

Redstone Converged Solutions Limited

(Formerly known as Comunica Limited)

Financial statements

For the year ended 31 March 2010

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COMPANIES HOUSE

Company number 2027207

Company information

Company registration number

2027207

Registered office

Kirtlington Business Centre
Slade Farm
Kirtlington
Kidlington
Oxfordshire
OX5 3JA

Directors

R Marshall
N Randall
P Hallett
A Weaver

Company secretary

N O'Rorke

Independent auditors

Pricewaterhouse Coopers LLP
Chartered Accountants and
Registered auditors
The Atrium
1 Harefield Road
Uxbridge
UB8 1EX

Redstone Converged Solutions Limited

Formerly known as Comunica Limited

Financial Statements for the year ended 31 March 2010

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Report of the directors for the year ended 31 March 2010

The directors present their annual report and the audited financial statements for the year ended 31 March 2010

Principal activities, business review and future developments

The principal activity of the company during the year was the supply of tailor-made communication solutions through the design, implementation and maintenance of network and cabling infrastructures

The directors use a number of measures, both financial and non-financial, to monitor and benchmark performance. They regard the following as the key financial indicators of performance:

- Gross profit margin – measuring the profits generated by contracts which increased from 16.18% last year to 20.16% this year
- Net cash flow from operating activities – measuring the performance in translating operating profit into cash flow through management of working capital. This resulted in a positive cash flow of £1,536,908 compared to an outflow in the prior year of £827,998.

During the year the company bought assets from a fellow Redstone Group company and on 22nd February 2010 changed its name to Redstone Converged Solutions Limited.

The key non-financial indicators are associated with Redstone Converged Solutions Limited's ability to maintain its existing customer base and to attract new customers, contract delivery and the future order pipeline which the directors consider to be the principal risks and uncertainties facing the business.

Results and dividends

There was a profit for the financial year after taxation amounting to £553,167 (2009 profit £1,866,482).

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

No dividends were paid this year (2009 £nil).

Report of the directors for the year ended 31 March 2010 (continued)

Directors

The present membership of the board is set out below. All served on the board throughout the year and up to the date of signing the financial statements except as noted below.

R Marshall (appointed on 23/7/2009)
N Randall (appointed on 26/5/2010)
S Yapp (appointed on 13/10/2009, resigned on 8/9/2010)
P Hallett (appointed on 13/10/2009)
M A Balaam (resigned on 28/4/2009)
T H Perks (resigned on 13/10/2009)
A Weaver (appointed 08/09/2010)

Policy on the payment of creditors

The company's policy for all suppliers is to fix terms of payment when agreeing the terms of each transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of each payment. Year end trade creditors for the company represent 36 days (2009: 28 days) purchases.

Financial risk management objectives and policies

The company has a variety of financial instruments including cash, trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are market risk, currency risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

Market risk

Market risk encompasses three types of risk, being currency risk, interest rate risk and price risk. The company's policy for managing cash flow interest rate risk is set out in the subsection entitled "interest rate risk" below.

Currency risk

The company is exposed to transaction foreign exchange risk occasionally. If transaction exposures, including those associated with forecast transactions were significant, they would be hedged when known, principally using forward currency contracts. These are infrequent and whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account.

Report of the directors for the year ended 31 March 2010 (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings

Credit risk

The principal credit risk arises from its trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Redstone plc. The directors have received confirmation that Redstone plc intends to support the company for at least one year after these financial statements are signed.

The Directors are required to be satisfied that the Company has adequate resources to continue in business for the foreseeable future. The validity of this assumption depends on the ability of the Redstone Group to meet its cash flow forecasts and the continuing support of its bankers by providing adequate overdraft facilities and of its debt holders. The Group has agreed new facilities with Barclays Bank through to 31 December 2013, and the bank has agreed to a holiday from financial covenant testing to 30 June 2011. Whilst the nature of the Group's business is such that there can be considerable variation in the cash inflows and this adds risk to the Group's ability to forecast cash, and in the current economic environment there can be no absolute certainty that the Group will achieve its EBITDA forecasts, the present cash flow forecasts indicate that the Group will be able to operate within the present overdraft facilities for at least 12 months from the date of approval of the financial statements.

Subsequent to the year end, in September 2010, the Group completed a fund raising of approximately £7.0 million through the issue of new Ordinary shares and in addition has drawn down a further £1.5m under the loan notes. These transactions were done to strengthen the Group's balance sheet, provide working capital and fund the future development of the business.

The Redstone plc Group has banking facilities in place which are secured through fixed and floating charges over the Company and all property and assets of the Redstone plc group, of which the Company is a member.

Report of the directors for the year ended 31 March 2010 (continued)

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the directors for the year ended 31 March 2010 (continued)

Statement of disclosure of information to auditors

The directors confirm that as far as they are aware and at the time of approving this report

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of relevant audit information and to establish that the auditors are aware of that information

Donations

During the year the company made the following contributions

	2010	2009
	£	£
Charitable	<u>8,726</u>	<u>3,051</u>

Employees

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the group continues employment wherever possible and arranges retraining.

The company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and as such a resolution concerning their re-appointment will be proposed at the annual general meeting.

By order of the board



N O'Rourke
Company Secretary

Date

20 December 2010

Independent auditors' to the members of Redstone Converged Solutions Limited

We have audited the financial statements of Redstone Converged Solutions Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page five the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

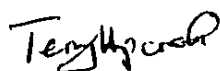
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' to the members of Redstone Converged Solutions Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Terence Hopcroft (Senior Statutory Auditor) for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

date 26 December 2010

Profit and loss account for the year ended 31 March 2010

	Note	2010 £	2009 £
Turnover	2	52,345,746	67,503,249
Cost of sales		(41,812,241)	(56,578,618)
Gross profit		10,533,505	10,924,631
Administrative expenses		(9,627,557)	(9,106,796)
Operating profit	3	905,948	1,817,835
Interest receivable and similar income	6	60	25,230
Interest payable and similar charges	7	(2,236)	(4,274)
Profit on ordinary activities before taxation		903,772	1,838,791
Tax on profit on ordinary activities	8	350,605	27,691
Profit for the financial year	20	<u>553,167</u>	<u>1,866,482</u>

All of the activities of the company are classed as continuing

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents

There are no other gains or losses other than profit for the financial year. Accordingly no statement of total recognised gains and losses is presented

Balance sheet as at 31 March 2010

	Note	£	2010 £	£	2009 £
Fixed assets					
Tangible fixed assets	9	1,187,327		761,570	
Fixed asset investment	10	-		-	
			<u>1,187,327</u>	<u>761,570</u>	
Current assets					
Stocks	11	580,810		154,085	
Debtors	12	23,017,907		22,040,621	
Cash at bank and in hand		3,860,922		2,324,014	
		<u>27,459,639</u>		<u>24,518,720</u>	
Creditors: amounts falling due within one year	13	<u>(17,441,331)</u>		<u>(15,156,197)</u>	
Net current assets			<u>10,018,308</u>		<u>9,362,523</u>
Total assets less current liabilities			<u>11,205,635</u>		<u>10,124,093</u>
Capital and reserves					
Called up share capital	19		900,000		900,000
Profit and loss account	20		10,305,635		9,224,093
Total equity shareholders' funds	21		<u>11,205,635</u>		<u>10,124,093</u>

The financial statements and related notes on pages 11 to 24 were approved by the directors and are signed on their behalf by



N O'Rorke
Company Secretary

Date *20 December 2010*

Notes to the financial statements for the year ended 31 March 2010

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been applied consistently throughout the year are set out below.

The directors have reviewed the principal accounting policies of the company and consider they remain the most appropriate for the company. The principal accounting policies of the company have remained unchanged from previous period.

The financial statements contain information about Redstone Converged Solutions Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Redstone plc, a company incorporated in England and Wales.

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Redstone plc. The directors have received confirmation that Redstone plc intends to support the company for at least one year after these financial statements are signed.

The Directors are required to be satisfied that the Company has adequate resources to continue in business for the foreseeable future. The validity of this assumption depends on the ability of the Redstone Group to meet its cash flow forecasts and the continuing support of its bankers by providing adequate overdraft facilities and of its debt holders. The Group has agreed new facilities with Barclays Bank through to 31 December 2013, and the bank has agreed to a holiday from financial covenant testing to 30 June 2011. Whilst the nature of the Group's business is such that there can be considerable variation in the cash inflows and this adds risk to the Group's ability to forecast cash, and in the current economic environment there can be no absolute certainty that the Group will achieve its EBITDA forecasts, the present cash flow forecasts indicate that the Group will be able to operate within the present overdraft facilities for at least 12 months from the date of approval of the financial statements.

Subsequent to the year end, in September 2010, the Group completed a fund raising of approximately £7.0 million through the issue of new Ordinary shares and in addition has drawn down a further £1.5m under the loan notes. These transactions were done to strengthen the Group's balance sheet, provide working capital and fund the future development of the business.

Cash flow statement

The company is a wholly owned subsidiary company of a group headed by Redstone plc, and is included in the consolidated accounts of that company, which are publicly available. Consequently, the company has taken advantage of the exemption within FRS 1 'Cash flow statements (revised 1996)' from preparing a cash flow statement.

Related parties disclosure

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related party disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Redstone plc, whose accounts are publicly available.

Notes to the financial statements for the year ended 31 March 2010 (continued)

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, Value Added Tax and other sales duty. The following specific recognition criteria must also be met before revenue is recognised:

Revenues from the delivery of infrastructure and internet services include initial set up fees which are recognised as revenue on installation, and consultancy revenues which are recognised when specified contractual milestones have been met or project completion. Revenue from fixed price construction contracts is recognised on the percentage of completion method, to the extent that the level of completion for a contract can be reliably measured. Revenue includes expenses to the extent that they are recoverable. Where the percentage of completion cannot be reliably measured, revenue is recognised when specified contractual milestones are met or on project completion. When it is probable that total contract costs will exceed total revenue, the expected loss is recognised immediately.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as 'amounts recoverable on contracts' within trade and other receivables. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as deferred income within trade and other payables.

Tangible Fixed assets

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. All tangible fixed assets are recorded at historic purchase cost less accumulated depreciation.

Fixed asset investments

Fixed asset investments are included at cost less amounts written off for impairment. These are reviewed for impairment where the directors believe there has been an indication of potential impairment. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed asset, less its estimated residual value, over the useful economic life of that asset as follows:

Premises improvements	-	20%
Fixtures and fittings	-	20%
Office equipment	-	33 1/3%

Share based employee remuneration

The company operates a number of equity-settled, share based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Notes to the financial statements for the year ended 31 March 2010 (continued)

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of estimated useful life and lease term. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for the directors and employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

Where none of the contractual terms of share capital meet the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Accounting for research and development

Research and development expenditure is written off in the profit and loss account in the period in which it is incurred.

Notes to the financial statements for the year ended 31 March 2010 (continued)

2. Turnover

The turnover is attributable to the principal activity of the company
A geographical analysis of turnover is given below

	2010 £	2009 £
United Kingdom	52,345,746	66,850,195
Europe	-	653,054
	<u>52,345,746</u>	<u>67,503,249</u>

The principal activity of the company is considered by the directors to be a single class of business

3. Operating profit

Operating profit is stated after charging/(crediting)

	2010 £	2009 £
Depreciation of owned tangible fixed assets	607,183	676,474
Auditors' remuneration		
Audit fees	52,500	80,000
Operating lease costs		
Plant and machinery	298,219	323,788
Land and buildings	185,360	291,780
Hire of equipment	<u>174,840</u>	<u>83,969</u>

Notes to the financial statements for the year ended 31 March 2010 (continued)

4. Employees

The average monthly number of staff employed by the company during the year amounted to

	2010	2009
	Number	Number
Administrative staff	70	101
Direct staff	363	397
	<u>433</u>	<u>498</u>

The aggregate payroll costs of the above were

	2010	2009
	£	£
Wages and salaries	18,046,264	22,908,705
Social security costs	2,023,392	1,679,099
Share based payments	528,375	351,840
Pension costs (note 21)	440,496	453,057
	<u>21,038,527</u>	<u>25,392,701</u>

5. Directors

Remuneration in respect of directors was as follows

	2010	2009
	£	£
Aggregate emoluments	123,527	-
Value of company pension contributions to money purchase schemes	5,766	-
	<u>129,293</u>	<u>-</u>

Emoluments of highest paid director

	2010	2009
	£	£
Total emoluments (excluding pension contributions)	123,527	-
Value of company pension contributions to money purchase schemes	5,766	-
	<u>129,293</u>	<u>-</u>

Notes to the financial statements for the year ended 31 March 2010 (continued)

(2009) **Directors (continued)**

The number of directors who accrued benefits under company pension schemes was as follows

	2010 Number	2009 Number
Money purchase schemes	<u>1</u>	<u>-</u>

Several of the directors are paid for their services to the Redstone group as a whole and not specifically to Redstone Converged Solutions Limited, their remuneration is disclosed in the Redstone plc group accounts

6. Interest receivable and similar income

	2010 £	2009 £
Bank interest	<u>60</u>	<u>25,230</u>

7. Interest payable and similar charges

	2010 £	2009 £
Interest payable on bank borrowing	<u>2,236</u>	<u>4,274</u>

8. Tax on profit on ordinary activities

(2009) Analysis of credit in the year

	2010 £	2009 £
Current tax		
UK corporation tax on profits for the year	-	-
Adjustment in respect of prior year	350,605	-
Total current tax (note 8(b))	<u>350,605</u>	<u>-</u>
Deferred tax movement (note 14) – current	-	(27,691)
Total deferred tax	<u>-</u>	<u>(27,691)</u>
Total tax credit on profit on ordinary activities	<u>-</u>	<u>(27,691)</u>

Notes to the financial statements for the year ended 31 March 2010 (continued)

8. Tax on profits on ordinary activities (continued)

(b) Factors affecting current tax credit

The tax assessed on the profit on ordinary activities for the year is lower (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	2010 £	2009 £
Profit on ordinary activities before taxation	903,772	1,838,791
Profit on ordinary activities multiplied by rate of tax at 28% (2009 - 28%)	253,056	514,861
Adjustment in respect of prior years	350,605	-
Expenses not deductible for tax purposes	107,978	109,209
Capital allowances less than depreciation	167,280	-
Group relief	(528,314)	(624,070)
Total current tax charge (note 8(a))	350,605	-

A number of changes in the UK corporation tax system were announced in the June 2010 Budget Statement The Finance (No2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements The impact of the rate changes would not have a significant impact on the recognised deferred tax balances

Notes to the financial statements for the year ended 31 March 2010 (continued)

9. Tangible assets

	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Total £
Cost:				
At April 2009	480,686	48,805	2,404,814	2,934,305
Additions	539,059	-	233,033	772,092
Transfers	61,115	129,503	92,230	282,848
At 31 March 2010	<u>1,080,860</u>	<u>178,308</u>	<u>2,730,077</u>	<u>3,989,245</u>
Accumulated depreciation				
At 1 April 2009	358,585	37,063	1,777,087	2,172,735
Charge for the year	210,339	9,420	378,575	598,334
Transfers	3,578	20,958	6,313	30,849
At 31 March 2010	<u>572,502</u>	<u>67,441</u>	<u>2,161,975</u>	<u>2,801,918</u>
Net book value				
At 31 March 2010	<u>508,358</u>	<u>110,867</u>	<u>568,102</u>	<u>1,187,327</u>
At 31 March 2009	<u>122,101</u>	<u>11,742</u>	<u>627,727</u>	<u>761,570</u>

10. Fixed asset investments

	Shares in group undertaking £
Cost	
1 April 2009 and 31 March 2010	<u>1</u>
Impairment	
1 April 2009 and 31 March 2010	<u>1</u>
Net book value	
At 31 March 2009 and 31 March 2010	<u>-</u>

Notes to the financial statements for the year ended 31 March 2010 (continued)

10. Investments (continued)

At 31 March 2009 and 31 March 2010, the company held more than 20% of the allocated share capital of the following undertakings

	Country of incorporation /registration	Class of share capital held	Proportion Held	Capital and reserves	Profit for the financial year £
Subsidiary Comunica Group Limited	England & Wales	Ordinary	100%	1	-

Comunica Group Limited was dormant throughout the year

The directors believe that the book value of investments is supported by their underlying net assets

11. Stocks

	2010 £	2009 £
Raw materials	<u>580,810</u>	<u>154,085</u>

12. Debtors

	2010 £	2009 £
Trade debtors	10,064,323	7,676,215
Amounts recoverable on contracts	6,351,031	6,879,949
Prepayments and accrued income	3,084,426	3,360,915
Amounts owed by group undertakings	3,215,235	3,470,045
Corporation tax	-	350,605
Deferred tax asset (note 14)	302,892	302,892
	<u>23,017,907</u>	<u>22,040,621</u>

The debtors above include the following amounts falling due after more than one year

	2010 £	2009 £
Amounts recoverable on contracts	<u>774,846</u>	<u>398,178</u>

Notes to the financial statements for the year ended 31 March 2010 (continued)

13. Creditors: amounts falling due within one year

	2010 £	2009 £
Payments received on account	1,514,364	1,580,580
Trade creditors	7,157,171	4,384,031
Other creditors including taxation and social security	2,652,259	4,876,964
Accruals and deferred income	6,117,537	4,314,622
	<u>17,441,331</u>	<u>15,156,197</u>

14. Deferred tax

Deferred taxation recognised in the financial statements is set out below

	2010 Recognised £	2009 Recognised £
Deferred tax asset		
At 1 April	302,892	302,892
Credited to the profit and loss account	-	-
At 31 March	<u>302,892</u>	<u>302,892</u>

The movement in the deferred tax asset during the year was as follows

	2010 £	2009 £
At 1 April	302,892	275,201
Credited to the profit and loss account	-	27,691
At 31 March	<u>302,892</u>	<u>302,892</u>

The directors believe it is more likely than not that there will be sufficient future taxable profits with which to realise the deferred tax asset

Notes to the financial statements for the year ended 31 March 2010 (continued)

15. Share based payments

The company's ultimate parent undertaking, Redstone plc, operates 4 types of equity-settled share-based payment plans, share options issued through an Employee Share Option Plan, ('ESOP'), in both Approved and Unapproved share schemes, a Share Incentive Plan, ('SIP'), a contributory scheme based on employee contributions, on a buy 1, get 1 free basis, and an equity-settled LTIP, which at 31 March 2010 had no recognised charge. The company participates in the Redstone ESOP, which is an equity-settled share-based payment scheme.

Further details of these schemes can be found on pages 54 to 55 of the 2010 Annual Report of Redstone plc which do not form part of these financial statements. The schemes under the ESOP (both the Approved and Unapproved schemes) incorporate the same general terms and conditions with the Approved scheme benefiting from certain tax breaks. The schemes period is 10 years with vesting occurring after the first 3 years and settlement in equity. The schemes do not have performance conditions attached.

The fair value of share-based payments relating to the employees of the company for the year ended 31 March 2010, and expensed to the profit and loss account for that year, was assessed to be £132,264 (2009 £108,101). As the schemes relate to shares of the ultimate parent undertaking, the company has recognised a capital contribution equal to the profit and loss account charge for the year (note 11).

The directors do not consider the deferred tax on share based payments to be material, and as such no provision for deferred tax in relation to share based payments has been made in the financial statements.

Details of the share options outstanding for all schemes granted to employees during the year are as follows:

Number of share options	ESOP
At 31 March 2009	2,577,591
Transferred to other group companies	(148,667)
Awards expired	(60,000)
Awards surrendered	(24,000)
At 31 March 2010	2,344,924
Exercisable at 31 March 2010	986,154
Exercisable at 31 March 2009	-

Notes to the financial statements for the year ended 31 March 2010 (continued)

The fair value of the equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs into the model used for the years ended 31 March 2010 and 2009.

Grant date	25 March 2009	25 September 2005	6 March 2007
Options granted	2,577,591	384,000	1,104,000
Share price at grant date	14 0p	6 00p	7 125p
Exercise price	14 5p	6 25p	7 125p
Expected volatility*	69% – 97%	50 0%	38 0%
Option life	10 years	10 years	10 years
Expected dividends (expressed as dividend yield)	0 0%	0 0%	0 0%
Risk-free interest rate	1 2% - 2 0%	4 2%	5 1%
Fair value per option	7 0p – 7 6p	27 1p	28 5p

*Expected volatility has been determined by looking at historical share return volatility coupled with the period most closely matching the expected life of the option.

16. Lease commitments

At 31 March 2010 the company had annual commitments under non-cancellable operating leases as set out below:

	2010 Land and buildings £	Other items £	2009 Land and buildings £	Other items £
Operating leases which expire:				
Within 1 year	-	71,692	17,292	-
Within 2 to 5 years	-	3,586	-	-
After 5 years	-	-	-	-
	<u>-</u>	<u>75,278</u>	<u>17,292</u>	<u>-</u>

17. Contingent liabilities

There are contingent liabilities in respect of performance guarantees entered into by the company in the normal course of business. It is expected that any performance guarantees that are required to be settled will be done so without any material impact to the company's financial position.

There were no other contingent liabilities at 31 March 2010 or 31 March 2009.

Notes to the financial statements for the year ended 31 March 2010 (continued)

18. Capital commitments contracted for but not provided

The company had no capital commitments contracted for but not provided at 31 March 2010 (£300,000 at 31 March 2009)

19. Called up share capital

Authorised share capital

	Year ended 31 March 2010 £		Year ended 31 March 2009 £	
900,000 ordinary shares of £1 each	900,000		900,000	
Allotted up and fully paid				
	2010 Number	2010 £	2009 Number	2009 £
Ordinary shares of £1 each	900,000	900,000	900,000	900,000

20. Profit and loss reserve

	2010 £	2009 £
Profit for the financial year	553,167	1,866,482
Share based payments	528,375	351,840
	1,081,542	2,218,322
Balance brought forward	9,224,093	7,005,771
Balance carried forward	10,305,635	9,224,093

21. Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Profit for the financial year	553,167	1,866,482
Share based payments	528,375	351,840
	1,081,542	2,218,322
Opening shareholders' funds	10,124,093	7,905,771
Closing shareholders' funds	11,205,635	10,124,093

22. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £440,496 (2009, £453,057). There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2009 £nil).

Notes to the financial statements for the year ended 31 March 2010 (continued)

23. Related party transactions

The company has taken advantage of the exemption conferred by FRS "Related party disclosures" not to disclose transactions with members of the group headed by Redstone Plc on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in the consolidated financial statements

24. Purchase of assets from a fellow group company

On the 1st of January 2010 the company purchased the following assets from Redstone 14e Limited (which had previously been known as Redstone Converged Solutions Limited) and subsequently changed its name to Redstone Converged Solutions Limited. The method used for the accounting treatment of the business combination is that of acquisition accounting. The purchase consideration was the book value of £4,625,000 which the directors consider to be equivalent to the fair value of the assets acquired. The consideration was met through the repayment of an intercompany balance between the two companies equal in value to the net assets acquired.

Assets acquired	Book and fair value £000's
Fixed assets	283
Stock	470
Cash at bank	1,987
Debtors including amounts recoverable on contracts	4,165
Prepayments and accrued income	1,516
Creditors and accruals	(889)
Deferred revenue	(2,907)
Total	<u>4,625</u>

25. Ultimate parent company

The directors regard the ultimate controlling party in which the results of the company are consolidated is that headed by Redstone Plc, incorporated in the United Kingdom. The consolidated financial statements of this company are available to the public and may be obtained from Kirtlington Business Centre, Slade Farm, Kirtlington, Kidlington, Oxfordshire, OX5 3JA.

26. Contingent liabilities

The Redstone plc Group has banking facilities in place which are secured through fixed and floating charges over the Company and all property and assets of the Redstone plc group, of which the Company is a member.