

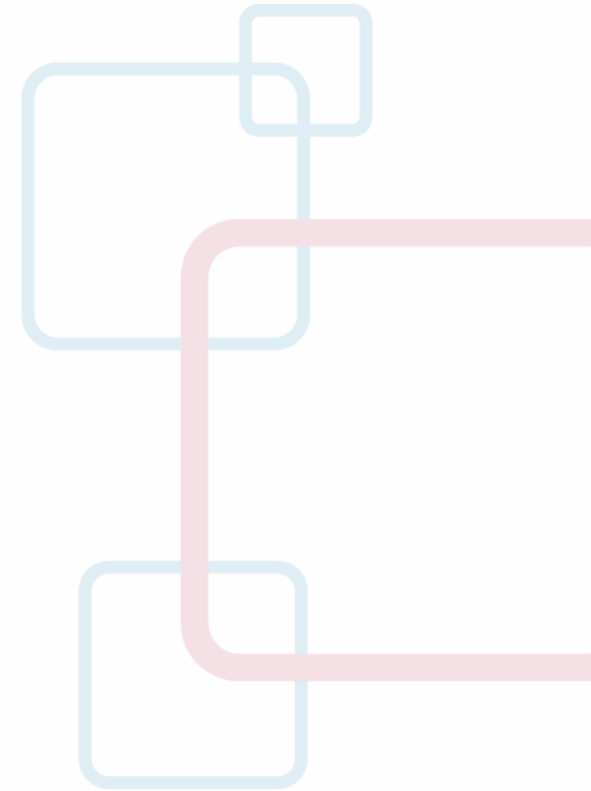
Interim results for the 6 months ending 30th September 2005

Martin Balaam - CEO
Tim Perks – CFO
29th November 2005

Agenda



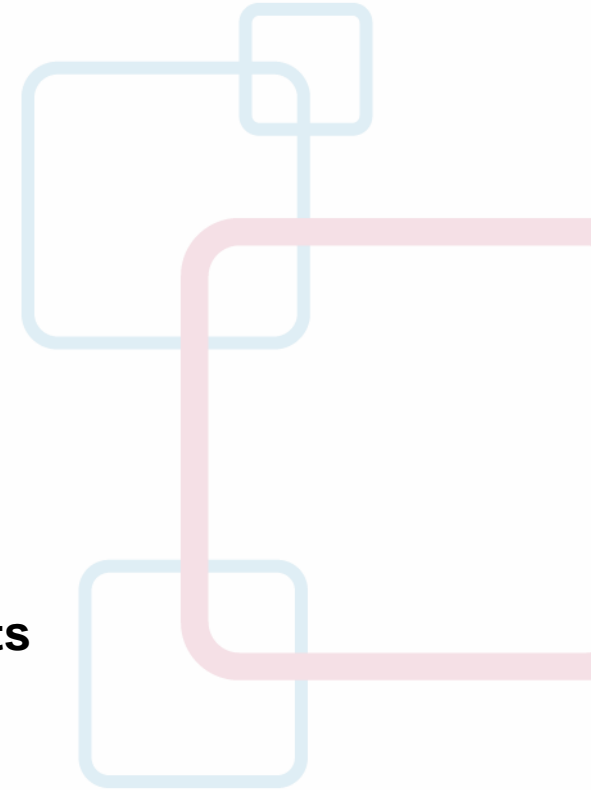
- **Highlights**
- **Financial Performance**
- **Overview & Strategy**
- **Summary**



Highlights H1 '06



- **Revenue increased by 22% from £27.5m to £33.5m**
- **Gross profit margin increased from 31% to 36%**
- **Cash balance of £7.4m**
- **Acquisition and Integration of Xpert**
- **Cost savings of £7 million on an annualised basis**
- **Restructured into four autonomous operating units**
- **Strategy for profitable growth**



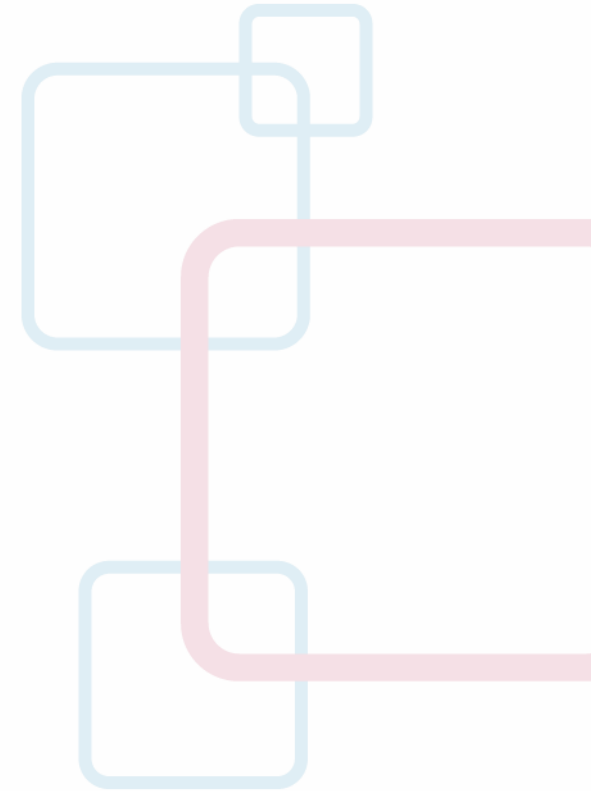
Tactical initiatives focused on Profit

- **Adoption of Xpert business processes to ensure profitable contracts**
- **Investment in new product offerings within Telecoms**
- **Investment in Telecoms business with hiring of dedicated sales personnel**
- **Reduced cost base – headcount from 457 at May '05 to 359 at Sept '05; 6 offices closed**
- **Greater focus on services and annuity based relationships**
- **Dedicated staff and systems with responsibility and focus on cross-selling**

Financial Performance



- **Summary Profit & Loss**
- **Revenue Visibility**
- **Summary Balance Sheet**
- **Summary Cash flow**



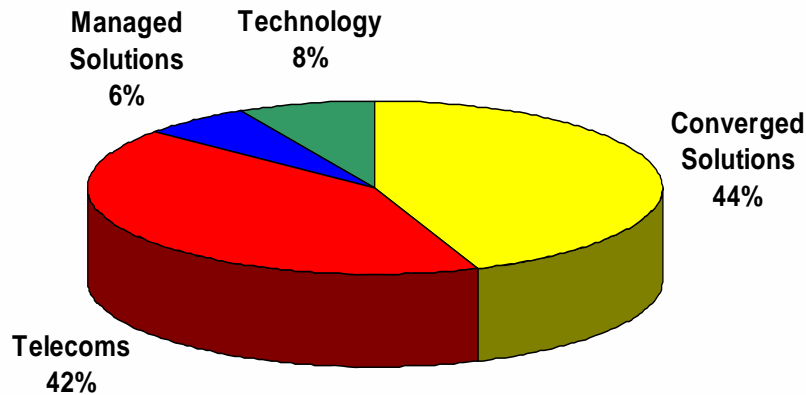
Summary Profit & Loss

Stg £ million	Six months ended 30 September 2005	Six months ended 30 September 2004	Year ended 31 March 2005
Turnover	33.5	27.5	49.6
Costs of Sales	(21.3)	(18.9)	(32.1)
Gross Profit	12.2	8.5	17.5
Gross Profit %	36.4%	31.0%	35.3%
Selling and distribution costs	(8.0)	(3.7)	(7.5)
Administrative costs (Excl.G/will)	(7.7)	(6.4)	(13.5)
Goodwill impairment	(16.1)	0.0	(4.2)
Restructure costs	(4.1)	0.0	0.0
Other operating income	0.2	0.1	0.4
Operating Loss	(23.5)	(1.5)	(7.3)
PBT	(23.3)	(1.2)	(6.8)
EBITDA (before restructuring costs)	(2.2)	(1.0)	(2.1)
UKGAAP EBITDA	(2.0)	(1.0)	(2.1)

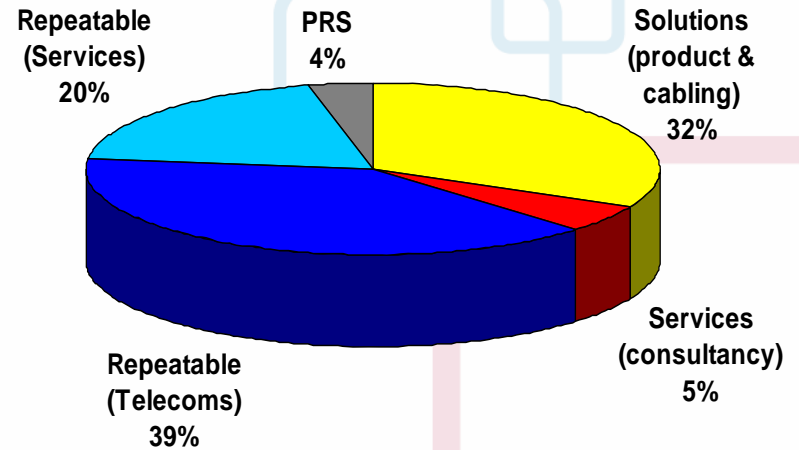
Revenue Visibility and Business Structure



Revenue by Division



Revenue by Type



68% of revenue from Telecoms and Services

59% of revenue from repeatable business

Business Structure

Stg £ million		Six months ended 30 September 2005		Six months ended 30 September 2004		Year ended 31 March 2005	
			%		%		%
Turnover	Converged Solutions	14.8	44%	8.1	29%	14.6	29%
	Telecoms	14.1	42%	17.4	63%	30.8	62%
	Managed Solutions	2.0	6%	1.6	6%	3.7	7%
	Technology	2.6	8%	0.4	1%	0.5	1%
	TOTAL	33.5	100%	27.5	100%	49.6	100%
	Recurring Revenue	19.8		15.8		31.2	
	Recurring Revenue %	59%		58%		63%	

Summary Balance Sheet

Stg £ million	30 September 2005	30 September 2004	31 March 2005
ASSETS			
Non Current assets			
Goodwill	26.2	25.4	21.1
Intangible assets	9.1	0.1	0.1
Tangible assets	2.8	2.6	2.6
Other non-current assets	0.6	0.4	0.4
	38.6	28.5	24.3
Current assets			
Inventories	0.9	0.9	0.7
Trade and other receivables	13.8	9.4	8.0
Cash at bank and in hand	7.4	11.9	8.5
	22.2	22.3	17.2
Total Assets	60.8	50.8	41.5
EQUITY & LIABILITIES			
Equity			
Called up share capital	13.0	8.5	8.5
Share premium account	208.1	185.3	185.3
Other reserves	0.3	0.2	0.2
Retained earnings	(193.3)	(164.7)	(170.3)
	28.1	29.3	23.7
Current liabilities			
Trade and other payables	24.6	18.3	14.8
Provisions	2.2	1.0	0.8
	26.8	19.3	15.7
Non Current liabilities			
Provisions	2.7	2.2	2.1
Loan Notes	0.6	0.0	0.0
Deferred tax liability	2.6	0.0	0.0
	5.9	2.2	2.1
Total Equity & Liabilities	60.8	50.8	41.5

Summary Cash flow

Stg £ million	Six months ended 30 September 2005	Six months ended 30 September 2004	Year ended 31 March 2005
Cash outflow from operations			
Cash generation from operations	(4.1)	(0.9)	(4.0)
Borrowing costs	0.0	0.0	0.0
Interest element of finance lease payments	0.0	0.0	0.0
Corporation tax	(0.0)	0.0	0.0
Net cash flows from operating activities	(4.1)	(1.0)	(4.1)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	0.0	0.0	0.0
Interest received	0.2	0.3	0.5
Purchase of property, plant and equipment	(0.4)	(0.5)	(1.1)
Acquisition of a subsidiary, net of cash acquired	(21.3)	0.0	0.0
Net cash flows used in investing activities	(21.5)	(0.3)	(0.6)
Cash flows from financing activities			
Proceeds from issue of shares	26.0	0.0	0.0
Transaction costs of issuing shares	(1.5)	0.0	0.0
Payment of finance lease liabilities	(0.0)	(0.0)	(0.1)
Interest paid	(0.0)	0.0	0.0
Net cash flows from / (used in) financing activities	24.5	(0.0)	(0.1)
Net decrease in cash and cash equivalents	(1.1)	(1.2)	(4.7)
Cash and cash equivalents at 1 April	8.5	13.2	13.2
Cash and cash equivalents at 30 September / 31 March	7.4	11.9	8.5

Redstone Strategy



Customer Perspective

Partner of choice for commercial and public sector organisations for their long term communication needs

- **Innovation** creating communication solutions that deliver real benefits
- **Delivery** focus on customer service, hand hold through technology advancements
- **Partnership** long term trusted advisor and supplier of Communication Solutions



Redstone Overview & Strategy

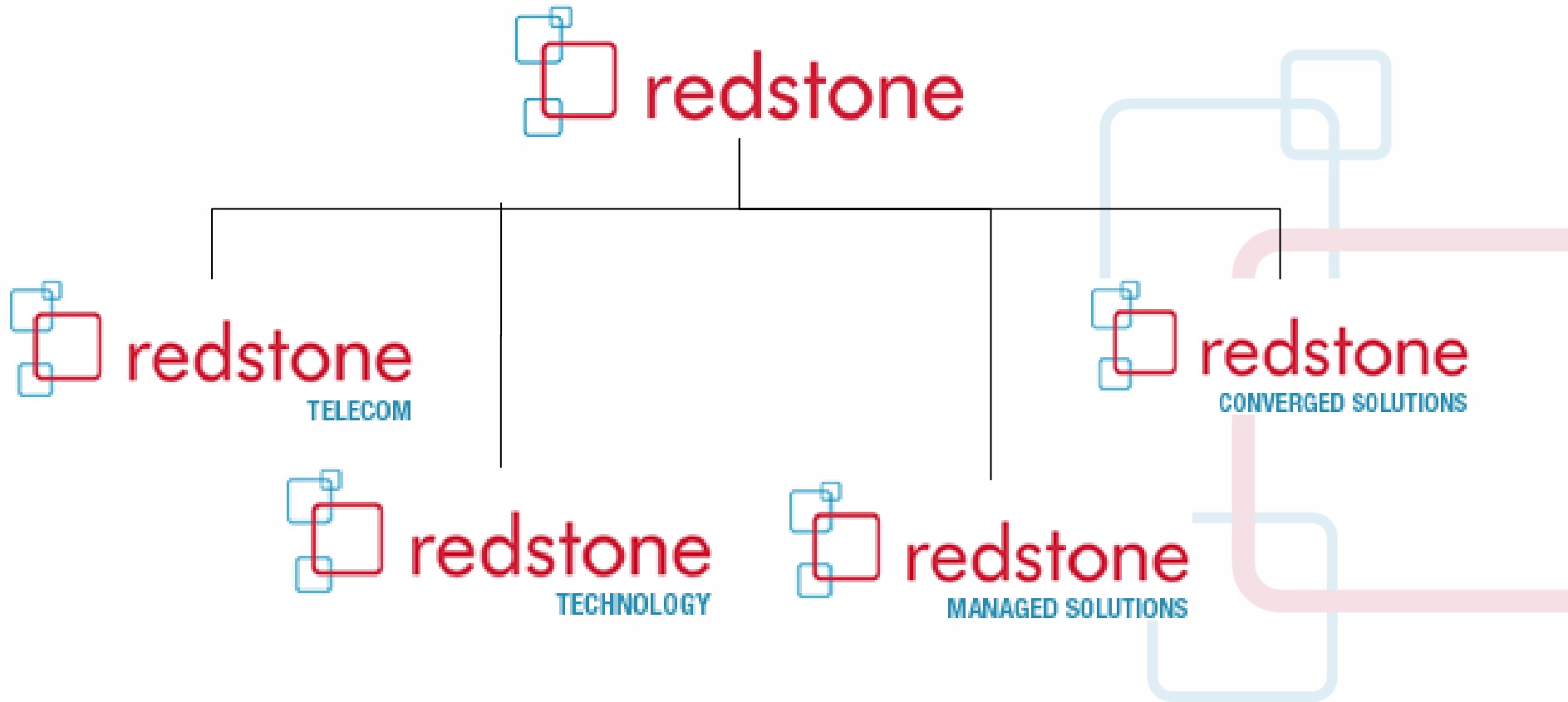


Redstone Perspective

- **Ownership of customer's communication requirements**
- **Up selling of technologies converging onto IP Network**
- **Protection of accounts and creating barriers to exit**
- **Long term contracts, service rich, higher margins**
- **Embrace and encourage adoption of IP within Telecoms**



Redstone Overview & Strategy

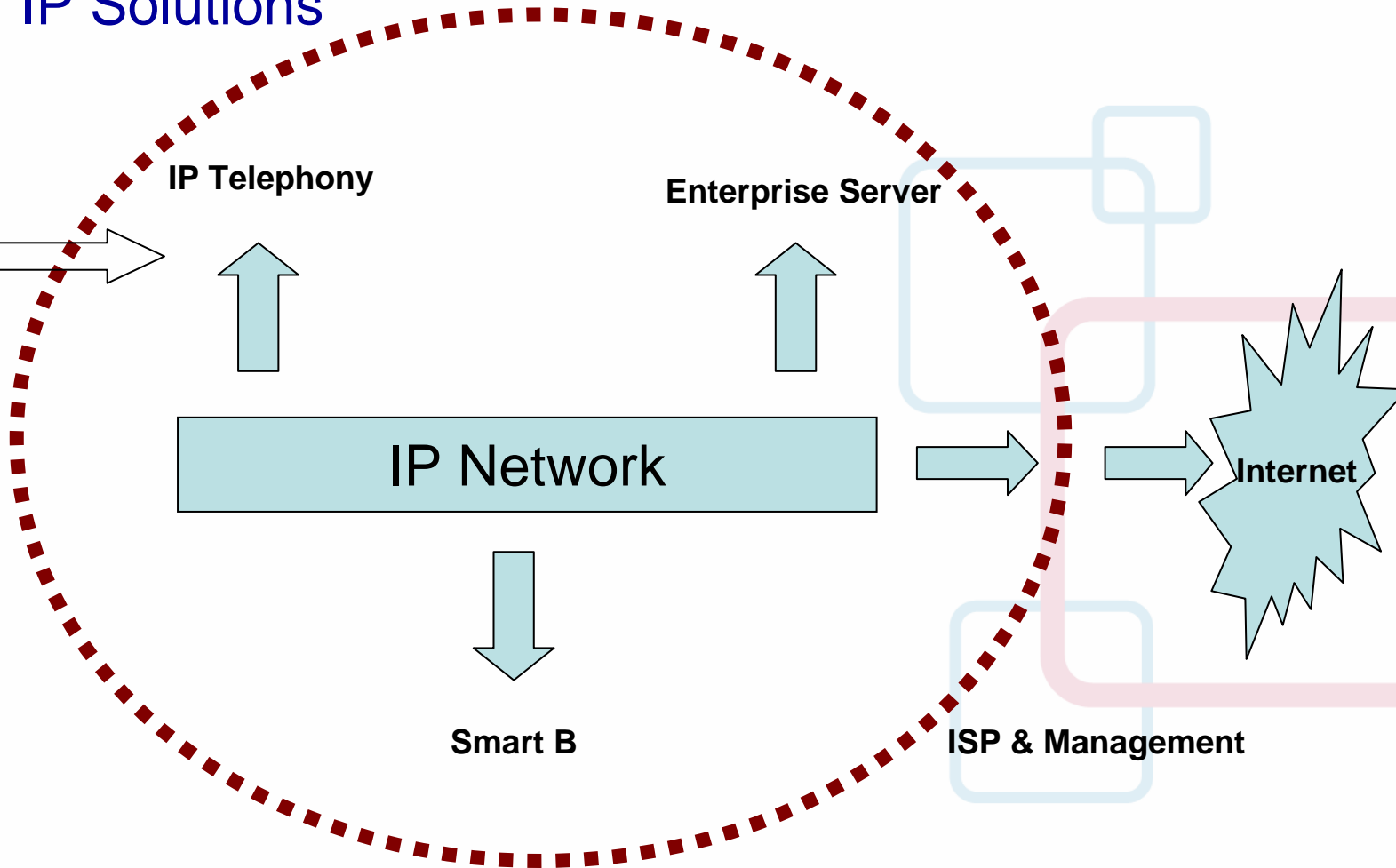
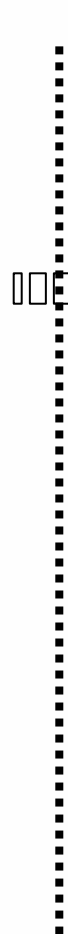


Redstone Overview & Strategy

Voice

IP Solutions

Telecoms

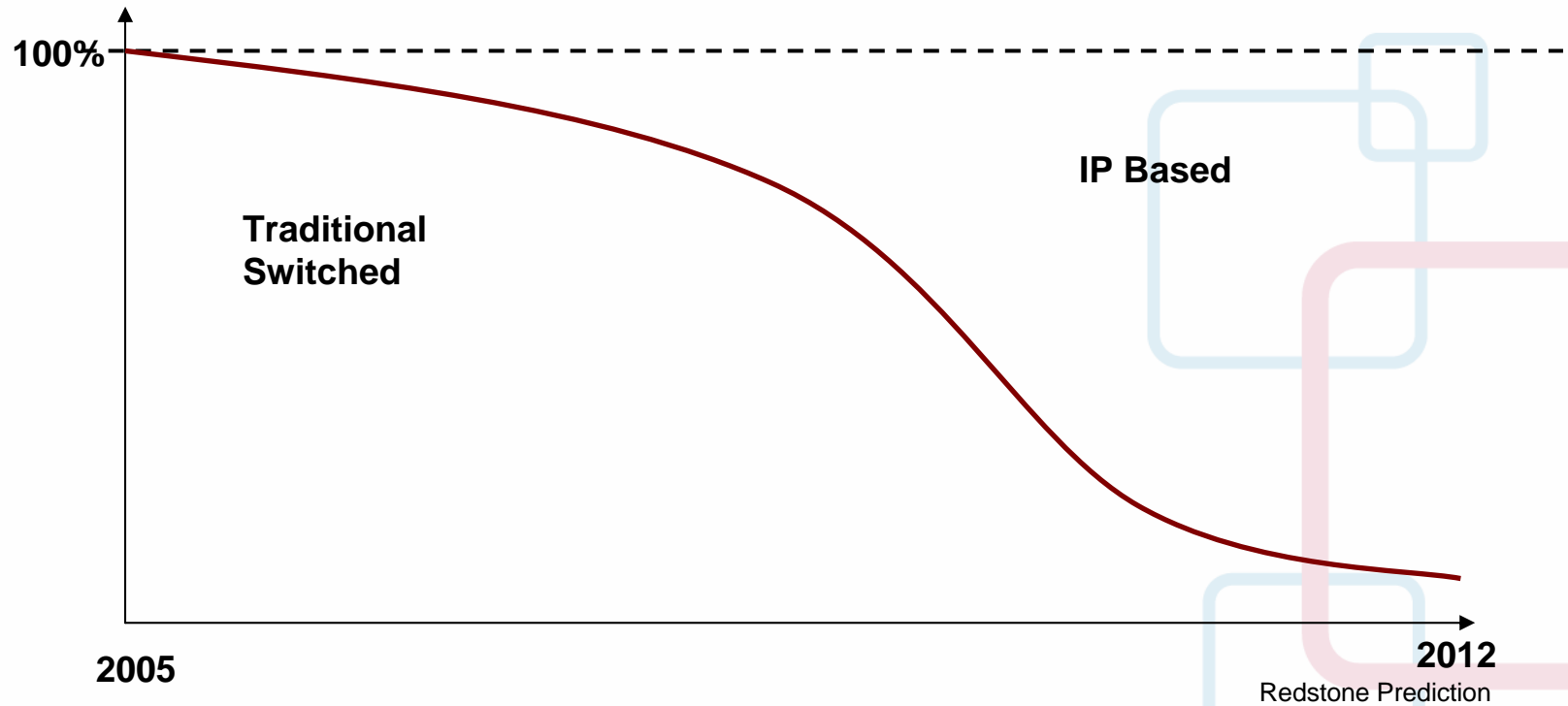


people who innovate

Redstone Overview & Strategy



Transfer of UK Voice Traffic to IP Based



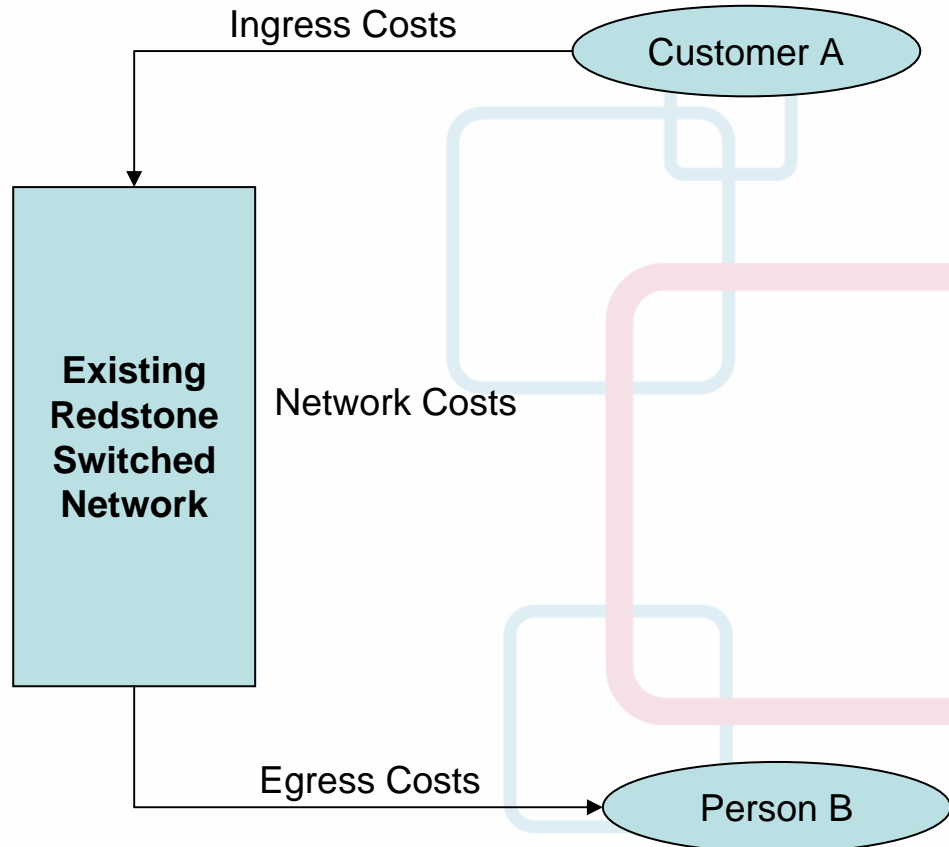
Redstone Overview & Strategy



Current Telecom Model

Call Costs

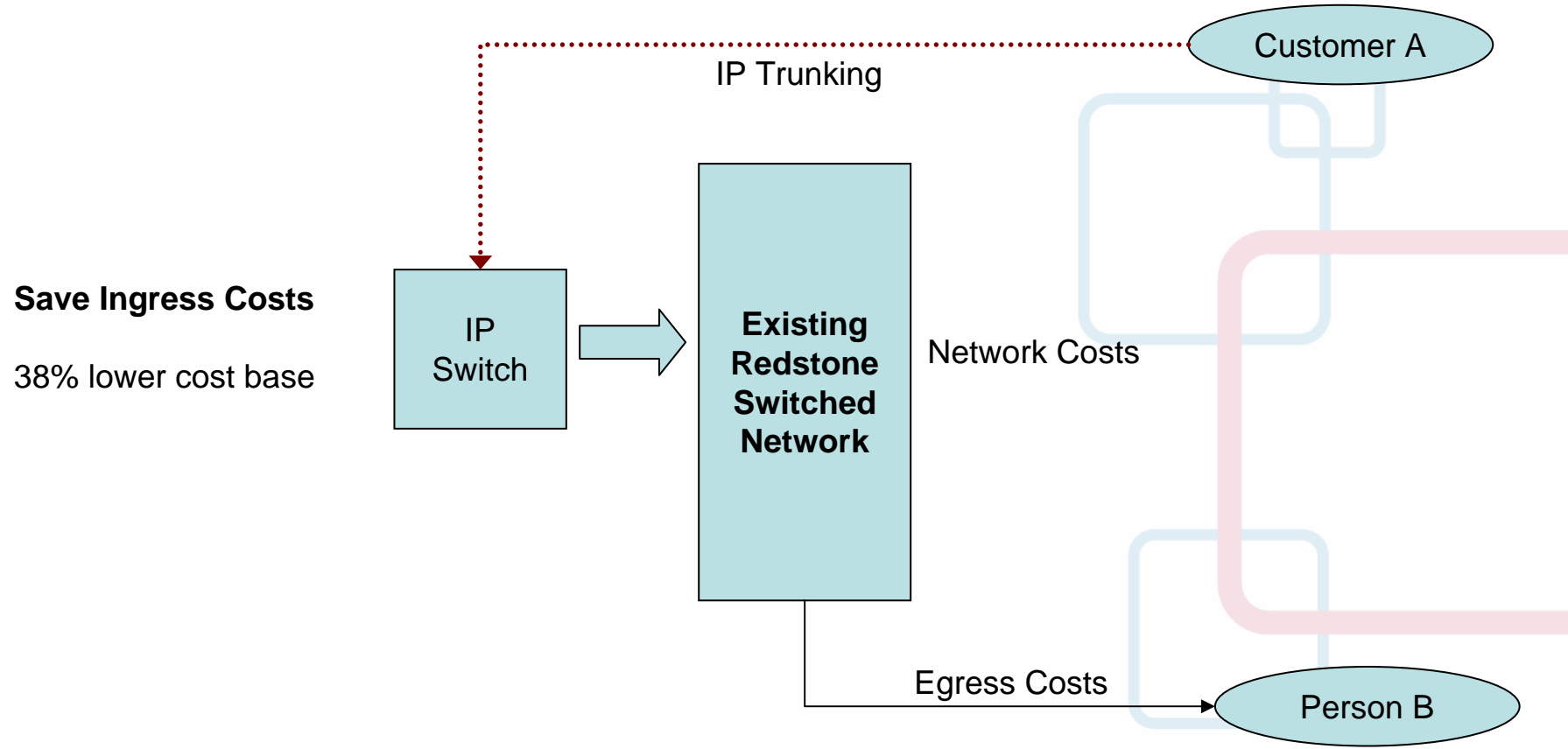
- Ingress Costs – 38%
- Network Costs – 24%
- Egress Costs – 38%



Redstone Overview & Strategy



Interim IP Telecom Model



people who innovate

Redstone – Growth Opportunities



- **Cross Selling within existing customer base, specifically ex Xpert**
- **Existing Redstone Telecoms network is less than 50% utilised**
- **Redstone Telecoms currently has no Mobile offering**
- **Adoption of IP technology within Redstone Telecoms**
- **Enhance the Telephony technology solutions by moving into Applications integration**
- **Redstone Technology operates only within Ireland, UK market is significantly larger with few, but large, suppliers**
- **Redstone can take advantage of new technologies that converge onto the IP Network as they arise**

Summary



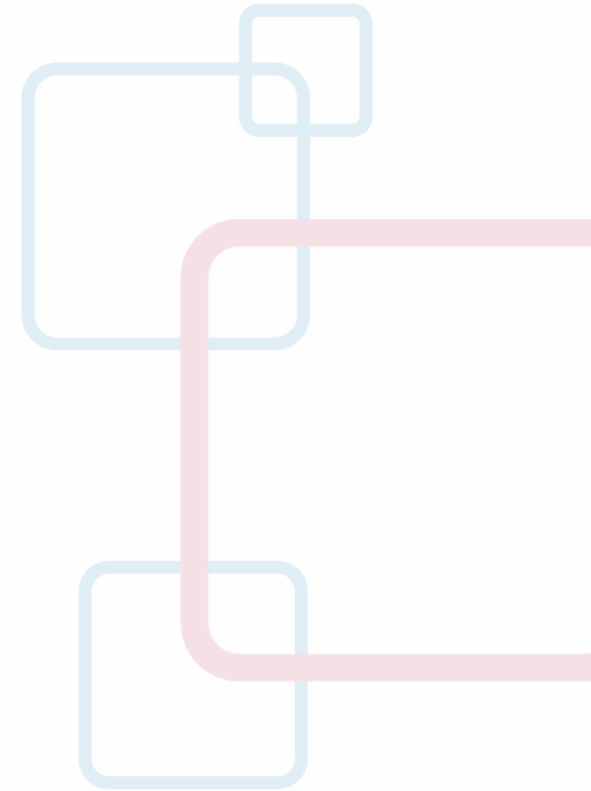
- **Integration complete**
- **Synergies having direct impact on profitability**
- **Strengthened Plc Board and Executive Management team**
- **Developed M&A and organic growth strategy**
- **Undergoing IP Managed Network strategy for “next generation Telco”**
- **Clear market opportunity**
- **Well positioned in consolidating market place**



Interim results for the 6 months ending 30th September 2005

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Appendix



Net cash flows from operating activities

Stg £ million	Six months ended 30 September 2005	Six months ended 30 September 2004	Year ended 31 March 2005
Operating loss	(23.4)	(1.5)	(7.3)
<u>Adjustments for;</u>			
Depreciation of property, plant and equipment	0.6	0.4	0.9
Amortisation of intangible assets	0.5	0.1	0.1
Goodwill impairment charge	16.1	0.0	4.2
Share based payments	0.2	0.0	0.1
Profit on disposal of property, plant and equipment	0.0	(0.0)	(0.0)
<u>Movements in working capital:</u>			
Decrease / (increase) in inventories	0.1	(0.3)	(0.1)
(Increase) / decrease in trade and other receivables	(0.5)	1.2	2.6
Increase / (decrease) in trade and other payables	0.6	(0.4)	(3.8)
(Increase) / decrease in non-current assets	(0.2)	0.0	0.0
Increase / (decrease) in provisions	1.9	(0.5)	(0.8)
Cash outflow from operations	(4.1)	(0.9)	(4.0)