

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from 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, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your IDN Shares (otherwise than pursuant to the Offer) please send this document, together with the accompanying documents as soon as possible, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, this document and the accompanying documents should not be forwarded or transmitted in or into the United States, Canada, Australia, Ireland or Japan or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. If you have sold or otherwise transferred only part of your IDN Shares you should retain this document.

Evolution Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Redstone and no one else in connection with the Offer and will not be responsible to anyone other than Redstone for providing the protections afforded to clients of Evolution Securities Limited nor for providing advice in relation to the Offer or the contents of this document or any other matter referred to in this document.

Investec, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for IDN and no one else in connection with the Offer and will not be responsible to anyone other than IDN for providing the protections afforded to clients of Investec nor for providing advice in relation to the Offer or any other matter referred to in this document.

**This document should be read in conjunction with the accompanying Form of Acceptance (in respect of certificated IDN Shares). If you are a CREST sponsored member, you should refer to your CREST sponsor, as only your CREST sponsor will be able to send the necessary TTE Instructions to CRESTCo.**

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**Recommended Cash Offer**  
by  
**Evolution Securities Limited**  
on behalf of  
**Redstone plc**  
to acquire the entire issued and to be issued share capital of  
**IDN Telecom plc**

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Your attention is drawn to the letter from the Chairman of IDN which is set out in Part I of this document and which contains, *inter alia*, the unanimous recommendation of the IDN Directors to accept the Offer.

To accept the Offer in respect of certificated IDN Shares, the Form of Acceptance must be completed, signed, witnessed (in the case of an individual) and returned together with your definitive share certificate(s) and/or other document(s) of title as soon as possible and, in any event, so as to be received by post or (during normal business hours only) by hand by Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than 1.00 p.m. on 22 December 2006. A reply-paid envelope for use within the UK accompanies this document for your convenience. The procedure for acceptance of the Offer in respect of certificated IDN Shares is set out in paragraph 13(a) of Part II of this document and in the accompanying Form of Acceptance.

To accept the Offer in respect of uncertificated IDN Shares, acceptances should be made electronically through CREST so that the TTE Instruction settles not later than 1.00 p.m. on 22 December 2006. The procedure for acceptance of the Offer in respect of uncertificated IDN Shares is set out in paragraph 13(b) of Part II of this document. If you are in any doubt as to the procedure for acceptance of the Offer, please contact Capita Registrars by telephone on 0870 162 3121 (or +44 20 8639 2157 if telephoning from outside the UK).

Unless otherwise determined by Redstone and permitted by applicable law and regulation, the Offer is not being made, directly or indirectly, in or into, or by the use of the mails or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce, or any facility of a national securities exchange, of a Restricted Jurisdiction and the Offer is not capable of acceptance by any such use, means, instrumentality or facility or from within a Restricted Jurisdiction. Accordingly, copies of this document, the Form of Acceptance (in respect of certificated IDN Shares) and any related documents are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from a Restricted Jurisdiction and persons receiving such documents (including, without limitation, custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from a Restricted Jurisdiction. Doing so may render invalid any purported acceptance of the Offer.

All persons (including, without limitation, nominees, trustees and custodians) who would, or otherwise intend to, forward this document, the Form of Acceptance (in respect of certificated IDN Shares) and any related documents to any jurisdiction outside the United Kingdom should read the further details in this regard which are contained in paragraph 6 of Part B of Appendix 1, paragraph (c) of Part C of Appendix 1 and paragraph (c) of Part D of Appendix 1 to this document before taking any action.

The availability of the Offer to IDN Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. IDN Shareholders who are not so resident should inform themselves about and observe such applicable requirements.

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## TO ACCEPT THE OFFER:

- (a) If you hold IDN Shares in certificated form you should:
- (i) complete, sign and witness (in the case of an individual) the Form of Acceptance in accordance with paragraph 13(a) of the letter from Evolution Securities set out in Part II of this document; and
  - (ii) return the completed Form of Acceptance (along with any appropriate share certificate(s) and/or other document(s) of title) using the accompanying reply-paid envelope (for use within the UK only) as soon as possible and, in any event, by 1.00 p.m. on 22 December 2006.
- (b) If you hold IDN Shares in uncertificated form, you should follow the procedures set out in paragraph 13(b) of the letter from Evolution Securities set out in Part II of this document and send a TTE Instruction to settle prior to 1.00 p.m. on 22 December 2006.

If you have any questions about the Offer, or are in any doubt as to how to complete the accompanying Form of Acceptance or make an Electronic Acceptance, please call the Capita Registrars' shareholders helpline on 0870 162 3121 (or +44 208 639 2157 from outside the UK). This helpline is available from 9.00 a.m. to 5.00 p.m. Monday to Friday (other than UK public holidays).

For legal reasons, the helpline will not be able to provide advice on the merits of the Offer or to provide legal, financial or taxation advice.

**THE FIRST CLOSING DATE OF THE OFFER IS 1.00 P.M. ON 22 December 2006**

## DEALING DISCLOSURE REQUIREMENTS

Under the provisions of Rule 8.3 of the Code, if any person is, or becomes, "interested" (directly or indirectly) in 1 per cent. or more of any class of "relevant securities" of IDN all "dealings" in any "relevant securities" of IDN (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 p.m. on the business day following the date of the relevant transaction. This requirement will continue until the date on which the Offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of IDN, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the Code, all "dealings" in "relevant securities" of IDN by Redstone or IDN, or by any of their respective "associates", must be disclosed by no later than 12.00 noon (London time) on the business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities dealings" should be disclosed, and the number of such securities in issue, can be found on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk).

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any agreement to purchase, option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Code, which can also be found on the Panel's website. If you are in any doubt as to the application of Rule 8 to you, please contact an independent financial adviser authorised under the Financial Services and Markets Act 2000, consult the Panel's website or contact the Panel on telephone number +44 (0) 20 7382 9026 or fax +44 (0) 20 7638 1554. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.

## PART I

### Letter from the Chairman of IDN



*(Incorporated in England and Wales under the Companies Act 1985 with registered number 4041485)*

*Directors:*

Charles Barry Roberts *(Non-Executive Chairman)*  
Michael Morrison *(Managing Director)*  
Gordon Hermiston *(Finance Director)*  
Colin Amies *(Non-Executive Director)*

*Registered Office:*

Thorpe House  
93 Headlands  
Kettering  
Northamptonshire  
NN15 6BL

1 December 2006

*To all IDN Shareholders and, for information only, to the participant  
in the IDN Share Option Schemes*

Dear IDN Shareholder,

### **Recommended Cash Offer by Evolution Securities Limited on behalf of Redstone for IDN**

#### **1. Introduction**

It was announced yesterday that the boards of IDN and Redstone had reached final agreement on the terms of a recommended cash offer to be made by Evolution Securities on behalf of Redstone for the entire issued and to be issued ordinary share capital of IDN.

I am writing to you to explain the background to the Offer and the reasons why the IDN Directors, who have been so advised by Investec, consider the terms of the Offer to be fair and reasonable and unanimously recommend that you accept the Offer, as the IDN Directors, who are IDN Shareholders, have irrevocably undertaken to do in respect of their own beneficial holdings of 92,800,000 IDN Shares in aggregate (representing approximately 23.9 per cent. of the current issued share capital of IDN). In providing advice on the Offer to the IDN Board, Investec has taken into account the commercial assessments of the IDN Board.

#### **2. Summary terms of the Offer**

The Offer is contained in the letter from Evolution Securities, Redstone's financial adviser, set out in Part II of this document and is subject, amongst other things, to the conditions and further terms set out in Appendix I to this document and (in respect of certificated IDN Shares) the accompanying Form of Acceptance.

The Offer is being made on the following basis:

**for each IDN Share 2.939 pence in cash**

and so in proportion for any other number of IDN Shares held.

The Offer values the existing issued share capital of IDN at approximately £11.4 million and assuming full exercise of rights under the IDN Share Option Schemes, following the Offer becoming unconditional, at £11.8 million. The Offer represents a premium of approximately:

- 13.0 per cent. over the Closing Price of 2.6 pence per IDN Share on 29 November 2006, being the last dealing day prior to the commencement of the Offer Period; and
- 3.1 per cent. over the Closing Price of 2.85 pence per IDN Share on 30 November 2006 (being the latest practicable date prior to the posting of this document).

Full acceptance of the Offer (on the bases and assumptions set out in Appendix 5 to this document) would result in a cash payment of approximately £11.8 million. This cash payment will be funded through facilities being made available by Barclays to Redstone.

### **3. Background to and reasons for recommending the Offer**

The IDN Board believes IDN is a strong business in a consolidating market. Established in 1997 and floated on AIM in 2000, IDN is an established and profitable independent provider of telecommunication solutions and consultancy services to the UK upper SME and mid-market sectors, both private and public. As an independent consultancy working with some of the leading communication suppliers, IDN creates bespoke solutions for its clients that satisfy their technological, cost, billing and service requirements, IDN, operating from the West Midlands, has in the last few years built up a consistent track record of revenue growth and profitability.

The Board of IDN views IDN as a strong business with a number of growth opportunities. However, it recognises that significant additional resources are required in order for it best to exploit such opportunities, which will take time to implement and necessitate additional investment. In addition, the IDN Directors believe that IDN's small market capitalisation and the lack of liquidity in its share price has prevented the development of a strong institutional shareholder base which in turn limits the potential for growth through acquisition. Also, despite IDN having achieved improving results over the last three years, the IDN share price remains depressed. The IDN Directors therefore believe that the Offer provides IDN Shareholders with an attractive opportunity to liquidate their investment in full and at a value which would otherwise be difficult to obtain in the short to medium term.

The IDN Board believes the Offer reflects the fundamental value of the business of the IDN Group, unlike approaches from potential buyers that the IDN Board has considered in the past. After thorough deliberation and professional advice, the IDN Directors have therefore decided to recommend the Offer as they believe it represents fair value to IDN Shareholders.

### **4. Current trading**

On 30 November 2006, the date of announcement of the Offer, IDN announced its unaudited preliminary results for the year to 31 October 2006. During this period IDN achieved revenues of £16.531 million, (2005: £14.309 million) and profits before taxation and exceptionals of £0.986 million (2005: £0.904 million).

Since 31 October 2006 IDN has continued to trade in line with the expectations of the IDN Directors.

### **5. Irrevocable undertakings**

Irrevocable undertakings to accept, or to procure the acceptance of, the Offer have been received by Redstone from the IDN Shareholders referred to below in respect of a total of 154,213,231 IDN Shares, representing approximately 39.75 per cent. of the current issued share capital of IDN.

The IDN Directors, who hold IDN Shares, have entered into irrevocable undertakings with Redstone to accept, or procure the acceptance of, the Offer in respect of their entire beneficial interests in the issued share capital of IDN, amounting in aggregate to 92,800,000 IDN Shares, representing approximately 23.9 per cent. of the current issued share capital of IDN.

Darron Giddens has undertaken to accept or procure acceptance of the Offer in respect of 17,830,000 IDN Shares representing approximately 4.6 per cent. of the current issued share capital of IDN. Simon Dronfield has undertaken to procure acceptance of the Offer in respect of 23,583,221 IDN Shares representing approximately 6.0 per cent. of the current issued share capital of IDN. Finally, Lynn Wilmott Shepherd has undertaken to accept the Offer in respect of 20,000,010 IDN Shares representing approximately 5.2 per cent. of the current issued share capital of IDN.

All of these undertakings will remain binding, even in the event of a higher competing offer for IDN, unless the Offer lapses or is withdrawn.

Further details of these irrevocable undertakings to accept the Offer are set out in paragraph 3(a)(vii) of Appendix 4.

## **6. Disclosure of Directors' interests**

Set out below are the interests of each of the IDN Directors in the outcome of the Offer.

Charles Barry Roberts (Non-Executive Chairman). Mr Roberts has a beneficial interest in 75,000,000 IDN Shares. Pursuant to the terms of the settlement agreement dated 29 November 2006 between Mr Roberts and IDN, he will receive an amount equal to any outstanding fees and expenses as at the date the Offer becomes or is declared unconditional in all respects plus the sum of £24,000 upon the Offer becoming or being declared wholly unconditional in all respects. Mr Roberts will resign from the IDN Board upon the Offer becoming or being declared wholly unconditional.

Michael Morrison (Managing Director). Mr Morrison has a beneficial interest in 17,800,000 IDN Shares and has been granted options pursuant to the Unapproved Scheme and the EMI Scheme over 1,391,150 and 12,195,100 IDN Shares respectively. Pursuant to the terms of the compromise agreement dated 29 November 2006 between Mr Morrison and IDN, in order to provide cooperation and assistance to the senior management of IDN and Redstone, Mr Morrison will, initially, continue to be employed until the date three months after the Offer becoming or being declared unconditional in all respects and may be required to work for a further eight weeks following that period ("Additional Period"). Mr Morrison will work on a full time basis during the first two months, shall be available to work in the third month as requested by IDN and further undertakes to make himself available on such days as IDN and/or Redstone shall require during the Additional Period. Mr Morrison will receive the amounts of (i) £17,917 (subject to applicable tax) per month in arrears in respect of his continuing employment during such three month period, (ii) £121,480 (subject to applicable tax) as compensation for loss of employment at the end of such three month period (iii) a weekly rate of £2,788 (subject to applicable tax) in respect of the Additional Period and (iv) £32,250 (subject to applicable tax) in consideration of entering into certain restrictive covenants for a period of 24 months at the end of the three month period immediately following the date on which the Offer becomes or is declared wholly unconditional. Mr Morrison will resign from the IDN Board upon the Offer becoming or being declared wholly unconditional.

Gordon Hermiston (Finance Director). Mr Hermiston has no beneficial interest in IDN Shares. Pursuant to the terms of the compromise agreement dated 29 November 2006 between Mr Hermiston and IDN, in order to provide co-operation and assistance to the senior management of IDN and Redstone, Mr Hermiston will, initially, continue to be employed until the date three months after the Offer becoming or being declared unconditional in all respects and may be required to work for a further eight weeks following that period ("Additional Period"). Mr Hermiston will work on a full time basis during the first two months, shall be available to work in the third month as requested by IDN and further undertakes to make himself available on such as IDN and/or Redstone shall require during the Additional Period. Mr Hermiston will receive (i) an amount of £4,200 (subject to applicable tax) per month in arrears in respect of his continuing employment during the three month period (ii) a weekly rate of £1,730 (subject to applicable tax) for each week worked during the Additional Period, (iii) an amount of £12,600 (subject to applicable tax), in respect of his notice period not worked, (and for such purposes no account shall be taken of my work undertaken by him during the Additional Period) (iv) an amount of £30,000 as compensation for loss of office at the end of the three month period (as extended by the Additional Period), immediately following the Offer becoming or being declared wholly unconditional and (v) an exit bonus of £25,000 (less applicable tax) as approved by the remuneration committee of IDN within five days of the Offer becoming or being declared unconditional in all respects. Mr Hermiston will resign from the IDN Board upon the Offer becoming or being declared wholly unconditional.

Colin Amies (Non-Executive Director). Mr Amies has no beneficial interest in IDN Shares. Pursuant to the terms of the settlement agreement dated 29 November 2006 between Trychange Limited and IDN, Trychange Limited will receive an amount equal to any outstanding fees and expenses as at the date the Offer becomes or is declared unconditional in all respects, plus the sum of £22,650 plus value added tax within five days of the Offer becoming or being declared wholly unconditional. Mr Amies will resign from the IDN Board upon the Offer becoming or being declared wholly unconditional. Mr Amies undertakes to make himself available for a maximum of 10 days during the month following the date on which the Offer becomes or is declared unconditional in all respects and will receive an amount of £1,000 plus value added tax for each day worked in such period.

## **7. Inducement fee arrangements**

IDN has entered into an inducement fee arrangement with Redstone under which a fee of £80,000 at the time of breach of such agreement would be payable to Redstone by IDN in certain circumstances. In certain circumstances where Redstone breaches such agreement a similar fee would be payable by Redstone to IDN. Further details of the terms of the arrangement are set out in paragraph 6(a)(iv) of Appendix 4 to this document. Before the inducement fee was agreed, Redstone confirmed to the IDN Board that it would not make the Offer without entering into this inducement fee arrangement with IDN.

Pursuant to Rule 21.2 of the Code, IDN and Investec have confirmed to the Panel that they consider the terms of the inducement fee to be in the best interests of IDN Shareholders.

## **8. Directors, management and employees**

The board of Redstone has given assurances to the IDN Directors that, following the Offer becoming or being declared unconditional in all respects, the existing employment rights, including pension rights, of all IDN Group employees will be safeguarded fully.

As a result of Redstone's intention to merge the fixed line business units of IDN and Redstone, Redstone will review the staffing and location of the fixed line business units of both IDN and Redstone.

The IDN Board welcomes the assurances received from Redstone referred to above as they are, in the view of the IDN Board, in the interests of the IDN Group and its employees.

## **9. IDN Share Option Schemes**

The Offer extends to any IDN Shares which are issued or unconditionally allotted and fully paid (or credited as fully paid) whilst the Offer remains open for acceptance (or, subject to the Code, by such earlier time and/or date as Redstone may, subject to the Code, determine), including any such IDN Shares allotted or issued pursuant to the exercise of options granted under the IDN Share Option Schemes.

The Optionholder has irrevocably undertaken to take all steps necessary to exercise his vested IDN Options and to assent the resulting IDN Shares to the Offer.

Redstone has also made a proposal today to the sole IDN Optionholder reflecting the terms of the irrevocable undertaking described above.

## **10. Taxation**

Your attention is drawn to paragraph 11 of the letter from Evolution Securities set out in Part II of this document. If you are in any doubt as to your own tax position, or if you are subject to taxation in a jurisdiction outside the United Kingdom, you should immediately seek appropriate independent professional advice.

## **11. Overseas IDN Shareholders**

Overseas IDN Shareholders should refer to paragraph 6 of Part B, paragraph (c) of Part C and paragraph (c) of Part D of Appendix 1 to this document which contains important information for such shareholders.

## **12. Action to be taken to accept the Offer**

**Your attention is drawn to paragraph 13 of the letter from Evolution Securities set out in Part II of this document, Parts A, B, C and D of Appendix 1 to this document and, in respect of certificated IDN Shares, to the Form of Acceptance, which, together, set out the procedure for acceptance of the Offer.**

**In order to accept the Offer in respect of IDN Shares held in certificated form (that is, not in CREST) you should complete, sign, witness (in the case of an individual) and return the accompanying Form of Acceptance together with your definitive share certificate(s) and/or other document(s) of title as soon as possible but in any event so as to be received by hand (during normal business hours only) or by post by Capita Registrars, Corporate Actions, The Registry,**

**34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible, but in any event, so as to be received by no later than 1.00 p.m. on 22 December 2006. A reply-paid envelope accompanies this document for your use within the United Kingdom.**

**In order to accept the Offer in respect of IDN Shares held in uncertificated form (that is, in CREST) you should ensure that an Electronic Acceptance is made by you, or on your behalf, by no later than 1.00 p.m. on 22 December 2006. The procedure for acceptance of the Offer is set out in paragraph 13 of the letter from Evolution Securities set out in Part II of this document. You should NOT complete a Form of Acceptance in respect of such IDN Shares.**

**Your decision as to whether to accept the Offer will depend, inter alia, upon your individual circumstances. If you are in any doubt as to the action you should take, you should seek your own independent financial advice immediately from 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, from another duly authorised independent financial adviser.**

If you have any questions as to how to complete the Form of Acceptance (or wish to request additional Forms of Acceptance) or to make an Electronic Acceptance, please contact the Capita Registrars shareholders' helpline on 0870 162 3121 or, if calling from outside the United Kingdom, +44 208 639 2157. This helpline is available from 9.00a.m. to 5.00p.m. Monday to Friday (other than UK public holidays).

### **13. Further information**

Your attention is drawn to the letter from Evolution Securities set out in Part II of this document and to Appendices 1 to 6 to this document, and, for those IDN Shareholders holding IDN Shares in certificated form, to the accompanying Form of Acceptance.

### **14. Recommendation**

**The IDN Board, which has been so advised by Investec, considers the terms of the Offer to be fair and reasonable. In providing advice on the Offer to the IDN Board, Investec has taken into account the commercial assessments of the IDN Board.**

**Accordingly, the IDN Board unanimously recommends IDN Shareholders to accept the Offer, as the IDN Directors, who are IDN Shareholders, have irrevocably undertaken to do in respect of their own beneficial interests in IDN Shares comprising, in aggregate, 92,800,000 IDN Shares, representing approximately 23.9 per cent. of the current issued share capital of IDN.**

Yours faithfully

Charles Barry Roberts  
*Non-Executive Chairman*

## PART II

### Letter from Evolution Securities Limited



*(Registered as a limited Company in England and Wales No. 2316630)*

100 Wood Street  
London  
EC2V 7AN

1 December 2006

*To all IDN Shareholders and, for information only, to the participant  
in the IDN Share Option Schemes*

Dear IDN Shareholder,

#### **Recommended Cash Offer by Evolution Securities Limited on behalf of Redstone for IDN**

##### **1. Introduction**

The Redstone Directors and the IDN Directors yesterday announced the terms of a recommended cash offer to be made by Evolution Securities, on behalf of Redstone, to acquire the entire issued and to be issued ordinary share capital of IDN.

This document and the accompanying Form of Acceptance (in respect of certificated IDN Shares) contain the terms and conditions of the Offer. This letter also contains summary information on Redstone and IDN.

**Your attention is drawn to the letter of recommendation from the Non-Executive Chairman of IDN set out in Part I of this document, which explains why the IDN Directors, who have been so advised by Investec, consider the terms of the Offer to be fair and reasonable and why the IDN Directors are unanimously recommending all IDN Shareholders to accept the Offer.**

##### **2. The Offer**

On behalf of Redstone, Evolution Securities hereby offers to acquire, on the terms and subject to the conditions set out or referred to in Appendix 1 to this document and (in respect of certificated IDN Shares) in the accompanying Form of Acceptance, all of the IDN Shares on the following basis:

**for each IDN Share 2.939 pence in cash**

Redstone intends to acquire not less than of 90 per cent. of the IDN Shares or such lower percentage as Redstone may decide pursuant to condition (a) to the Offer, set out in Appendix 1 Part A, and a maximum of 100 per cent. of the IDN Shares.

The Offer extends to the holders of all existing issued IDN Shares and to the holders of any IDN Shares which are unconditionally allotted or issued prior to the date on which the Offer closes (or such earlier date as Redstone may, subject to the Code, decide) including IDN Shares to be issued pursuant to the exercise of options under the IDN Share Option Schemes or otherwise.

The Offer values the entire existing issued share capital of IDN at approximately £11.4 million and each IDN Share at 2.939 pence. At 2.939 pence, the Offer represents a premium of approximately:

- 13.0 per cent. over the Closing Price of 2.6 pence per IDN Share on 29 November 2006, being the last dealing day prior to the commencement of the Offer Period; and
- 3.1 per cent. over the Closing Price of 2.85 pence per IDN Share on 30 November 2006 (being the latest practicable date prior to the posting of this document).

Full acceptance of the Offer (on the bases and assumptions set out in Appendix 5 to this document) would result in a cash payment of approximately £11.8 million. This payment will be funded from the banking facilities being made available by Barclays to Redstone.

**Forms of Acceptance together with accompanying share certificates (in respect of certificated IDN Shares) in relation to the Offer should be received as soon as possible but in any event by not later than 1.00 p.m. on 22 December 2006. Electronic Acceptances (in respect of uncertificated IDN Shares) through CREST should be received as soon as possible but in any event should be made so that the TTE Instruction settles by no later than 1.00 p.m. on 22 December 2006.** The procedure for acceptance of the Offer is set out in paragraph 13 of this letter and in Parts C and D of Appendix 1 to this document.

Details of the further terms and conditions of the Offer are set out below and in Appendix 1 to this document.

### **3. Further details of the Offer**

The IDN Shares to be acquired by Redstone pursuant to the Offer will be acquired fully paid and free from all liens, equities, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever and together with all rights now or hereafter attaching thereto, including the right to receive and retain all dividends and other distributions (if any) declared, paid or made on or after 30 November 2006.

There are no agreements or arrangements to which Redstone is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition of the Offer.

### **4. Irrevocable undertakings**

Irrevocable undertakings to accept, or to procure the acceptance of, the Offer have been received by Redstone from the IDN Shareholders referred to below in respect of a total of 154,213,231 IDN Shares, representing approximately 39.75 per cent. of the current issued share capital of IDN.

The IDN Directors, who hold IDN Shares, have entered into irrevocable undertakings with Redstone to accept, or procure the acceptance of, the Offer in respect of their entire beneficial interests in the issued share capital of IDN, amounting in aggregate to 92,800,000 IDN Shares, representing approximately 23.9 per cent. of the current issued share capital of IDN.

Darron Giddens has undertaken to accept or procure acceptance of the Offer in respect of 17,830,000 IDN Shares representing approximately 4.6 per cent. of the current issued share capital of IDN. Simon Dronfield has undertaken to procure acceptance of the Offer in respect of 23,583,221 IDN Shares representing approximately 6.0 per cent. of the current issued share capital of IDN. Finally, Lynn Wilmott Shepherd has undertaken to accept the Offer in respect of 20,000,010 IDN Shares representing approximately 5.2 per cent. of the current issued share capital of IDN.

All of these undertakings will remain binding, even in the event of a higher competing offer for IDN, unless the Offer lapses or is withdrawn.

Further details of these irrevocable undertakings to accept the Offer are set out in paragraph 3(a)(vii) of Appendix 4.

### **5. Information on Redstone and Redstone's financing arrangements**

Redstone is a provider of communications and IT solutions for businesses and public sector organisations. The Company's portfolio of products and services helps businesses to maximise the benefits of the latest telecom and converged IP solutions thereby enhancing customer satisfaction, increasing productivity, maximising operational efficiency, reducing costs and generating valuable new revenue channels. The Group's business is organised into five distinct business divisions:

### *Telecom*

Redstone Telecom provides telephony network services to the private and public sector and its portfolio includes business telephony services, line rental, non-geographic services and premium rate services. Redstone Telecom has a strategic relationship with BT Wholesale delivering service quality and availability. This is complemented by customer-focused services including dedicated account management and around the clock customer support.

### *Mobile*

Redstone Mobile is a leading UK distributor of telecommunications products and services. Redstone sells mobile, fixed line and data products and services directly to the SME market and also acts as a distributor for all five mobile network operators within the UK. Redstone's channels to market include its own direct sales team, a network of independent fixed line and mobile dealers and eight joint ventures with established telephony equipment distributors.

### *Technology*

Redstone Technology is one of Ireland's leading specialists in providing HP enterprise storage solutions and is a specialist in HP business critical enterprise-class servers and provides a wide array of professional, consulting, logistics and maintenance services in the Republic of Ireland and Northern Ireland.

Redstone Technology is an HP Preferred Partner and was the first HP Authorised Service Delivery Partner in Ireland, as well as being HP's leading partner in enterprise storage solutions and business critical servers in Ireland. Redstone Technology is also the first Red Hat Linux Advanced Partner in Ireland and a StorageTek Premier Plus Partner.

### *Managed solutions*

Redstone Managed Solutions ("RMS") provides a portfolio of infrastructure and internet services suitable for businesses and public sector organisations. These include server and desktop deployment, application development, hosting and co-location, network and system management, internet service provision and consultancy.

RMS can manage and support business networks from enterprise level through to the desktop, with a single source service for business. RMS also provides hosting solutions from its London and Cambridge data centres, with scalable solutions, from a single server to multiple racks. Redstone's ISP offers services including managed IP virtual private networks, managed firewall, email filtering, online data backup, global roaming internet access and a WiFi hotspot service. The Redstone Metropolitan Area Network in Cambridge comprises in excess of 25 kilometres of fibre, providing a state of the art communications backbone capable of delivering internet, voice, data or point to point services.

RMS has a dedicated education sector offering which provides services including ISP connection and filtered email and content control, hosting and domain registration services, together with niche software developments for schools including its education sector WebXchange portal and registration administration products.

### *Converged solutions*

Redstone Converged Solutions is a provider of converged IP solutions, with expertise in contact centres, voice and video, IP networks, Intelligent Building (Onenet) and security. Redstone Converged Solutions provides innovative solutions to businesses and organisations in the health, education, local government, retail and finance sectors. With over 10 years' of expertise in the fields of voice and data, Redstone Converged Solutions represents a strong proposition in the convergence market.

Redstone Converged Solutions has developed long standing partnerships with world-class suppliers of voice and data technology solutions, including Avaya, BT, Cisco and Mitel. In addition to these relationships, Redstone Converged Solutions also partners with technology specific-suppliers which

enables it to offer bespoke and innovative solutions for all voice and data technology applications. As it is vendor independent, Redstone Converged Solutions has the flexibility to specify the most appropriate solution for clients' bespoke requirements.

#### *Redstone's financing arrangements*

In order to finance the cash consideration payable by Redstone pursuant to the Offer, Redstone has entered into new terms for its existing banking facilities with Barclays which will be used to satisfy the cash consideration payable pursuant to the Offer. The terms of the Offer cannot be waived, varied or amended without the consent of Barclays.

Further details of Redstone's financing arrangements are set out in paragraph 7 of Appendix 4 to this document.

### **6. Information on IDN**

Established in 1997 and floated on AIM in 2000, IDN is an established and profitable independent provider of telecommunication solutions and consultancy services to the UK upper SME and mid-market sectors, both private and public. As an independent consultancy working with some of the leading communication suppliers, IDN creates bespoke solutions for its clients that satisfy their technological, cost, billing and service requirements, IDN operating from the West Midlands, has in the last few years built up a consistent track record of revenue growth and profitability.

### **7. Background to and reasons for the Offer**

Redstone has stated its aim to become one of the leading IT and communications solution providers in the UK and Ireland.

The UK IT and communications sector is experiencing significant change and opportunity as the increasing availability and affordability of broadband allows businesses and consumers to take advantage of converged technologies. As a consequence of these changes, there continues to be consolidation in this market sector as businesses scale up by the acquisition of complementary products and services and also enlarge their customer bases.

Redstone has previously announced its intention to be an active participant in this consolidating marketplace. In pursuit of this strategy, in April 2005 the Company acquired, and subsequently successfully integrated, Xpert Group Limited and in July 2006 acquired both Symphony Telecom Holdings plc and the Tolerant group of companies (being Tolerant Systems Limited, Net-Adept Limited, Net Quest Solutions Limited and Trent Datacomms Limited) both of which have been substantially integrated.

The Redstone Directors believe that the Acquisition is a further step towards establishing itself as a leading UK IT and communications solution provider.

The Redstone Directors believe that the Acquisition provides the Group with the following principal strategic benefits:

- the addition of in excess of 2,000 UK corporate and SME customers;
- increased critical mass within its fixed line, telecoms and mobile divisions; and
- cost savings through synergies from combining the two UK based fixed line telephony businesses.

The Redstone Directors believe that there are significant opportunities to cross sell to each of Redstone's and IDN's customer bases which, when combined with the synergistic benefits of bringing together the back office functions of Redstone and IDN and integrating the fixed line businesses, the Redstone Directors expect will create good opportunities for additional revenues and cost savings. The Redstone Directors believe that the prospects are enhanced simply by being a larger entity with a more substantial presence in key vertical markets and an increased purchasing power with suppliers which in itself is expected to help achieve increased sales growth and win new accounts.

It is expected that the fixed line business units of Redstone and IDN will be consolidated as soon as practicable following completion of the Acquisition.

Accordingly, the Redstone Directors believe that the outlook for the Enlarged Group is encouraging. It is anticipated that the Enlarged Group will be able to offer a comprehensive range of IT and communication solutions to business and public sector organisations in a market which is increasingly reliant on such solutions to transact business and interact with its end customers.

The Redstone Directors believes that Redstone's continued success will be based on its ability to offer a comprehensive range of innovative IT and communication solutions to its customers, combined with excellent customer service. Redstone will continue to seek to enlarge both its customer base and its range of products and services through both organic growth and acquisition.

The Redstone Directors believe that the Acquisition will be earnings enhancing in the first full financial year of ownership. This should not be construed as a profit forecast or be interpreted to mean that further earnings per share or profits of Redstone will necessarily be greater than its historic published earnings per share, profits or losses.

## **8. IDN Directors, management and employees**

Barry Roberts, Mike Morrison, Gordon Hermiston and Colin Amies have agreed to resign from the board of IDN upon the Offer becoming or being declared unconditional in all respects. Further details of the arrangements with Mike Morrison and Gordon Hermiston are set out paragraph 6 of Part I of this document.

The board of Redstone has given assurances to the IDN Directors that, following the Offer becoming or being declared unconditional in all respects, the existing employment rights, including pension rights, of all employees of the IDN Group will be fully safeguarded.

As a result of the intention to merge the fixed line business units of IDN and Redstone, Redstone will review the staffing and location of the fixed line business units of both Redstone and IDN.

## **9. IDN Share Option Schemes**

The Offer extends to any IDN Shares which are issued or unconditionally allotted and fully paid (or credited as fully paid) before the date on which the Offer closes (or, subject to the Code, by such earlier date as Redstone may decide), including IDN Shares issued pursuant to the exercise of options granted under the IDN Share Option Schemes or otherwise.

The Optionholder has irrevocably undertaken to take all steps necessary to exercise his vested IDN Option and to assent the resulting IDN Shares to the Offer.

Redstone has also made a proposal today to the sole IDN Optionholder reflecting the terms of the irrevocable undertaking described above.

## **10. Inducement fee**

Redstone has entered into an inducement fee arrangement with IDN under which a fee of £80,000 at the time of breach of such agreement would be payable to Redstone by IDN in certain circumstances. In certain circumstances where Redstone breaches such agreement a similar fee would be payable by Redstone to IDN. Further details of the terms of the arrangement are set out in paragraph 6(a)(v) of Appendix 4 to this document. Before the inducement fee was agreed, Redstone confirmed to the IDN Board that it would not make the Offer without entering into this inducement fee arrangement with IDN.

## **11. United Kingdom taxation**

**The following paragraphs, which are intended as a general guide only, are based on current UK tax legislation and published HM Revenue and Customs practice. They summarise certain limited aspects of the UK tax treatment of acceptance of the Offer and they relate only to the position of**

**IDN Shareholders who are beneficial owners of their IDN Shares, who hold their IDN Shares as an investment or who did not receive those share by virtue of their employment (other than under a personal equity plan or an individual savings account) and (except insofar as express reference is made to the treatment of non-UK residents) who are resident and domiciled in the United Kingdom for taxation purposes. If you are in any doubt as to your taxation position or if you are subject to tax in any jurisdiction other than the UK, you should consult an appropriate professional adviser immediately.**

### *Taxation of chargeable gains*

Liability to UK capital gains tax (or, for UK resident companies, corporation tax on capital gains) (“CGT”) will depend on the individual circumstances of IDN Shareholders and on the form of consideration received.

To the extent that an IDN Shareholder receives cash under the Offer, this constitutes a disposal or a part disposal of his IDN Shares for CGT purposes which may, depending on the IDN Shareholder’s individual circumstances (including the availability of reliefs, exemptions and allowable losses) give rise to a liability to CGT on any resulting gain.

### *Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)*

No stamp duty or SDRT is payable by IDN Shareholders as a result of accepting the Offer.

### *Other tax matters*

Special tax provisions may apply to IDN Shareholders who have acquired or who acquire their IDN Shares by exercising options under the IDN Option Schemes, including provisions imposing a charge to income tax.

## **12. Overseas Shareholders**

The attention of Overseas Shareholders and any persons (including, without limitation, any custodian, nominee or trustee) who would, or otherwise intend to, or who may have a contractual or legal obligation to, forward this document and the accompanying documents to any person outside the United Kingdom is drawn to paragraph 6 of Part B, and paragraph (c) of Part C of this document and to the relevant provisions of the Form of Acceptance (in respect of certificated IDN Shares) and paragraph (c) of Part D (in respect of uncertificated IDN Shares) of Appendix 1 to this document.

Unless otherwise determined by Redstone and permitted by applicable law and regulation, the Offer is not being made, directly or indirectly, in or into, or by the use of the mails or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce, or any facility of a national securities exchange, of a Restricted Jurisdiction (including the United States, Canada, Australia, Ireland or Japan) and the Offer is not capable of acceptance by any such use, means, instrumentality or facility or from within a Restricted Jurisdiction. Accordingly, copies of this document and any related document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from a Restricted Jurisdiction and persons receiving this document and any related document (including, without limitation, custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from a Restricted Jurisdiction. Doing so may render invalid any purported acceptance of the Offer. The availability of the Offer to persons who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements. If you are in any doubt about your position, you should consult your legal adviser in the relevant territory without delay. Accordingly, any accepting IDN Shareholder who is unable to give the warranties set out in paragraph (c) of Part C of Appendix 1 to this document (in respect of certificated IDN Shares) and/or in paragraph (c) of Part D of Appendix 1 to this document (in respect of uncertificated IDN Shares) may be deemed not to have validly accepted the Offer.

### **13. Procedures for acceptance of the Offer**

The following paragraphs should be read together with the instructions and notes on the accompanying Form of Acceptance (in respect of IDN Shareholders who hold their IDN Shares in certificated form only) and with Parts C and D of Appendix 1 to this document, all of which form part of the terms of the Offer.

Holders of IDN Shares in certificated form may only accept the Offer in respect of such shares by completing and returning the accompanying Form of Acceptance in accordance with the procedure set out in paragraph 13(a) below. Holders of IDN Shares held in certificated form, but under different designations, should complete a separate Form of Acceptance for each designation.

Holders of IDN Shares in uncertificated form may only accept the Offer in respect of such shares by TTE Instruction in accordance with the procedure set out in paragraph 13(b) below. Holders of IDN Shares held in uncertificated form, but under different member account IDs, should send a separate TTE Instruction for each member account ID.

Redstone will make an appropriate announcement if any of the details covered in paragraphs 13(a) or 13(b) below alter for any reason.

#### **(a) *IDN Shares held in certificated form (that is, not in CREST)***

##### **(i) *To accept the Offer***

To accept the Offer in respect of IDN Shares held in certificated form (at the time of acceptance of the Offer), you must complete Box 1 and 3, if appropriate, Box 4 and/or Box 5 of the Form of Acceptance. You must also sign Box 2 of the Form of Acceptance in the presence of an independent witness (in the case of an individual), who should insert his/her name and address and also sign in accordance with the instructions printed thereon. If you do not insert a number in Box 1 of the Form of Acceptance or insert a number greater than your registered holding of IDN Shares in certificated form, a valid acceptance will be deemed to have been made in respect of all of the IDN Shares in certificated form held by you.

##### **(ii) *Return of the Form of Acceptance***

To accept the Offer in respect of IDN Shares held in certificated form, the completed, signed and witnessed (in the case of an individual) Form of Acceptance, together with your share certificate(s) and/or other document(s) of title, should be returned by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, in each case as soon as possible and in any event so as to be received by not later than 1.00 p.m. on 22 December 2006. A reply paid envelope for use within the UK only accompanies this document for your convenience. No acknowledgement of receipt of documents will be given by or on behalf of Redstone.

Any Form of Acceptance received in an envelope post-marked in a Restricted Jurisdiction or otherwise appearing to Redstone or its agents to have been sent from a Restricted Jurisdiction may be rejected as an invalid acceptance of the Offer. For further information on Overseas Shareholders please see paragraph 12 of this Part II above.

##### **(iii) *Loss or non-availability of IDN share certificates***

If your IDN Shares are held in certificated form, a completed, signed and witnessed (in the case of an individual) Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title.

If your IDN Shares are held in certificated form but your share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, the Form of Acceptance should nevertheless be completed, signed and witnessed (in the case of an individual) and returned as stated above so as to arrive by not later than 1.00 p.m. on 22 December 2006. You should send with your Form of Acceptance any share certificate(s)

and/or other documents(s) of title that you have available, accompanied by a letter stating that the remaining documents will follow or that you have lost one or more of your share certificate(s) and/or other document(s) of title. You should then arrange for the certificates(s) and/or other document(s) of title to be forwarded as soon as possible thereafter. No acknowledgement of receipt of document(s) will be given by or on behalf of Redstone.

If you have lost your share certificate(s) and/or other document(s) of title, you should write as soon as possible to IDN's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU for a letter of indemnity for lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

(iv) *Validity of acceptances*

Without prejudice to Parts B and C of Appendix 1 to this document, Redstone reserves the right to treat as valid any acceptance of the Offer in relation to IDN Shares held in certificated form which is not entirely in order or which is not accompanied by (as applicable) the relevant share certificate(s) and/or other document(s) of title. In that event, payment of cash consideration under the Offer will not be made until after the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to Redstone have been received.

(v) *Overseas Shareholders*

The attention of IDN Shareholders holding IDN Shares in certificated form and who are citizens or residents of jurisdictions outside the United Kingdom is drawn to paragraph 6 of Part B and to paragraph (c) of Part C of Appendix 1 to this document and to the relevant provisions of the Form of Acceptance.

The Offer is not being made, directly or indirectly, in or into a Restricted Jurisdiction. Any acceptance of the Offer by acceptors who are unable to give the warranty set out in paragraph (c) of Part C of Appendix 1 to this document is liable to be disregarded.

(b) ***IDN Shares held in uncertificated form (that is, in CREST)***

(i) *To accept the Offer*

If, at the time of acceptance of the Offer, your IDN Shares are held in uncertificated form, you should take (or procure to be taken) the action set out below to transfer the IDN Shares held in uncertificated form in respect of which you wish to accept the Offer to the appropriate escrow balance(s) (that is, send a TTE Instruction), specifying Capita IRG Plc (in its capacity as a CREST participant under its participant ID referred to below) as the Escrow Agent, as soon as possible and in any event so that the TTE Instruction settles by no later than 1.00 p.m. on 22 December 2006. **Note that settlement cannot take place on weekends or public holidays (or other times at which the CREST system is non-operational) – you should therefore ensure you time the input of any TTE Instruction(s) accordingly.**

The input and settlement of a TTE Instruction in accordance with this paragraph 13(b) will (subject to satisfying the requirements set out in Parts B and D of Appendix 1 to this document) constitute an acceptance of the Offer in respect of the number of IDN Shares so transferred to escrow.

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your IDN Shares in uncertificated form are held. In addition, only your CREST sponsor will be able to send the TTE Instruction(s) to CRESTCo in relation to your IDN Shares held in uncertificated form.

To accept the Offer in respect of IDN Shares held in uncertificated form (at the time of acceptance of the Offer), you should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a basic Offer TTE Instruction to CRESTCo in

relation to such shares which must be properly authenticated in accordance with CRESTCo's specifications and which must contain, in addition to the other information that is required for a TTE Instruction to settle in CREST, the following details:

- the number of IDN Shares to be transferred to an escrow balance (i.e. the number of IDN Shares in uncertificated form in respect of which you wish to accept the Offer);
- your member account ID;
- your participant ID;
- the participant ID of the Escrow Agent, namely, Capita IRG Plc. This is RA10;
- the member account ID of the Escrow Agent. This is REDIDN01;
- the intended settlement date. This should be as soon as possible and in any event not later than 1.00 p.m. on 22 December 2006;
- the corporate action number for the Offer which will be allocated by CRESTCo and can be found by viewing the relevant corporate action details in CREST;
- the corporate action ISIN, which is GB0009613901;
- the standard delivery instruction with priority 80; and
- contact name and telephone number inserted in the shared note field.

After settlement of the TTE Instruction, you will not be able to access the IDN Shares concerned in CREST for any transaction or charging purposes, unless the Offer lapses or is withdrawn. If the Offer becomes or is declared unconditional in all respects, the Escrow Agent will transfer the IDN Shares concerned to itself in accordance with paragraph (e) of Part D of Appendix 1 to this document.

You are recommended to refer to the CREST Manual for further information on the CREST procedures outlined above.

**You should note that CRESTCo does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE Instruction relating to your IDN Shares to settle prior to 1.00 p.m. on 22 December 2006. In this regard, you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.**

(ii) *Validity of acceptances*

**A Form of Acceptance which is received in respect of IDN Shares held in uncertificated form will NOT constitute a valid acceptance of the Offer and will be disregarded.** Holders of IDN Shares in uncertificated form who wish to accept the Offer should note that a TTE Instruction will only be a valid acceptance of the Offer as at the relevant closing date if it has settled on or before that date. Redstone reserves the right to treat a TTE Instruction which settles after 1.00 p.m. on 22 December 2006 (or such later date to which the Offer may be extended) but before the relevant closing date of the Offer as a valid acceptance of the Offer.

(iii) *Overseas Shareholders*

The attention of IDN Shareholders holding IDN Shares in uncertificated form and who are citizens or residents of jurisdictions outside the UK is drawn to paragraph 6 of Part B and paragraph (c) of Part D of Appendix 1 to this document. The Offer is not being made, directly or indirectly, in or into a Restricted Jurisdiction where to do so will violate the laws

in that jurisdiction. Any acceptance of the Offer by acceptors who are unable to give the warranty set out in paragraph (c) of Part D of Appendix 1 to this document is liable to be disregarded.

(c) ***Deposits of IDN Shares into, and withdrawals of IDN Shares from, CREST***

Normal CREST procedures (including timings) will apply in relation to any IDN Shares that are, or are to be, converted from uncertificated form to certificated form, or from certificated form to uncertificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of IDN Shares or otherwise). Holders of IDN Shares who are proposing to so convert any such IDN Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the IDN Shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of share certificate(s) and/or other document(s) of title or transfers to an escrow balance as described above) prior to 1.00 p.m. on 22 December 2006.

**If you are in any doubt as to the procedures for acceptance, please contact the Capita Registrars' shareholders helpline by telephone on 0870 162 3121 or if you are calling from outside the United Kingdom on +44 208 639 2157 or at the address set out in paragraph 13(a) above. You are reminded that if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.**

#### **14. Settlement**

Subject to the Offer becoming or being declared unconditional in all respects, settlement of the consideration to which any IDN Shareholder is entitled under the Offer (except as provided in paragraph 6 of Part B of Appendix 1 to this document in the case of an Overseas Shareholder) will be effected by the despatch of cheques or the credit of CREST accounts (i) in the case of acceptances received, complete in all respects, by the date on which the Offer becomes or is declared unconditional in all respects, within 14 days of such date; or (ii) in the case of acceptances received, complete in all respects, after the date on which the Offer becomes or is declared unconditional in all respects but while it remains open for acceptance, within 14 days of such receipt, in the following manner:

(a) ***IDN Shares held in certificated form (that is, not in CREST)***

Where an acceptance relates to IDN Shares held in certificated form, settlement of any cash due will be despatched by first class post (or by such other method as may be approved by the Panel) at the risk of the person(s) entitled thereto to validly accepting IDN Shareholders or their appointed agents (but not in or into a Restricted Jurisdiction). All such cash payments will be made in pounds sterling by cheque drawn on a branch of a UK clearing bank.

(b) ***IDN Shares held in uncertificated form (that is, in CREST)***

Where an acceptance relates to IDN Shares held in uncertificated form, the cash consideration to which the accepting IDN Shareholder is entitled will be paid by means of a CREST payment in favour of the accepting IDN Shareholder's payment bank in respect of the cash consideration due, in accordance with the CREST payment arrangements.

Redstone reserves the right to settle all or any part of the consideration referred to above, for all or any accepting IDN Shareholder(s), in the manner referred to in paragraph (a) above, if, for any reason, it wishes to do so.

(c) ***General***

If the Offer does not become or is not declared unconditional in all respects: (i) in respect of IDN Shares held in certificated form, the relevant completed Forms of Acceptance, share certificate(s) and/or other document(s) of title will be returned by post (or by such other method as may be approved by the Panel) within 14 days of the Offer lapsing or being withdrawn to the person or agent whose name and address (outside a Restricted Jurisdiction) is set out in Box 3 or Box 5, as the case may be, on the relevant Form of Acceptance or, if none is set out, to the first-named holder at his or her registered address (outside a Restricted Jurisdiction) and (ii) in respect of IDN Shares held in uncertificated form, the Escrow Agent will, immediately after the lapsing or withdrawal of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days from the lapsing or withdrawal of the Offer), give TFE Instructions to CRESTCo to transfer all relevant IDN Shares

held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the IDN Shareholders concerned. No document will be sent to an address in a Restricted Jurisdiction.

All communications, notices, certificates, documents of title and remittances sent by, to or from IDN Shareholders or their appointed agents will be delivered by, or sent to or from, them, or their appointed agents, at their own risk.

#### **15. Compulsory acquisition, cancellation of admission of IDN Shares to trading on AIM and re-registration**

If Redstone receives acceptances under the Offer in respect of, and/or otherwise acquires, 90 per cent. or more of the IDN Shares to which the Offer relates and the Offer becomes or is declared unconditional in all respects, Redstone intends to exercise its rights pursuant to the provisions of sections 428 to 430F (inclusive) of the Act to acquire compulsorily any outstanding IDN Shares not acquired or agreed to be acquired pursuant to the Offer or otherwise.

Assuming the Offer becomes or is declared unconditional in all respects, Redstone intends to procure the making of an application by IDN to the London Stock Exchange for the cancellation of the admission of the IDN Shares to trading on AIM. It is anticipated that such cancellation of trading will take effect no earlier than 20 business days after the Offer becomes or is declared unconditional in all respects.

The cancellation of the trading of the IDN Shares will significantly reduce the liquidity and marketability of any IDN Shares not assented to the Offer and their value may be affected in consequence.

It is also proposed that, in due course, Redstone will seek to procure the re-registration of IDN as a private company under the relevant provisions of the Act.

#### **16. Further information**

Your attention is drawn to the information contained in the Appendices, which form part of this document, and in the accompanying Form of Acceptance (in respect of certificated IDN Shares only), each of which contain significant further information about Redstone and IDN.

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

**To accept the Offer, if you hold your IDN Shares in certificated form, the accompanying Form of Acceptance should be completed, signed and witnessed (in the case of an individual) and then returned in accordance with the instructions printed thereon. Forms of Acceptance should be returned by post or by hand (during normal business hours only), together with any share certificate(s) and/or document(s) of title, to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, as soon as possible and in any event so as to be received by no later than 1.00 p.m. on 22 December 2006. A reply-paid envelope for use in the UK only accompanies this document for your convenience.**

**If you hold your IDN Shares in uncertificated form, you will need to accept the Offer electronically through CREST. You should take the action set out in paragraph 13(b) of this letter and ensure that the TTE Instruction settles not later than 1.00 p.m. on 22 December 2006.**

Yours faithfully  
for and on behalf of Evolution Securities Limited

Stuart Andrews  
*Director*

## APPENDIX 1

### Conditions and further terms of the Offer

#### PART A: Conditions of the Offer

The Offer is subject to the following conditions:

- (a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by not later than 1.00 p.m. on the First Closing Date or such later time(s) and/or date(s) as Redstone may, with the consent of the Panel or subject to the Code, decide in respect of not less than 90 per cent. (or such lower percentage as Redstone may decide) in nominal value of the IDN Shares to which the Offer relates, provided that this condition will not be satisfied unless Redstone and/or any of its wholly-owned subsidiaries shall have acquired or agreed to acquire (whether pursuant to the Offer or otherwise), IDN Shares carrying, in aggregate, more than 50 per cent. of the voting rights then normally exercisable at a general meeting of IDN (including for this purpose, to the extent (if any) required by the Panel, any voting rights attaching to any IDN Shares which may be unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding conversion or subscription rights or otherwise). For the purpose of this condition:
  - (i) the expression “IDN Shares to which the Offer relates” shall be construed in accordance with sections 428 to 430F (inclusive) of the Act;
  - (ii) IDN Shares which have been unconditionally allotted but not issued before the Offer becomes or is declared unconditional as to acceptances shall be deemed to carry the voting rights which they will carry on being entered into the register of members of IDN; and
  - (iii) valid acceptances shall be treated as having been received in respect of any IDN Shares which Redstone shall pursuant to section 429(8) of the Act, be treated as having acquired or contracted to acquire by virtue of acceptances of the Offer;
- (b) to the extent that the acquisition of the IDN Shares would constitute a relevant merger within the meaning of section 23 of the Enterprise Act 2002, the Office of Fair Trading indicating, in terms reasonably satisfactory to Redstone, that it does not intend to refer the proposed acquisition of IDN by Redstone, or any aspect of it, to the Competition Commission;
- (c) no central bank, government or governmental, quasi-governmental, supranational, statutory, administrative or regulatory body, or any court, institution, investigative body, association, trade agency or professional or environmental body or any other similar person or body in any jurisdiction (each, a “Relevant Authority”) having decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or enacted, made or proposed any statute, regulation, decision or order or having taken any other step or done anything and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected in any case to an extent which is material or adverse in the context of the Redstone Group or the IDN Group (as the case may be) taken as a whole, to:
  - (i) restrict or restrain, prohibit, delay, impose additional adverse conditions or obligations with respect to, or otherwise interfere with the implementation of, the Offer or the acquisition of any IDN Shares by Redstone or any matters arising therefrom;
  - (ii) result in a material delay in the ability of Redstone, or render Redstone unable, to acquire some or all of the IDN Shares;
  - (iii) require, prevent or materially delay the divestiture (or materially alter the terms envisaged for such divestiture) by any member of the wider Redstone Group or any member of the wider IDN Group of all or any portion of their respective businesses, assets or properties or impose any limitation on the ability of any of them to conduct their businesses or own their respective assets or properties or any part thereof;

- (iv) impose any material limitation on, or result in a delay in, the ability of any member of the wider Redstone Group to acquire or hold or exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities of any member of the wider IDN Group or on the ability of any member of the wider IDN Group to hold or exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities or to exercise management control over any other member of the wider IDN Group;
- (v) require any member of the wider Redstone Group or the wider IDN Group to offer to acquire any shares or other securities or rights thereover in any member of the wider IDN Group (other than in IDN pursuant to the Offer or pursuant to Rule 9 of the Code) owned by any third party;
- (vi) make the Offer or its implementation or the proposed acquisition by Redstone of any shares or other securities in IDN or the acquisition or control of IDN or any member of the wider IDN Group, illegal, void or unenforceable in or under the laws of any jurisdiction;
- (vii) result in any member of the wider IDN Group ceasing to be able to carry on business under any name under which it presently does so, the consequences of which would be material in the context of the wider IDN Group taken as a whole;
- (viii) impose any limitation on the ability of any member of the wider Redstone Group or the wider IDN Group to conduct or co-ordinate or integrate its business, or any part of it, with the business of any other member of the wider Redstone Group or the wider IDN Group; or
- (ix) otherwise materially and adversely affect the business, assets and profits of the wider IDN Group taken as a whole,

and all applicable waiting and other time periods during which any such Relevant Authority could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or otherwise intervene having expired, lapsed or been terminated;

- (d) all authorisations, orders, grants, recognitions, consents, confirmations, clearances, licences, permissions and approvals (“authorisations”) required by law in any jurisdiction and which are necessary for or in respect of the Offer and the proposed acquisition of any shares or securities, directly or indirectly, in, or control of, IDN or any member of the wider IDN Group by any member of the wider Redstone Group having been obtained in terms and/or form reasonably satisfactory to Redstone from all appropriate Relevant Authorities or (without prejudice to the generality of the foregoing) from any persons or bodies with whom any member of the wider IDN Group has entered into contractual arrangements and such authorisations together with all authorisations necessary for any member of the wider IDN Group to carry on its business remaining in full force and effect and there being no notice or intimation of any intention to revoke, suspend, modify or not to renew the same and all necessary filings having been made, all appropriate waiting and other time periods (including extensions thereto) under any applicable legislation and regulations in any jurisdiction having expired, lapsed or been terminated and all necessary statutory or regulatory obligations in any jurisdiction in respect of the Offer or the proposed acquisition of IDN by Redstone or of any IDN Shares or any matters arising therefrom having been complied with in all material respects;
- (e) save as Disclosed, there being no provision of any agreement, permit, lease, licence or other instrument to which any member of the wider IDN Group is a party or by or to which it or any of its assets may be bound or subject which, as a consequence of the making or implementation of the Offer or the acquisition by Redstone directly or indirectly of IDN or because of a change in the control or management of IDN or any member of the wider IDN Group, would result in (in each case to an extent which is material in the context of the wider IDN Group taken as a whole):

- (i) any monies borrowed by, or other indebtedness (actual or contingent) of, or grant available to, any member of the wider IDN Group becoming repayable or capable of being declared repayable immediately or earlier than the stated maturity or repayment date or the ability of any member of the wider IDN Group to borrow moneys or incur indebtedness being or becoming capable of being withdrawn or inhibited;
  - (ii) any such agreement, arrangement, permit, lease, licence or other instrument or any right, interest, liability or obligation of any member of the wider IDN Group therein, being terminated or adversely modified or affected or any adverse action being taken or any onerous obligation or liability arising thereunder;
  - (iii) any mortgage, charge or other security interest being created over the whole or any part of the business, property or assets of any member of the wider IDN Group or any such security (whenever arising) becoming enforceable;
  - (iv) the value of the IDN Group or its financial or trading position or prospects being prejudiced or adversely affected;
  - (v) any assets or interests of any member of the wider IDN Group being or falling to be charged or disposed of or any right arising under which any such asset or interest could be required to be disposed or charged;
  - (vi) any member of the wider IDN Group ceasing to be able to carry on business under any name under which it currently does so; or
  - (vii) the creation of any liability, actual or contingent, by any member of the wider IDN Group;
- (f) since 31 October 2006, save as Disclosed, no member of the IDN Group having:
- (i) (save for IDN Shares issued pursuant to the exercise of options granted under the IDN Share Option Schemes or as between IDN and wholly-owned subsidiaries of IDN (“**Intra-IDN Group Transactions**”)) issued or agreed to issue or authorised or proposed the issue of additional shares of any class or securities convertible into or rights, warrants or options to subscribe for or acquire any such shares or convertible securities;
  - (ii) other than to another member of the IDN Group, recommended, declared, paid or made or proposed to recommend, declare, pay or make any dividend, bonus or other distribution (whether payable in cash or otherwise) other than dividends lawfully paid to IDN or wholly-owned subsidiaries of IDN;
  - (iii) save for Intra-IDN Group Transactions, merged or demerged with or acquired any body corporate, partnership or business;
  - (iv) save for Intra-IDN Group Transactions, acquired, or (other than in the ordinary course of business) disposed of, transferred, mortgaged or charged or created any security interest over any asset or any right, title or interest in any asset (including shares and trade investments) or authorised, proposed or announced any intention to do so which, in any such case, is material in the context of the IDN Group taken as a whole;
  - (v) save for Intra-IDN Group Transactions, issued or authorised or proposed the issue of any debentures or incurred or (save for Intra-IDN Group Transactions or transactions under existing credit arrangements) increased any indebtedness or contingent liability or made, authorised, proposed or announced an intention to propose any change in its share or loan capital;
  - (vi) entered into or varied or announced its intention to enter into or vary any contract which is of a long term nature or magnitude or which involves or could involve an obligation of such magnitude or nature, which in any such case is material in the context of the wider IDN Group taken as a whole;

- (vii) save for Intra-IDN Group Transactions, entered into, implemented, authorised or proposed any reconstruction, amalgamation, scheme of arrangement or other transaction or arrangement otherwise than in the ordinary course of business or announced any intention to do so;
  - (viii) entered into, or varied in any material respect the terms of, any contract or agreement with any of the directors or senior executives of IDN or any of its subsidiaries;
  - (ix) taken or proposed any corporate action or had any legal proceedings started or threatened against it or had any petition presented for its winding-up (voluntary or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any of its assets and/or revenues or any analogous proceedings in any jurisdiction which may have a materially adverse effect in the context of the wider IDN Group as a whole;
  - (x) waived or compromised any claim which is material in the context of the wider IDN Group taken as a whole other than in the ordinary course of business;
  - (xi) save in respect of wholly-owned members of the IDN Group, made any material amendment to its memorandum or articles of association;
  - (xii) purchased, redeemed or repaid or proposed the purchase, redemption or repayment of any of its own shares or other securities or reduced or made any other change to any part of its share capital;
  - (xiii) been unable or admitted that it is unable to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business which is material in the context of the wider IDN Group taken as a whole; or
  - (xiv) entered into, varied or modified in any material respect any contract, commitment or agreement with respect to any of the transactions, matters or events referred to in this condition (h) or announced an intention to do so;
- (g) since 31 October 2006, save as Disclosed:
- (i) no litigation, arbitration, prosecution or other legal proceedings having been instituted, announced or threatened or become pending or remaining outstanding by or against any member of the wider IDN Group or to which any member of the wider IDN Group is or may become a party (whether as claimant, respondent or otherwise) and no enquiry or investigation by or complaint or reference to any Relevant Authority or other investigative body having been threatened, announced, implemented or instituted or remaining outstanding against or in respect of any member of the wider IDN Group which, in any such case, would reasonably be expected adversely to affect any member of the wider IDN Group to an extent which is material in the context of the wider IDN Group taken as a whole;
  - (ii) no material adverse change having occurred in the business, assets, financial or trading position, profits or prospects of the wider IDN Group taken as a whole;
- (h) save as Disclosed, Redstone not having discovered that:
- (i) any business, financial or other information concerning any member of the wider IDN Group publicly disclosed or disclosed to Redstone at any time by or on behalf of any member of the IDN Group is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading which in either such case is material in the context of the wider IDN Group taken as a whole;
  - (ii) any member of the wider IDN Group is subject to any liability, actual or contingent which is material in the context of the wider IDN Group taken as a whole;

- (iii) in relation to any release, emission, discharge or other fact or circumstance which causes or might reasonably be expected to cause pollution of the environment or harm to human health, no past or present member of the wider IDN Group having in any manner or to an extent which is material in the context of the wider IDN Group taken as a whole (1) committed any violation of any laws, statutes, ordinances or regulations of any Relevant Authority and/or (2) incurred any liability whether actual or contingent with respect thereto;
- (iv) there is, or is likely to be, any liability (whether actual or contingent) to make good, repair, reinstate or clean up any property now or previously owned, occupied or made use of by any past or present member of the wider IDN Group or any controlled waters under any environmental legislation, regulation, notice, circular or order of any Relevant Authority or otherwise and which is material in the context of the wider IDN Group taken as a whole; or
- (v) circumstances exist (whether as a result of the making of the Offer or otherwise) which would be likely to lead to any Relevant Authority instituting, or whereby any member of the wider IDN Group or the wider Redstone Group would be likely to be required to institute, an environmental audit or take any other steps which in any such case would be likely to result in any actual or contingent liability on the part of any member of the wider IDN Group or the wider Redstone Group to improve or install new plant or equipment or make good, repair, re-instate or clean up any land or other asset now or previously owned, occupied or made use of by any member of the wider IDN Group which liability is or is likely to be material in the context of the wider IDN Group taken as a whole.

Redstone reserves the right to waive all or any of conditions (b) to (h) (inclusive) above, in whole or in part. Conditions (b) to (h) (inclusive) must be fulfilled or waived by midnight on the 21st day after the later of 22 December 2006 and the date on which condition (a) is fulfilled (or such later date as the Panel may agree). Redstone shall be under no obligation to waive or treat as fulfilled any of conditions (b) to (h) (inclusive) by a date earlier than the latest date specified above for the fulfilment thereof notwithstanding that the other conditions of the Offer may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment.

If Redstone is required by the Panel to make an offer for IDN Shares under the provisions of Rule 9 of the Code, Redstone may make such alterations to the conditions as are necessary to comply with the provisions of that Rule.

The Offer will lapse if, before 1.00 p.m. on the First Closing Date of the Offer or the date on which the Offer becomes or is declared unconditional as to acceptances (whichever is later), (i) the Offer or any part of it is referred to the Competition Commission; or (ii) following a request to the European Commission under Article 22(3) of Council Regulation 139/2004/EC (the “**Regulation**”) in relation to the Offer or any part of it, which request is accepted by the European Commission, the European Commission initiates proceedings under Article 6(1)(c) of the Regulation.

If the Offer lapses, it will cease to be capable of further acceptance and accepting IDN Shareholders and Redstone will cease to be bound by Forms of Acceptance submitted on or before the time when the Offer lapses.

Unless otherwise determined by Redstone and permitted by applicable law and regulation, the Offer is not being made, directly or indirectly, in or into, or by the use of the mails or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce, or any facility of a national securities exchange, of a Restricted Jurisdiction (including the United States, Canada, Australia, Ireland or Japan) and the Offer is not capable of acceptance by any such use, means, instrumentality or facility or from within a Restricted Jurisdiction. Accordingly, copies of this document, the Form of Acceptance (in respect of certificated IDN Shares) and any related documents are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from a Restricted Jurisdiction and persons receiving such documents

(including, without limitation, custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from a Restricted Jurisdiction. Doing so may render invalid any purported acceptance of the Offer.

The Offer is governed by English law and the Code and will be subject to the jurisdiction of the English courts.

## **PART B: Further terms of the Offer**

The following further terms apply, unless the context requires otherwise, to the Offer. Except where the context requires otherwise, any reference in Part B, Part C and Part D of this Appendix 1 and (in respect of certificated IDN Shares) in the Form of Acceptance to:

- (i) the “acceptance condition” means the condition set out in paragraph (a) of Part A of this Appendix 1 and references to “the Offer becoming unconditional as to acceptances” shall be construed accordingly;
- (ii) the “Offer” includes any revision, variation or renewal thereof or extension thereto and also where the context requires include any election or alternative available in connection therewith;
- (iii) the “Offer becoming unconditional” means the Offer being declared or becoming unconditional as to acceptances whether or not any other condition thereof remains to be fulfilled;
- (iv) the “Offer Document” means this document and any other document containing the Offer;
- (v) “IDN Shareholders” means holders of IDN Shares and includes references to the person or persons (in respect of certificated IDN Shares) executing a Form of Acceptance or the person or persons (in respect of uncertificated IDN Shares) making an Electronic Acceptance and, in the event of more than one person executing a Form of Acceptance or making an Electronic Acceptance, the provisions of this Part B and, in relation to executing a Form of Acceptance only, Part C of this Appendix 1 and, in relation to making an Electronic Acceptance only, Part D of this Appendix 1 shall apply to them jointly and to each of them. References to the masculine gender shall include the feminine and neuter;
- (vi) “acceptances of the Offer” includes deemed acceptances of the Offer;
- (vii) an “extension of the Offer” includes an extension of the date by which the acceptance condition has to be fulfilled;
- (viii) “Day 21 of the Offer” means 22 December 2006;
- (ix) “Day 42 of the Offer” means 12 January 2007;
- (x) “Day 46 of the Offer” means 16 January 2007; and
- (xi) “Day 60 of the Offer” means 30 January 2007.

### **1. Acceptance period**

- (a) The Offer will initially be open for acceptance until 1.00 p.m. on Day 21 of the Offer. Although no revision is envisaged, if the Offer is revised, a revised offer document will be posted to IDN Shareholders. On the day of posting, Redstone will place the revised offer document on display and announce that the document has been posted and where it can be inspected. If the Offer is revised, it will remain open for acceptance for a period of at least 14 days following the date on which written notification of the revision is posted to IDN Shareholders. Except with the consent of the Panel, no such written notification of the revision of the Offer may be posted to IDN Shareholders after Day 46 of the Offer or, if later, the date falling 14 days prior to the last date on which the Offer can become unconditional.
- (b) The Offer, whether revised or not, shall not (except with the consent of the Panel) be capable of becoming unconditional after midnight on Day 60 of the Offer (or any earlier time and/or date beyond which Redstone has stated that the Offer will not be extended and in respect of which it has not, where permitted, withdrawn that statement) nor of being kept open after that time and/or date unless it has previously become unconditional. However, Redstone reserves the right, with the consent of the Panel, to extend the Offer to (a) later time(s) and/or date(s). Except with the consent of the Panel, Redstone may not, for the purpose of determining whether the acceptance condition has been satisfied, take into account acceptances received, or purchases of IDN Shares made, in respect of which relevant documents have been received by Capita Registrars after 1.00 p.m. on Day 60 of the Offer (or any earlier time and/or date beyond

which Redstone has stated that the Offer will not be extended and in respect of which it has not, where permitted, withdrawn that statement) or such later time and/or date as Redstone may, with the permission of the Panel, decide. If the Offer is extended beyond midnight on Day 60 of the Offer, acceptances received and purchases made in respect of which relevant documents have been received by Capita Registrars after 1.00 p.m. on the relevant date may (except where the Code otherwise permits) only be taken into account with the consent of the Panel.

- (c) If the Offer becomes or is declared unconditional, it will remain open for acceptance for not less than 14 days from the date on which it would otherwise have expired. If, however, the Offer is unconditional as to acceptances from the outset, a 14 day extension will not be required. If the Offer has become unconditional and it is stated that the Offer will remain open until further notice, or if the Offer will remain open for acceptance beyond the 70th day following the posting of this document, then not less than 14 days' notice will be given prior to the closing of the Offer in writing to those IDN Shareholders who have not accepted.
- (d) If a competitive situation (as determined by the Panel) arises after Redstone has made a "no extension" statement or a "no increase" statement, Redstone may (if it has specifically reserved the right to do so at the time such statement was made, or otherwise with the consent of the Panel) withdraw such statement provided that it complies with the requirements of the Code and, in particular, that: (i) it announces the withdrawal as soon as possible and in any event within four business days after the announcement of the competing offer or other competitive situation and notifies IDN Shareholders to that effect in writing at the earliest opportunity or, in the case of IDN Shareholders with registered addresses outside the United Kingdom or whom Redstone reasonably believes to be nominees, custodians or trustees holding IDN Shares for such persons, by announcement in the United Kingdom at the earliest opportunity; and (ii) any IDN Shareholders who accepted the Offer after the date of such statement are given a right of withdrawal as described in paragraph 3(b) of this Part B. Redstone may (if it has reserved the right to do so) choose not to be bound by the terms of a "no increase" statement or a "no extension" statement if it would otherwise prevent the posting of an increased or improved Offer which is recommended for acceptance by the board of IDN, or in other circumstances permitted by the Panel.
- (e) If a competitive situation arises and is continuing on Day 60 of the Offer, Redstone will enable holders of IDN Shares in uncertificated form who have not already validly accepted the Offer but who have previously accepted the competing offer to accept the Offer by special form of acceptance to take effect on Day 60 of the Offer. It shall be a condition of such special form of acceptance being a valid acceptance of the Offer that (i) it is received by Capita Registrars on or before Day 60 of the Offer; (ii) the relevant IDN Shareholder shall have applied to withdraw his acceptance of the competing offer but that the IDN Shares to which such withdrawal relates shall not have been released from escrow before Day 60 of the Offer by the escrow agent to the competing offer; and (iii) the IDN Shares to which the special form of acceptance relates are not transferred to escrow in accordance with the procedure for acceptance set out in the letter from Evolution Securities set out in Part II of this document on or before Day 60 of the Offer, but an undertaking is given that they will be so transferred as soon as possible thereafter. IDN Shareholders wishing to use such forms of acceptance should apply to Capita Registrars on 0870 162 3121 (or +44 208 639 2157 from outside the UK) between 9.00 a.m. and 5.00 p.m. on the business day preceding Day 60 of the Offer in order that such forms can be despatched. Notwithstanding the right to use such special form of acceptance, holders of IDN Shares in uncertificated form may not use a Form of Acceptance (or any other purported acceptance form) for the purpose of accepting the Offer in respect of such shares.
- (f) For the purpose of determining at any particular time whether the acceptance condition has been satisfied, Redstone shall not be bound (unless otherwise required by the Panel) to take into account any IDN Shares which have been unconditionally allotted or issued before such determination takes place, unless Capita Registrars on behalf of Redstone has received written notice of the relevant details of such allotment or issue (including the price thereof) before that time. Notification by e-mail, telex, fax or other electronic transmission will not be sufficient for this purpose.

## **2. Announcements**

- (a) Without prejudice to paragraph 3(a) of this Part B, by 8.00 a.m. on the business day (the “relevant day”) next following the day on which the Offer is due to expire or becomes unconditional or is revised or extended, as the case may be (or such later time(s) and/or date(s) as the Panel may agree), Redstone will make an appropriate announcement and simultaneously inform a Regulatory Information Service of the position. Such announcement will also state (unless otherwise permitted by the Panel):
- (i) the number of IDN Shares for which acceptances of the Offer have been received, specifying the extent to which acceptances have been received from persons acting in concert with Redstone or in respect of IDN Shares which were subject to an irrevocable commitment or a letter of intent procured by Redstone or any of its associates;
  - (ii) details of any relevant securities of IDN in which Redstone or any person acting in concert with it has an interest or in respect of which he has a right to subscribe, in each case specifying the nature of the interests or rights concerned. Similar details of any short positions (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;
  - (iii) details of any relevant securities of IDN in respect of which Redstone or any of its associates has an outstanding irrevocable commitment or letter of intent; and
  - (iv) details of any relevant securities of IDN which Redstone or any person acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold,

and will in each case specify the percentages of each class of relevant securities of IDN represented by these figures. Any such announcement shall include a prominent statement of the total number of IDN Shares which Redstone may count towards the satisfaction of the acceptance condition and the percentage of relevant securities of IDN represented by the figure.

- (b) Any decision to extend the time and/or date by which the acceptance condition has to be fulfilled may be made at any time up to, and will be announced not later than, 8.00 a.m. on the relevant day (or such later time and/or date as the Panel may agree) and the announcement will state the next expiry date (unless the Offer is unconditional in which case a statement may be made that the Offer will remain open until further notice). In computing the number of IDN Shares represented by acceptances and/or purchases there may, at the discretion of Redstone, be included or excluded for announcement purposes acceptances and purchases which are not complete in all respects or are subject to verification provided that such acceptances or purchases of IDN Shares shall not be included unless they could be counted towards fulfilling the acceptance condition in accordance with paragraph 5(j) of this Part B unless the Panel otherwise agrees.
- (c) References in this Part B to the making of an announcement by or on behalf of Redstone include the release of an announcement by public relations consultants or by Evolution Securities to the press, and the delivery by hand or telephone, telex, fax, e-mail or other electronic transmission of an announcement to a Regulatory Information Service. An announcement made otherwise than to a Regulatory Information Service shall be notified simultaneously to a Regulatory Information Service.

## **3. Rights of withdrawal**

- (a) If Redstone, having announced the Offer to be unconditional, fails to comply by 3.30 p.m. on the relevant day (or such later time and/or date as the Panel may agree) with any of the other relevant requirements specified in paragraph 2(a) of this Part B, an accepting certificated IDN Shareholder may (unless the Panel agrees otherwise) immediately thereafter withdraw his acceptance by written notice (signed by the accepting shareholder or his agent duly appointed in writing and evidence of whose appointment in a form reasonably satisfactory to Redstone is produced with the notice) given by post or by hand to Capita Registrars, Corporate Actions,

The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, on behalf of Redstone. Alternatively, in the case of IDN Shares held in uncertificated form, withdrawals can also be effected in the manner set out in paragraph 3(d) of this Part B. Subject to paragraph 1(b) of this Part B, this right of withdrawal may be terminated not less than eight days after the relevant day by Redstone confirming, if such be the case, that the Offer is still unconditional and complying with the other requirements specified in paragraph 2(a) of this Part B. If any such confirmation is given, the first period of 14 days referred to in paragraph 1(c) of this Part B will run from the date of such confirmation and compliance.

- (b) If by 3.00 p.m. on Day 42 of the Offer (or such later time and/or date as the Panel may agree) the Offer has not become unconditional, an accepting IDN Shareholder may withdraw his acceptance at any time thereafter, in respect of IDN Shares held in certificated form, by written notice to Capita Registrars on behalf of Redstone at the address and in the manner referred to in paragraph 3(a) of this Part B or, in respect of IDN Shares held in uncertificated form, in the manner referred to in paragraph 3(d) of this Part B, before the earlier of: (i) the time when the Offer becomes unconditional and (ii) the final time for lodgement of acceptances of the Offer which can be taken into account in accordance with paragraph 1(b) of this Part B. If Redstone withdraws a “no extension” statement or a “no increase” statement in accordance with paragraph 1(d) of this Part B, any IDN Shareholder who accepts the Offer after the date of such statement may withdraw his acceptance thereafter, in respect of IDN Shares held in certificated form, in the manner referred to in paragraph 3(a) of this Part B or, in respect of IDN Shares held in uncertificated form, in the manner referred to in paragraph 3(d) of this Part B, not later than the eighth day after the date on which notice of the withdrawal of such statement is posted to IDN Shareholders.
- (c) Except as provided by this paragraph 3 of this Part B, acceptances shall be irrevocable. In this paragraph 3, “written notice” (including any letter of appointment, direction or authority) means notice in writing bearing the original signature(s) of the relevant accepting IDN Shareholder(s) or his/their agent(s) duly appointed in writing (evidence of whose appointment in a form reasonably satisfactory to Redstone is produced with the notice). E-mail, telex, fax or other electronic transmission, or copies, will not be sufficient to constitute written notice. No notice which is postmarked in, or which otherwise appears to Redstone, its agents or advisers to have been sent from, a Restricted Jurisdiction will be treated as valid.
- (d) In respect of IDN Shares held in uncertificated form, if withdrawals are permitted pursuant to paragraph 3(a) or 3(b) of this Part B an accepting IDN Shareholder may withdraw his acceptance through CREST by sending (or, if a CREST sponsored member, procuring that his CREST sponsor sends) an ESA instruction to settle in CREST in relation to each Electronic Acceptance to be withdrawn. Each ESA instruction must, in order for it to be valid and settle, include the following details:
- the number of IDN Shares to be withdrawn;
  - the corporate action ISIN number of IDN Shares which is GB0009613901;
  - the member account ID of the accepting IDN Shareholder;
  - the participant ID of the accepting IDN Shareholder;
  - the participant ID of the Escrow Agent. This is RA10;
  - the member account ID of the Escrow Agent. This is REDIDN01;
  - the CREST Transaction ID of the Electronic Acceptance to be withdrawn to be inserted at the beginning of the shared note field;
  - input with standard delivery instruction priority of 80;
  - the intended settlement date for the withdrawal; and
  - the corporate action number of the Offer, which is allocated by CRESTCo and can be found by viewing the relevant corporate action details in CREST.

Any such withdrawal will be conditional upon Capita Registrars verifying that the withdrawal request is validly made. Accordingly, Capita Registrars will on behalf of Redstone reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

#### **4. Revisions to the Offer**

- (a) Although no such revision is envisaged, if the Offer (in its original or any previously revised form(s)) is revised (either in its terms or conditions or in the value or nature of the consideration offered or otherwise) (which Redstone reserves the right to do) and such revision represents on the date on which such revision is announced (on such basis as Evolution Securities may, acting reasonably, consider appropriate) an improvement or no diminution in the value of the consideration of the Offer as so revised compared with the value of the consideration previously offered, the benefit of the revised Offer will (subject to this paragraph 4 and paragraph 5 of this Part B) be made available to IDN Shareholders who have accepted the Offer in its original or any previously revised form(s) (hereinafter called "Previous Acceptor(s)"). The acceptance by or on behalf of a Previous Acceptor of the Offer (in its original or any previously revised form(s)) shall, subject as provided in this paragraph 4 and paragraph 5 of this Part B, be deemed to be an acceptance of the Offer as so revised and shall also constitute the separate appointment of any director or person authorised by Evolution Securities and Redstone as his attorney and/or agent with authority to accept any such revised Offer on behalf of such Previous Acceptor.
- (b) Although no such revision is envisaged, if any revised Offer provides for IDN Shareholders who accept it to elect for (or accept) alternative forms of consideration, the acceptance by or on behalf of a Previous Acceptor of the Offer (in its original or any previously revised form(s)) shall, subject as provided below, also constitute the appointment of any director or person authorised by Evolution Securities and Redstone as his attorney and/or agent to make on his behalf elections for and/or to accept such alternative forms of consideration on his behalf as such attorney and/or agent in his absolute discretion thinks fit and to execute on behalf of and in the name of such Previous Acceptor all such further documents (if any) as may be required to give effect to such acceptances and/or elections. In making any such acceptance or election, such attorney and/or agent shall take into account the nature of any previous acceptances and/or elections made by or on behalf of the Previous Acceptor and such other facts or matters as he may reasonably consider relevant.
- (c) The deemed acceptances and elections referred to in paragraphs 4(a) and 4(b) of this Part B shall not apply and the authorities conferred by paragraphs 4(a) and 4(b) of this Part B shall not be exercised if as a result thereof a Previous Acceptor would (on such basis as Evolution Securities may, acting reasonably, consider appropriate) receive less in aggregate consideration than he would have received as a result of his acceptance of the Offer in the form in which it was originally accepted by him unless such Previous Acceptor has previously otherwise agreed in writing.
- (d) The deemed acceptances and elections referred to in paragraphs 4(a) and 4(b) of this Part B shall not apply and the authorities conferred by paragraphs 4(a) and 4(b) of this Part B shall be ineffective to the extent that a Previous Acceptor: (i) in respect of IDN Shares held in certificated form, lodges with Capita Registrars, within 14 days of the posting of the document pursuant to which the revision of the Offer referred to in paragraphs 4(a) and 4(b) of this Part B is made available to IDN Shareholders, a Form of Acceptance or some other form issued by or on behalf of Redstone in which he validly elects to receive the consideration receivable by him under that revised Offer in some manner other than as set out in his original acceptance or (ii) in respect of IDN Shares held in uncertificated form, sends (or, if a CREST sponsored member, procures that his CREST sponsor sends) an ESA Instruction to settle in CREST in relation to each Electronic Acceptance in respect of which an election is to be varied. Each ESA Instruction must, in order for it to be valid and settle, include the following details:
- the number of IDN Shares in respect of which the changed election is made;
  - the corporate action ISIN number of IDN Shares. This is GB0009613901;

- the member account ID of the Previous Acceptor;
- the participant account ID of the Previous Acceptor;
- the member account ID of the Escrow Agent included in the relevant Electronic Acceptance. This is REDIDN01;
- the participant account ID of the Escrow Agent. This is RA10;
- the CREST Transaction ID of the Electronic Acceptance in respect of which the election is to be changed;
- the intended settlement date for the changed election;
- the corporate action number for the Offer;
- input with standard delivery instruction priority of 80,

and, in order that the desired change of election can be effected, must include:

- the member account ID of the Escrow Agent relevant to the new election.

Any such change of election will be conditional upon Capita Registrars verifying that the request is validly made. Accordingly, Capita Registrars will on behalf of Redstone reject or accept the requested change of election by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

- (e) The powers of attorney and authorities referred to in this paragraph 4 of this Part B and any acceptance of a revised Offer and/or election pursuant thereto shall be irrevocable unless and until the Previous Acceptor becomes entitled to withdraw his acceptance under paragraph 3 of this Part B and duly and validly does so.
- (f) Redstone reserves the right (subject to paragraph 4(a) of this Part B) to treat an executed Form of Acceptance or Electronic Acceptance relating to the Offer (in its original or any previously revised form(s)) which is received after the announcement or the issue of the Offer in any revised form as a valid acceptance in respect of the revised Offer and/or a valid election pursuant thereto and such acceptance shall constitute an authority and request in the terms of this paragraph 4 of this Part B *mutatis mutandis* on behalf of the relevant IDN Shareholders.

## **5. General**

- (a) Except with the consent of the Panel, the Offer will lapse unless all of the conditions to the Offer as set out in Part A of this Appendix 1 have been fulfilled by or (if capable of waiver) waived by or (where appropriate) have been determined by Redstone to be or remain satisfied as at midnight on Day 42 of the Offer or within 21 days after the date on which the Offer becomes unconditional (whichever is the later) or such later date as Redstone may, with the consent of the Panel, decide provided that Redstone shall be under no obligation to waive or treat as satisfied any condition by a date earlier than the latest date specified above for the satisfaction thereof notwithstanding that the other conditions of the Offer may at such earlier date have been waived or fulfilled and that there are, at such earlier date, no circumstances indicating that any such conditions may not be capable of fulfilment. If the Offer is referred to the Competition Commission before Day 21 of the Offer or the date when the Offer becomes unconditional (whichever is the later) the Offer will lapse. If the Offer lapses, for any reason, it shall cease to be capable of acceptance and Redstone, Evolution Securities and IDN Shareholders shall thereupon cease to be bound by prior acceptances.
- (b) No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, share certificates or other documents will be given. All communications, notices, certificates, documents of title, other documents and remittances to be delivered by or to or sent to or from IDN Shareholders (or their designated agent(s)) or as otherwise directed will be delivered by or to or sent to or from such IDN Shareholders (or their designated agent(s)) at their risk.

- (c) The expression “Offer Period” when used in this document means the period commencing on 30 November 2006 and ending on whichever of the following dates shall be the latest:
- (i) Day 21 of the Offer;
  - (ii) the date on which the Offer lapses or is withdrawn; and
  - (iii) the date on which the Offer becomes unconditional.
- (d) All references in this document and, in respect of IDN Shares held in certificated form, in the Form of Acceptance to Day 21 of the Offer, shall (except in the definition of “Offer Period” above and where the context otherwise requires), if the expiry date of the Offer shall be extended, be deemed to refer to the expiry date of the Offer as so extended.
- (e) Except with the consent of the Panel, settlement of the consideration to which any IDN Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Redstone may otherwise be, or claim to be, entitled as against such IDN Shareholder, and the consideration due to an IDN Shareholder who validly accepts the Offer will (subject to paragraph 6 of this Part B below, and except with the consent of the Panel) be made in full not later than 14 days after the later of: (i) the date on which the Offer becomes or is declared unconditional in all respects and (ii) (in respect of certificated IDN Shares) the date of receipt of a valid and complete Form of Acceptance and/or (in respect of uncertificated IDN Shares) the date of receipt of a valid TTE Instruction from such IDN Shareholder. No consideration will be sent to an address in a Restricted Jurisdiction.
- (f) The instructions, terms, provisions and authorities contained in or deemed to be incorporated in the Form of Acceptance (in respect of certificated IDN Shares) constitute part of the terms of the Offer. Words and expressions defined in this document shall, unless the context otherwise requires, have the same meanings when used in the Form of Acceptance (in respect of certificated IDN Shares). The provisions of this Appendix 1 shall be deemed to be incorporated in the Form of Acceptance (in respect of certificated IDN Shares).
- (g) The Offer, this document, the Form of Acceptance (in respect of certificated IDN Shares) and all acceptances thereof and all elections thereunder or pursuant thereto and all contracts made pursuant thereto and action taken or made or deemed to be taken or made under any of the foregoing shall be governed by and construed in accordance with English law. Execution by or on behalf of an IDN Shareholder of a Form of Acceptance (in respect of certificated IDN Shares) will constitute his submission, in relation to all matters arising out of or in connection with the Offer, this document and (in respect of certificated IDN Shares) the Form of Acceptance, to the jurisdiction of the Courts of England and his agreement that nothing shall limit the rights of Redstone or Evolution Securities to bring any action, suit or proceeding arising out of or in connection with the Offer, this document and (in respect of certificated IDN Shares) the Form of Acceptance in any other manner permitted by law or in any court of competent jurisdiction.
- (h) Any omission to authorise this document or the Form of Acceptance or any notice required to be given under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made or should be made, shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person.
- (i) Subject to paragraphs (j) of this Part B below, and without prejudice to any other provision of this Appendix 1, Redstone and Evolution Securities reserve the right to treat acceptances of the Offer and/or elections pursuant thereto as valid if received by or on behalf of either of them at any place or places or in any manner determined by them otherwise than as stated herein or (in respect of certificated IDN Shares) in the Form of Acceptance, or (in respect of uncertificated IDN Shares) if the relevant TTE Instruction has not been settled.
- (j) Notwithstanding the right reserved by Redstone to treat acceptances as valid (even though (in respect of certificated IDN Shares) the Form of Acceptance is not entirely in order or not accompanied by the relevant share certificate(s) and/or other document(s) of title), except with

the consent of the Panel, an acceptance of the Offer will only be counted towards fulfilling the acceptance condition if the requirements of Note 4 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it. Except with the consent of the Panel, a purchase of IDN Shares by Redstone or its nominee(s) (or, if Redstone is required to make an offer or offers under the provisions of Rule 9 of the Code, by a person acting in concert with Redstone or its nominee(s) for the purpose of such offer(s)) will only be counted towards fulfilling the acceptance condition if the requirements of Note 5 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it. The Offer may not be accepted, in relation to IDN Shares held in certificated form, otherwise than by means of a Form of Acceptance.

- (k) Except with the consent of the Panel, the Offer will not become unconditional until Capita Registrars has issued a certificate to Redstone or Evolution Securities (or their respective agents) which states the number of IDN Shares in respect of which acceptances have been received which meet the requirements of Note 4 on Rule 10 of the Code and the number of IDN Shares otherwise acquired (whether before or during the Offer Period) which meet the requirements of Note 5 on Rule 10 of the Code and, in each case, if applicable, Note 6 on Rule 10 of the Code. Copies of such certificate will be sent to the Panel and to Evolution Securities as soon as possible after it is issued.
- (l) All powers of attorney, appointments of agents and authorities on the terms conferred by or referred to in this Appendix 1 or (in respect of certificated IDN Shares) in the Form of Acceptance are given by way of security for the performance of the obligations of the IDN Shareholders concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971, except in the circumstances where the donor of such power of attorney, appointment or authority is entitled to withdraw his acceptance in accordance with paragraph 3 of this Part B and duly does so.
- (m) The Offer extends to any IDN Shareholders to whom this document, the Form of Acceptance (in respect of certificated IDN Shares) and any related documents may not have been despatched or by whom such documents may not be received and such IDN Shareholders may collect copies of those documents from Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Redstone and Evolution Securities reserve the right to notify any matter, including the making of the Offer, to all or any IDN Shareholders with a registered address outside the United Kingdom (or whom Redstone or Evolution Securities know to be nominees, trustees or custodians for such persons) by announcement in the United Kingdom or paid advertisement in a daily newspaper published and circulated in the United Kingdom, in which event such notice shall be deemed to have been sufficiently given notwithstanding any failure by an IDN Shareholder to receive such notice and all references in this document to notice, or the provision of information in writing, by Redstone, Evolution Securities and/or their respective agents and/or public relations consultants shall be construed accordingly.
- (n) The Offer is made at 11.59 p.m. on 1 December 2006 and is capable of acceptance from and after that time. Forms of Acceptance (in respect of certificated IDN Shares) are available for collection from Evolution Securities at 100 Wood Street, London, EC2Y 7AN and from Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU from that time. The Offer is being made by means of this document and by means of an advertisement published in the Financial Times (UK Edition) to be dated on or around 4 December 2006.
- (o) If the Offer does not become unconditional in all respects:
  - (i) in respect of IDN Shares held in certificated form, Forms of Acceptance, share certificates and other documents of title will be returned by post (or by such other method as may be approved by the Panel) within 14 days of the Offer lapsing to the person or agent whose name and address outside a Restricted Jurisdiction is set out in the relevant Box on the Form of Acceptance or, if none is set out, to the first-named holder at his registered address outside a Restricted Jurisdiction. No such documents will be sent to an address in a Restricted Jurisdiction; and

- (ii) in respect of IDN Shares held in uncertificated form, Capita Registrars will, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days from the lapsing of the Offer), give instructions to CRESTCo to transfer all the IDN Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the IDN Shareholders concerned.
- (p) If sufficient acceptances are received, Redstone intends to apply the provisions of sections 428 to 430F (inclusive) of the Act to acquire compulsorily any outstanding IDN Shares and to apply for cancellation of IDN's admission to trading on AIM.
- (q) In relation to any acceptance of the Offer in respect of a holding of IDN Shares which is in uncertificated form, Redstone reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of the Offer, whether in order to comply with the facilities or requirements of CREST or otherwise, provided that such alterations, additions or modifications are consistent with the requirements of the Code or are otherwise made with the consent of the Panel.
- (r) For the purposes of this document, the time of receipt of a TTE Instruction, an ESA Instruction or an Electronic Acceptance shall be the time that the relevant instruction settles in CREST.
- (s) All references in this Appendix 1 to any statute or statutory provision shall include any statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date hereof).

## **6. Overseas Shareholders**

- (a) The making of the Offer in, or to persons resident in, or citizens or nationals of, jurisdictions outside the United Kingdom or who are nominees of, or custodians, trustees or guardians for, citizens or nationals of such jurisdictions ("**Overseas Shareholders**") may be prohibited or affected by the laws or regulatory requirements of the relevant overseas jurisdiction. No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him nor should he in any event use the Form of Acceptance (in respect of certificated IDN Shares), unless, in the relevant territory, such an offer or invitation could lawfully be made to him and such Form of Acceptance (in respect of certificated IDN Shares) could lawfully be used without contravention of any registration or other legal or regulatory requirements. Such Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any Overseas Shareholder wishing to accept the Offer to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction. Any Overseas Shareholder will be responsible for payment of any issue, transfer or other taxes or other requisite payments due in such jurisdiction by whomsoever payable and Redstone, Evolution Securities and any person acting on their behalf shall be fully indemnified and held harmless by such shareholder for any such issue, transfer or other taxes or other requisite payments as Redstone, Evolution Securities and any person acting on their behalf may be required to pay.

**If you are an Overseas Shareholder and you are in doubt about your position, you should consult your legal adviser in the relevant jurisdiction.**

- (b) Unless otherwise determined by Redstone and permitted by applicable law and regulation, the Offer is not being made, directly or indirectly, in or into, or by the use of the mails or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce, or any facility of a national securities exchange, of a Restricted Jurisdiction (including the United States, Canada, Australia, Ireland or Japan) and the Offer is not capable of acceptance by any such use, means, instrumentality or facility or from within a Restricted Jurisdiction. Accordingly, copies of this document, the Form of Acceptance (in respect

of certificated IDN Shares) and any related documents are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from a Restricted Jurisdiction and persons receiving such documents (including, without limitation, custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from a Restricted Jurisdiction. Doing so may render invalid any purported acceptance of the Offer. Persons wishing to accept the Offer should not use such mails or any such means, instrumentality or facility for any purpose directly or indirectly related to acceptance of the Offer. Envelopes containing Forms of Acceptance, evidence of title or other documents relating to the Offer must not be postmarked in a Restricted Jurisdiction or otherwise despatched from a Restricted Jurisdiction and all acceptors must provide addresses outside a Restricted Jurisdiction for the receipt of any consideration to which they are entitled pursuant to the Offer or (in respect of certificated IDN Shares) return of Forms of Acceptance, share certificate(s) and/or other document(s) of title.

- (c) If, in connection with the making of the Offer, notwithstanding the restrictions described above, any persons (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Form of Acceptance or any other documents relating to the Offer in, into or from a Restricted Jurisdiction or uses the mails of, or any means or instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of, a Restricted Jurisdiction in connection with such forwarding, such person should:
- (i) inform the recipient of such fact;
  - (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and
  - (iii) draw the attention of the recipient to this paragraph 6 of this Part B.
- (d) An IDN Shareholder will be deemed not to have validly accepted the Offer if:
- (i) he puts “No” in Box 4 of the Form of Acceptance (in respect of certificated IDN Shares) and thereby does not give the representation and warranty set out in paragraph (c) of Part C of this Appendix 1;
  - (ii) he completes Box 3 of the Form of Acceptance (in respect of certificated IDN Shares) with an address in a Restricted Jurisdiction or has a registered address in a Restricted Jurisdiction and in either case he does not insert in Box 5 of the Form of Acceptance the name and address of a person or agent outside a Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under the Offer to be sent, subject to this paragraph 6 and applicable laws;
  - (iii) he inserts in Box 5 of the Form of Acceptance (in respect of certificated IDN Shares) the name and address of a person or agent in a Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under or in consequence of the Offer to be sent;
  - (iv) any Form of Acceptance (in respect of certificated IDN Shares) received from him is received in an envelope postmarked in, or which otherwise appears to Redstone or its agents to have been sent from a Restricted Jurisdiction; or
  - (v) he makes a Restricted Escrow Transfer pursuant to paragraph 6(g) below unless he also makes a related Restricted ESA Instruction which is accepted by Capita Registrars.

Redstone reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representation and warranty set out in paragraph (c) of Part C of this Appendix 1 or (as the case may be) paragraph (c) of Part D of this Appendix 1 could have been truthfully given by the relevant IDN Shareholder and, if such investigation is made and, as a result, Redstone cannot satisfy itself that such representation and warranty was true and correct, such acceptance shall not be valid.

- (e) The provisions of this paragraph 6 and/or any other terms of the Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific IDN Shareholder(s) or on a general basis by Redstone in its absolute discretion. In particular, without limitation, Redstone reserves the right to permit the Offer to be accepted by, and or (in respect of certificated IDN Shares) to issue or deliver any share certificate(s) and/or document(s) of title to an Overseas Shareholder, or (in respect of uncertificated IDN Shares) the crediting of the appropriate stock account of an Overseas Shareholder (otherwise unable to accept the Offer in accordance with the above) in circumstances in which Redstone is satisfied that acceptance by such IDN Shareholder and or (in respect of certificated IDN Shares) the issue or delivery of any documents of title to, or (in respect of uncertificated IDN Shares) the crediting of the appropriate stock account of, such IDN Shareholder will not constitute a breach of any securities or other relevant legislation or impose obligations on Redstone not contemplated by the Offer (and in any such case, Redstone may impose reasonable additional requirements and restrictions on such acceptance and the share certificates and/or documents of title issued and/or crediting appropriate stock accounts. In such circumstances, any signed Form of Acceptance (in respect of certificated IDN Shares) received or any Electronic Acceptance made (in respect of uncertificated IDN Shares) pursuant to the Offer shall constitute the irrevocable appointment of Redstone or any director of Redstone as the relevant IDN Shareholder's agent to effect such sale as his agent, with full power (including powers of delegation) to do all such things as may be necessary or desirable for or ancillary to such purpose. Subject thereto, the provisions of this paragraph 6 supersede any terms of the Offer inconsistent herewith.
- (f) Neither Redstone nor any agent or director of Redstone nor its advisers or any person acting on behalf of any of them shall have any liability to any person for any loss or alleged loss arising from any decision as to the treatment of acceptances of the Offer on any of the bases set out in this paragraph 6 or otherwise in connection therewith.
- (g) If an IDN Shareholder holding IDN Shares in uncertificated form is unable to give the representation and warranty set out in paragraph (c) (i) or (ii) of Part D of this Appendix 1, but nevertheless can produce evidence satisfactory to Redstone that he is able to accept the Offer in compliance with all legal and regulatory requirements, he may only purport to accept the Offer by sending (or if a CREST sponsored member, procuring that his CREST sponsor sends) both:
- (i) a TTE Instruction to a designated escrow balance detailed below (a **“Restricted Escrow Transfer”**); and
  - (ii) one or more valid ESA Instructions (a **“Restricted ESA Instruction”**).

Such purported acceptance will not be treated as a valid acceptance unless both the Restricted Escrow Transfer and the Restricted ESA Instruction settle in CREST and Redstone decides in its absolute discretion to exercise its right, described in paragraph 6(e) above to waive, vary or modify the terms of the Offer related to Overseas Shareholders to the extent required to permit such acceptance to be made in each case during the acceptance period set out in paragraph 1 of Part A of this Appendix 1. If Redstone accordingly decides to permit such acceptance to be made, Capita Registrars will on behalf of Redstone accept the purported acceptance as an Electronic Acceptance on the terms of this document as so waived, varied or modified by transmitting in CREST a receiving agent accept (AEAN) message. Otherwise, Capita Registrars will on behalf of Redstone reject the purported acceptance by transmitting in CREST a receiving agent reject (AEAD) message.

Each Restricted Escrow Transfer must, in order for it to be valid and settle, include the following details:

- the corporate action ISIN number for the IDN Shares. This is GB0009613901;
- the number of IDN Shares in respect of which you wish to accept the Offer (i.e. the number of IDN Shares to be transferred to an escrow balance);
- your participant ID;
- your member account ID;

- the participant ID of the Escrow Agent. This is RA10;
- the member account ID of the Escrow Agent specific to a Restricted Escrow Transfer. This is RESTRICT;
- the intended settlement date. This should be as soon as possible and in any event not later than 1.00 p.m. on 22 December 2006;
- the corporate action number for the Offer which will be allocated by CRESTCo and can be found by reviewing the relevant corporate action details in CREST;
- input with standard delivery instruction priority of 80; and
- contact name and telephone number inserted in the shared note field.

Each Restricted ESA Instruction must, in order for it to be valid and settle include the following details:

- the corporate action ISIN number for the IDN Shares. This is GB0009613901;
- the number of IDN Shares relevant to that Restricted ESA Instruction;
- your participant ID;
- your member ID;
- the participant ID of the Escrow Agent. This is RA10;
- the member account ID of the Escrow Agent set out in the Restricted Escrow Transfer. This is RESTRICT;
- the member account ID of the escrow Agent relevant to the consideration required. This is REDIDN01;
- the CREST Transaction ID of the Restricted Escrow Transfer to which the Restricted ESA Instruction relates to be inserted at the beginning of the shared note field;
- the intended settlement date. This should be as soon as possible and in any event not later than 1.00 p.m. on 22 December 2006;
- the corporate action number for the Offer; and
- input with standard delivery instruction priority of 80.

## **PART C: Form of Acceptance**

Without prejudice to the terms of the Form of Acceptance and the provisions of Parts A and B of this Appendix 1, each IDN Shareholder who holds IDN Shares in certificated form by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with Redstone, Evolution Securities and Capita Registrars and their respective agents (so as to bind him, his personal representatives and his heirs, successors and assigns) that:

- (a) whether or not any other Boxes of the Form of Acceptance are completed, the execution of a Form of Acceptance shall constitute:
  - (i) an acceptance of the Offer in respect of the number of IDN Shares in certificated form inserted or deemed to be inserted in Box 1 of the Form of Acceptance; and
  - (ii) an undertaking to execute any further documents, take further action and give any further assurances which may be required in connection with his acceptance of the Offer,

in each case on and subject to the terms and conditions set out or referred to in this document and the Form of Acceptance and that, subject to the rights of withdrawal set out in paragraph 3 of Part B of this Appendix 1, each such acceptance shall be irrevocable provided that: (i) if no number is inserted in Box 1; or (ii) if the total number of IDN Shares in certificated form inserted in Box 1 is greater than the relevant IDN Shareholder's registered holding of IDN Shares in certificated form; or (iii) if the Form of Acceptance is otherwise completed incorrectly but the Form of Acceptance is signed, it will be deemed to be an acceptance of the terms of the Offer in respect of all of the IDN Shares in certificated form comprised in the Form of Acceptance;

- (b) IDN Shares in certificated form in respect of which the Offer is accepted or deemed to be accepted are sold fully paid and with full title guarantee and free from all liens, charges, encumbrances, equities, rights of pre-emption and any other third party rights of whatsoever nature and together with all rights attaching thereto from 30 November 2006, including the right to receive all dividends or other distributions declared, paid or made after 30 November 2006;
- (c) unless "NO" is inserted or deemed to be inserted in Box 4 of the Form of Acceptance, such IDN Shareholder:
  - (i) (if such IDN Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom) has observed the laws of the relevant jurisdiction, obtained all requisite governmental, exchange control and other required consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or other requisite payments due in any such jurisdiction in connection with such acceptance and has not taken or omitted to take any action that will or may result in Redstone, Evolution Securities or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance thereof; or
  - (ii) (A) in respect of any IDN Shares to which the Form of Acceptance relates is not an agent or fiduciary acting on a non-discretionary basis for a principal who has given any instructions with respect to the Offer from within a Restricted Jurisdiction; and  
(B) has not received or sent copies or originals of this document, the Form of Acceptance or any related offering documents in, into or from a Restricted Jurisdiction and has not utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, e-mail, fax, telex, telephone or other electronic transmission) of interstate or foreign commerce, or any facilities of a national securities exchange, of a Restricted Jurisdiction; the Form of Acceptance has not been mailed or otherwise sent in, into or from a Restricted Jurisdiction and such IDN Shareholder is accepting the Offer from outside a Restricted Jurisdiction;

- (d) in relation to IDN Shares held in certificated form, the execution of the Form of Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting IDN Shareholder not having validly withdrawn his acceptance, the irrevocable appointment of each of Redstone and Evolution Securities and/or any of their respective directors or agents as such IDN Shareholder's attorney and/or agent, and an irrevocable instruction to the attorney and/or agent, to complete and execute all or any form(s) of transfer and/or other document(s) at the discretion of the attorney and/or agent in relation to the IDN Shares referred to in paragraph (a) (i) above in favour of Redstone or such other person or persons as Redstone may direct and to deliver such form(s) of transfer and/or other document(s) at the discretion of the attorney and/or agent, together with the share certificate(s) and/or other document(s) relating to such IDN Shares, for registration within six months of the Offer becoming unconditional in all respects and to execute all such documents and to do all such other acts and things as may in the opinion of such attorney and/or agent be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer pursuant to the Form of Acceptance and to vest in Redstone or its nominee(s) or as it may direct such IDN Shares;
- (e) in relation to IDN Shares held in certificated form, the execution and delivery of the Form of Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting IDN Shareholder not having validly withdrawn his acceptance, separate irrevocable authorities and requests to IDN or its agents, to procure the registration of the transfer of the IDN Shares in certificated form referred to in paragraph (a)(i) above pursuant to the Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect thereof to Redstone or as it may direct;
- (f) in relation to IDN Shares held in certificated form, the execution of the Form of Acceptance constitutes a separate authority to any director of Redstone and to any director of Evolution Securities and/or their respective agents and the irrevocable appointment of any such director and/or agent as such shareholder's attorney and/or agent within the terms of paragraph 4(a) of Part B of this Appendix 1;
- (g) after the Offer becomes or is declared unconditional in all respects (or if the Offer would become or be declared unconditional in all respects or lapse immediately upon the outcome of the resolution in question or if the Panel otherwise gives its consent) and pending registration:
  - (i) Redstone shall be entitled to direct the exercise of any votes attaching to any IDN Shares held in certificated form in respect of which the Offer has been accepted or is deemed to have been accepted (and in respect of which such acceptance has not been validly withdrawn) and any other rights and privileges attaching to such IDN Shares, including the right to requisition a general meeting or separate class meeting of IDN, such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer; and
  - (ii) the execution of the Form of Acceptance by an IDN Shareholder constitutes, with regard to the IDN Shares held in certificated form comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
    - (A) an authority to IDN and/or its agents from such IDN Shareholder to send any notice, circular, warrant, document or other communication which may be required to be sent to him as a member of IDN (including any share certificate(s) or other document(s) of title issued as a result of a conversion of such IDN Shares into certificated form) to Redstone at its registered office;
    - (B) the irrevocable appointment of Redstone or any of its directors or agents to sign such documents and do such things as may in the opinion of such person seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to such IDN Shares (including, without limitation, an authority to sign any consent to short notice of a general or separate class meeting on his behalf and/or to execute a form of proxy in respect of such IDN Shares appointing any person nominated by Redstone to attend general or separate class meetings of IDN or its

members or any of them (and any adjournment thereof) and to exercise the votes attaching to such IDN Shares on his behalf), such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer; and

- (C) the agreement of such IDN Shareholder not to exercise any of such rights without the consent of Redstone and the irrevocable undertaking of such IDN Shareholder not to appoint a proxy or representative for or to attend any such meetings;
- (h) he will deliver, or procure the delivery of, to Capita Registrars Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU his share certificate(s) and/or other document(s) of title in respect of the IDN Shares referred to in sub-paragraph (a)(i) above (which are held in certificated form), or an indemnity acceptable to Redstone in lieu thereof, as soon as possible and in any event within six months of the Offer becoming unconditional in all respects;
- (i) the terms and conditions of the Offer shall be deemed to be incorporated into and form part of the Form of Acceptance, which shall be read and construed accordingly;
- (j) if he accepts the Offer, he shall do all such acts and things as shall be necessary or expedient to vest in Redstone or its nominees or such other persons as it may decide the IDN Shares as aforesaid;
- (k) he agrees to ratify each and every act or thing which may be done or effected by Redstone, Evolution Securities or Capita Registrars or by any of their respective directors or agents or IDN or its agents, as the case may be, in the proper exercise of any of his or its powers and/or authorities conferred by or referred to in Part B or in this Part C of this Appendix 1;
- (l) in relation to IDN Shares held in certificated form, the execution of the Form of Acceptance constitutes his submission, in relation to all matters arising out of the Offer and the Form of Acceptance, to the jurisdiction of the courts of England and his agreement that nothing shall limit the right of Redstone or Evolution Securities to bring any action, suit or proceeding arising out of or in connection with the Offer or in any other manner permitted by law or in any court of competent jurisdiction; and
- (m) if any provision of Part B or of this Part C of Appendix 1 shall be unenforceable or invalid or shall not operate so as to afford Redstone and/or Evolution Securities and/or Capita Registrars and/or any director or agent of any of them the full benefit of the authorities and powers of attorney expressed to be given therein, he shall with all practicable speed do all such acts and things and execute all such documents as may be required or desirable to enable Redstone and/or Evolution Securities and/or Capita Registrars and/or any director or agent of any of them to secure the full benefit of such authorities and powers of attorney.

On execution, the Form of Acceptance shall take effect as a Deed.

References in this Part C to an IDN Shareholder shall include references to the person or persons executing a Form of Acceptance, in relation to IDN Shares held in certificated form, and, in the event of more than one person executing a Form of Acceptance, the provisions of this Part C shall apply jointly and severally to each of them. References to the masculine gender shall include the feminine and neuter.

## **PART D: Electronic Acceptances**

Without prejudice to the provisions of Parts A and B of this Appendix 1, each IDN Shareholder who holds IDN Shares in uncertificated form by whom, or on whose behalf, an Electronic Acceptance is made irrevocably undertakes, represents, warrants and agrees to and with Redstone, Evolution Securities and Capita Registrars and their respective agents (so as to bind him and his personal representatives, heirs, successors and assigns) that:

- (a) the Electronic Acceptance shall constitute:
  - (i) an acceptance of the Offer in respect of the number of IDN Shares in uncertificated form to which a TTE Instruction relates; and
  - (ii) an undertaking to execute any further documents, take further action and give any further assurances which may be required to enable Redstone and Evolution Securities to obtain the full benefits of the terms of this Part D and/or to perfect any authorities expressed to be given thereunder,

in each case on and subject to the terms and conditions set out or referred to in this document and that, subject to paragraph 3 of Part B of this Appendix 1, such acceptance and/or election shall be irrevocable;

- (b) the IDN Shares held in uncertificated form in respect of which the Offer is accepted or deemed to be accepted are sold fully paid and with full title guarantee and free from all liens, charges, encumbrances, equities, rights of pre-emption and any other third party rights of whatsoever nature and together with all rights attaching thereto from 30 November 2006, including the right to receive all dividends and other distributions declared, made or paid after 30 November 2006;
- (c) such IDN Shareholder:
  - (i) if such IDN Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom) he has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control and other required consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or other requisite payments due in any such jurisdiction in connection with such acceptance and has not taken or omitted to take any action that will or may result in Redstone, Evolution Securities or any other person acting in breach of any legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance thereof; or
  - (ii) (A) in respect of IDN Shares to which an Electronic Acceptance relates he is not an agent or fiduciary acting on a non-discretionary basis for a principal who has given any instructions in relation to the Offer from within a Restricted Jurisdiction; and
  - (B) has not received or sent copies or originals of this document or any related offering documents in, into or from a Restricted Jurisdiction and has not utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, e-mail, fax, telex, telephone or other electronic transmission) of interstate or foreign commerce, or any facilities of a national securities exchange, of a Restricted Jurisdiction; was outside, at the time of the input and settlement of the relevant TTE Instruction, a Restricted Jurisdiction; and no TTE Instruction has been sent in, into or from a Restricted Jurisdiction and such IDN Shareholder is accepting the Offer from outside a Restricted Jurisdiction,

provided that the warranties and representations above shall be deemed not to have been given if the IDN Shareholder purports to accept the Offer by sending (or if a CREST sponsored member, procuring that his CREST sponsor sends) a Restricted Escrow Transfer and a Restricted ESA Instruction pursuant to paragraph 6(g) of Part B of this Appendix 1;

- (d) in relation to IDN Shares held in uncertificated form, the Electronic Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting IDN Shareholder not having validly withdrawn his acceptance, the irrevocable appointment of each of Redstone and Evolution Securities and/or any of their respective directors or agents as such IDN Shareholder's attorney and/or agent, and an irrevocable instruction to the attorney and/or agent to do all such acts and things as may in the opinion of such attorney and/or agent be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer and to vest in Redstone or its nominee(s) such IDN Shares (referred to in paragraph 1(a) of this Part D (the "**Electronic Acceptance Shares**"));
- (e) in relation to IDN Shares held in uncertificated form, the Electronic Acceptance constitutes the irrevocable appointment of Capita Registrars as such IDN Shareholder's escrow agent and an irrevocable instruction and authority to the escrow agent:
  - (i) subject to the Offer becoming unconditional in all respects in accordance with its terms and to an accepting IDN Shareholder not having validly withdrawn his acceptance, to transfer to itself (or to such other person or persons as Redstone or its agents may direct) by means of CREST all or any of the IDN Shares held in uncertificated form (but not exceeding the number of IDN Shares held in uncertificated form in respect of which the Offer is accepted or deemed to be accepted); and
  - (ii) if the Offer does not become unconditional in all respects, to give instructions to CRESTCo, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days of the lapsing of the Offer), to transfer all such IDN Shares to the original available balance of the accepting IDN Shareholder;
- (f) in relation to IDN Shares held in uncertificated form, the Electronic Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to an accepting IDN Shareholder not having validly withdrawn his acceptance, separate irrevocable authorities and requests to Redstone or Evolution Securities or their agents to procure the making of a CREST payment in accordance with the CREST payment obligation in favour of the IDN Shareholder's payment bank in accordance with the CREST payment arrangements in respect of any cash consideration to which such accepting IDN Shareholder is entitled provided that:
  - (i) Redstone may (if, for any reason it wishes to do so) determine that all or any part of such cash consideration shall be paid by cheque, despatched by post; and
  - (ii) if the accepting IDN Shareholder is a CREST member whose registered address is in a Restricted Jurisdiction, any cash consideration to which he is entitled shall be paid by cheque despatched by post, and in all such cheques shall be despatched at the risk of such IDN Shareholder to the first-named holder at an address outside the Restricted Jurisdiction stipulated by such holder or as otherwise determined by Redstone;
- (g) in relation to IDN Shares held in uncertificated form, the Electronic Acceptance constitutes a separate authority to Redstone and Evolution Securities and/or any of their respective directors or agents and the irrevocable appointment of any such director and/or agent as such shareholder's attorney and/or agent within the terms of paragraph 4(a) of Part B of this Appendix 1 in respect of the Electronic Acceptance Shares;
- (h) after the Offer becomes or is declared unconditional in all respects (or if the Offer would become or be declared unconditional in all respects or lapse immediately upon the outcome of the resolution in question or if the Panel otherwise gives its consent) and pending registration:
  - (i) Redstone or its agents shall be entitled to direct the exercise of any votes attaching to IDN Shares held in uncertificated form in respect of which the Offer has been accepted or is deemed to have been accepted (and in respect of which such acceptance has not been validly withdrawn) and any other rights and privileges attaching to such IDN Shares,

including the right to requisition a general meeting or separate class meeting of IDN, such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer; and

- (ii) an Electronic Acceptance by an IDN Shareholder constitutes, with regard to the IDN Shares held in uncertificated form comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
  - (A) an authority to IDN and/or its agents from such IDN Shareholder to send any notice, circular, warrant, document or other communication which may be required to be sent to him as a member of IDN (including any share certificate(s) or other document(s) of title issued as a result of a conversion of such IDN Shares into certificated form) to Redstone at its registered office;
  - (B) the irrevocable appointment of Redstone or any of its directors or agents to sign any such documents and do such things as may in the opinion of such person seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to such IDN Shares (including, without limitation, an authority to sign any consent to short notice of a general or separate class meeting on his behalf and/or execute a form of proxy in respect of such IDN Shares appointing any person nominated by Redstone to attend general or separate class meetings of IDN or its members or any of them (and any adjournment thereof) and to exercise the votes attaching to such IDN Shares on his behalf) such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer; and
  - (C) the agreement of such IDN Shareholder not to exercise any of such rights without the consent of Redstone and the irrevocable undertaking of such IDN Shareholder not to appoint a proxy or representative for or to attend any such meetings;
- (i) if, for any reason any IDN Shares in respect of which a TTE Instruction has been effected in accordance with paragraph 13(b) of the letter from Evolution Securities set out in Part II of this document are converted to certificated form, he will (without prejudice to sub-paragraph (h)(ii)(A) above of this Part D) immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such IDN Shares as so converted to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or to Redstone at its registered office or as Redstone or its agent may direct and he shall be deemed upon conversion to undertake, represent, warrant and agree in the terms set out in Part C of this Appendix 1 in relation to such IDN Shares without prejudice to the application of this Part D so far as Redstone deems appropriate;
- (j) the creation of a CREST payment obligation in favour of his payment bank in accordance with the CREST payment arrangements referred to in sub-paragraph (f)(i) above of this Part D shall, to the extent of the obligations so created, discharge in full any obligation of Redstone and/or Evolution Securities to pay him any cash consideration to which he is entitled pursuant to the Offer;
- (k) if he accepts the Offer he shall do all such acts and things as shall be necessary or expedient to vest in Redstone or its nominee(s) or such other person as it may decide the IDN Shares aforesaid and all such acts and things as in the opinion of Redstone shall be necessary or expedient to enable Capita Registrars to perform its functions as Escrow Agent for the purposes of the Offer;
- (l) he agrees to ratify each and every act or thing which may be done or effected by Redstone, Evolution Securities or Capita Registrars or by any of their respective directors or agents or IDN or its agents, as the case may be, in the proper exercise of any of his or its powers and/or authorities conferred by or referred to in Part B or this Part D of this Appendix 1;
- (m) if any provision of Part B or this Part D of Appendix 1 shall be unenforceable or invalid or shall not operate so as to afford Redstone and/or Evolution Securities and/or Capita Registrars and/or any director or agent of any of them the full benefit of authorities and powers of attorney expressed to be given therein, he shall with all practicable speed do such acts or things and

execute all such documents as may be required or desirable to enable Redstone and/or Evolution Securities and/or Capita Registrars and/or any director or agent or any of them to secure the full benefit of such authorities and powers of attorney;

- (n) in relation to IDN Shares held in uncertificated form, the making of an Electronic Acceptance constitutes his submission, in relation to all matters arising out of the Offer and Electronic Acceptance, to the jurisdiction of the courts of England and his agreement that nothing shall limit the right of Redstone or Evolution Securities to bring any action, suit or proceeding arising out of or in connection with the Offer and the Electronic Acceptance or in any other manner permitted by law or in any court of competent jurisdiction; and
- (o) by virtue of the Regulations the making of an Electronic Acceptance constitutes an irrevocable power of attorney by the relevant holder of IDN Shares in the terms of the powers and authorities expressed to be given by Part B, this Part D and (where applicable by virtue of paragraph (i) above) Part C of this Appendix 1 to Redstone, Evolution Securities and Capita Registrars and any of their respective agents.

References in this Part D to an IDN Shareholder shall include reference to the person or persons making an Electronic Acceptance, in relation to IDN Shares held in uncertificated form, and, in the event of more than one person making an Electronic Acceptance, the provisions of this Part D shall apply jointly and severally to each of them. References to the masculine gender should include the feminine and neuter.

## APPENDIX 2

### Financial information on Redstone

#### Part A

##### 1. Nature of financial information

- (a) The financial information contained in Appendix 2 does not constitute statutory accounts within the meaning of section 240 of the Act and has been extracted from the full audited consolidated accounts of Redstone for the two financial years ended 31 March 2005 and 2006.

Copies of the full audited consolidated accounts for the financial year ended 31 March 2005 have been delivered to the Registrar of Companies in England and Wales. For the year ended 31 March 2006 the information has been extracted from the full audited consolidated accounts of Redstone, which have not yet been filed with the Registrar of Companies in England and Wales.

An unqualified audit report within the meaning of section 235 of the Act has been given in respect of each of the audited consolidated accounts for the two years ended 31 March 2005 and 2006 and in each case did not contain a statement under section 237(2) or (3) of the Act.

- (b) The following financial information has been extracted without material adjustment from the Redstone audited consolidated financial statements for the years ended 31 March 2005 and 2006.

## Consolidated Income Statement

	<i>Year ended</i> <i>31 March</i>	<i>Year ended</i> <i>31 March</i>
	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
<b>Revenue</b>	72,478	49,577
Cost of sales	<u>(46,303)</u>	<u>(32,063)</u>
<b>Gross profit</b>	26,175	17,514
Other operating income	568	389
Selling and distribution costs	(9,016)	(7,479)
Administrative expenses	(36,616)	(17,586)
Restructuring costs	(4,006)	–
<b>Operating loss before goodwill impairment, amortisation of intangibles and restructuring costs</b>	(1,658)	(2,808)
Goodwill impairment	(16,078)	(4,236)
Amortisation of intangibles	(1,153)	(118)
Restructuring costs	(4,006)	–
<b>Operating loss</b>	(22,895)	(7,162)
Finance income	199	469
Finance costs	<u>(221)</u>	<u>(152)</u>
<b>Loss on ordinary activities before taxation</b>	(22,917)	(6,845)
Tax on loss on ordinary activities	<u>392</u>	<u>–</u>
<b>Loss for the year (attributable to equity holders in the parent Company)</b>	<u>(22,525)</u>	<u>(6,845)</u>
<b>Earnings per share</b>		
<b>Basic and diluted earnings per share</b>	(3.22)p	(2.45)p
Non GAAP Measures		
Gross profit % (Gross profit as a percentage of revenue)	36.1	35.3
EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) before goodwill impairment and restructuring costs	(374)	(1,944)
Basic and diluted EBITDA per share before goodwill impairment and restructuring costs	(0.05)p	(0.70)p

## Consolidated Balance Sheet

	<i>31 March</i> 2006 £000	<i>31 March</i> 2005 £000
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	32,828	21,259
Property, plant and equipment	2,449	2,621
Deferred tax asset	2,147	–
Other non-current assets	545	429
	<u>37,969</u>	<u>24,309</u>
<b>Current assets</b>		
Inventories	241	683
Trade and other receivables	15,490	7,994
Cash and short-term deposits	5,327	8,513
	<u>21,058</u>	<u>17,190</u>
<b>Total assets</b>	<u>59,027</u>	<u>41,499</u>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Called up share capital	13,022	8,472
Share premium account	208,100	185,336
Other reserves	270	216
Retained earnings	(192,372)	(170,313)
	<u>29,020</u>	<u>23,711</u>
<b>Current liabilities</b>		
Trade and other payables	23,245	14,716
Income tax payable	10	–
Provisions	1,989	816
	<u>25,244</u>	<u>15,532</u>
<b>Non-current liabilities</b>		
Trade and other payables	197	127
Provisions	1,492	2,129
Loan notes	643	–
Deferred tax liability	2,431	–
	<u>4,763</u>	<u>2,256</u>
<b>Total equity and liabilities</b>	<u>59,027</u>	<u>41,499</u>

## Consolidated Cash Flow Statement

	<i>31 March</i>	<i>31 March</i>
	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
<b>Cash flows from operating activities</b>		
Cash generated from operations	(5,514)	(4,034)
Income tax paid	(91)	–
<b>Net cash flows used in operating activities</b>	<u>(5,605)</u>	<u>(4,034)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	6	7
Interest received	205	484
Purchase of property, plant, equipment	(726)	(1,004)
Purchase of intangible assets	(133)	(52)
Acquisition of a subsidiary, net of cash acquired	<u>(21,442)</u>	–
<b>Net cash flows used in investing activities</b>	<u>(22,090)</u>	<u>(565)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	26,045	–
Transaction costs of issuing shares	(1,506)	–
Payment of finance lease liabilities	–	(62)
Interest paid	<u>(60)</u>	<u>(17)</u>
<b>Net cash flows from financing activities</b>	<u>24,479</u>	<u>(79)</u>
Net decrease in cash and cash equivalents	(3,216)	(4,678)
Effects of currency translation on cash and cash equivalents	30	–
Cash and cash equivalents at 1 April	<u>8,513</u>	<u>13,191</u>
<b>Cash and cash equivalents at 31 March</b>	<u><u>5,327</u></u>	<u><u>8,513</u></u>

## Part B

The following is the full text of the unaudited interim results of Redstone for the six months ended 30 September 2006, published on 30 November 2006:



**“30 November 2006**

### **REDSTONE PLC (“Redstone” or “the Group”)**

#### **Unaudited Interim Results for the six months ended 30 September 2006**

Redstone (AIM:RED.L), a leading provider of IT & Communications solutions in the UK and Ireland, today announces its financial results for the six months ended 30 September 2006.

#### **FINANCIAL HIGHLIGHTS**

- **Revenue up by 42% to £47.4m\*\***
- **Gross Profit up by 43% to £17.5m\*\***
- **Gross Profit percentage up to 36.8% from 36.4%\*\***
- **EBITDA profit of £2.9m\***
- **Profit after tax for the period of £1.0m (second profitable half in succession)**
- **Net cash generated from operating activities of £1.8m**
- **£30m debt facility agreed with Barclays Bank plc (“Barclays”)**
- **Announcement of recommended offer for IDN Telecom plc (“IDN Telecom”)**

\* before IFRS 2 charges and holiday pay accrual

\*\* compared with six months ended 30 September 2005

#### **OPERATIONAL HIGHLIGHTS**

- Successful acquisitions of Symphony Telecom Holdings plc and the Tolerant group of companies
- Integration of the two businesses is progressing ahead of plan and will be materially completed by the end of December 2006
- Recommended offer for IDN Telecom which will add critical mass to the fixed line business and bring in excess of 2,000 additional B2B customers
- Significant customer wins across divisions with organisations such as Xansa and examination boards from England, Northern Ireland and Wales
- Customer retention in Telecoms good

#### **Martin Balaam, Chief Executive Officer, Redstone, commented,**

“Following the transformation of the Group last year, I am delighted to report that the Group has continued to build on the sound fundamentals of generating profits, growth and cash. We believe that the outlook for the Group is positive and the Board remains committed to delivering growth both organically and acquisitively in the developing and consolidating telecoms and IT sector.”

## ENQUIRIES:

### Redstone plc

Martin Balaam, Chief Executive Officer  
Tim Perks, Chief Financial Officer

Tel. +44 (0)845 200 2200

### ICIS Limited

Tom Moriarty  
Paul Youens

Tel. +44 (0)20 7651 8688

or +44 (0)7769 937 626

## Chief Executive's Statement

I am very pleased to report that Redstone has continued to make significant progress over the six months ended 30 September 2006 and has become one of the leading IT & Communications solution providers for B2B customers within the UK and Ireland.

## Financial Highlights

Solid performance has been achieved across the Group, including the recently acquired companies. Revenue increased by 42% to £47.4m (H1 FY06: £33.5m). Gross Profit increased by 43% to £17.5m (H1 FY06: £12.2m), with the gross profit percentage increasing to 36.8% from 36.4% in the comparable period last year. As a result of continued cost control EBITDA increased to £2.9m\* for the period compared with a £2.0m loss for the corresponding period last year, and the Group was able to deliver a profit for the period of £1.0m. Net cash generated from operating activities was £1.8m, underpinning a strong balance sheet. The financial performance has facilitated the Group securing a new £30m facility with Barclays.

\*before IFRS 2 charges and holiday pay accrual

## Operational Highlights

### *Strategic acquisitions*

During the period Redstone successfully acquired Symphony Telecom Holdings plc and the Tolerant group of companies and can report that the integration of the two businesses is progressing ahead of plan and will be materially completed by the end of December 2006.

The acquisitions of Symphony and Tolerant were key milestones in Redstone's growth strategy and, as well as approximately 11,000 additional B2B customers, brought with them three strategic elements:

1. A mobile business that is a service provider for both O2 and Vodafone in the UK, combined with a mobile distribution business servicing all five major mobile network operators in the UK: 3, O2, Orange, T-Mobile and Vodafone
2. A fixed line telecoms business which complements the existing Redstone fixed line minutes business
3. Additional scale to the Redstone Managed Solution business through the acquisition of Tolerant

The recommended offer for IDN Telecom announced separately today, will add not only additional critical mass to the fixed line Redstone Telecom business, but will also bring with it in excess of 2,000 B2B customers and a strategic alliance with the Federation of Small Businesses. Redstone will continue to seek acquisition opportunities that add scale and skills and extend the customer base. The Directors believe this to be in the best interests of shareholders as a whole.

### *Business growth strategy and market positioning*

The strategic acquisitions to date, including the recommended offer for IDN Telecom, are key parts of a growth strategy that is designed to take full advantage of the developments within the Group's target market. Of particular note is the requirement for companies to IP-enable their telecoms networks. Given its combined competencies in both telecoms and IT services, Redstone is uniquely well positioned to enable its customers to make this transition. There is also a strong market trend towards working with one IT and communications supplier. Redstone is well positioned to fulfil this requirement with its five core business units:

**Redstone Telecom** provides high quality and reliable telephony network services to both the private and public sector, including inbound and outbound telephony, line rental, non geographic services, SMS and premium rate services.

**Redstone Mobile** is a leading service provider for O2 and Vodafone and a distributor for all five major mobile network operators.

**Redstone Converged Solutions** is a leading provider of converged IP solutions, with expertise in contact centres, voice and video, networks and security.

**Redstone Managed Solutions** provides a comprehensive portfolio of infrastructure and internet services suitable for all businesses and public sector organisations.

**Redstone Technology** is a leading supplier of business critical servers, enterprise storage solutions, engineering support services and professional services and consultancy.

### ***Business development***

During the first half of the financial year Redstone continued to expand its customer base, both through customer wins and also through acquisitions. Converged Solutions secured a significant contract with Xansa to provide an end-to-end contact centre solution to the Northern Ireland Water Service.

The Telecom division was selected to provide best-of-breed telecoms services to one of the country's largest contact call centres, Telecom Service Centres Limited. Managed Solutions further strengthened Redstone's position in the education sector and was awarded a three year contract with exam boards from England, Wales and Northern Ireland for the secure transfer of candidates' results.

In addition to winning new customers, Redstone has acquired a large number of B2B customers from Symphony and Tolerant, and expects to gain further B2B customers as a result of the recommended offer for IDN Telecom announced today. This will allow Redstone to build on its market position and provide an excellent opportunity for the cross selling of services. It will also ensure Redstone has sufficient critical mass to be able to tender for some of the UK's larger IT and communications projects.

### **Capital Restructure**

The Company currently does not have any reserves available for distribution, and this prevents the payment of a dividend, should the Board consider it appropriate. In order to address this situation, the Board is proposing a reduction of the Company's share premium account which will increase the level of its distributable reserves by an equivalent amount.

The proposed reduction of the Company's share premium account requires shareholder approval and confirmation by the Court before it can become effective. The Company will be sending a Circular to shareholders in due course convening an extraordinary general meeting of shareholders for this purpose.

### **Outlook**

The Directors believe that the outlook for the Group is positive and the Board remains committed to delivering growth both organically and acquisitively in the developing and consolidating telecoms and IT sector.

Martin Balaam  
*Chief Executive*

30 November 2006

## Consolidated Income Statement

		<i>Six months ended 30 September 2006</i>	<i>Six months ended 30 September 2005</i>	<i>Year ended 31 March 2006</i>
	<i>Note</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Revenue</b>		47,447	33,493	72,478
Cost of sales	3	<u>(29,980)</u>	<u>(21,286)</u>	<u>(46,303)</u>
<b>Gross profit</b>		17,467	12,207	26,175
Other operating income		239	210	568
Selling and distribution costs		(4,678)	(8,026)	(9,016)
Administrative expenses		(11,938)	(23,767)	(36,616)
Restructuring costs		<u>–</u>	<u>(4,062)</u>	<u>(4,006)</u>
<b>Operating profit/(loss) before goodwill impairment, amortisation of intangibles and restructuring costs</b>		2,042	(2,802)	(1,658)
Goodwill impairment		–	(16,078)	(16,078)
Amortisation of intangibles		(952)	(496)	(1,153)
Restructuring costs		<u>–</u>	<u>(4,062)</u>	<u>(4,006)</u>
<b>Operating profit/(loss)</b>		1,090	(23,438)	(22,895)
Finance income		129	138	199
Finance costs		<u>(371)</u>	<u>(43)</u>	<u>(221)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		848	(23,343)	(22,917)
Tax on profit/(loss) on ordinary activities		<u>154</u>	<u>137</u>	<u>392</u>
<b>Profit/(loss) for the period (attributable to equity holders of the parent Company)</b>		<u>1,002</u>	<u>(23,206)</u>	<u>(22,525)</u>
<b>Earnings per share</b>				
<b>Basic and diluted earnings per share</b>	5	<u>0.11p</u>	<u>(3.49)p</u>	<u>(3.22)p</u>
<b>Non GAAP Measures</b>				
<b>Gross profit % (gross profit as a percentage of revenue)</b>		36.8	36.4	36.1
<b>EBITDA (earnings before interest, tax, depreciation and amortisation) before goodwill impairment and restructuring costs</b>	5	2,556	(2,189)	(374)
<b>Basic and diluted EBITDA per share before goodwill impairment and restructuring costs</b>		<u>0.28p</u>	<u>(0.33)p</u>	<u>(0.05)p</u>

## Consolidated Statement of Changes in Equity

	<i>Called up share capital £000</i>	<i>Share premium account £000</i>	<i>Other reserves</i>				<i>Total equity £000</i>
			<i>Merger reserve £000</i>	<i>Translation reserve £000</i>	<i>Retained earnings £000</i>		
At 1 April 2005	8,472	185,336	216		(170,313)	23,711	
Loss for the period					(23,206)	(23,206)	
Share-based payments					192	192	
Currency translation differences				40		40	
Shares issued	4,550	24,270				28,820	
Costs associated with share issue		(1,507)				(1,507)	
At 30 September 2005	13,022	208,099	216	40	(193,327)	28,050	
Profit for the period					681	681	
Share-based payments					274	274	
Currency translation differences				14		14	
Costs associated with share issue		1				1	
At 1 April 2006	13,022	208,100	216	54	(192,372)	29,020	
Profit for the period					1,002	1,002	
Share-based payments					301	301	
Currency translation differences				(155)		(155)	
Shares issued	4,064	17,307				21,371	
Costs associated with share issue		(360)				(360)	
<b>At 30 September 2006</b>	<b>17,086</b>	<b>225,047</b>	<b>216</b>	<b>(101)</b>	<b>(191,069)</b>	<b>51,179</b>	

### Merger reserve

The merger reserve resulted from the acquisition of Redstone Communications Limited (formerly Redstone Network Services Limited) and represents the difference between the value of the shares acquired (nominal value plus related share premium) and the nominal value of the shares issued.

### Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

## Consolidated Balance Sheet

	<i>30 September</i> 2006 £000	<i>30 September</i> 2005 £000	<i>31 March</i> 2006 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	63,649	35,207	32,828
Property, plant and equipment	2,645	2,826	2,449
Deferred tax asset	2,092	–	2,147
Other non-current assets	639	581	545
	<u>69,025</u>	<u>38,614</u>	<u>37,969</u>
<b>Current assets</b>			
Inventories	862	938	241
Trade and other receivables	20,661	13,848	15,490
Cash and short term deposits	7,979	7,382	5,327
	<u>29,502</u>	<u>22,168</u>	<u>21,058</u>
<b>Total assets</b>	<u><u>98,527</u></u>	<u><u>60,782</u></u>	<u><u>59,027</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Called up share capital	17,086	13,022	13,022
Share premium account	225,047	208,099	208,100
Other reserves	115	256	270
Retained earnings	(191,069)	(193,327)	(192,372)
	<u>51,179</u>	<u>28,050</u>	<u>29,020</u>
<b>Current liabilities</b>			
Trade and other payables	28,518	24,636	23,245
Income tax payable	293	–	10
Provisions	1,711	2,188	1,989
	<u>30,522</u>	<u>26,824</u>	<u>25,244</u>
<b>Non-current liabilities</b>			
Trade and other payables	182	–	197
Provisions	1,139	2,680	1,492
Loan notes	1,439	643	643
Borrowings	9,755	–	–
Deferred tax liability	4,311	2,585	2,431
	<u>16,826</u>	<u>5,908</u>	<u>4,763</u>
<b>Total equity and liabilities</b>	<u><u>98,527</u></u>	<u><u>60,782</u></u>	<u><u>59,027</u></u>

## Consolidated Cash Flow Statement

		<i>Six months ended 30 September 2006</i>	<i>Six months ended 30 September 2005</i>	<i>Year ended 31 March 2006</i>
	<i>Note</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Cash flows from operating activities</b>				
Cash generated from operations	6	1,844	(4,089)	(5,514)
Income tax paid		(4)	(6)	(91)
<b>Net cash flows from/(used in) operating activities</b>		<u>1,840</u>	<u>(4,095)</u>	<u>(5,605)</u>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		–	–	6
Interest received		125	155	205
Purchase of property, plant and equipment		(342)	(418)	(726)
Purchase of intangible assets		(25)	–	(133)
Acquisition of subsidiaries, net of cash acquired		(19,879)	(21,268)	(21,442)
<b>Net cash flows used in investing activities</b>		<u>(20,121)</u>	<u>(21,531)</u>	<u>(22,090)</u>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares		20,021	26,045	26,045
Transaction costs of issuing shares		(360)	(1,507)	(1,506)
Proceeds from borrowings		5,000	–	–
Repayment of borrowings		(3,416)	–	–
Payment of finance lease liabilities		–	(2)	–
Interest paid		(287)	(41)	(60)
<b>Net cash flows from financing activities</b>		<u>20,958</u>	<u>24,495</u>	<u>24,479</u>
Net increase/(decrease) in cash and cash equivalents		2,677	(1,131)	(3,216)
Effects of currency translation on cash and cash equivalents		(25)	–	30
Cash and cash equivalents at 1 April		<u>5,327</u>	<u>8,513</u>	<u>8,513</u>
<b>Cash and cash equivalents at 30 September/31 March</b>		<u><u>7,979</u></u>	<u><u>7,382</u></u>	<u><u>5,327</u></u>

### Notes to the Results

#### 1 *Basis of preparation*

The interim financial information is unaudited but has been reviewed by the auditors, Ernst & Young LLP, and their report to Redstone plc is set out on page 15.

The interim report has been prepared in accordance with the accounting policies and methods of computation set out in the 31 March 2006 annual financial statements which were prepared under International Financial Reporting Standards. IAS 34 'Interim Financial Reporting' has not been applied to this interim financial information.

The financial information contained in the interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2006 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement made under Section 237(2) or Section 237(3) of the Companies Act 1985.

The interim report was approved by the Board on 30 November 2006.

## 2 Segment reporting

### Primary reporting format – Business Segments

#### (a) For the six months ended 30 September 2006

	<i>Telecom</i> £000	<i>Mobile Telecom</i> £000	<i>Converged Solutions</i> £000	<i>Managed Solutions</i> £000	<i>Technology</i> £000	<i>Central</i> £000	<i>Total</i> £000
<b>Revenue</b>	16,743	8,197	13,822	4,283	4,402	–	47,447
Operating costs excluding share-based payment transactions	(14,685)	(8,130)	(14,018)	(3,977)	(4,011)	(1,261)	(46,082)
Equity-settled share based payments	(16)	–	(98)	(13)	(15)	(159)	(301)
Cash-settled share-based payments	–	–	–	–	–	26	26
<b>Segment result</b>	2,042	67	(294)	293	376	(1,394)	1,090
Net finance cost							(242)
Tax on profit on ordinary activities							154
<b>Profit for the period</b>							1,002
<b>Assets and liabilities</b>							
Segment assets	29,580	14,703	25,117	10,670	10,392	5,973	96,435
Unallocated assets							2,092
Total assets							98,527
Segment liabilities	7,699	4,342	9,044	4,060	1,620	5,078	31,843
Unallocated liabilities							15,505
Total liabilities							47,348
<b>Other segment information</b>							
Capital expenditure							
Property, plant and equipment	52	4	61	79	37	109	342
Property, plant and equipment – business combination	147	87	–	133	–	–	367
Intangible asset – software	–	–	–	–	–	25	25
Intangible assets acquired – business combination	16,103	11,343	–	4,302	–	–	31,748
Depreciation	78	10	75	238	15	98	514
Amortisation	239	85	537	14	31	46	952

The new ‘Mobile Telecom’ division was created following the acquisition of Symphony Telecom Holdings plc (note 4).

**(b) For the six months ended 30 September 2005**

	<i>Telecom</i> £000	<i>Converged</i> <i>Solutions</i> £000	<i>Managed</i> <i>Solutions</i> £000	<i>Technology</i> £000	<i>Central</i> £000	<i>Total</i> £000
<b>Revenue</b>	<u>14,065</u>	<u>14,814</u>	<u>2,033</u>	<u>2,581</u>	<u>–</u>	<u>33,493</u>
Operating costs excluding share-based payment transactions, goodwill impairment and restructuring costs	(12,904)	(18,118)	(1,918)	(2,418)	(1,241)	(36,599)
Equity-settled share based payments	–	(31)	–	–	(161)	(192)
Goodwill impairment	(2,286)	(13,792)	–	–	–	(16,078)
Restructuring costs	<u>(54)</u>	<u>(1,636)</u>	<u>(47)</u>	<u>(144)</u>	<u>(2,181)</u>	<u>(4,062)</u>
<b>Segment result</b>	<u>(1,179)</u>	<u>(18,763)</u>	<u>68</u>	<u>19</u>	<u>(3,583)</u>	<u>(23,438)</u>
Net finance income						95
Tax on profit on ordinary activities						137
<b>Loss for the period</b>						<u>(23,206)</u>
<b>Assets and liabilities</b>						
Segment assets	<u>7,779</u>	<u>37,416</u>	<u>4,785</u>	<u>1,104</u>	<u>9,698</u>	<u>60,782</u>
Segment liabilities	6,804	10,502	1,800	1,056	9,342	29,504
Unallocated liabilities						3,228
Total liabilities						<u>32,732</u>
<b>Other segment information</b>						
Capital expenditure						
Property, plant and equipment	–	63	144	7	162	376
Property, plant and equipment – business combination	–	384	–	42	–	426
Intangible asset – software	–	–	–	–	133	133
Intangible assets acquired – business combination	<u>–</u>	<u>20,788</u>	<u>–</u>	<u>7,879</u>	<u>–</u>	<u>28,667</u>
Depreciation	48	109	187	16	253	613
Goodwill impairment	2,286	13,792	–	–	–	16,078
Amortisation	<u>–</u>	<u>447</u>	<u>–</u>	<u>–</u>	<u>49</u>	<u>496</u>

**(c) For the year ended 31 March 2006**

	<i>Telecom</i> £000	<i>Converged</i> <i>Solutions</i> £000	<i>Managed</i> <i>Solutions</i> £000	<i>Technology</i> £000	<i>Central</i> £000	<i>Total</i> £000
<b>Revenue</b>	<u>27,994</u>	<u>32,149</u>	<u>4,071</u>	<u>8,264</u>	<u>–</u>	<u>72,478</u>
Operating costs excluding share-based payment transactions, goodwill impairment and restructuring costs	(25,539)	(35,667)	(3,837)	(7,602)	(2,116)	(74,761)
Equity-settled share-based payments	(10)	(114)	(12)	(17)	(313)	(466)
Cash-settled share-based payments	–	–	–	–	(62)	(62)
Goodwill impairment	(2,286)	(13,792)	–	–	–	(16,078)
Restructuring costs	(54)	(1,674)	(47)	(248)	(1,983)	(4,006)
<b>Segment result</b>	<u>105</u>	<u>(19,098)</u>	<u>175</u>	<u>397</u>	<u>(4,474)</u>	<u>(22,895)</u>
Net finance costs						(22)
Tax on profit on ordinary activities						392
<b>Loss for the year</b>						<u>(22,525)</u>
<b>Assets and liabilities</b>						
Segment assets	6,694	28,022	4,669	11,362	6,133	56,880
Unallocated assets						2,147
Total assets						<u>59,027</u>
Segment liabilities	6,237	10,340	2,412	1,758	6,186	26,933
Unallocated liabilities						3,074
Total liabilities						<u>30,007</u>
<b>Other segment information</b>						
Capital expenditure						
Property, plant and equipment	–	170	296	60	200	726
Property, plant and equipment acquired – business combination	–	384	–	42	–	426
Intangible asset – software	–	–	–	–	133	133
Intangible assets acquired – business combinations	–	20,788	–	7,879	–	28,667
Depreciation	217	240	337	34	456	1,284
Goodwill impairment	2,286	13,792	–	–	–	16,078
Amortisation	–	956	–	57	140	1,153

## Secondary reporting format – Geographical segments

The analyses for the six months are as follows:

	30 September 2006				30 September 2005			
	UK £000	Ireland £000	Other £000	Total £000	UK £000	Ireland £000	Other £000	Total £000
<b>Revenue</b>	42,066	4,408	973	47,447	29,888	2,588	1,017	33,493
<b>Other segment information</b>								
Segment assets	86,403	10,392	–	96,435	59,678	1,104	–	60,782
Unallocated assets				2,092				–
Total assets				<u>98,527</u>				<u>60,782</u>
<b>Other segment information</b>								
Capital expenditure								
Property, plant and equipment	305	37	–	342	369	7	–	376
Property, plant and equipment acquired – business combination	349	–	18	367	384	42	–	426
Intangible asset – software	25	–	–	25	133	–	–	133
Intangible assets acquired – business combination	31,748	–	–	31,748	20,788	7,879	–	28,667

The analysis for the year ended 31 March 2006 is as follows:

	31 March 2006			Total £000
	UK £000	Ireland £000	Other £000	
<b>Revenue</b>	62,833	8,264	1,381	72,478
<b>Other segment information</b>				
Segment assets	45,518	11,362	–	56,880
Unallocated assets				2,147
Total assets				<u>59,027</u>
<b>Other segment information</b>				
Capital expenditure				
Property, plant and equipment	666	60	–	726
Property, plant and equipment acquired – business combination	384	42	–	426
Intangible asset – software	133	–	–	133
Intangible assets acquired – business combination	20,788	7,879	–	28,667

### 3 Exceptional item

During the period, the Group concluded certain supplier negotiations which resulted in a credit received of £1,000,000, reducing the reported cost of sales by the same amount. The effect of this credit is reported within operating costs of the Telecoms Business in note 2(a).

### 4 Business combinations

During the period Redstone acquired five companies Symphony Telecoms Holdings plc, Tolerant Systems Limited, Net Adept Limited, Net Quest Limited and Trent Datacomms Limited. The acquisitions are subject to preliminary purchase accounting.

On 18 July 2006 Redstone acquired Symphony Telecoms Holdings plc for a total consideration, including costs, of £18.7 million, such consideration being satisfied in cash. The Company issued 381,350,000 Ordinary shares for the placing as at 18 July to finance the acquisition.

On 19 July 2006 Redstone acquired Tolerant Systems Limited, Net Adept Limited, Net Quest Limited and Trent Datacomms Limited for a total consideration, including costs, of £4.0 million, such consideration being satisfied as to 25,000,000 Redstone plc Ordinary shares for value of £1,350,000, £1,600,000 in cash and £800,000 by way of loan notes.

Following the issue of shares to fund the aforementioned acquisitions, the Ordinary share capital as at 30 September 2006 is £11,402,593, comprising 1,140,259,263 Ordinary shares (30 September 2005 and 31 March 2006: £7,339,093 comprising 733,909,263 Ordinary shares).

### 5 Earnings per share

Basic and diluted earnings per share are both calculated using a profit of £1,002,000 (30 September 2005: loss of £23,206,000 and 31 March 2006: loss of £22,525,000) and a weighted average number of shares of 898,225,656 (30 September 2005: 664,291,440 and 31 March 2006: 699,004,985)

There was no dilutive effect of share options at 30 September 2006, 30 September 2005 or 31 March 2006.

In addition, EBITDA (earnings before interest, tax, depreciation and amortisation) before goodwill impairment and restructuring costs per share has been shown on the grounds that it is a common metric used by the market in monitoring similar businesses. This measure is derived as follows:

	<i>Six months ended 30 September 2006 £000</i>	<i>Six months ended 30 September 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Profit/(loss) for the period	1,002	(23,206)	(22,525)
Net finance costs/(income)	242	(95)	22
Tax	(154)	(137)	(392)
Depreciation	514	613	1,284
Amortisation of intangibles	952	496	1,153
Restructuring costs	–	4,062	4,006
Goodwill impairment	–	16,078	16,078
EBITDA before goodwill impairment and restructuring costs	<u>2,556</u>	<u>(2,189)</u>	<u>(374)</u>
IFRS 2 charges and holiday pay accrual	<u>383</u>	<u>162</u>	<u>430</u>
EBITDA before goodwill impairment, restructuring costs, IFRS 2 charges and holiday pay accrual	2,939	(2,027)	56

## 6 Cash generated from operations

	<i>Six months ended 30 September 2006 £000</i>	<i>Six months ended 30 September 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Operating profit/(loss)	1,090	(23,438)	(22,895)
Adjustments for:			
Depreciation of property, plant and equipment	514	613	1,284
Amortisation of intangible assets	952	496	1,153
Goodwill impairment charge	–	16,078	16,078
Equity-settled share-based payments	301	192	466
Cash-settled share-based payments	(26)	–	62
Loss on disposal of property, plant and equipment	–	–	32
Movements in working capital			
Decrease in inventories	68	128	825
Decrease/(increase) in trade and other receivables	2,618	(496)	(2,119)
(Decrease)/increase in trade and other payables	(2,863)	566	(776)
Increase in non-current assets	(94)	(151)	(116)
(Decrease)/increase in provisions	(716)	1,923	492
Cash generated from operations	<u>1,844</u>	<u>(4,089)</u>	<u>(5,514)</u>

## INDEPENDENT REVIEW REPORT TO REDSTONE PLC

### Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2006 which comprises the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement, and the related notes 1 to 6. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company having regard to guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

### Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report as required by the AIM Rules issued by the London Stock Exchange.

### Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

**Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.

Ernst & Young LLP  
London

30 November 2006”

## APPENDIX 3

### Financial information on IDN

#### Part A

#### Nature of financial information

The financial information contained in Appendix 3 does not constitute statutory accounts within the meaning of section 240 of the Act. For the years ended 31 October 2005, 2004 and 2003 the information has been extracted from the full audited consolidated accounts of IDN Telecom plc. The auditor's report on those accounts was unqualified and did not contain any statement under section 237 of the Act.

As disclosed below the Profit and Loss Account, the figures for 2005 have been restated to reflect the adoption of a new accounting standard FRS21 – Events after the balance sheet date. The effect of adopting FRS21 is to reflect the final dividend for the year ended 31 October 2005 in the accounts for the year ended 31 October 2006 as the dividend was proposed after 31 October 2005. The retained profit for the year ended 31 October 2005 and net assets as of that date have therefore increased by the amount of the dividend, £96,979, and current liabilities at that date have correspondingly reduced by that amount.

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Year ended 31 October 2005 (restated) £</i>	<i>Year ended 31 October 2004 £</i>	<i>Year ended 31 October 2003 £</i>
<b>TURNOVER</b>	14,309,274	13,016,571	9,208,972
Cost of sales	(10,123,039)	(9,335,911)	(6,421,880)
<b>GROSS PROFIT</b>	4,186,235	3,680,660	2,787,092
Administrative expenses	(3,289,087)	(2,999,271)	(2,498,986)
<b>OPERATING PROFIT</b>	897,148	681,389	288,106
Interest receivable	9,503	5,801	44
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST PAYABLE</b>	906,651	687,190	288,150
Interest payable and similar charges	(2,078)	(27,968)	(29,789)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	904,573	659,222	258,361
Taxation	(190)	–	–
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	904,383	659,222	258,361
Dividends	–	–	–
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	904,383	659,222	258,361
<b>EARNINGS PER SHARE</b>			
Basic	0.23p	0.17p	0.07p
Fully diluted	0.22p	0.16p	0.06p

#### RESTATEMENT OF ACCOUNTS FOR YEAR ENDED 31 OCTOBER 2005

During the year ended 31 October 2006 the Group adopted FRS21 – Events after the Balance Sheet Date which applies for accounting periods commencing on or after 1 January 2005.

The effect of adopting FRS21 is to reflect the final dividend for the year ended 31 October 2005 in the accounts for the year ended 31 October 2006 as the dividend was proposed after 31 October 2005. The retained profit for the year ended 31 October 2005 and net assets as of that date have therefore increased by the amount of the dividend, £96,979, and current liabilities at that date have correspondingly reduced by that amount.

## CONTINUING OPERATIONS

None of the Group's activities were acquired or discontinued during the above three financial years.

## TOTAL RECOGNISED GAINS AND LOSSES

The Group made no recognised gains or losses in the above three financial years other than the profit or loss for the year.

## CONSOLIDATED BALANCE SHEET AS AT 31ST OCTOBER

	<i>2005</i> <i>(restated)</i> £	<i>2004</i> £	<i>2003</i> £
<b>FIXED ASSETS</b>			
Intangible assets	512,388	616,388	720,388
Tangible assets	240,755	154,387	216,527
Investments	125	125	125
	<u>753,268</u>	<u>770,900</u>	<u>937,040</u>
<b>CURRENT ASSETS</b>			
Stock	19,700	27,200	20,400
Debtors	2,390,442	2,304,061	1,700,787
Cash at bank and in hand	868,989	29,346	–
	<u>3,279,131</u>	<u>2,360,607</u>	<u>1,721,187</u>
<b>CREDITORS: Amounts falling due within one year</b>			
Trade and other creditors	2,058,968	2,059,871	1,956,756
Bank loan and overdrafts	–	–	276,971
Taxation	–	–	–
	<u>2,058,968</u>	<u>2,059,871</u>	<u>2,233,727</u>
<b>NET CURRENT ASSETS</b>	<u>1,220,163</u>	<u>300,736</u>	<u>(512,540)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>1,973,431</u>	<u>1,071,636</u>	<u>424,500</u>
<b>CREDITORS: Amounts falling due after more than one year</b>			
Trade and other creditors	(3,042)	(5,630)	(17,716)
	<u>1,970,389</u>	<u>1,066,006</u>	<u>406,784</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	1,939,583	1,939,583	1,939,583
Share premium account	2,432,765	2,432,765	2,432,765
Profit and loss account	(2,401,959)	(3,306,342)	(3,965,564)
<b>SHAREHOLDERS' FUNDS (all equity)</b>	<u>1,970,389</u>	<u>1,066,006</u>	<u>406,784</u>

## GROUP CASHFLOW STATEMENT

	2005 £	2004 £	2003 £
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	1,060,189	437,364	(133,697)
<b>RETURN ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received	9,503	5,801	44
Hire purchase and finance lease interest	(1,024)	(1,352)	(10,086)
Bank overdraft and other interest	<u>(1,054)</u>	<u>(26,616)</u>	<u>(19,703)</u>
<b>NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>	7,425	(22,167)	(29,745)
<b>TAXATION</b>			
Taxes paid	(190)	–	–
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS</b>			
Receipts from the sale of tangible fixed assets	–	–	18,298
Payments to acquire tangible fixed assets	<u>(215,695)</u>	<u>(87,237)</u>	<u>(7,532)</u>
<b>NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS</b>	<u>(215,695)</u>	<u>(87,237)</u>	<u>10,766</u>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>	851,729	327,960	(152,676)
<b>FINANCING</b>			
Repayments of loan stock	–	–	(90,000)
Proceeds from shares issued	–	–	430,000
Capital element of finance lease rentals	(12,086)	(21,643)	(58,272)
	<u>(12,086)</u>	<u>(21,643)</u>	<u>281,728</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u><u>839,643</u></u>	<u><u>306,317</u></u>	<u><u>129,052</u></u>

### Principal accounting policies

#### *Accounting convention*

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

#### *Adoption of FRS21 – Events After the Balance Sheet Date*

During the year ended 31 October 2006 the Group adopted FRS21 – Events after the Balance Sheet Date which applies for accounting periods commencing on or after 1 January 2005.

The effect of adopting FRS21 is to reflect the final dividend for the year ended 31 October 2005 in the accounts for the year ended 31 October 2006 as the dividend was proposed after 31 October 2005.

#### *Intangible fixed assets*

Goodwill is calculated as the difference between the amount paid on acquisition of a subsidiary and the aggregate fair value of its separate net assets.

Goodwill arising on consolidation is being amortised over a ten year period, being the directors' estimate of its useful economic life.

### ***Tangible fixed assets***

Depreciation has been provided at the following annual rates in order to reduce each asset to its estimated residual value at the end of its period of use:

Office and computer equipment/software	– 20%, 24% and 33⅓% of cost
Fixtures and fittings	– 24% of cost
Web site development	– 100% of cost

### ***Stock***

The stock of goods for resale is valued at the lower of cost and net realisable value after making allowance for obsolete and slow moving items.

### ***Turnover***

Turnover represents net sales of services at invoiced value, excluding value added tax.

### ***Hire purchase and finance leases***

The cost of assets held under hire purchase contracts are included within tangible fixed assets and depreciated at the appropriate rates. The capital element of future repayments is included in creditors, whilst the finance charge element is written off to the profit and loss account.

Assets leased by the company under finance leases have been capitalised at cost and depreciated at the appropriate rates. The finance charges payable over the term of the lease are charged against revenue on a straight line basis. Obligations to pay future rentals under finance lease contracts are disclosed under trade and other creditors.

### ***Operating leases***

The costs of operating leases are charged to the profit and loss account as incurred.

### ***Deferred taxation***

Deferred taxation is recognised by the group in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax assets, where material, are recognised to the extent that they are expected to be recoverable.

### ***Pension Costs***

The group contributes to certain individuals own pension schemes, these contributions are charged to the profit and loss account as incurred.

### ***Consolidation***

The financial periods of the subsidiaries are coterminous with IDN Telecom plc. The results, assets and liabilities of the trading subsidiaries have been included in these group accounts under acquisition accounting.

## Part B

The following is the full text of the unaudited preliminary results of IDN for the year ended 31 October 2006, published on 30 November 2006:

### **“IDN Telecom plc (“IDN”, “the Group” or the “Company”)**

#### **Preliminary results for year ended 31 October 2006**

IDN, a leading independent provider of telecommunications services for landline, mobile, data and consultancy, has today announced its unaudited preliminary results for the year to 31st October 2006. They show a significant increase in revenues and profitability.

#### **Highlights**

	<i>2006</i> <i>£'000</i> <i>(unaudited)</i>	<i>2005</i> <i>£'000</i> <i>(audited)</i>	<i>Increase</i> <i>%</i>
<b>Underlying Performance</b>			
Revenues	16,531	14,309	16%
EBITDA before exceptional items	1,562	1,130	38%
Profit before tax and exceptional items	1,322	904	46%
Basic earnings per share before exceptional items	0.34p	0.23p	48%
Diluted earnings per share before exceptional items	0.33p	0.22p	50%

#### **Profits increase by 46%**

Profit before tax and exceptionals rose by 46% to £1,322,000 and represents 8% of revenues as compared to 6% in 2005.

#### **Revenues up by 16%**

Revenues increased by 16% to reach £16,531,000. Strong growth achieved in the public sector and retail markets and from the Federation of Small Business affinity scheme.

#### **Excellent second half performance**

Growth in the second half of 2006 year was very strong with profit before tax and exceptional items up by 72% and revenues up by 26% versus the same period in 2005.

## **Chairman's Statement**

### **Results Overview**

2006 was another excellent year for IDN as continued customer demand for IDN's range of fixed, mobile and related services has resulted in a further strong financial performance.

Revenues grew by 16% to reach £16,531,000 whilst pre-tax profits, before exceptional costs, increased from £904,000 in 2005 to £1,322,000, an improvement of 46%. Earnings before interest, tax, depreciation, amortisation and exceptionals closed at £1,562,000 versus £1,130,000 in 2005. Exceptional charges of £159,000 were incurred in respect of a single large bad debt and restructuring costs in the first quarter of this year. Additionally, further exceptional costs of £176,000 have been incurred in respect of the offer received today from Redstone Group plc for the acquisition of all the issued and to be issued share capital of IDN Telecom plc. Net assets rose by 45% to £2,860,000 (2005 £1,970,000) and net cash closed at £402,000.

IDN is pleased to confirm that 2006 was another record year for line rental revenues which increased by £2,945,000 or 81% to reach £6,595,000. In the Chairman's Statement contained in the 2005 Annual Report, I confirmed that IDN intended to drive down call traffic revenues to below 50% of total income in 2006. IDN is pleased to announce that this has been achieved with call traffic now equating to 45% of total revenues, as compared to 58% in 2005.

Gross margins amounted to 25% reflecting the change in product mix highlighted above. Notwithstanding the 16% rise in Revenues, productivity again improved as overheads before exceptional costs fell by 11% to £2,920,000. Overheads before exceptional costs equate to 18% of revenues in 2006 as compared to 23% in 2005.

Pre-tax profits before exceptionals amounted to £1,322,000 or 8% of revenues. This is a further marked improvement on 2005 when pre-tax profits amounted to 6% of revenues.

Cash generation in the year was impacted by accelerated payments to British Telecom following a major reduction in the time required by BT to raise invoices and secure payments from its customers. As BT is the largest single supplier to IDN this adversely impacted cash flow in 2006 by £500,000. The overall cash position closed in the year at £402,000.

Finally, the second half year of 2006 has been a period of excellent improvement across a range of key performance indicators. Notably, profit before tax growth of 72% was recorded in the second half of the year against the same period in 2005. This is a highly commendable performance, especially in a market segment that is known to be very competitive. Similarly, total revenues increased by 26%, line rental revenues by 85% and overheads before exceptional items fell to 14% of revenues (an all time record) during the same period. This would not have been possible without further productivity improvements from the employees of IDN.

### **Operations Review**

The telecommunications sector has been changing rapidly for a number of years and the last 12 months has been no different.

Competition and the trend towards fixed, mobile and data convergence continues unabated. This is leading to the expansion of services from large fixed, mobile and data providers as they target an increasing proportion of customer's communications expenditure.

IDN believes that its primary fixed line competitors are showing signs of improved service levels and increased competitiveness generally and it expects this trend to continue. The major mobile networks seem to be focused on taking greater control of their sales channels and are targeting clients with smaller handset volumes than previously was the case. The increased "own label" high street presence of the major mobile entities is also part of this process. With the continued growth in internet usage, improvements in broadband speeds and enhanced product availability, data companies are increasing their penetration of the "calls" sector in parts of the UK market.

From a technical perspective there have been a number of interesting developments. The fixed and mobile product "Fusion" has now been launched by BT. A number of other companies have launched their own internet based Voice over Internet Protocol (VoIP) solutions, including many new companies alongside the established voice suppliers. Wi-Max trials are also emerging in the UK as another alternative in the highly competitive broadband sector.

For IDN this means that it needs to have continued diligence and focus on the needs of its customers. IDN believes that whilst most customers will seek established products and services there will also be some that wish to evaluate new emerging services and solutions. As such IDN will continue to have a sharp focus on maintaining not only an established and well proven product and solution set but also “new” emerging services will be evaluated and adopted as appropriate.

Customer focus remains unchanged in the year as IDN continued to target multi site customers with spend between £10,000 and £750,000 per annum. IDN’s core target markets are the Public Sector and Retail segments and it has won important new contracts in both these sectors over the last 12 months. This has been supplemented by the contract with the Federation of Small Business under which IDN offers telecommunication services to its members. With over 200,000 members the penetration of the member base by IDN is still very small at only 0.5% but annualised revenues are already £0.7m, which shows the huge potential of this long term relationship. IDN now has in total over 2,000 customers as compared to 1,200 at the end of 2005.

From a product perspective, IDN has been pursuing increased revenues from line rental services for a number of years. This helps to provide security of revenues, by minimising the impact of call traffic volatility on financial performance whilst also reducing churn and satisfying a substantive client need. Line rental growth of 81% in the past 12 months has surpassed all of IDN’s expectations and now accounts for 40% of Revenues.

Whilst IDN has been pro-active in terms of promoting line rental, billing and, in the latter stages of 2006, IP based solutions, it has taken a decision to be re-active on mobility solutions as it believes that IP based services currently offer a more viable, sustainable and long term platform for growth than a mobile centric business model. As the mobile networks review continually their sales channel strategy with a view to increasing market share and reducing churn, by broadening its service offering, IDN will reduce the risk of excessive exposure to Mobility revenues.

As previously reported, IDN has launched a suite of IP based solutions to supplement their fixed, mobile and data services. Initial orders have already been received and IDN has a growing list of interested parties that supports its belief that IP based solutions will be a future growth area for the Group.

A vital supplement to the product set is excellence in customer service, billing and information provision. Perceptions of poor or inadequate levels of customer service are probably the single largest contributor to client dissatisfaction and ultimately churn. As such, IDN has continued to strive for the very highest standard in terms of customer care. Billing and the provision of concise and customer specific information based on a clients actual usage has been a key feature of a majority of IDN’s large customer wins in 2006. As with customer services IDN has increased its staffing levels in this function in order that it can continue to provide the high standard of care which it believes differentiates IDN from its competitors.

The Board believes that by combining all of IDN’s solutions, IDN provides a compelling one stop shop Managed Service to its target market. Convergence and the pace of technological change alongside the impact of performance pressures on nearly all business in the UK today, create increased demand for its products. Throughout 2006, customers have continued to seek to implement the most appropriate solutions for their businesses which minimise the internal support required from their staff and IDN believes this trend will continue.

In the first quarter of the year, IDN restructured its direct sales teams to ensure that greater focus was placed on the sale of managed solutions in conjunction with its indirect sales channels. This has proved to be an excellent decision as revenue and profit growth increased significantly throughout the year.

## **Strategy and Outlook**

IDN has shown an ability to deliver continued performance enhancement against a background of uncertainty and volatility and has achieved consistent growth over the last 4 years with increasing levels of profitability. The key to this achievement has been a concentration on the needs of its customers and the deployment of products and services from established supplier and partners. Additionally, experienced customer facing employees have been recruited and equipped with the right tools in terms of IT infrastructure to ensure that the customer experience is optimized.

IDN considers that future success will depend on maintaining a clear focus on the needs of its customers. Considerable emphasis will also be placed on customer care and service delivery to ensure that IDN is well placed to achieve continued success.

**Offer**

It has been announced today that the boards of IDN Telecom plc and Redstone plc have reached final agreement on the terms of a recommended cash offer to be made by Evolution Securities on behalf of Redstone plc for the entire issued and to be issued share capital of IDN. The IDN Directors, after thorough deliberation and professional advice, have decided to recommend the Offer as they believe it represents fair value to IDN Shareholders. Further details regarding this Offer will be set out in an Offer Document which will be posted to Shareholders as soon as possible. Under the circumstances the IDN Directors will not recommend a final dividend for the year ended 31 October 2006.

**Staff and Management**

Building on the success of 2005 was always going to be a challenge, but it has been accomplished, as 2006 has been another excellent year of progress for IDN. Without the support of IDN's employees and the numerous business partners that it works with on a day to day basis, the results of 2006 would not have been possible and I would like to extend my gratitude to all employees for their dedication and hard work over the past year.

Barry Roberts  
*Chairman*

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Year ended</i> <i>31 October 2006</i> <i>(unaudited)</i> £	<i>Year ended</i> <i>31 October 2005</i> <i>(restated)</i> £
<b>TURNOVER</b>	16,530,891	14,309,274
Cost of sales	(12,296,953)	(10,123,039)
Exceptional item	<u>(100,000)</u>	<u>–</u>
<b>GROSS PROFIT</b>	4,133,938	4,186,235
Administrative expenses	(2,920,187)	(3,289,087)
Exceptional items	<u>(235,000)</u>	<u>–</u>
<b>OPERATING PROFIT</b>	978,751	897,148
Interest receivable	<u>12,345</u>	<u>9,503</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST PAYABLE</b>	991,096	906,651
Interest payable and similar charges	<u>(4,472)</u>	<u>(2,078)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	986,624	904,573
Taxation	<u>–</u>	<u>(190)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	<u>986,624</u>	<u>904,383</u>
Profit and loss account reserves brought forward	(2,401,959)	(3,306,342)
Profit for the year	986,624	904,383
Dividends	<u>(96,979)</u>	<u>–</u>
<b>Profit and loss account reserves carried forward</b>	<u><u>(1,512,314)</u></u>	<u><u>(2,401,959)</u></u>
<b>EARNINGS PER SHARE</b>		
Basic	0.25p	0.23p
Fully diluted	<u>0.25p</u>	<u>0.22p</u>

### RESTATEMENT OF ACCOUNTS FOR YEAR ENDED 31 OCTOBER 2005

During the year ended 31 October 2006 the Group adopted FRS21 – Events after the Balance Sheet Date which applies for accounting periods commencing on or after 1 January 2005.

The effect of adopting FRS21 is to reflect the final dividend for the year ended 31 October 2005 in the accounts for the year ended 31 October 2006 as the dividend was proposed after 31 October 2005. The retained profit for the year ended 31 October 2005 and net assets as of that date have therefore increased by the amount of the dividend, £96,979, and current liabilities at that date have correspondingly reduced by that amount.

### CONTINUING OPERATIONS

None of the Group's activities were acquired or discontinued during the above two financial years.

### TOTAL RECOGNISED GAINS AND LOSSES

The Group made no recognised gains or losses in the above two financial years other than the profit or loss for the year.

**CONSOLIDATED BALANCE SHEET AS AT 31ST OCTOBER**

	2006 <i>(unaudited)</i> £	2005 <i>(restated)</i> £
<b>FIXED ASSETS</b>		
Intangible assets	408,388	512,388
Tangible assets	225,337	240,755
Investments	125	125
	<u>633,850</u>	<u>753,268</u>
<b>CURRENT ASSETS</b>		
Stock	19,700	19,700
Debtors	3,574,167	2,390,442
Cash at bank and in hand	402,330	868,989
	<u>3,996,197</u>	<u>3,279,131</u>
<b>CREDITORS: Amounts falling due within one year</b>		
Trade and other creditors	1,770,013	2,058,968
Bank loan and overdrafts	–	–
Dividends	–	–
Taxation	–	–
	<u>1,770,013</u>	<u>2,058,968</u>
<b>NET CURRENT ASSETS</b>	<u>2,226,184</u>	<u>1,220,163</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>2,860,034</u>	<u>1,973,431</u>
<b>CREDITORS: Amounts falling due after more than one year</b>		
Trade and other creditors	–	(3,042)
	<u>2,860,034</u>	<u>1,970,389</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	1,939,583	1,939,583
Share premium account	2,432,765	2,432,765
Profit and loss account	(1,512,314)	(2,401,959)
<b>SHAREHOLDERS' FUNDS (all equity)</b>	<u>2,860,034</u>	<u>1,970,389</u>

## GROUP CASHFLOW STATEMENT

	2006 <i>(unaudited)</i> £	2005 <i>(audited)</i> £
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	(250,034)	1,060,189
<b>RETURN ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	12,345	9,503
Hire purchase and finance lease interest	(660)	(1,024)
Bank overdraft and other interest	–	(1,054)
	<u>          </u>	<u>          </u>
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>	11,685	7,425
<b>TAXATION</b>		
Taxes paid	–	(190)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS</b>		
Payments to acquire tangible fixed assets	(128,743)	(215,695)
	<u>          </u>	<u>          </u>
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS</b>	(128,743)	(215,695)
<b>NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>	(367,092)	851,729
<b>FINANCING</b>		
Capital element of finance lease rentals	(2,588)	(12,086)
Dividends	(96,979)	–
	<u>          </u>	<u>          </u>
	(99,567)	(12,086)
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(466,659)</u>	<u>839,643</u>

### Notes:

#### 1. *Statutory accounts*

The unaudited financial information presented does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The unaudited results have been extracted from the accounts of the Company for the year ended 31 October 2006.

The accounts, on which the audit report is yet to be signed, will be sent to shareholders and delivered to the Registrar of Companies in due course.

#### 2. *Dividends*

The Directors do not propose a dividend for the year ended 31 October 2006.

A final dividend of 0.025 pence per share for the year ended 31 October 2005 was paid on 10 May 2006 to those shareholders on the register on 7 April 2006.

**3. Copies of Annual Report**

Copies of the Report and Accounts will be posted to shareholders in due course and will be available from the Company's registered office, Thorpe House, 93 Headlands, Kettering, Northants, NN15 6BL.

**4. Earnings per share**

Basic and diluted earnings per share have been calculated using the group's earnings attributable to equity shareholders of £986,624 (2005: £904,383), and the weighted average number of shares calculated as follows:

Weighted average number of shares:

	<i>2006</i>	<i>2005</i>
For basic earnings per share	387,916,660	387,916,660
Share options	<u>13,586,250</u>	<u>13,586,250</u>
For diluted earnings per share	<u>401,502,910</u>	<u>401,502,910</u>

## APPENDIX 4

### Additional information

#### 1. Responsibility

- (a) The Redstone Directors, whose names are set out in paragraph 2(a) below, accept responsibility for the information contained in this document other than that relating to the IDN Group, the IDN Directors, their immediate families, related trusts and connected persons. To the best of the knowledge and belief of the Redstone 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.
- (b) The IDN Directors, whose names are set out in paragraph 2(b) below, accept responsibility for the information contained in this document relating to the IDN Group, the IDN Directors, their immediate families, related trusts and connected persons. To the best of the knowledge and belief of the IDN 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. Directors

- (a) The Redstone Directors and their respective functions are as follows:

<i>Name</i>	<i>Function</i>
Alan Charles Coppin	Non-executive Chairman
Martin Balaam	Chief Executive Officer
Timothy Howard Perks	Chief Financial Officer
David Graham Payne	Non-executive Director
Oliver John Vaughan	Non-executive Director
Gerard Spencer	Non-executive Director

Redstone is a public company limited by shares and incorporated in England and Wales under the Act with registered number 3336134. The registered office of Redstone is 80 Great Eastern Street, London, EC2A 3RS.

- (b) The IDN Directors and their respective functions are as follows:

<i>Name</i>	<i>Function</i>
Charles Barry Roberts	Non-executive Chairman
Michael Morrison	Managing Director
Gordon Hermiston	Finance Director
Colin Amies	Non-executive Director

IDN is a public company limited by shares and incorporated in England and Wales under the Act with registered number 4041485. The registered office of IDN is Thorpe House, 93 Headlands, Kettering, Northamptonshire NN15 6BL.

### 3. Interests and dealings

#### (a) *Interests and dealings in IDN Shares*

- (i) As at the close of business on 30 November 2006 (being the latest practicable date prior to the publication of this document), the interests of the IDN Directors and their immediate families and connected persons, all of which are beneficial unless otherwise stated, in the share capital of IDN (as shown in the register required to be kept under the provisions of section 325 of the Act or which have been notified to IDN pursuant to sections 324 or 328 of the Act) were (with the exception of options in respect of IDN Shares which are set out in sub-paragraph (ii) below) as follows:

<i>Name</i>	<i>Number of IDN Shares</i>	<i>Percentage of existing issued share capital</i>
Charles Barry Roberts	75,000,000 <sup>^</sup>	19.3
Michael Morrison	17,800,000*	4.6

<sup>^</sup> includes 74,999,900 IDN Shares held by Strand Nominees Limited as nominee

\* includes 2,300,000 IDN Shares which are held in a pension fund of which Mr Morrison is the sole beneficiary

- (ii) As at the close of business on 30 November 2006 (being the latest practicable date prior to the publication of this document) the following options in respect of IDN Shares had been granted to Michael Morrison for nil consideration and remained outstanding under the IDN Share Option Schemes:

<i>Name</i>	<i>Name of Share Scheme</i>	<i>Date of Grant</i>	<i>Number of IDN Shares under option</i>	<i>Exercise Price</i>	<i>Exercisable from</i>	<i>Expiry Date</i>
Michael Morrison	Unapproved Scheme	29.09.03	1,391,150	0.82p	29.06.06	29.09.13
Michael Morrison	EMI Scheme	29.09.03	12,195,100	0.82p	29.06.06	29.09.13

- (iii) As at close of business on 30 November 2006 (being the latest practicable date prior to the publication of this document) Guilherme Brafman, a partner of Kaye Scholer LLP, the law firm advising IDN in connection with the Offer, owned 1,000,000 IDN Shares.
- (iv) As at 30 November 2006 Seymour Pierce Limited, nominated adviser and broker to IDN (and its former associated company, Seymour Pierce Ellis Limited) did not hold any IDN Shares as principal or on behalf of discretionary clients.
- (v) As at 30 November 2006 (being the latest practicable date prior to the publication of this document), Investec and/or persons controlling, controlled by or under the same control as Investec has the following interests in securities of IDN:

<i>Name</i>	<i>Number of IDN Shares</i>	<i>% of Issued Share Capital of IDN</i>
Rensburg Sheppards	50,000	0.0128

- (vi) During the disclosure period, the following dealings for value in IDN Shares by Evolution Securities, which is acting as financial adviser to Redstone, took place<sup>1</sup>:

<i>Period</i>	<i>Aggregate number of IDN Shares bought</i>	<i>Highest price paid per IDN Share bought (p)</i>	<i>Lowest price paid per IDN Share bought (p)</i>
30 November 2005 – 27 February 2006	6,507,908	2.90	2.00
28 February 2006 – 29 May 2006	7,313,293	2.60	2.00
30 May 2006 – 29 August 2006	9,810,497	2.30	1.95
30 August 2006 – 29 September 2006	–	N/A	N/A
30 September 2006 – 29 October 2006	–	N/A	N/A
30 October 2006 – 29 November 2006	–	N/A	N/A

  

<i>Period</i>	<i>Aggregate number of IDN Shares sold</i>	<i>Highest price paid per IDN Share sold (p)</i>	<i>Lowest price paid per IDN Share sold (p)</i>
30 November 2005 – 27 February 2006	6,109,793	2.90	2.05
28 February 2006 – 29 May 2006	8,047,315	2.69	2.05
30 May 2006 – 29 August 2006	10,507,518	2.0375	2.35
30 August 2006 – 29 September 2006	–	N/A	N/A
30 September 2006 – 29 October 2006	–	N/A	N/A
30 October 2006 – 29 November 2006	–	N/A	N/A

1. Evolution Securities gained Exempt Market status on 25 September 2006. As such trades executed by Evolution Securities' Market Makers after this date are not required to be disclosed.

As at the last day of the disclosure period, Evolution Securities and/or persons controlling, controlled by or under the same control as Evolution Securities have the following interests in securities of IDN:

<i>Name</i>	<i>Number of IDN Shares</i>	<i>% of Current Issued Share Capital of IDN</i>
Williams de Broë Limited	400,000	0.10

- (vii) Irrevocable undertakings to accept, or to procure the acceptance of, the Offer have been received by Redstone from the following persons in respect of the following interests in IDN Shares:

<i>Name</i>	<i>Number of IDN Shares irrevocably committed</i>	<i>Percentage of existing issued share capital committed (%)</i>
Charles Barry Roberts	75,000,000	19.3
Michael Morrison <sup>2</sup>	17,800,000	4.6
Simon Dronfield <sup>3</sup>	23,538,221	6.0
Darren Giddens <sup>4</sup>	17,830,000	4.6
Lynn Wilmott	20,000,010	5.2

Notes:

- These irrevocable undertakings to accept the Offer remain binding, even if a higher competing offer is announced by a third party, unless the Offer lapses or is withdrawn.
- The irrevocable undertaking entered into by Michael Morrison also covers options over IDN Shares granted under the IDN Option Schemes. The number of IDN Shares stated as being irrevocably committed excludes any IDN Shares arising from the exercise of IDN Options.
- Simon Dronfield has an interest in 23,538,221 IDN Shares held by Barclayshare Nominees Limited.
- Darron Giddens holds 80,000 IDN Shares personally and has a beneficial interest in 17,750,000 IDN Shares held by Pershing Keen Nominees Limited.

(b) **General**

- (i) As at the last day of the disclosure period, save as disclosed in this paragraph 3, neither Redstone, nor any of the Redstone Directors, nor any member of their immediate families, related trusts or (so far as the Redstone Directors are aware) connected persons nor any persons acting in concert with Redstone nor any person with whom Redstone or any person acting in concert with Redstone has an arrangement within paragraph c(ii) of this Appendix 4 nor had an interest or right to subscribe for any relevant securities of IDN (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 acquire another person to purchase or take delivery, nor had any of the foregoing dealt in any relevant securities during the disclosure period.
- (ii) As at the last day of the disclosure period, save as disclosed in this paragraph 3, neither Redstone nor any person acting in concert with Redstone has borrowed or lent any relevant securities of IDN.
- (iii) As at the close of business on 30 November 2006 (being the latest practicable date prior to the publication of this document) and save as disclosed in this document none of (i) IDN; (ii) the IDN Directors, their immediate families, related trusts or connected persons; (iii) associates of IDN; (iv) the pension funds of IDN or of its associates; (v) connected advisers of IDN or IDN's associates (other than exempt principal traders but including persons controlling, controlled by or under the same control as such connected advisers); (v) persons whose investments are managed on a discretionary basis by fund managers (other than exempt fund managers) connected with IDN; or (vi) persons with whom IDN has an arrangement within paragraph c(ii) of this Appendix 4, owns or controls, or in the case of the IDN Directors is interested in any relevant securities of IDN or any right to subscribe for any relevant securities in IDN nor has any such party held any short position in (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 of, relevant securities of IDN, or dealt for value therein during the Offer Period up to 30 November 2006 (being the latest practicable date prior to the publication of this document).
- (iv) As at the last day of the disclosure period, Evolution Securities and/or persons controlling, controlled by or under the same control as Evolution Securities have the following interests in securities of Redstone:

<i>Name</i>	<i>Number of Redstone Shares</i>	<i>% of Issued Share Capital of Redstone</i>
Williams de Broë Limited	142,919	0.01

- (v) As at the last day of the disclosure period, save as disclosed in this paragraph 3, neither IDN nor any of the IDN Directors, nor any member of their immediate families, related trusts, nor so far as the IDN Directors are aware, their connected persons, had an interest or right to subscribe for any relevant securities of IDN or relevant securities of Redstone (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 acquire another person to purchase or take delivery, nor have any of the foregoing dealt in any relevant securities of IDN or relevant securities of Redstone during the Offer Period up to 30 November 2006 (being the latest practicable date prior to the publication of this document).
- (vi) As at the last day of the disclosure period, neither IDN nor any person acting in concert with IDN has borrowed or lent any relevant securities.
- (vii) As at the last day of the disclosure period, there were no arrangements between IDN or any associate of IDN (within sub-paragraphs (c)(iii)(A) to (D) (inclusive) of this Appendix 4) and any other person.

(c) ***Definitions and interpretation***

For the purposes of this paragraph 3:

- (i) “acting in concert with Redstone” means any such person acting or deemed to be acting in concert with Redstone for the purposes of the Code and/or the Offer;
- (ii) “arrangement” includes any indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to the relevant securities which may be an inducement to deal or refrain from dealing;
- (iii) “associate” of any company has the meaning ascribed to it in the Code and includes (without limitation):
  - (A) its parent companies, subsidiaries and associated companies and companies of which any such companies are associated companies (“related companies”);
  - (B) connected advisers and persons controlling, controlled by or under the same control of any such connected advisers;
  - (C) its directors and the directors of any related company (together in each case with their close relatives and related trusts); and
  - (D) its pension funds or the pension funds of any related company;
  - (E) an investment company, unit trust or other person whose investments an associate (as otherwise defined in paragraph 3(c)(iii)(A)) manages on a discretionary basis, in respect of the relevant investment accounts;
- (iv) “bank” does not apply to a bank whose sole relationship with Redstone or IDN or a company covered in paragraph 3(c)(iii)(A) of this Appendix 4 is the provision of normal commercial banking services or such activities in connection with the Offer as handling acceptances and other registration work;
- (v) a “connected adviser” means, in relation to any person, the organisation which is advising the person in relation to the Offer and, if that person is IDN or Redstone, the corporate broker to that person (other than any corporate broker which is unable to act in connection with the offer because of a conflict of interest);
- (vi) “dealing” or “dealt” includes the following:
  - (A) the acquisition or disposal of 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 or conversion, whether in respect of new or existing relevant securities, 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;
  - (F) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
  - (G) 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;

- (vii) “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;
- (viii) “disclosure period” means the period commencing on 1 December 2005 (being the date 12 months prior to commencement of the Offer Period) and ending on 30 November 2006 (being the latest practicable date prior to the publication of this document);
- (ix) “Offer Period” means the period beginning on and including 30 November 2006 and ending on the later of (i) 22 December 2006; (ii) the time and date on which the Offer is declared unconditional as to acceptances; and (iii) the time and date on which the Offer lapses or is withdrawn;
- (x) “relevant securities of IDN” means IDN Shares and securities convertible into, or rights to subscribe for, options (including traded options) in respect thereof and derivatives referenced thereto;
- (xi) “relevant securities of Redstone” means Redstone Shares and securities convertible into, or rights to subscribe for, options (including traded options) in respect thereof and derivatives referenced thereto;
- (xii) ownership or control of 20 per cent. or more of the equity share capital is regarded as the test of associated company status and “control” means an interest or interests in shares carrying 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 the holding or aggregate holding gives *de facto* control;
- (xiii) a person is treated as having an “interest in securities” if he has long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person is treated as “interested” in securities if:
  - (A) he owns them;
  - (B) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
  - (C) by virtue of any agreement to purchase, option or derivative, he; (aa) has the right or option to acquire them or call for their delivery; or (bb) 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) he is a party to any derivative: (aa) whose value is determined by reference to their price; and (bb) which results, or may result, in his having a long position in them.

#### 4. Market quotations

The following table shows the closing middle market quotations of IDN Shares, as derived from the AIM Appendix of the Daily Official List, for the first business day in each of the six months immediately prior to the date of this document, and, for 29 November 2006 (being the latest practicable business day prior to the Announcement) and for 30 November 2006 (being the latest practicable business day prior to the publication of this document):

<i>Date</i>	<i>IDN Share price (p)</i>
01.06.06	2.175
03.07.06	2.050
01.08.06	2.150
01.09.06	2.175
02.10.06	2.225
01.11.06	2.400
29.11.06	2.600
30.11.06	2.850

## 5. IDN Directors' Service Agreements

- (a) Set out below are details of the service agreements or letters of appointment of each of the IDN Directors:
- (i) Pursuant to consultancy agreements dated 2 August 2000 and 21 March 2001 between IDN and Charles Barry Roberts respectively, Mr Roberts was engaged to provide certain services to IDN for at least three working days per month and to act as non-executive Chairman. The latter agreement is terminable by either party giving to the other not less than twelve months' written notice. In addition, Mr Roberts may summarily terminate the latter agreement if he disagrees with a major issue which has been approved by a majority of the IDN Board. Mr Roberts' current remuneration is at the rate of £1,000 per day subject to a minimum payment of £24,000 per annum plus an additional annual remuneration of £20,000.
  - (ii) Pursuant to a service agreement dated 30 June 2002 between IDN and Michael Morrison, Mr Morrison was appointed as Managing Director of IDN. The agreement is terminable by either party giving to the other not less than twelve months' written notice. Mr Morrison's current salary is £120,000 per annum. Mr Morrison receives an annual company car allowance of £10,000 payable monthly in instalments, a fuel card, health insurance cover and death in service cover of up to four times his salary. In addition, IDN is required to make a contribution of up to 5 per cent. of the total earnings of Mr Morrison to a pension scheme of his choice, subject to Mr Morrison at least matching such a contribution. Mr Morrison has been granted options pursuant to the Unapproved Scheme and EMI Scheme over 1,391,150 and 12,195,100 IDN Shares respectively. Mr Morrison is entitled to an annual bonus, the amount of which is negotiable annually, and is currently £70,000. The bonus is currently payable in the event that the IDN Group budget is achieved. The bonus is payable as to one third on publication of the interim results with the balance being paid following the sign off of the audited accounts by the IDN Board. Following the termination of Mr Morrison's employment on or within twelve months of a change of control of IDN, IDN is obliged to make a payment to him of an amount equal to twelve months of the value of the total remuneration payable under the terms of the service agreement less tax and national insurance.
  - (iii) The services of Colin Amies, as a non-executive director of IDN, are provided by Trychange Limited pursuant to an agreement dated 20 August 2004 between IDN and Trychange Limited. The agreement is terminable by either party giving to the other not less than twelve months' written notice. The current annual fee paid to Trychange Limited in respect of Mr Amies' services is £22,560 plus VAT payable quarterly in arrears.
  - (iv) The services of Gordon Hermiston are provided to IDN:
    - (1) pursuant to a service agreement dated 1 May 2006 between Mr Hermiston and IDN under which he was appointed as finance director of IDN. The agreement is terminable by either party giving to the other not less than six months' written notice. Mr Hermiston's current annual salary is £50,400 per annum for a commitment of five days per calendar month. To the extent that Mr Hermiston is required to work more than five days per calendar month on average in any rolling three month period (and does so work) he is entitled to be remunerated at the rate of £700 per day so worked (before tax). Following the termination of Mr Hermiston's employment or within twelve months of a change of control of IDN, IDN is obliged to make a payment to him of an amount equal to six months of the value of the total remuneration payable under the terms of the service agreement less tax and national insurance; and
    - (2) by Kesworth Limited pursuant to an agreement dated 10 April 2006 between Kesworth Limited and IDN. Under the terms of the agreement, Kesworth Limited agreed that Mr Hermiston would be made available to provide certain services to IDN in connection with the Offer. The agreement terminated on 30 November 2006. A monthly fee of £5,000 (exclusive of VAT) is payable by IDN to Kesworth Limited, in arrears.

- (b) The agreements described in paragraph (a) above will be terminated upon the Offer becoming or being declared unconditional in all respects pursuant to the compromise agreements described in paragraph 6 of Part 1 of this document.
- (c) Save as disclosed above, none of the agreements set out in paragraph (a) above has been entered into or amended during the six months prior to the date of this document.
- (d) Save as disclosed above, there are no other contracts of service between directors of IDN and IDN or any of its subsidiaries.

## **6. Material contracts**

- (a) The following contracts, not being contracts being entered into in the ordinary course of business, have been entered into by members of the Redstone Group during the period beginning two years immediately before the date of the commencement of the Offer Period and are, or may be, material:

- (i) *Amended and restated Barclays facility*

On 30 November 2006, Redstone entered into an amendment and restatement agreement with Barclays under which Barclays has agreed to provide (i) a £20 million term loan facility part of which will be made available to finance the consideration, the refinancing of any existing borrowings of IDN and the fees, costs and expenses payable by the Company in relation to the Offer and (ii) a £11.5 million revolving credit facility incorporating a £1.5 million bonds, guarantees and indemnities facility which will be made available to refinance Redstone's existing borrowings (including those borrowings under the Barclays facility at paragraph 6(a)(ii) below) towards the funding of approved acquisitions and the general corporate and working capital requirements of the Redstone Group. The amendment and restatement agreement contains conditions subsequent which Redstone is required to satisfy to ensure the ongoing availability of funding from Barclays. These include (i) the entry into interest management arrangements to hedge up to 75 per cent. of the aggregate amount of the loan to be advanced in relation to the Offer after the Unconditional Date (as defined in the amendment and restatement agreement) and (ii) the delivery to Barclays of the consolidated audited financial statements of IDN for the year ending 31 October 2006 no later than 30 days from the Unconditional Date and (iii) obtaining and maintaining certain key man policies in favour of Barclays within 60 days of the Unconditional Date. Redstone Group has, and IDN when able to do so, will be granting security to Barclays in support of their facilities. The agreement contains event of default provisions standard for a facility of this nature.

- (ii) *Barclays facility*

On 21 June 2006, Redstone entered into a facilities agreement with Barclays under which Barclays has agreed to provide a £16,500,000 revolving loan facility and a bonds, guarantees, indemnities and working capital facility (together the "Revolving Credit Facility") which will be available for:

- (i) the on-lending by Redstone to Symphony Telecom Holdings plc ("Symphony") towards the refinancing of a senior debt facility held by Symphony at the time;
- (ii) the funding of any future acquisitions;
- (iii) financing the payment of fees, costs and expenses associated with this Offer and any acquisition costs;
- (iv) towards the general corporate and working capital purposes of the Group;
- (v) the issuance of bonds, guarantees and indemnities; and
- (vi) £5,000,000 for settling the cash consideration due under the offer.

The initial margin is 1.5 per cent. per annum the outstanding amount under the Revolving Credit Facility. Redstone has also provided a counter indemnity in favour of Barclays to indemnify Barclays against any claims made against it. The Group has also provided cross guarantees for each Group Company's obligations to Barclays outstanding from time to time.

(iii) *Eckoh Loan*

An amended and restated facility deed between Redstone, Eckoh and Symphony entered into on 21 June 2006 restating the terms of a loan agreement dated 29 April 2005 between Eckoh and Symphony under which Eckoh had agreed to lend Symphony up to £7,500,000. Under the amended and restated facility, the amount of the loan was reduced to £4,700,000 which is repayable in instalments of (1) £1.5 million 18 months after 22 June 2006; (2) £500,000 two years after 22 June 2006; (3) £1 million three years after 22 June 2006; and (4) all remaining sums four years after 22 June 2006. Interest is payable at a rate of 1 per cent. above the base rate of Barclays. In the event that Symphony defaults on any repayment and each repayment is not met by Redstone, Eckoh may at its absolute discretion require Redstone to issue Redstone Shares up to the equivalent to the amount of the loan then outstanding, the price per Redstone Share shall be calculated on the average of the Closing Price of the Redstone Shares for the previous 20 business days.

(iv) *Inducement Fee Agreement*

An inducement fee agreement dated 26 October 2006 under which Redstone has agreed to pay IDN a fee of £80,000 if, at any time after the Announcement, Redstone Shareholders fail to provide any consents necessary for completion of the Offer.

Under the same inducement fee agreement IDN has agreed to pay Redstone a fee of £80,000 if, at any time after the Announcement:

- the IDN Directors withdraw or adversely modify their recommendation of the Offer or recommend a Third Party Transaction and thereafter the Offer is not made, lapses or is withdrawn; or
- a Third Party Announcement is made and the Third Party Transaction referred to in such announcement, or any other Third Party Transaction announced within 60 days of the announcement of the Offer, subsequently becomes or is declared unconditional in all respects or is otherwise completed and the Offer lapses or is withdrawn.

For the purposes of the inducement fee agreement, a **“Third Party Announcement”** means an announcement made by a third party, which is not acting in concert with Redstone, of an intention to make an offer (whether or not subject to pre-conditions) for IDN, pursuant to Rule 2.5 of the Code, or of any other proposal by IDN or to IDN Shareholders, which involves, in any such case, a change of control of IDN (other than the acquisition of control by Redstone or a member of the Redstone Group and/or a person acting in concert with Redstone) or which involves the disposal of any interest in any subsidiary or subsidiary undertaking of, or a material part of the business of IDN, and **“Third Party Transaction”** means the offer or proposal referred to in a Third Party Announcement.

(v) *Symphony Telecom Holdings plc*

The offer document dated 23 June 2006 containing the recommended offer dated 23 June 2006 and made by Evolution Securities on behalf of Redstone for the entire issued and to be issued ordinary shares of 2 pence each in the share capital of Symphony Telecom Holdings plc (“Symphony Shares”) pursuant to which Redstone conditionally offered to acquire the Symphony Shares for a consideration comprising the payment of approximately £16.9 million in cash (the “Symphony Offer”). The Offer was subject to the customary terms and conditions and was declared unconditional in all respects on 18 July 2006.

(vi) *Symphony placing agreement*

A placing agreement dated 22 June 2006 and made between Redstone and Evolution Securities pursuant to which Evolution Securities has agreed, subject to certain conditions, to act as agent for Redstone and to use its reasonable endeavours to procure placees to subscribe for the new Redstone Shares at the price of 5.25p per share, or failing which to subscribe itself, as principal, for the placing shares at the placing price.

The placing agreement was conditional upon, *inter alia*, the Offer becoming or being declared unconditional in all respects and Admission. The placing agreement contains warranties from Redstone in favour of Evolution Securities in relation to, *inter alia*, the accuracy of the information in the Symphony Offer document and other matters relating to the Group and its business. In addition, Redstone has agreed to indemnify Evolution Securities in respect of certain liabilities it may incur in respect of the placing. Evolution Securities had no right to terminate the placing agreement prior to Admission.

Under the Placing Agreement and subject to it becoming unconditional and not being terminated in accordance with its terms, Redstone has agreed to pay Evolution Securities a fee of £500,000 together with any applicable VAT.

Additionally, Redstone has agreed to pay all of Evolution Securities' costs and expenses (including any applicable VAT) of the Placing.

(vii) *Tolerant Systems acquisition agreement*

Pursuant to the terms of a share purchase agreement dated 19 July 2006, Redstone agreed to acquire the entire issued share capitals Tolerant Systems Limited, Net-Adept Limited, Net Quest Solutions Limited and Trent Datacomms Limited for an aggregate consideration of £3.75million constituting; £1.6m in cash, £0.8m of loan notes, with interest to be charged at 0.25 per cent. (gross) above the published base rate of Barclays Bank PLC, and the balance to be satisfied by the issue of 25,000,000 new ordinary shares of 1p each in the capital of Redstone.

The share purchase agreement contains various warranties, undertakings, indemnities and restrictive covenants from various of the sellers to Redstone. The aggregate liability of the sellers in respect of those will not exceed £3.75 million in respect of general commercial warranties in favour of Redstone.

(viii) *Xpert acquisition agreement*

Pursuant to the terms of a share purchase agreement dated 31 March 2005, Redstone agreed to acquire the entire issued share and loan capital of Xpert Group Limited ("Xpert") for an aggregate consideration of £25,550,000 to be satisfied as to £2,775,000 by the issue of 38,275,862 ordinary shares of 1p each in the capital of Redstone, €940,952 by the issue of guaranteed loan notes and with the balance to be satisfied in cash. Part of the cash consideration was paid by Redstone to repay outstanding debts of Xpert Group Limited and its subsidiaries to Barclays.

The share purchase agreement contains various warranties, undertakings, indemnities and restrictive covenants from various of the sellers to Redstone. The aggregate liability of the sellers in respect of those will not exceed £3 million in respect of general commercial warranties and £4 million in respect of an indemnity for certain pre-completion tax liabilities with an aggregate maximum liability of the sellers of £40 million in relation to these and other specific indemnities in favour of Redstone.

(ix) *Xpert placing agreement*

Pursuant to the terms of the placing agreement dated 31 March 2005 between Redstone and Evolution Securities, Evolution Securities conditionally agreed to (a) use its reasonable endeavours, as agent for Redstone, to (i) place 288,000,000 new ordinary shares in the capital of Redstone at 6.25 pence per share (the "Firm Placing Shares"); and (ii) place 128,726,337 new ordinary shares in the capital of Redstone at 6.25 pence per share (the "Open Offer Shares"); and (b) invite existing shareholders of Redstone other than certain overseas shareholders to apply for Open Offer Shares.

Any Firm Placing Shares or Open Offer Shares not subscribed for were subscribed for by Evolution Securities, as principal, at 6.25 pence per share.

The placing agreement contains warranties from Redstone in favour of Evolution Securities in relation to, *inter alia*, the accuracy of the information in the associated listing particulars dated 31 March 2005 and other matters relating to the Redstone Group and its business. In addition, Redstone agreed to indemnify Evolution Securities in relation to certain liabilities it may incur.

Under the placing agreement the Company agreed to pay Evolution Securities a corporate finance fee of £100,000 and a commission of 4 per cent. on the value at 6.25 pence per share of the 416,726,337 new ordinary shares in the capital of Redstone to be issued.

(x) *Xpert Loan Notes*

Pursuant to the terms of the Xpert acquisition agreement, Redstone agreed to constitute a loan note instrument pursuant to which loan notes to a value of €940,952 were issued to certain of the sellers in partial consideration for existing loan notes in Xpert Group Limited. The loan notes are redeemable by Redstone on 29 June 2007 and, prior to that, may be repaid in amounts not less than €25,000. Interest is payable quarterly in arrears at a rate of 2 per cent. over the base rate of the Bank of England during their term. The loan notes are guaranteed by Barclays Bank PLC. All of the loan notes become redeemable on the occurrence of events specified in the loan note instrument which include failure by Redstone to redeem any capital or pay any interest due, a resolution for the winding-up of Redstone being passed, an administrator being appointed in respect of Redstone or Redstone being unable to pay its debts. Transfer of the loan notes is only allowed in the event of the death of a holder of the loan note and with Barclays Bank plc's consent. The loan notes are redeemable at any time in whole or in part at the option of Redstone on one month's notice.

Save as disclosed above no other contracts have been entered into by any company in the Redstone Group, not being contracts entered into in the ordinary course of business, which are, or may be material, during the period beginning two years before the commencement of the Offer Period.

(b) The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the IDN Group during the period beginning two years immediately before the date of the commencement of the Offer Period and which are, or may be, material:

(i) *Inducement Fee Agreement*

An inducement fee agreement dated 26 October 2006, details of which are set out in paragraph 6(a)(iv) above;

(ii) *Non-solicitation Agreement*

Pursuant to an agreement dated 19 October 2006 between IDN and Redstone, for the period commencing with the date of the agreement until 31 December 2006, IDN has undertaken to Redstone not to: solicit or encourage any third party to make an offer for the whole or any part of the issued or to be issued share capital of IDN or to propose any agreement or arrangement for the purchase of all or a material part of the assets of the IDN Group (a "Relevant Transaction"); enter into or continue negotiations with any person who is considering entering into a Relevant Transaction; disclose any information to any person considering entering into a Relevant Transaction; or enter into any inducement fee agreement with any party other than Redstone. In addition, IDN agreed to discontinue negotiations with any party which were current at the date of the agreement with respect to any Relevant Transaction. All of the undertakings are subject to the proviso that they will not prevent the IDN Directors from performing their fiduciary duties as directors of IDN or restrict IDN or its advisers from complying with any legislation, court order or regulatory requirements including the Code or the AIM Rules, or from responding to any unsolicited approach by a third party in order to clarify the terms or the basis of such approach.

IDN's liability to pay damages for breach of the agreement is capped at £80,000. In addition, IDN's aggregate liability under the terms of the Inducement Fee Agreement and the Non-solicitation Agreement is capped at £80,000.

(iii) *Investec engagement letter*

Pursuant to an engagement letter dated 2 March 2006, IDN retained the services of Investec in connection with the Offer.

Investec agreed to provide advice to the IDN directors, act as the adviser to IDN for the purposes of rule 3 of the City Code, act as broker to IDN for the purposes of the Offer and undertake other services as may reasonably fall within the scope of the engagement.

The engagement letter provides for IDN to pay to Investec a retainer fee, a corporate finance fee and the expenses and disbursements of Investec in carrying out its services pursuant to the engagement letter.

The terms of the engagement letter provide that the arrangements may be terminated by either IDN or Investec upon the giving of not less than one month's notice in writing at any time.

Save as disclosed above, there are no contracts which have been entered into by IDN or its subsidiaries, being contracts entered into other than in the ordinary course of business and which are or may be material, since 1 December 2004 (being the date which is two years prior to the commencement of the Offer Period).

## **7. Financing arrangements**

It is estimated that full acceptance of the Offer would require the payment by Redstone of a maximum of approximately £11.8 million in cash, this payment will be financed from Redstone's facilities with Barclays. These facilities are summarised in paragraph 6(a)(i) of this Appendix 4.

Evolution Securities is satisfied that the necessary financial resources are available to Redstone to enable it to implement the Offer in full.

The terms of the Offer cannot be waived, varied or amended without the consent of Barclays.

## **8. Significant changes**

- (a) Save as disclosed in this document and Redstone's interim results statement contained in Part B of Appendix 2 to this document, there has been no significant change in the financial or trading position of Redstone since 31 March 2006 (the date to which the latest published audited accounts of Redstone were prepared).
- (b) Save as disclosed in this document and IDN's preliminary results statement for the period ended 31 October 2006 contained in Appendix 3 Part B of this document, there has been no significant change in the financial or trading position of IDN since 31 October 2005 (the date to which the latest published audited accounts of IDN were prepared).

## **9. Miscellaneous**

- (a) Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Redstone or any person acting in concert with Redstone for the purposes of the Offer and any of the directors, or recent directors, shareholders or recent shareholders of IDN or any person interested or recently interested in IDN Shares having any connection with or dependence upon or which is conditional on the outcome of, the Offer.
- (b) Save as disclosed in this document, no proposal exists in connection with the Offer for any payment or other benefit to be made or given by Redstone or any person acting in concert with Redstone for the purposes of the Offer to any IDN Director as compensation for loss of office or as consideration for, or in connection with, his retirement from office.
- (c) There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the IDN Shares acquired by Redstone pursuant to the Offer will be transferred to any other person, save that Redstone reserves the right to transfer any such shares to any of its subsidiaries.

- (d) Evolution Securities 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 it appears.
- (e) Investec 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 it appears.
- (f) All share prices of IDN are derived from the AIM Appendix of the Daily Official List.
- (g) All references to time in this document and the Form of Acceptance are to London time unless the context provides otherwise.

#### **10. Documents available for inspection**

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB whilst the Offer remains open for acceptance:

- (a) the memorandum and articles of association of Redstone;
- (b) the memorandum and articles of association of IDN;
- (c) the audited consolidated accounts of Redstone for the two financial years ended 31 March 2006;
- (d) the audited consolidated accounts of IDN for the two financial years ended 31 October 2005;
- (e) the interim report of Redstone for the six months ended 31 September 2006;
- (f) the preliminary statement of results of IDN for the financial year ended 31 October 2006;
- (g) all service agreements of the IDN Directors referred to in paragraph 5 above;
- (h) the material contracts referred to in paragraph 6 above;
- (i) the written consents of Evolution Securities and Investec referred to in paragraphs 9(d) and 9(e) above;
- (j) the irrevocable undertakings to accept the Offer referred to in paragraph 3(a)(vii) above;
- (k) Evolution Securities' dealings in IDN Shares during the disclosure period; and
- (l) this document and the Form of Acceptance.

1 December 2006

## APPENDIX 5

### Bases and sources

Unless otherwise stated in this document:

- (a) financial information relating to Redstone has been extracted from the audited accounts of Redstone for the two years ended 31 March 2006;
- (b) financial information relating to IDN has been extracted from the audited accounts of IDN for the three year period ended 31 October 2005 and from the unaudited preliminary statement of results for the financial period ended 31 October 2006;
- (c) the value of the existing issued share capital of IDN at the Offer Price is based upon 387,916,660 IDN Shares in issue and 13,586,250 IDN Shares which are subject to options on 30 November 2006 (being the last business day prior to the publication of this document);
- (d) the amount of the cash payment in respect of full acceptance of the Offer is calculated based upon the number of IDN Shares in issue (as described in paragraph (c) above) resulting in a cash payment of approximately £11.8 million; and
- (e) all prices quoted for IDN Shares are Closing Prices.

## APPENDIX 6

### Definitions

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

“Acquisition”	the proposed acquisition of IDN by Redstone to be effected by means of the Offer
“Act”	the Companies Act 1985 (as amended)
“AIM”	AIM, the market of that name operated by the London Stock Exchange
“AIM Rules”	the rules governing the admission to, and operation of, AIM as set out in the AIM Rules for Companies published by the London Stock Exchange from time to time
“Announcement”	the announcement of the Offer, published on 30 November 2006
“Approved Scheme”	means the IDN Telecom plc 2001 Approved Share Option Scheme adopted on 23 May 2001
“Australia”	the commonwealth of Australia, its states, territories or possessions
“Barclays”	Barclays Bank PLC
“basic Offer TTE Instruction”	a transfer to escrow instruction (as defined in the CREST Manual)
“business day”	a day (not being a Saturday, a Sunday or a public holiday) on which clearing banks in the City of London are open for normal business
“Canada”	Canada, its possessions, provinces and territories and all areas subject to its jurisdiction or any political subdivision thereof
“Capita Registrars”	Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, Redstone’s receiving agent for the purposes of the Offer and a trading name of Capita IRG Plc
“certificated” or “in certificated form”	in relation to a share or other security, not in uncertificated form (that is, not in CREST)
“Closing Price”	the closing middle market quotation of a share as derived from the AIM Appendix of the Daily Official List
“Code”	The City Code on Takeovers and Mergers
“Company” or “Redstone”	Redstone plc
“connected person”	has the meaning given to that term in section 346 of the Act
“CREST”	the relevant system (as defined in the Regulations) in respect of which CRESTCo is the operator
“CRESTCo”	CRESTCo Limited
“CREST Manual”	the manual issued by CRESTCo from time to time

“CREST payment”	has the meaning given to that term in the CREST Manual
“CREST member”	a person who has been admitted by CRESTCo as a system-member (as defined in the Regulations)
“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the Regulations)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member
“Daily Official List”	the Daily Official List of the London Stock Exchange
“Disclosed”	means (i) as disclosed in IDN’s report and accounts for the year ended 31 October 2005; (ii) as disclosed in IDN’s preliminary results for the year ended 31 October 2006; (iii) as publicly announced by IDN (by the delivery of an announcement to an authorised Regulatory Information Service prior to 30 November 2006; (iv) as disclosed in this document; or (v) as otherwise disclosed in writing, or in the documentation or written information provided, to Redstone or its advisers by or on behalf of IDN prior to 30 November 2006 in the context of the Offer
“Electronic Acceptance”	the inputting and settling of a TTE Instruction which constitutes or is deemed to constitute an acceptance of the Offer on the terms set out in this document
“EMI Scheme”	means the IDN Telecom plc Enterprise Management Incentives Scheme adopted on 23 May 2001
“Enlarged Group”	the combined businesses of the Redstone Group and the IDN Group following the Offer becoming or being declared unconditional in all respects
“ESA Instruction”	an Escrow Account Adjustment Input (AESN), transaction type “ESA” (as described in the CREST Manual)
“Escrow Agent”	Capita IRG Plc
“Evolution Securities”	Evolution Securities Limited a limited company whose registered address is 100 Wood Street, London EC2U7AN
“First Closing Date”	the date 21 days following the date on which the Offer Document is posted being 22 December 2006
“Form of Acceptance”	the form of acceptance, election and authority relating to the Offer in respect of certificated IDN Shares
“IDN”	IDN Telecom plc
“IDN Directors” or “IDN Board”	the directors of IDN at the date of this document
“IDN Group”	IDN and its existing subsidiary undertakings
“IDN Options”	options or other rights to acquire IDN Shares under the IDN Share Option Schemes or otherwise

“IDN Optionholders”	holders of IDN Options
“IDN Share Option Schemes”	each of the Approved Scheme, the Unapproved Scheme and the EMI Scheme
“IDN Shareholders”	holders of IDN Shares
“IDN Shares”	the existing issued fully paid ordinary shares of 0.5 pence each in the capital of IDN and any further such shares which are unconditionally allotted or issued and fully paid or credited as fully paid before the date on which the Offer closes (or such earlier date, not being earlier than the date on which the Offer becomes or is declared unconditional as to acceptances as Redstone may, subject to the Code, decide)
“Investec”	Investec Bank (UK) Limited and its divisions Investec Investment Banking and Investec Securities, as the context requires
“Japan”	Japan, its cities, prefectures, territories and possessions
“London Stock Exchange”	London Stock Exchange plc
“member account ID”	the identification code or number attached to any member account in CREST
“Offer Document”	this document
“Offer”	the offer by Evolution Securities, on behalf of Redstone, on the terms and subject to the conditions set out in this document and the Form of Acceptance (in respect of certificated IDN Shares), to acquire all of the IDN Shares (including, where the context requires, any subsequent revision, variation, extension or renewal of such offer)
“Offer Period”	has the meaning set out in paragraph 5(c) of Part B of Appendix 1 to this document
“Offer Price”	2.939 pence for every IDN Share
“Panel”	the Panel on Takeovers and Mergers
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“Redstone Directors”	the directors of Redstone at the date of this document
“Redstone Group” or “Group”	Redstone and its existing subsidiary undertakings
“Redstone Shareholders”	holders of existing Redstone Shares
“Redstone Shares”	ordinary shares of 1 penny each in the capital of Redstone
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“Regulatory Information Service”	any channel recognised as a channel for the dissemination of regulatory information by listed companies as defined in the AIM Rules

“Restricted Jurisdiction”	the United States, Canada, Australia, Ireland or Japan or any other jurisdiction where extension or acceptance of the Offer would violate the law of that jurisdiction
“Securities Act”	the United States Securities Act 1933, as amended
“SME”	small and medium sized enterprises
“TFE Instruction”	a transfer from escrow instruction (as defined in the CREST Manual)
“TTE Instruction”	a transfer to escrow instruction (as defined in the CREST Manual)
“Unapproved Scheme”	the IDN Telecom plc 2001 Unapproved Share Option Scheme adopted on 23 May 2001
“uncertificated” or “in uncertificated form”	in relation to a share or other security, recorded on the relevant register in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction
“wider IDN Group”	means IDN, its subsidiaries, subsidiary undertakings and associated undertakings and any other body corporate, partnership, joint venture or person in which IDN and such undertakings (aggregating their interests) have an interest in 20 per cent. or more of the voting or equity capital (or the equivalent)
“wider Redstone Group”	means Redstone, its subsidiaries, subsidiary undertakings and associated undertakings and any other body corporate, partnership, joint venture or person in which Redstone and such undertakings (aggregating their interests) have an interest in 20 per cent. or more of the voting or equity capital (or the equivalent)

Save where otherwise stated, for the purpose of this document, “subsidiary”, “subsidiary undertaking”, “associated undertaking” and “undertaking” shall be construed in accordance with the Act (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4A of the Act).

In this document, the singular includes the plural and vice versa, unless the context otherwise requires.

