

**THIS DOCUMENT 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 Existing 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 Existing 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 Existing Shares are admitted to trading on AIM. Subject to the Resolutions being passed at the General Meeting, application will be made to the London Stock Exchange for the New Ordinary Shares and the Subscription Shares to be admitted to trading on AIM. It is expected that admission to AIM and dealings in the New Ordinary Shares will commence on 9 September 2010.

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## **Redstone plc**

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

### **Placing of 1,304,800,000 new Ordinary Shares at a price of 0.5 pence per share Subscription for 100,000,000 new Ordinary Shares at a price of 0.5 pence per share and Notice of General Meeting**

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**Your attention is drawn to the letter from the Deputy Chairman of the Company which is set out on pages 8 to 15 (inclusive) of this document and which recommends you vote in favour of the Resolutions to be proposed at the General Meeting referred to in this document. Whether or not you intend to attend the 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 the trading name of finnCap Ltd, which is a private limited company authorised and regulated in the United Kingdom 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. No representation or warranty, express or implied, is made by finnCap as to, and no liability whatsoever is accepted by finnCap in respect of, any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

The New Ordinary Shares and the Subscription 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 the Republic of South Africa, the Republic of Ireland, Canada, Australia or Japan, nor has any prospectus in relation to the New Ordinary Shares or the Subscription 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 and the Subscription 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.

Any failure to comply with these restrictions may constitute a violation of relevant securities laws or regulations of the jurisdictions concerned.

It is the responsibility of any person receiving a copy of this document outside the United Kingdom, to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such other territory. Persons (including, without limitation, nominees and trustees) receiving this document should not distribute or send this document into any jurisdiction when to do so would, or might contravene local securities laws or regulations.

All statements, other than statements of historical fact, contained in this document constitute "forward looking statements". In some cases forward looking statements can be identified by terms such as "may", "intend", "might", "will", "should", "could", "would", "believe", "anticipate", "expect", "estimate", "predict", "project", "potential", or the negative of these terms, and similar expressions. Such forward-looking statements are based on assumptions and estimates and involve risks, uncertainties and other factors that may cause the actual results, financial condition, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. New factors may emerge from time to time that could cause the Company's business not to develop as it expects, and it is not possible for the Company to predict all such factors. Given these uncertainties, you are cautioned not to place any undue reliance on such forward-looking statements except as required by law. The Company disclaims any obligation to update any such forward-looking statements in this document to reflect future events or developments.

**This document should be read in conjunction with the Notice of General Meeting and Form of Proxy. Notice of an General Meeting of Redstone plc, to be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB at 11.00 a.m. on 8 September 2010, is set out at the end 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, Capita Registrars Limited, PXS, The Registry, Beckenham, Kent BR3 4TU, by not later than 48 hours before the General Meeting is scheduled to begin. Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish. For full details on proxy appointments, see the notes to the Notice of General Meeting and the Form of Proxy.**

This document does not constitute or form part of any offer or instruction to purchase, subscribe for or sell any shares or other securities in the Company nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract therefor.

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## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Stephen Yapp ( <i>Chairman</i> ) Peter John Hallett ( <i>Chief Financial Officer</i> ) David Graham Payne ( <i>Non-executive Director</i> ) Timothy Sherwood ( <i>Non-executive Director</i> ) Andrew Ian (known as Ian) Smith ( <i>Non-executive Director</i> ) Anthony (known as Tony) Charles Weaver ( <i>Non-executive Director</i> )
<b>Company Secretary</b>	Nicholas O'Rorke
<b>Registered Office</b>	Building B – Office 10 Kirtlington Business Centre Slade Farm Kirtlington Kidlington Oxfordshire OX5 3JA
<b>Nominated Adviser and Broker</b>	finnCap Ltd 4 Coleman Street London EC2R 5TA
<b>Solicitors to the Company</b>	Osborne Clarke One London Wall London EC2Y 5EB
<b>Solicitors to the Nominated Adviser and Broker</b>	Rosenblatt Solicitors 9–13 St. Andrew Street London EC4A 3AF
<b>Registrars</b>	Capita Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA

## PLACING STATISTICS

Placing Price	0.5 pence
Number of Initial Placing Shares	1,304,800,000
Number of Subscription Shares	100,000,000
Estimated proceeds of the Placing receivable by the Company, (before expenses)	£7.0 million
Number of Ordinary Shares in issue as at the date of this document	145,772,810
Number of Ordinary Shares in issue immediately following Admission	2,560,572,810
Number of Placing Shares as a percentage of the existing issued share capital	964%

## EXPECTED TIMETABLE OF ADMISSION

Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 6 September 2010
General Meeting	11.00 a.m. on 8 September 2010
Admission and dealings in the New Ordinary Shares expected to commence on AIM	8 a.m. on 9 September 2010
Expected date for CREST stock accounts to be credited for New Ordinary Shares in uncertificated form	9 September 2010
Expected date for delivery of definitive share certificates for New Ordinary Shares to be held in certificated form	By 24 September 2010

If any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of an announcement through a Regulatory Information Service. All events listed in the above timetable following the General Meeting are conditional on the passing of the Resolutions contained in the GM Notice at the General Meeting.

## DEFINITIONS

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

<b>“2009 CLN”</b>	the loan note instrument constituting £8,000,000 secured convertible loan notes and dated 17 September 2009
<b>“Act”</b>	the Companies Act 2006 (as amended)
<b>“Admission”</b>	the admission of the Initial Placing Shares, the Conversion Shares, the Eckoh Settlement Shares and the Compromise Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM rules for companies published by the London Stock Exchange from time to time
<b>“certificated form” or “in certificated form”</b>	an Ordinary Share recorded on a company’s share register as being held in certificated form (namely, not in CREST)
<b>“Company” or “Redstone”</b>	Redstone plc
<b>“Compromise Shares”</b>	the 10,000,000 Ordinary Shares to be issued to Stephen Yapp as part of his severance package
<b>“Conversion”</b>	the conversion of the entire outstanding principal sum under the 2009 CLN into new Ordinary Shares at a price equivalent to the Placing Price as further described in this document
<b>“Conversion Shares”</b>	the 900,000,000 new Ordinary Shares to be issued pursuant to the Conversion
<b>“CREST”</b>	the relevant system (as defined in the Uncertificated Securities Regulations 2001, as amended) in respect of which Euroclear UK & Ireland Limited is the operator
<b>“Dealing Day”</b>	a day on which the London Stock Exchange is open for business in London
<b>“Directors” or “Board”</b>	the directors of the Company whose names are set out on page 3 of this document, or any duly authorised committee thereof
<b>“Drawdown”</b>	the drawdown of the second tranche pursuant to the 2009 CLN as further described in this document
<b>“Eckoh”</b>	Eckoh plc a company registered under 03435822
<b>“Eckoh Loan”</b>	the loan made pursuant to the loan agreement between the Company, Redstone Telecom Holdings Limited and Eckoh dated 17 September 2009
<b>“Eckoh Settlement”</b>	the arrangements more particularly described in paragraph 9 of this document
<b>“Eckoh Settlement Shares”</b>	the 200,000,000 New Ordinary Shares to be issued to Eckoh pursuant to the Eckoh Settlement as further described in this document

<b>“Enlarged Issued Share Capital”</b>	2,560,572,810 Ordinary Shares in issue following the admission to trading on AIM of the Initial Placing Shares, the Conversion Shares, the Eckoh Settlement Shares and the Compromise Shares
<b>“Existing Shares”</b>	the Ordinary Shares in issue at the date of this document, all of which are admitted to trading on AIM
<b>“finnCap”</b>	finnCap Ltd, the Company’s nominated adviser and broker
<b>“Form of Proxy”</b>	the form of proxy for use in connection with the GM which accompanies this document
<b>“Gartmore”</b>	Gartmore Investment Limited
<b>“GM” or “General Meeting”</b>	the general meeting of the Company to be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB at 11.00 a.m. on 8 September 2010
<b>“GM Notice” or “Notice of General Meeting”</b>	the notice convening the GM, which is set out on pages 16 to 18 of this document
<b>“Group”</b>	the Company, its subsidiaries and its subsidiary undertakings
<b>“Independent Directors”</b>	Tim Sherwood and Stephen Yapp
<b>“Initial Placing”</b>	the conditional placing of the Initial Placing Shares at the Placing Price by finnCap, as agent on behalf of the Company, pursuant to the Placing Agreement, further details of which are set out in paragraph 5 of this document
<b>“Initial Placing Shares”</b>	the 1,304,800,000 new Ordinary Shares to be issued pursuant to the Initial Placing
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Loan Notes”</b>	the loan notes issued pursuant to the 2009 CLN
<b>“Loan Note Transfers”</b>	the transfers of the Loan Notes more particularly described in paragraph 7 of this document
<b>“MXC Capital”</b>	MXC Capital Limited and Ian Smith’s self-invested personal pension
<b>“MXC Capital Limited”</b>	MXC Capital Limited, a company registered under number 07039551, which is controlled by Ian Smith and Tony Weaver
<b>“New Ordinary Shares”</b>	together, the Eckoh Shares, the Initial Placing Shares, the Compromise Shares and the Conversion Shares
<b>“Noteholders”</b>	the holders of the Loan Notes
<b>“Ordinary Shares”</b>	ordinary shares of 0.1 pence each in the capital of the Company
<b>“Placees”</b>	persons who agree conditionally to subscribe for Placing Shares under the Initial Placing
<b>“Placing”</b>	the Initial Placing and the Subscription
<b>“Placing Agreement”</b>	the conditional agreement dated 24 August 2010 and made between finnCap, the Company and the Directors in relation to the Initial Placing, further details of which are set out in this document

<b>“Placing Price”</b>	0.5 pence per Placing Share
<b>“Placing Proceeds”</b>	the gross aggregate value at the Placing Price of the Initial Placing Shares and the Subscription Shares
<b>“Placing Shares”</b>	the Initial Placing Shares and the Subscription Shares
<b>“Proposals”</b>	the Eckoh Settlement, the Placing, the issue and allotment of the Compromise Shares and the amendments to the Schemes
<b>“Regulatory Information Service”</b>	a service approved by the London Stock Exchange for the distribution to the public of AIM announcements and included within the list maintained on the London Stock Exchange’s website <a href="http://www.londonstockexchange.com">www.londonstockexchange.com</a>
<b>“Repayment Premium”</b>	a sum equal to such amount as totals two times the issued and paid up and outstanding principal amount under the 2009 CLN
<b>“Resolutions”</b>	the resolutions set out in the GM Notice
<b>“Schemes”</b>	the Redstone Approved 2008 Incentive Option Scheme and the Redstone Unapproved 2008 Incentive Option Scheme
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“Subscription”</b>	the conditional subscription for the Subscription Shares by MXC Capital Limited, pursuant to the Subscription Agreement, further details of which are set out in paragraph 5 of this document
<b>“Subscription Agreement”</b>	the conditional agreement dated 24 August 2010 and made between the Company, Ian Smith, Tony Weaver and MXC Capital Limited, further details of which are set out in paragraph 5 of this document
<b>“Subscription Shares”</b>	the 100,000,000 new Ordinary Shares to be issued pursuant to the Subscription Agreement
<b>“UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“US” or “United States”</b>	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
<b>“uncertificated” or “in uncertificated form”</b>	an Ordinary Share recorded on a company’s share register as being held in uncertificated form in CREST and title to which, by virtue of the Uncertificated Securities Regulations 2001, as amended, may be transferred by means of CREST
<b>“Warrant Shares”</b>	the fully paid warrants over 28,000,000 Ordinary Shares to be issued to Barclays Bank PLC in lieu of fees outstanding but not falling due and payable to Barclays Bank PLC

# LETTER FROM THE DEPUTY 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 (*Chairman*)  
Peter John Hallett (*Chief Financial Officer*)  
David Graham Payne (*Non-executive Director*)  
Timothy Sherwood (*Non-executive Director*)  
Andrew Ian Smith (*Non-executive Director*)  
Anthony Charles Weaver (*Non-executive Director*)

### Registered Office:

Building B – Office 10  
Kirtlington Business Centre  
Slade Farm  
Kirtlington  
Kidlington  
Oxfordshire  
OX5 3JA

### To Shareholders

24 August 2010

Dear Shareholder,

**Placing of 1,304,800,000 new Ordinary Shares at a price of 0.5 pence per share  
Subscription for 100,000,000 new Ordinary Shares at a price of 0.5 pence per share  
and  
Notice of General Meeting**

### 1. Introduction and summary

The Company today announced a conditional placing of, in aggregate, 1,304,800,000 new Ordinary Shares at a price of 0.5 pence per share to raise approximately £6.5 million (before commissions and expenses) and a conditional subscription for 100,000,000 new Ordinary Shares at a price of 0.5 pence per share to raise £0.5 million (on or before 31 December 2010) in conjunction with the injection of a further £1.5 million under the 2009 CLN together providing new funding for the Company of approximately £8.5 million in aggregate. The purpose of the Placing is to strengthen the Company's balance sheet, provide working capital and to fund the future development of its business. The Placing and the Conversion has been arranged in conjunction with a restructuring of the Company's debt obligations including extended banking facilities and a settlement with Eckoh summarised in paragraph 9 below.

The Initial Placing will significantly strengthen the Company's financial position and will provide it with a strong platform to execute its strategy. The Initial Placing, which was well supported by a number of blue chip institutional investors, is, the Directors believe, a clear signal that the Company and its strategy have merit.

As part of the negotiations relating to the Placing and the Conversion, the Company has agreed a settlement of the Eckoh Loan with Eckoh. Eckoh will be paid £0.5 million in cash by the Company and, subject to shareholder approval, shall be issued 200,000,000 Ordinary Shares in consideration for waiving all sums due under the Eckoh Loan. This arrangement is conditional on the Initial Placing.

Following conclusion of the General Meeting, Stephen Yapp, Executive Chairman of the Company, will resign from the Board. As part of Stephen's severance package, he has agreed to subscribe for the Compromise Shares at a price equivalent to the Placing Price.

The Proposals are conditional, *inter alia*, upon the Company obtaining approval from its Shareholders to grant the Board authority to allot the New Ordinary Shares and the Subscription Shares and to disapply statutory pre-emption rights which would otherwise apply to the allotment of the New Ordinary Shares and the Subscription Shares. Accordingly, the General Meeting is being convened for the purpose of considering the Resolutions which will give the Directors the necessary authorities to allot the New Ordinary Shares and the Subscription Shares.

**The purpose of this document is to provide you with information about the background to and the reasons for the Proposals, to explain why the Board considers the Proposals to be in the best interests of the Company and its Shareholders as a whole and why the Independent Directors recommend that you vote in favour of the Resolutions to be proposed at the GM, as they, the other Directors and their respective immediate families and connected persons (within the meaning of section 252 of the Act) intend to do so in respect of their aggregate holdings of 53,505 Existing Shares representing approximately 0.04 per cent. of the existing issued share capital of the Company, notice of which is set out at the end of this document.**

## **2. Background to and reasons for the Placing**

The Company raised up to £6 million of committed funding in September 2009 by creating the 2009 CLN. As at the date of this document, the Company has issued £4.5 million of Loan Notes pursuant to the 2009 CLN and these proceeds have been utilised for general working capital purposes. However, the nature of the 2009 CLN, combined with the existing debt facilities provided to the Company, resulted in a high level of gearing in the Company. As a consequence, the Company was unable to capitalise upon certain business opportunities that it was well placed to deliver from an operational perspective.

Therefore, the Directors decided that it was in the best interests of the Company to seek to recapitalise the business by means of an equity fundraising to reduce the Company's gearing and to renegotiate its banking facilities. This initiative has been combined with the strengthening of the Board by the appointment of Ian Smith and Tony Weaver as Non-Executive Directors of the Company.

The Company has conditionally raised approximately £7.0 million (before expenses) pursuant to the Placing in conjunction with certain other agreements to restructure its financial commitments as follows:

- agreement in principle to extend and improve banking facilities (summarised in paragraph 10 below);
- conversion of the Loan Notes by converting the outstanding £4.5 million principal sum into Ordinary Shares at a price equivalent to the Placing Price (with no associated conversion premium); and
- settlement of the entire outstanding loan from Eckoh by the issue of the Eckoh Settlement Shares and the payment of £0.5 million in cash to Eckoh.

The Board is aware that the potentially dilutive nature of the Placing may not be attractive to Shareholders. However, having explored the alternatives, the Board believes that the Placing, which will provide the Group with the financing it requires to secure its future, is the appropriate course of action.

Without further equity funding, following the Drawdown, the level of gearing in the Company would, in the Directors' opinion, be unsustainable. **If the Resolutions are not passed, the Company would be unlikely to be able to continue to trade and in such circumstances, it is unlikely that the Ordinary Shares would have any value.**

## **3. Current trading and prospects**

Against an uncertain political and economic environment, coupled with the weak financial position of the Company, the Company has continued to trade in line with management's expectations. The Company was loss making in the financial period to 31 March 2010. The Group has failed to secure certain new business that was well within its technical and operational abilities which the Directors believe was due to the weakness of the Company's balance sheet, however many existing customers have continued to support the Group while it has sought to strengthen its financial position. During this time, the Group has continued to build upon its position to deliver new products and services to the market, keeping the group in the top quartile in its chosen markets. There has been a great deal of uncertainty surrounding the Birmingham Building Schools for the Future contract recently and although the position remains unclear, 5 schools of a contracted total of 39 have reached financial closure and a further 8 schools are expected to reach financial closure within 2 months of the date of this document. The Group expects to release its financial results for the period ended 31 March 2010 before the end of September 2010.

The Placing will significantly strengthen the Company's balance sheet and will provide the Group with the financial stability to compete on a more effective basis in line with its revised strategy set out below in paragraph 4. The last few months have been challenging and the Directors would like to thank the Company's employees for their continued hard work and professionalism and customers for their ongoing support.

#### **4. Future business strategy of the Company and current intentions**

The Directors believe that, following Admission, Redstone will be well placed to build upon its position within the ICT sector. As part of the Company's ongoing strategy, the Directors plan to conduct an operational review of the Company's businesses. The Directors believe that there is significant value within the Group that can be unlocked by the potential disposal of certain non-core assets. In addition, the Directors have identified significant potential cost saving initiatives that, allied to focussing on higher margin revenue streams, should allow the Company to target normalised EBITDA margins of approximately 10 per cent. excluding any exceptional costs incurred in delivering the revised business strategy.

In the opinion of the Directors, the ICT sector offers attractive opportunities to further consolidate and the Directors believe Redstone will provide an attractive base for such corporate activity. Consequently, Redstone proposes to grow both organically and through acquisitions in those parts of its market that the Directors believe are attractive. This will help to assist the Company in achieving the goal of delivering normalised EBITDA margins of approximately 10 per cent. excluding any exceptional costs incurred in delivering the revised business strategy.

#### **5. The Placing**

The Company has conditionally raised approximately £7.0 million (before expenses) through the proposed issue of the Placing Shares at the Placing Price, which represents a discount of approximately 73.3 per cent. to the closing middle market price of 1.875 pence per Existing Share on 23 August 2010, being the last practicable date prior to the publication of this document. The Placing Shares will represent 53 per cent. of the Company's issued ordinary share capital following completion of the Proposals and the Conversion.

##### ***The Placing Agreement***

Pursuant to the terms of the Placing Agreement, finnCap has conditionally agreed to use its reasonable endeavours, as agent for the Company, to place the Initial Placing Shares with certain institutional and other investors at the Placing Price. The Placing Agreement is conditional upon, *inter alia*, the Resolutions being duly passed at the GM and Admission becoming effective on or before 8.00 a.m. on 9 September 2010 (or such later time and/or date as the Company and finnCap may agree, but in any event by no later than 8.00 a.m. on 30 September 2010).

The Placing Agreement contains warranties from the Company in favour of finnCap in relation to, *inter alia*, the accuracy of the information in this document, the fact that the Group has and will have sufficient working capital for its present requirements, that is for at least 12 months following Admission, and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify finnCap in relation to certain liabilities it may incur in respect of the Initial Placing. finnCap has the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties.

Under the Placing Agreement and subject to it becoming unconditional in all respects and not being terminated in accordance with its terms, the Company has agreed to pay finnCap, together with any applicable value added tax, a commission of 5 per cent. and a corporate finance advisory fee.

##### ***The Subscription Agreement***

Pursuant to the Subscription Agreement, MXC Capital Limited has conditionally agreed to subscribe for, and Ian Smith and Tony Weaver have agreed to procure that MXC Capital Limited shall subscribe for the Subscription Shares at a price equivalent to the Placing Price at any time after Admission and on or before

31 December 2010. The Subscription Shares shall be issued and allotted to MXC Capital Limited upon receipt by the Company of full and cleared funds.

### ***Participation of Directors***

MXC Capital, representing the interests of Ian Smith and Tony Weaver, has agreed to invest a sum of £1 million in the Company which will be effected by the purchase of 100,000,000 Eckoh Settlement Shares pursuant to the Eckoh Settlement and by subscription for the Subscription Shares under the Subscription Agreement. Following the Loan Note Transfers and subsequent Conversion, MXC Capital will be interested in 200,000,000 Ordinary Shares. Therefore upon Admission and following the purchase of 100,000,000 Eckoh Settlement Shares, MXC Capital will be interested in 300,000,000 Ordinary Shares representing approximately 11.7 per cent. of the Enlarged Issued Share Capital. Upon admission to trading on AIM of the Subscription Shares, MXC Capital will, assuming the Company does not issue any further Ordinary Shares after Admission, be interested in 400,000,000 Ordinary Shares representing approximately 15.0 per cent. of the Enlarged Issued Share Capital together with the Subscription Shares.

David Payne has agreed as part of the Initial Placing to subscribe for 4,000,000 Initial Placing Shares. Upon Admission and following Conversion, David Payne will be interested in 8,050,000 Ordinary Shares representing approximately 0.3 per cent. of the Enlarged Issued Share Capital.

MXC Capital, Peter Hallett and David Payne have agreed not to dispose of the Conversion Shares held by each of them respectively for a maximum of 24 months after the Admission Date (the “**Lock-in Period**”). Additionally, they have each agreed, following the expiry of the Lock-in Period, not to dispose of any of their interests in the Ordinary Shares held by them other than through finnCap and in consultation with finnCap subject to being offered terms as to price and rates of commission at least as favourable as those being offered by any other broker at that time.

### ***Settlement and dealings***

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that such Admission will occur on 9 September 2010.

The New Ordinary Shares will, when issued, rank *pari passu* in all respects with the Existing Shares including the right to receive dividends and other distributions declared following Admission.

Application will be made to the London Stock Exchange for the Subscription Shares to be admitted to trading on AIM. It is expected that such Admission will occur on or before 31 December 2010.

The Subscription Shares will, when issued, rank *pari passu* in all respects with the Existing Shares including the right to receive dividends and other distributions declared following such shares being admitted to trading on AIM.

## **6. Use of Proceeds**

The Directors intend that the proceeds of the Placing will be used to strengthen the Company’s balance sheet, provide capital to execute the Company’s strategy and to repay the cash element of the Eckoh Settlement.

## **7. Loan Note Transfers**

The Company has been informed that SVG Investment Managers Limited (in its capacity as general partner of Strategic Recovery Fund II) and SVG Capital plc (in its capacity as co-investor of Strategic Recovery Fund II) have agreed to sell the Loan Notes held in their name to certain other parties, including Gartmore, MXC Capital Limited, Peter Hallett and David Payne.

The Loan Note Transfers are conditional on the Resolutions being passed by Shareholders at the General Meeting.

## **8. Conversion of the Loan Notes**

The Noteholders have served notice on the Company to convert the entire outstanding principal sum under the 2009 CLN into Ordinary Shares at a price equivalent to the Placing Price. The Conversion is conditional on completion of the Loan Note Transfers. In consideration of the Company issuing the Conversion Shares, the Noteholders have agreed to waive the Repayment Premium.

After Conversion, the Conversion Shares will represent approximately 35.1 per cent. of the Enlarged Issued Share Capital.

## **9. Eckoh Settlement**

In full and final settlement of the liability of £2.9 million outstanding in relation to the Eckoh Loan, the Company has agreed to pay to Eckoh a settlement fee of £500,000 in cash and issue it with the Eckoh Settlement Shares, which have an aggregate value of £1 million at the Placing Price. As part of this arrangement, the Company has agreed to procure purchasers for 100,000,000 of the New Ordinary Shares issued pursuant to the Eckoh Settlement (as described in paragraph 5) and Eckoh has agreed not to dispose of the remaining Eckoh Settlement Shares for a period of 12 months from Admission. The Company has agreed to waive any right to receive payment for such Eckoh Settlement Shares.

## **10. Revised Banking Facilities**

10.1 The Group has agreed in principle to amend, subject to the satisfaction of various conditions precedent, the terms of its existing senior debt facilities with Barclays Bank PLC to effect the following key changes:

- an extension of the final repayment date by two years and three months to 31 December 2013;
- an amendment to its existing hedging arrangements;
- a variation of the repayment profile;
- restructuring of the various fees payable in respect of the facilities;
- variation to the restrictions on acquisitions by the Group;
- an increase in the limit permitted for third party asset finance facilities and other financial indebtedness;
- a variation to the financial covenants including a holiday from financial covenant testing for a limited period and a one-off right to elect not to test the financial covenants during a limited period;
- a consent to the settlement with Eckoh plc (more particularly described in paragraph 9 above);
- an amendment to the excess cash flow sweep provisions which will now commence two years later than originally provided for, with effect from 31 March 2012.

The proposed amendments to the senior facilities are conditional upon (among other things) the Eckoh Settlement and release of all security granted by the Company to Eckoh, the Conversion and the release and discharge of the 2009 CLN (in the terms set out in paragraph 8 of this document), including the release of all security granted therefor, the issue of warrants in the Company to Barclays Bank PLC (see paragraph 10.2 below) and the Company having received no less than £5 million (before expenses) as a result of the Placing.

### **10.2 Issue of Warrant Shares**

Further to the amendments set out in paragraph 10.1, Barclays Bank PLC has agreed to treat the sum of £600,000 in respect of fees owed to it by the Company in relation to the existing facilities (as amended) with the Company as satisfied by the issuance of fully paid warrants over 28,000,000 Ordinary Shares equivalent to £140,000 at the Placing Price. Each warrant will entitle the holder to

receive, upon exercise, one Ordinary Share at an exercise price equal to the Placing Price. The warrants may be exercised at any time from the date of Admission. The warrants will be freely transferable (in any multiple).

## 11. Proposed Board Changes

Following the conclusion of the General Meeting, Stephen Yapp, Executive Chairman of the Company, has agreed to resign from the Board. Contemporaneously, Ian Smith and Tony Weaver, both Non-Executive Directors of the Company, will be appointed as Executive Chairman and Chief Executive Officer respectively. The Board wishes to thank Stephen for his contribution over the past year; he joined the Company in order to help to stabilise and safeguard the business and he leaves having negotiated what is hoped to be a successful refinancing and equity fundraising putting the business in what the Directors believe to be a strong position for strategic growth.

As part of Stephen's severance package, he has agreed to apply £50,000 in subscription for 10,000,000 new Ordinary Shares at a price equivalent to the Placing Price.

## 12. Capital structure following the Placing

Following Admission, the Company will have 2,560,572,810 Ordinary Shares in issue. The Company will also have authority to allot options up to 10 per cent. of the Enlarged Issued Share Capital, together with the Subscription Shares, further details of which can be found in paragraph 13 below.

Following Admission, the interests of the Directors and of Gartmore in the Enlarged Issued Share Capital of the Company will be as follows:

	<i>Number of Ordinary Shares</i>	<i>% of Enlarged Issued Share Capital</i>
Stephen Yapp	10,000,000	0.39
Peter Hallett	20,000,000	0.78
David Payne	8,050,000	0.31
Timothy Sherwood	3,505	0.00
Ian Smith and Tony Weaver*	300,000,000	11.71
Gartmore	676,960,098	26.43

\* These shares are held by MXC Capital, representing the interests of Ian Smith and Tony Weaver. The number of Ordinary Shares shown includes the 100,000,000 Eckoh Settlement Shares proposed to be purchased by MXC Capital Limited.

Upon admission to trading on AIM of the Subscription Shares, and assuming the Company does not issue any further Ordinary Shares, the interests of the Directors and Gartmore in the Enlarged Issued Share Capital of the Company, together with the Subscription Shares, will be as follows:

	<i>Number of Ordinary Shares</i>	<i>% of Enlarged Issued Share Capital together with Subscription Shares</i>
Stephen Yapp	10,000,000	0.38
Peter Hallett	20,000,000	0.75
David Payne	8,050,000	0.30
Timothy Sherwood	3,505	0.00
Ian Smith and Tony Weaver*	400,000,000	15.03
Gartmore	676,960,098	25.44

\* These shares are held by MXC Capital, representing the interests of Ian Smith and Tony Weaver. The number of Ordinary Shares shown includes the 100,000,000 Eckoh Settlement Shares proposed to be purchased by MXC Capital Limited.

### **13. Incentivisation of Senior Management**

The Board has agreed that following the Initial Placing, an appropriate incentive strategy for senior management will be put in place. For the avoidance of doubt, the Redstone Management Incentive Plan approved by Shareholders at the extraordinary general meeting on 30 December 2009 (the “**2009 EGM**”) has not been implemented and will not form part of the remuneration of the Board going forward. Instead, it is intended that senior management will be incentivised by participation in the Redstone Unapproved 2008 Incentive Option Scheme and, to the extent they are eligible, the Redstone Approved 2008 Incentive Option Scheme.

Following the 2009 EGM, given the dilutive effect of the 2009 CLN, the Schemes were amended to permit the grant of options over a maximum of 25 per cent. of the issued share capital of the Company prior to any conversion of the 2009 CLN. It is intended that this limit will now be amended to restrict the grant of options to a further 10 per cent. of the ordinary share capital of the Enlarged Issued Share Capital of the Company together with the Subscription Shares.

The exercise of options to be granted to Ian Smith and Tony Weaver following the Initial Placing will be dependent on the fulfilment of performance conditions. It is intended that the rules of the Schemes will be amended to reflect the proposed new share capital dilution limit set out above and to enable Peter Hallett to be eligible to participate in the Schemes again.

### **14. Related Party Transaction**

The participation in the Placing of David Payne, as a Non-Executive Director of the Company, and MXC Capital, representing the interests of Ian Smith and Tony Weaver, also being Non-Executive Directors of the Company represents a related party transaction under the AIM Rules. Furthermore, the Conversion by related parties including MXC Capital, David Payne, Peter Hallett and Gartmore, being a substantial shareholder for the purposes of the AIM Rules, represents a related party transaction under the AIM Rules (together the “**Transactions**”).

The Independent Directors, having consulted with the Company’s nominated adviser, finnCap, believe that the terms of the Transactions are fair and reasonable so far as the Shareholders are concerned and in the best interests of the Company and Shareholders as a whole.

### **15. Irrevocable undertakings**

The Company has received irrevocable undertakings to vote in favour of the Resolutions from Shareholders who in aggregate have a beneficial interest in respect of 59,016,891 Ordinary Shares representing approximately 40.5 per cent. of the existing issued share capital of the Company. In addition the Company has received commitments to vote in favour of the Resolutions representing 9,400,864 Ordinary Shares representing approximately 6.5 per cent. of the existing issued share capital of the Company.

### **16. General Meeting**

Set out at the end of this document is a notice convening the GM to be held on 8 September 2010 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.

Resolution 1, which will be proposed as an ordinary resolution and which is subject to the Placing Agreement becoming unconditional and not being terminated in accordance with its terms, is to authorise the Directors to allot the New Ordinary Shares, the Warrant Shares and the Subscription Shares in connection with the Proposals and otherwise to allot relevant securities up to £853,524.27 in nominal value (representing one third of the Enlarged Issued Share Capital) provided that such authority shall (subject to limited exceptions), expire on the conclusion of the next annual general meeting of the Company.

Resolution 2, which will be proposed as an ordinary resolution and which is subject to the passing of Resolutions 1 and 3 and the Placing Agreement becoming unconditional and not being terminated in accordance with its terms, is to authorise the Directors to amend the rules of the Schemes as described at

paragraph 13 above, in particular to reflect the proposed new share capital dilution limit and to enable Peter Hallett to be eligible to participate in the Schemes.

Resolution 3, which will be proposed as a special resolution and which is subject to the passing of Resolution 1 and the Placing Agreement becoming unconditional and the Placing Agreement not being terminated in accordance with its terms, disapplies Shareholders' statutory pre-emption rights in relation to the issue of the New Ordinary Shares, the Warrant Shares and the Subscription Shares and grants further authority to allot equity securities for cash on a non-pre-emptive basis up to an aggregate nominal amount of £384,085.92 (representing fifteen per cent. of the Enlarged Issued Share Capital) provided that such authority shall (subject to limited exceptions) expire on the conclusion of the next annual general meeting of the Company.

Resolution 4, which will be proposed as a special resolution gives the Company the general authority to repurchase up to 384,085,921 of its own shares in the market (representing fifteen per cent. of the Enlarged Issued Share Capital) at or between the maximum and minimum prices specified in the resolution giving the authority.

#### **17. Action to be taken**

**A Form of Proxy for use at the GM 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 Limited, PXS, The Registry, Beckenham, Kent BR3 4TU, as soon as possible, but in any event so as to be received by no later than 48 hours before the GM is scheduled to begin. The completion and return of a Form of Proxy will not preclude Shareholders from attending the GM and voting in person should they so wish.**

#### **18. Recommendation**

**If the Resolutions are not passed, the Company would be unlikely to be able to continue to trade and in such circumstances, it is unlikely that the Ordinary Shares would have any value.**

**The Independent Directors consider the Proposals to be in the best interests of the Company and its Shareholders as a whole and accordingly unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the GM as they, the other Directors and their respective immediate families and connected persons (within the meaning of section 252 of the Act) intend to do so in respect of their beneficial holdings amounting, in aggregate, to 53,505 Existing Shares, representing approximately 0.04 per cent. of the existing issued share capital of the Company.**

Yours sincerely

Timothy Sherwood  
*(Deputy Chairman)*

# NOTICE OF 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** a general meeting of (the “**GM**”) of Redstone plc (the “**Company**”) will be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB at 11.00 a.m. on 8 September 2010 to consider and, if thought fit, to pass the following resolutions of which Resolutions 1 and 2 will be proposed as ordinary resolutions of the Company and Resolutions 3 and 4 will be proposed as special resolutions of the Company:

### ORDINARY RESOLUTIONS

1. **THAT**, conditional upon the Placing Agreement (as defined in the circular to shareholders of the Company dated 24 August 2010 (the “**Circular**”)), becoming unconditional in all respects (save only for the passing of the Resolutions and Admission (as defined in the Circular)) and the Placing Agreement not being terminated in accordance with its terms and in substitution for any equivalent authority which may have been given to the directors prior to the passing of this Resolution 1 save for the resolutions passed by shareholders to the Company on 30 December 2009 (the “**2009 Resolutions**”) which shall remain in place, the directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (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 being (“**relevant securities**”) to such persons and at such times and on such terms as they think proper provided that this authority shall be limited to:
  - (a) the allotment of up to 1,304,800,000 Initial Placing Shares (as such term is defined in the Circular);
  - (b) the allotment of up to 200,000,000 Eckoh Settlement Shares (as such term is defined in the Circular);
  - (c) the allotment of up to 10,000,000 Compromise Shares (as such term is defined in the Circular);
  - (d) the allotment of up to 100,000,000 Subscription Shares (as such term is defined in the Circular);
  - (e) the issue to Barclays Bank PLC of a warrant to subscribe for up to 28,000,000 new ordinary shares of 0.1 pence each in the capital of the Company on the date of exercise of the warrant at no cost to it;
  - (f) the allotment of relevant securities (other than as pursuant to Resolution 1 (a) to (e) inclusive above) up to an aggregate nominal amount of £853,524.27;

and unless previously renewed, 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.

2. **THAT**, conditional upon the passing of Resolution 1 and 3 and the Placing Agreement becoming unconditional in all respects (save only for the passing of the Resolutions and Admission and the Placing Agreement not being terminated in accordance with its terms), the changes to the Schemes (as defined in the Circular), the principal features of which are summarised in paragraph 13 of the Circular, be and they are hereby approved (which such modifications as the Remuneration Committee consider necessary or desirable) and that the remuneration committee of the board of Directors of the Company (the “**Remuneration Committee**”) be and are hereby authorised to do all acts and things necessary to carry the same into effect, including where necessary to obtain approval of HM Revenue & Customs.

## SPECIAL RESOLUTIONS

3. **THAT**, conditional upon the passing of Resolution 1 and the Placing Agreement becoming unconditional in all respects (save only for the passing of the Resolutions and Admission) and the Placing Agreement not being terminated in accordance with its terms and in substitution for any existing power given to the directors pursuant to section 551 of the Act save for the 2009 Resolutions which shall remain in place, 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 for cash pursuant to the authority of the directors under section 551 of the Act conferred by Resolution 1, and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act, as if section 561(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to:
- (a) any allotment of equity securities which falls within Resolutions 1(a) to (e) above;
  - (b) the allotment of equity securities in connection with an invitation or 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 or in accordance with the rights attached to 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 of, or the 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 matter whatsoever; and
  - (c) the allotment of equity securities (other than as pursuant to Resolutions 3 (a) and (b) above) up to an aggregate nominal value equal to £384,085.92;

and unless previously renewed, 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 offer or agreement as if this power had not expired.

4. **THAT** the Company be and is hereby unconditionally and generally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares (as such term is defined in the Circular) provided that:
- (a) the maximum number of Ordinary Shares authorised to be purchased is 384,085,921;
  - (b) the minimum price which may be paid for any such Ordinary Share is 0.1 pence;
  - (c) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105 per cent. of the average middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five Dealing Days (as defined in the Circular) immediately preceding the day on which the Ordinary Share is contracted to be purchased; and

this authority shall, unless previously renewed, revoked or varied, expire on the earlier of the date falling 18 months after the date of the passing of this Resolution and the conclusion of the next annual general meeting, but the Company may enter into a contract for the purchase of Ordinary Shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry.

*Registered Office:*  
Building B – Office 10  
Kirtlington Business Centre  
Slade Farm  
Kirtlington  
Kidlington  
Oxfordshire  
OX5 3JA

By order of the Board:  
Nicholas O'Rorke  
*Company Secretary*

24 August 2010

**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 48 hours before the GM is scheduled to begin shall be entitled to attend and vote at the GM 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 GM may appoint a proxy to attend, speak and vote instead of him. A proxy need not be a member of the Company but must attend the meeting. 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 must vote in accordance with any instructions given by the member of whom the proxy is appointed. Appointing a proxy will not prevent a member from attending in person and voting at the GM (although voting in person at the GM will terminate the proxy appointment). A form of proxy is enclosed. The notes to the form of proxy include instructions on how to appoint the chairman of the meeting or another person as a proxy and it also contains instructions on how to appoint a proxy using the web voting system that is available to members and how to use the CREST proxy appointment service. To be valid the form of proxy must reach the Company's registrar, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU at least 48 hours before the GM is scheduled to begin. You can only appoint a proxy using the procedures set out in these notes and in the notes to the form of proxy.
3. To be valid, a form of proxy, 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, at least 48 hours before the GM is scheduled to begin.
4. 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.
5. 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 2 & 3 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.
6. Please note that communications regarding the matters set out in this Notice of General Meeting will not be accepted in electronic form, other than as specified in the enclosed proxy form.