis FD Prime Brokerage	Buy	17/03/09	50,000	0.1334
Alphagen Volantis FD Prime Brokerage	Buy	15/05/09	9,400,864	0.105
Alphagen Volantis FD Prime Brokerage	Sell	15/05/09	9,400,864	0.105

- 3.8 SVGIM was established in 2002 with the objective of achieving absolute returns by investing in public companies using private equity investment techniques and a policy of constructive corporate engagement. The team draws upon the resources of an industry policy panel of experienced industrialists that provides insight and advice relating to the strategy, operations or management of companies as well as access to a wide pool of experienced professionals. SVGIM’s ultimate holding company is SVG Capital plc, which is registered in England.

SVG Capital plc is a private equity investor and fund management business listed on the London Stock Exchange. SVG Capital plc’s investment objective is to achieve capital appreciation by investing principally in private equity funds that are managed or advised by Permira, a leading international private equity specialist. In addition, SVG Capital plc invests in private equity funds that invest in Japan, North America, Asia and the life sciences sectors, and in unquoted and quoted businesses through specialist funds and co-investments alongside these funds. SVG Capital plc may also invest in other private equity related assets and alternative asset classes. To complement this investment objective and create capital and income for SVG Capital plc, its fund management business structures, markets, manages and advises products for investment in private equity, private equity related assets, alternative asset classes and in public equity using private equity techniques.

The directors of SVGIM are Lynn Fordham, Jonathan Morgan, Anthony Dalwood and Adam Steiner.

SVGIM currently manages interests in a total of £1,500,000 Loan Notes held through the following entities: SVG Investment Managers Limited (in its capacity as general partner of Strategic Recovery Fund II) (“**SRF II**”) (£900,000 of Loan Notes) and SVG Capital Plc (in its capacity as co-investor of Strategic Recovery Fund II) (“**SVG PLC**”) (£600,000 of Loan Notes, subscribed pursuant to a co-investment agreement between it, SVGIM and SRF II). It is proposed that £900,000 of the Loan Notes from the second tranche of £1,500,000 of Loan Notes, should they be issued by the Company, will be allocated to SRF II, resulting in SRF II potentially being interested in 27.01 per cent. of the enlarged issued share capital of the Company (assuming Full Conversion). It is also proposed that £600,000 of the Loan Notes from the second tranche of £1,500,000 of Loan Notes, should they be issued by the Company, will be allocated to SVG PLC pursuant to a co-investment agreement between it, SVGIM and SRF II, resulting in SVG PLC potentially being interested in 18.00 per cent. of the enlarged issued share capital of the Company (assuming Full Conversion).

SVGIM also currently manages interests in 28,972,502 Ordinary Shares, equivalent to 19.88 per cent. of the issued share capital of the Company, held through the following entities: SRF II (4,207,777 Ordinary Shares), SVG PLC (2,805,185 Ordinary Shares), Strategic Equity Capital plc (13,235,714 Ordinary Shares), SVG UK Alpha Fund (295,297 Ordinary Shares), SVG UK Focus Fund (8,428,529 Ordinary Shares).

- 3.9 SVGIM had no dealings in relevant securities of the Company during the disclosure period.
- 3.10 As at the close of business on the disclosure date, save as disclosed in this Part 3:
- (a) neither Noteholder had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities, nor had it dealt in any relevant securities during the disclosure period;
 - (b) none of the directors of the Noteholders had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities, nor had it dealt in any relevant securities during the disclosure period;
 - (c) no person acting in concert with either Noteholder had an interest in or a right to subscribe for, or had any short position in relation to, any relevant securities, nor had any such person dealt in any relevant securities during the disclosure period;
 - (d) no paragraph 1 associate of the Company had any interest in, or right to subscribe for, or had any short position in relation to, any relevant securities;
 - (e) no pension fund of the Company or of a paragraph 1 associate of the Company had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities;
 - (f) no employee benefit trust of the Company or of a paragraph 1 associate of the Company had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities;
 - (g) no connected adviser to the Company or to a paragraph 1 associate of the Company or to a person acting in concert with the Company, nor any person controlling, controlled by or under the same control as any such connected adviser (except for an exempt principal trader or exempt fund manager) had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities;
 - (h) the Company has not redeemed or purchased any relevant securities during the disclosure period;
 - (i) there were no arrangements which existed between the Company or any associate of the Company and any other person;
 - (j) there were no arrangements which existed between the Noteholders, or any person acting in concert with the Noteholders, and any other person;

- (k) neither Noteholder nor any person acting in concert with them had borrowed or lent any relevant securities, save for any borrowed shares which have either been on-lent or sold;
- (l) neither the Company nor any person acting in concert with the Company had borrowed or lent any relevant securities, save for any borrowed shares which have either been on-lent or sold; and
- (m) neither the Company nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to, any shares in any corporate member of either Noteholder (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof.

4. Significant change

- 4.1 Save as disclosed in this document, there has been no material change in the financial or trading position of the Group subsequent to the publication of the latest audited financial statements of the Company for the year ended 31 March 2009.
- 4.2 There has been no publicly announced material change in the financial or trading position of SVG Capital plc (being the holding company of SVGIM) subsequent to the publication of their latest interim management statement on 16 November 2009.

5. Middle market quotations

Set out below are the closing middle-market quotations for the Ordinary Shares, as derived from the AIM Appendix of the Daily Official List of the London Stock Exchange, for the first dealing day of each of the six months immediately preceding the date of this document and for 9 December 2009 (being the last practicable date prior to the publication of this document):

<i>Date</i>	<i>Price per Ordinary Share (pence)</i>
1 July 2009	8.6
3 August 2009	8.5
1 September 2009	6.1
1 October 2009	4.1
2 November 2009	3.6
1 December 2009	2.9
9 December 2009	2.9

6. Material contracts

Save as set out below, the Group has not entered into any material contract (not being a contract entered in the ordinary course of business) within the previous two years nor has any other contract been entered into which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group:

- (a) a sale and purchase agreement dated 14 August 2009 between Daisy Telecoms Limited (“**Daisy**”), the Company and Daisy Group plc pursuant to which Daisy agreed to acquire the Group’s fixed line business and the shares of Anglia Telecom Centres Limited and Symphony Telecom Limited. The consideration was £17 million subject to any working capital adjustment capped at £500,000 (upwards or downwards). There is a retention fund of £500,000 which will be released in March 2010. The Company gave non-tax warranties for a two-year period and tax warranties for a seven-year period.
- (b) a secured senior credit facility originally dated 5 August 2008 (and amended and restated on 17 September 2009) pursuant to which Barclays Bank PLC makes available to the Group a term loan facility of £10 million and a revolving facility of £8 million.

- (c) a secured junior credit facility dated 17 September 2009 pursuant to which Eckoh plc makes available to the Company a term loan facility of £2.7 million.
- (d) a loan note instrument more particularly described at paragraph 4 of Part 1 of this document.
- (e) a nominated adviser and broker agreement dated 11 September 2009 between the Company and FinnCap pursuant to which the Company has appointed FinnCap to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay FinnCap a fee of £45,000 plus VAT per annum for its services as nominated adviser and broker under this agreement. The agreement is terminable upon not less than three month's prior written notice by either the Company or FinnCap.
- (f) an agreement dated 21 August 2009 between Birmingham LEP Company Limited and Redstone Converged Solutions Limited pursuant to which the Company has agreed to provide ongoing information and communication technology managed services as part of the Birmingham 'Building Schools for the Future' project.
- (g) an agreement dated 21 August 2009 between Bovis Lend Lease Limited and Redstone Converged Solutions Limited pursuant to which the Company has agreed to provide information and communication technology installation services (including the provision of a data centre) as part of the Birmingham 'Building Schools for the Future' project. The Company is paid £1,773,137 upon the data centre going live and receives further payments totalling £4,468,571 spread over three milestones upon the services being provided at the schools relevant to the project going live. There is a retention fund of £800,000 which will be released (together with accrued interest) upon the entering into of subsequent phases.

7. Directors' remuneration and service agreement

7.1 Details of the service contracts or letters of appointment of the Directors are set out below:

<i>Name</i>	<i>Date of continuous service</i>	<i>Notice period (months)</i>	<i>Salary/fees p.a. as at the date of this document (£)</i>	<i>Value of benefits in kind (£)</i>
Peter Hallett*	11 October 2009	6	180,000	4,000
David Payne	26 June 2001	6	35,550	–
Timothy Sherwood	6 March 2007	6	35,550	–
Stephen Yapp**	30 September 2009	6	160,000	16,800

* Peter Hallett was appointed to the Board on 11 October 2009.

** Stephen Yapp was appointed to the Board on 30 September 2009.

7.2 Save as disclosed above, none of the Directors' service contracts have been entered into or amended within six months of the date of this document.

8. Amendments to the Existing Articles

8.1 It is proposed in Resolution 3(c) to adopt new articles of association (the "New Articles") in order to update the Existing Articles primarily to take account of rights of the Deferred Shares, more particularly described at paragraph 7, Part 1 but also to take account of the coming into force of the Shareholders' Rights Regulations and the implementation of the last parts of the Companies Act 2006.

8.2 The principal changes introduced in the New Articles are summarised in paragraph 8.3 below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 and the Shareholders' Rights Regulations, where applicable, or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills have not been noted in paragraph 8.3. The New Articles showing all the changes to the Existing Articles are available for inspection as noted in paragraph 10, Part 3.

8.3 As explained in paragraph 8.2 above, save for the rights of the Deferred Shares, the main differences between the Existing Articles and the New Articles are as follows:

(a) ***The Company's objects***

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and Existing Articles. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Act significantly reduces the constitutional significance of a company's memorandum. The Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Act, the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the Company's articles of association but the Company can remove these provisions by special resolution.

Further the Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Act, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 3(a) confirms the removal of these provisions for the Company. As the effect of this Resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

(b) ***Articles which duplicate statutory provisions***

Provisions in the Existing Articles which replicate provisions contained in the Act are in the main amended to bring them into line with the Act.

(c) ***Authorised share capital and unissued shares***

The Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Act, save in respect of employee share schemes.

(d) ***Redeemable shares***

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Act enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

(e) ***Authorised to purchase own shares, consolidate and sub-divide shares, and reduce share capital***

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Existing Articles include these enabling provisions. Under the Act, a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

(f) ***Provision for employees on cessation of business***

The Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

(g) ***Suspension of registration of share transfers***

The Existing Articles permit the directors to suspend the registration of transfers. Under the Act, share transfers must be registered as soon as practicable. The power in the Existing Articles to suspend the registration of transfers is inconsistent with this requirement.

9. General

- 9.1 FinnCap has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- 9.2 Save as disclosed there is no agreement, arrangement, or understanding (including any compensation arrangement) between the Noteholders and any person acting in concert with any of them and any of the Directors, recent directors, Shareholders or recent shareholders having any connection with or dependence upon the Proposals.

10. Documents available for inspection

The following documents or copies thereof may be inspected at the offices of Osborne Clarke at One London Wall, London EC2Y 5EB, during the normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until the date of the Extraordinary General Meeting:

- (a) the Existing Articles and the New Articles;
- (b) the consolidated audited financial statements of the Company for the year ended 31 March 2009 and for the year ended 31 March 2008;
- (c) the Directors' service agreements and letters of appointment referred to in paragraph 7 of this Part 3;
- (d) the material contracts referred to in paragraph 6 of this Part 3; and
- (e) the written consent referred to in paragraph 9.1 of this Part 3.

PART 4

NOTICE OF EXTRAORDINARY GENERAL MEETING

Redstone plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 3336134)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Redstone plc (the “**Company**”) will be held at the offices of Osborne Clarke at One London Wall, London EC2Y 5EB at 11.00 a.m. on 30 December 2009 to consider and, if thought fit, to pass the following resolutions of which resolutions 1, 2, 4, 6 and 7 to be passed as ordinary resolutions, of which resolution 1 will be taken on a poll of the Independent Shareholders, and resolutions 3 and 5 to be passed as special resolutions of the Company:

That:

1. the waiver granted by the Panel on Takeovers and Mergers of the obligation which would otherwise arise under Rule 9 of the City Code on Takeovers and Mergers for Gartmore Investment Limited and/or SVG Investment Managers Limited to make a general offer to shareholders of the Company as a result of a conversion (a “**Conversion**”) pursuant to the convertible loan note instrument of up to £8,000,000 created by the Company on 17 September 2009 be approved;
2. each issued ordinary share of 10 pence each in the share capital of the Company (each being an “**Existing Share**”) held by those persons whose names appear as the holders thereof in the register of members of the Company at 9 December 2009 be and is sub-divided and converted into one ordinary share of 0.1 pence (“**New Ordinary Share**”) and one deferred share of 9.9 pence (“**Deferred Share**”), such shares having the rights and being subject to the restrictions set out in the articles of association of the Company, as adopted by Resolution 3(c) (the “**New Articles**”);
3. that:
 - (a) the articles of association of the Company adopted on 30 July 2008 be amended by deleting to the fullest extent permitted by law all of the provisions of the Company’s memorandum of association which, by virtue of section 28 of the Companies Act 2006 (the “**Act**”), are to be treated as provisions of the Company’s articles of association;
 - (b) any limit on the maximum amount of shares that may be allotted by the Company which is imposed by the amount of the Company’s authorised share capital that was in force immediately before 1 October 2009 be revoked; and
 - (c) the draft articles of association to be produced to the meeting be adopted by the Company in substitution for, and to the exclusion of, its existing articles of association;
4. in substitution for any equivalent authorities and powers granted to the directors prior to the passing of this resolution, the directors be and they are generally and unconditionally authorised pursuant to section 551 of the Act to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being “**relevant securities**”) to such persons and at such times and on such terms as they think proper provided that such authority shall be limited to:
 - (a) the allotment of 1,306,156,208 New Ordinary Shares in connection with a Conversion; and
 - (b) the allotment of relevant securities (other than as pursuant to Resolution 4(a) above) up to an aggregate nominal amount of £4,857,750;

provided that, unless previously revoked, varied or extended, this authority shall expire on the conclusion of the next annual general meeting of the Company, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities

to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired;

5. the directors be and they are empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560(1) of the Act) of the Company wholly for cash pursuant to the authority of the directors under section 551 of the Act conferred by Resolution 4 above as if section 561(1) of the Act did not apply to such allotment provided that:
 - (a) the power conferred by this Resolution shall be limited to:
 - (i) any allotment of equity securities which falls within Resolutions 4(a) and (b) above;
 - (ii) the allotment of equity securities in connection with an offer of equity securities to the holders of ordinary shares in the capital of the Company in proportion as nearly as practicable to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
 - (iii) the allotment, otherwise than pursuant to Resolution 5(a)(i) above, of equity securities up to an aggregate nominal value equal to £728,663; and
 - (b) unless previously revoked, varied or extended, this power shall expire on the conclusion of the next annual general meeting of the Company except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired;
6. the Redstone Management Incentive Plan, the principal features of which are summarised in paragraphs 5.2 to 5.4, Part 1 of the Circular be and are hereby approved (with such modifications as the Remuneration Committee consider necessary or desirable) and that the Remuneration Committee be and are hereby authorised to do all acts and things necessary to establish and carry the same into effect, including the adoption of a formal set of rules governing the Redstone Management Incentive Plan;
7. the changes to the Option Schemes (as defined in the Circular), the principal features of which are summarised in paragraph 5.5 Part 1 of the Circular be and are hereby approved (with such modifications as the Remuneration Committee consider necessary or desirable) and that the Remuneration Committee be and are hereby authorised to do all acts and things necessary to establish and carry the same into effect, including where necessary to obtain approval of HM Revenue & Customs).

Registered Office:
80 Great Eastern Street
London
EC2A 3RS

By order of the Board:
Peter Hayes
Company Secretary

Dated 10 December 2009

Notes:

1. Pursuant to Part 13 of the Companies Act 2006 and to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company at 6.00 p.m. on 9 December 2009 shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. In each case, changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
2. A member who is entitled to attend, speak and vote at the Meeting may appoint a proxy to attend, speak and vote instead of him. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so

a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the Meeting in order to represent you. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. Appointing a proxy will not prevent a member from attending in person and voting at the Meeting (although voting in person at the Meeting will terminate the proxy appointment). A proxy form is enclosed. The notes to the proxy form include instructions on how to appoint the Chairman of the Meeting or another person as a proxy. You can only appoint a proxy using the procedures set out in these Notes and in the notes to the proxy form.

3. To be valid, a proxy form, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should reach the Company's registrar, Capita Registrars, PXS, of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU , by no later than 11.00 a.m. on 24 December 2009.
4. The notes to the proxy form include instructions on how to appoint a proxy by using the CREST proxy appointment service and how to appoint a proxy using the web voting available to Shareholders.
5. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.
6. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: Either by the appointment of a proxy (described in Notes 3 to 5 above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provision of the Companies Act 2006.

