Redstone plc

Full Year Results Presentation
Year Ending 31st March 2007

Martin Balaam - CEO
Tim Perks - CFO

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Agenda

- Full Year Highlights
- Objectives (FY 2007)
- Acquisitions in the year
- Integration
- Operational Overview of Redstone Group
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- Board Structure
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Full Year Highlights

- Revenues up by 56% to £113.0m (FY06: £72.5m)
- Gross profit up by 57% to £41.0m
- Gross profit percentage stable at 36%
- Adjusted EBITDA profit of £7.9m compared with breakeven in 2006 *
- Unadjusted EBITDA profit of £3.6m compared with a loss of £20.5m in 2006
- Cash balances over £10m
- £31.5m revolving debt facility agreed with Barclays
- Announcement of largest contract win in Group's history with a potential value of £16m

* before goodwill impairment, amortisation of intangibles, restructuring costs, share based payment charges and holiday accrual

Objectives – FY 2007

	Status
Extend customer base and increase cross selling	✓
Develop long term project opportunities for Converged Solutions	✓
Add Mobile offering	✓
Strengthen Managed Solutions Business	✓
Add Indirect Channel for SME market	✓
Add scale to Fixed Line business	✓

Major Contract Wins

- **Lancashire Building Schools for the Future (“BSF”) project ***
- **Bristol and Leicester shopping centre infrastructure projects with a combined value of £3.4m**
- **Preferred bidder status won for White City, the largest shopping centre development in Europe**

***	the combined ICT project is worth in the order of £16m. Redstone's phase 1 contract for the first three schools is worth £6.3m and, as the exclusive provider of ICT equipment and management services for the entire project, expects to contract for phases 2 and 3 in due course.**

Acquisitions in the year - Comunica

- Cost - £21.5m; £15.8m in cash, £2.9m in Redstone shares and deferred consideration of £2.8m (Equity raised £18.0m)
- Revenue £41m, adjusted EBITDA £2.6m (May 2006)
- Preferred bidder status won for White City Shopping Centre
- Strong element of recurring revenue - £10.4m of support contracts; c25% of revenue
- Takes out major competitor in OneNet Solutions
- Increases capacity to allow Redstone to continue bidding on large deals

Acquisitions in the year - Comunica

- Blue Chip customer base with long term relationships
- Track record of profitability
- Moves mix of IT services within Redstone above 50%
- Long established management team
- Significant expertise in delivery of major ICT projects

Acquisitions in the year – Symphony & Tolerant

- Symphony - Cost - £17.4m in cash (Equity raised £20.0m)
- Tolerant - Cost - £3.8m; £2.4m in cash and £1.4m in Redstone shares
- Mobile offering - Service Provider for O2 and Vodafone
  Distributor for O2, Orange, 3, T-Mobile, Vodafone
- Additional 8,000 B2B customers for Redstone (5,000 customers)
- Significant synergistic savings in fixed line businesses
- Increases potential of repeatable revenues
- New route to market for Redstone – 300+ UK based network of dealers
- Opportunity to bundle Symphony's mobile offering with Redstone fixed line and DSL

Acquisitions in the year - IDN

- Cost – £11.9m; all in bank debt (Barclays)
- Established and profitable provider of telecommunication solutions to upper SME and mid market, specifically in Local Government
- 3 year contract with Federation of Small Businesses for exclusive supply of communications services
- Good track record of growth
- Year ended October 2006 revenues of £16 million
- EBITDA of £1.6 million*

*exceptional of £0.2m relating predominantly to a single bad debt

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Acquisitions in the year - IDN

- Provides for scale in rapidly consolidating sector
- Provides further critical mass for Redstone Telecom
- Additional 2,000 customers
- Federation of Small Business exclusive supply
- EPS enhancement in first full year of ownership*

*Please note that this statement should not be construed as a profit forecast or be interpreted to mean that future earnings per share or profits or losses of Redstone will necessarily be greater than its historic published earnings per share profits or losses

Integration

- **Symphony complete**

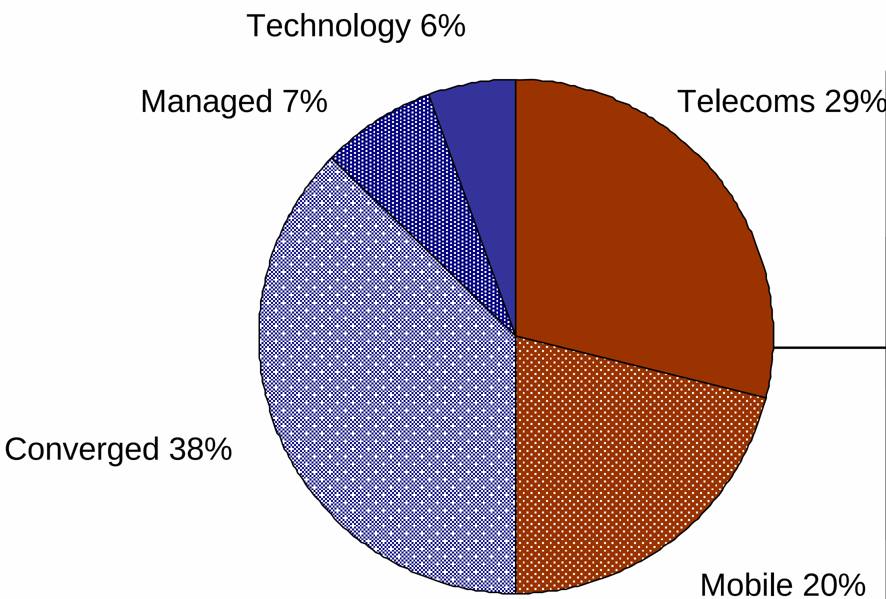
- **Tolerant complete**

- **IDN to complete by end of September 2007**
  - Corporate and Plc costs already removed
  - Synergies identified and now being implemented
  - Back-office integration underway

- **Comunica to complete by end of September 2007**
  - Will remain as an autonomous division within Converged Solutions
  - Cost synergies minimal as acquired to give capacity to support organic growth within OneNet and BSF

Operational Overview of Redstone Group

Core Competences *(enlarged Group pro forma revenues of £180m)*



Fixed Line Telecoms £52m

Mobile Telecoms £38m

IP Networks/Convergence £67m

ISP/Security/Microsoft £13m

Enterprise Server & Storage £10m

IT Services: Telecoms 51%:49%

Key revenue assumptions:

Symphony and Tolerant – Extrapolated extra 3.5 months base on 8.5 months of actuals

IDN – £16m of revenue based on year ended October 2006 audit

Comunica – £41m of revenue based on year ended May 2006 audit

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Financial Review

£ million	FY 2007	FY 2006	Change
Revenue	£113.0	£72.5	55.8%
Gross Profit	£41.0	£26.2	56.7%
Adjusted EBITDA*	£7.9	£0.1	
Adjusted EBITDA margin*	7.0%	0.0%	
PBT	(£1.0)	(£22.9)	
PAT	£0.1	(£22.5)	

* before goodwill impairment, amortisation of intangibles, restructuring costs, share based payment charges and holiday accrual

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Financial Review

£ million	H1 07 Sep-06	H2 07 Mar-07	Full Year
Revenue	47.4	65.6	**113.0**
Gross Profit	17.5	23.5	**41.0**
Gross Profit %	36.8%	36.0%	**36.3%**
Operating Expenses (excl. Goodwill impairment, amortisation and restructure costs)	(15.4)	(20.5)	**(35.9)**
Adjusted EBITDA*	2.9	5.0	**7.9**
Goodwill Impairment	0.0	0.0	**0.0**
Amortisation of intangibles	(1.0)	(1.8)	**(2.8)**
Restructure costs	0.0	(2.8)	**(2.8)**
Depreciation	(0.5)	(0.7)	**(1.2)**
Interest	(0.2)	(0.4)	**(0.6)**
PBT	0.8	(1.8)	**(1.0)**
Tax	0.2	1.0	**1.2**
PAT	1.0	(0.9)	**0.1**

*** before goodwill impairment, amortisation of intangibles, restructuring costs, share based payment charges (H1 £0.3m and H2 £1.0m) and holiday accrual (H1 £0.1m and H2 £0.1m)**

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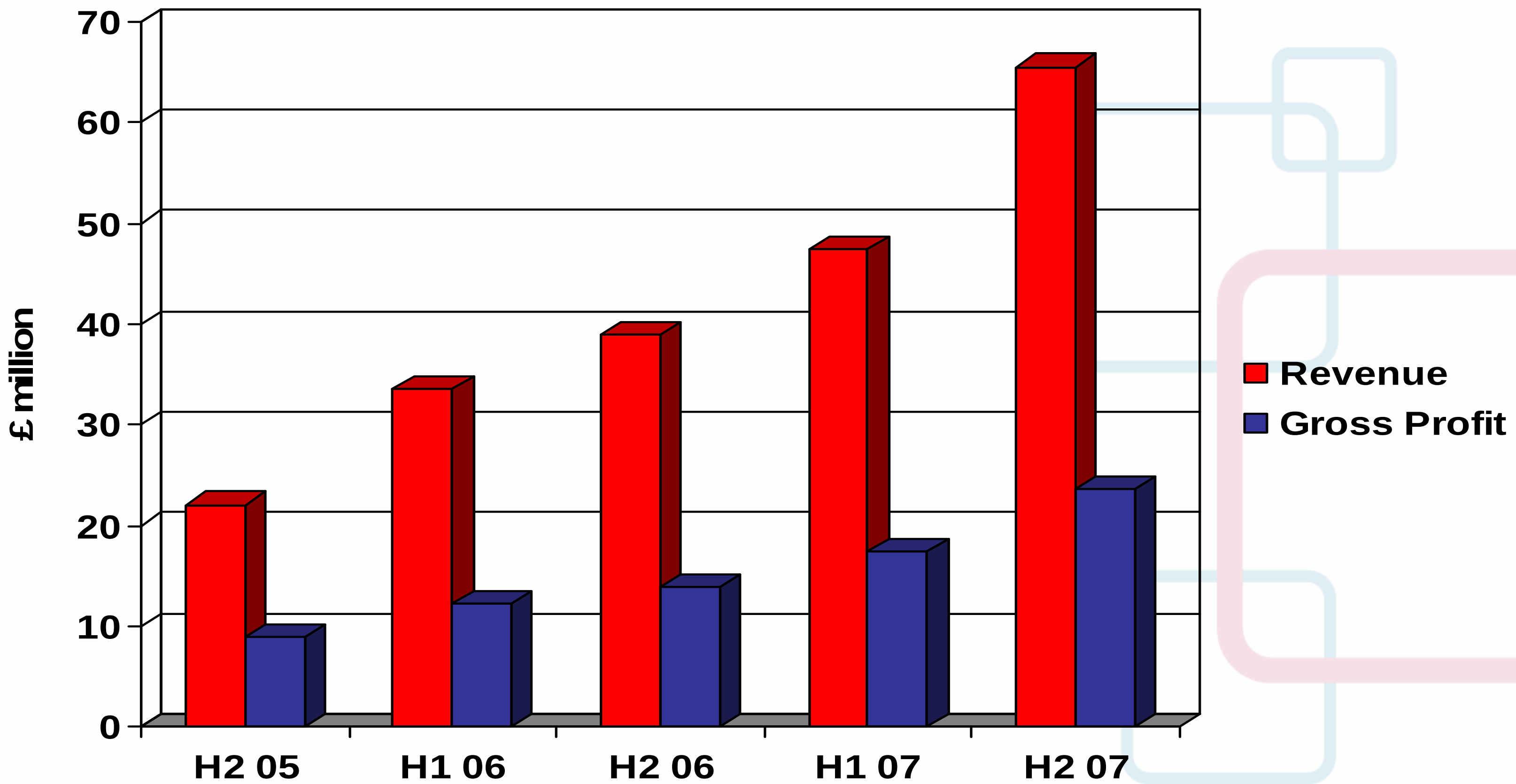
Revenue and Gross Profit



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Revenue Visibility and Business Structure

Stg £ million		Full Year Mar-07	%	Full Year Mar-06	%
Turnover	**Converged Solutions**	**29.8**	**26%**	32.1	44%
	Telecoms - Fixed Line	**36.7**	**33%**	28.0	39%
	Telecoms - Mobile	**26.0**	**23%**	0.0	0%
	Managed Solutions	**10.7**	**9%**	4.1	6%
	Technology	**9.8**	**9%**	8.3	11%
	TOTAL	**113.0**	**100%**	72.5	100%
	Repeatable Revenue	**78.9**		41.2	
	Repeatable Revenue %	**70%**		57%	

Repeatable Revenue:

Converged Solutions	- Maintenance
Telecoms - Fixed Line	- Based on 1% attrition
Telecoms - Mobile	- Mobile distribution indirect revenues
Managed Solutions	- ISP and maintenance
Technology	- Maintenance

Note:
Based on Comunica's pro forma revenue of £41m, repeatable revenue would reduce to 58%

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Summary cash flow

£ million	FY 2007	FY 2006	Change
Cash flow used in operating activities	(£0.4)	(£5.6)	£5.2
Cash flow used in investing activities	(£45.8)	(£22.3)	(£23.5)
Cash flow from financing activities	£51.2	£24.7	£26.5
Cash	£10.4	£5.3	£5.1

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Summary Balance Sheet

£ million	31 March 2007	31 March 2006
ASSETS		
Non Current assets		
Goodwill	**69.6**	24.3
Intangible assets	**27.9**	8.5
Property, plant and equipment	**4.1**	2.5
Deferred tax asset	**3.4**	2.1
Other non-current assets	**0.1**	0.6
	105.1	38.0
Current assets		
Inventories	**1.1**	0.2
Trade and other receivables	**35.5**	15.5
Income tax	**0.1**	0.0
Cash at bank and in hand	**10.4**	5.3
	47.1	21.0
Total Assets	**152.2**	59.0
EQUITY & LIABILITIES		
Equity		
Called up share capital	**14.5**	13.0
Share premium account	**17.5**	208.1
Other reserves	**6.0**	0.3
Retained earnings	**33.3**	(192.4)
	71.3	29.0
Current liabilities		
Trade and other payables	**38.2**	23.2
Deferred consideration	**2.8**	0.0
Income tax payable	**0.0**	0.0
Borrowings	**4.9**	0.0
Provisions	**0.9**	2.0
	46.8	25.2
Non Current liabilities		
Trade & other payables	**1.1**	0.2
Provisions	**1.4**	1.5
Borrowings	**23.4**	0.7
Deferred tax liability	**8.2**	2.4
	34.1	4.8
Total Equity & Liabilities	**152.2**	59.0

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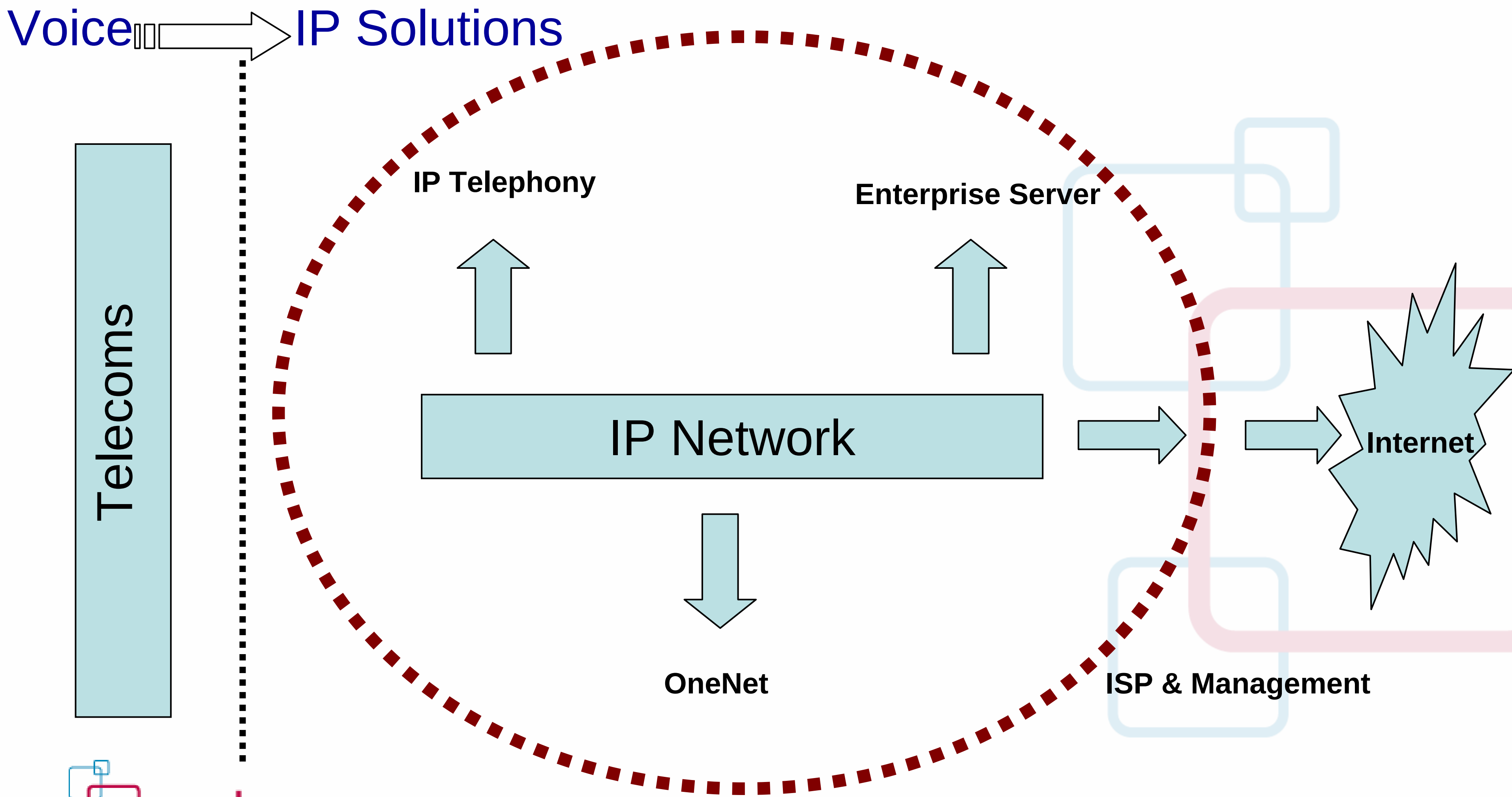
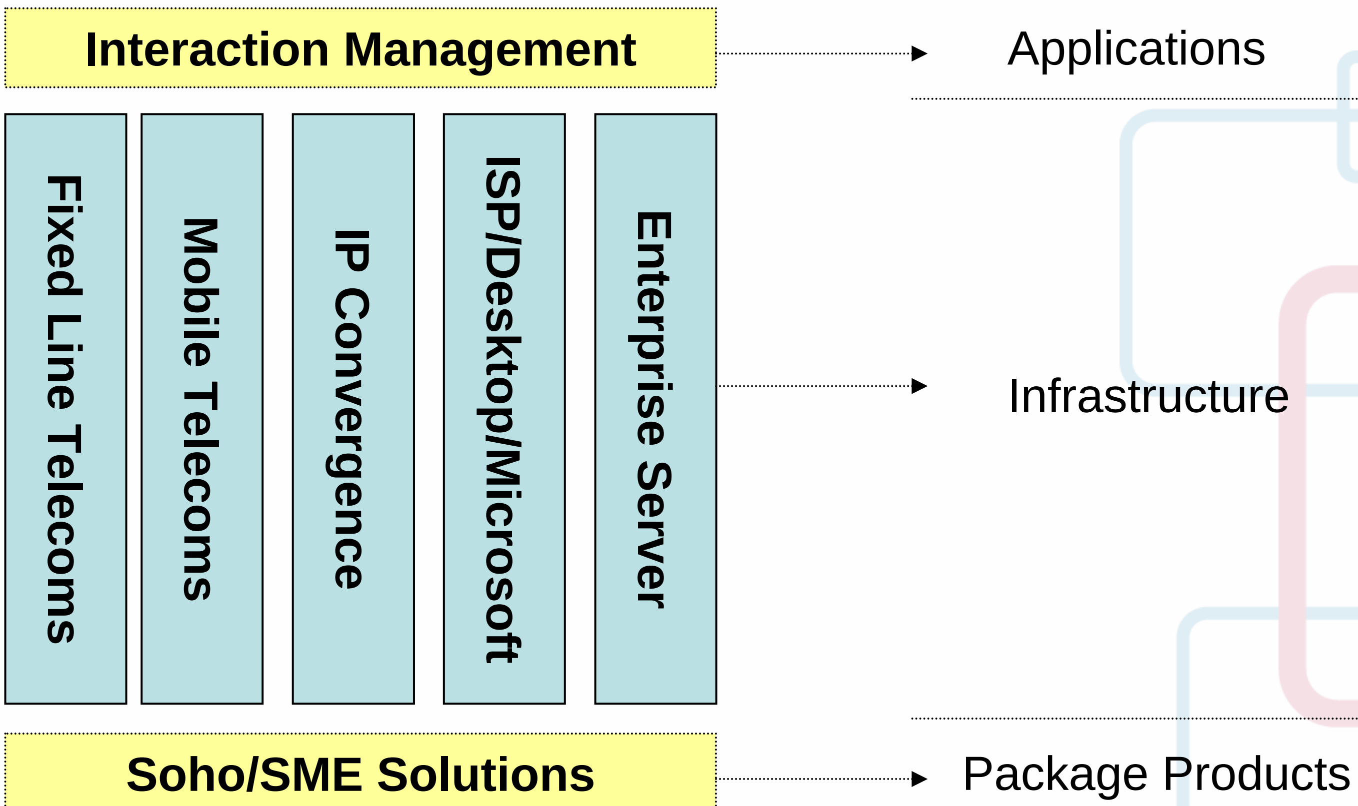
Strategy and Market Overview



Redstone plc – the future?



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IT/Telecom Competitive Landscape

Market Participants	Telecoms	Mobile	Converged Solutions	Managed Solutions	Technology
	BT	O2	BT	RM	IBM
	Carphone W	Vodafone	Affiniti	Ramesys	EMC
	C&W	Orange	Di Data	Synetrix	
	Thus	T-Mobile	Azzurri	Phoenix	
	AT Comms	3	Logicalis	Lynx	
	Redstone	Redstone	Redstone	Redstone	Redstone

"Redstone is uniquely positioned as the only IT & Communications provider within the UK and Ireland to be able to offer all core competencies in house.

"Each principal division is recognised as a market leader in its own right"

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Objectives – FY 2008

- Deliver value from acquisitions
- Add scale/capacity to ICT business
- Integrate IDN and Comunica acquisitions
- Drive cross selling through whole group - organic growth
- Improve revenue visibility – win more large long term contracts
- Exploit market position in OneNet solutions
- Expand Managed Solutions and Technology businesses within UK
- Develop SME channel

Board Structure

Redstone plc Board

Non Execs

- Alan Coppin – Chair
- David Payne - NED
- Oliver Vaughan - NED
- Gerry Spencer - NED
- Tim Sherwood - NED

Executives

- Martin Balaam – CEO
- Tim Perks – CFO

Outlook

- **Continued organic growth and profitability**
- **Selective M&A**
- **Cash generative**
- **Increasing revenue visibility**
- **Sector consolidation to continue**
- **Redstone has a strong platform from which to grow**

Redstone plc - Thank you

Martin Balaam - CEO

Tim Perks - CFO