

Redstone Converged Solutions Limited
Directors' report and financial statements
For the year ended 31 March 2012



Company number 2027207

Company information

Company registration number	2027207
Registered office	Building B Office 10, Kirtlington Business Centre Slade Farm Kirtlington Kidlington Oxfordshire OX5 3JA
Directors	F Philbin A Weaver P Hallett A Smith
Company secretary	P Hayes
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory auditors The Atrium 1 Harefield Road Uxbridge UB8 1EX
Solicitors	Beechcroft LLP 100 Fetter Lane London EC4A 1BN
Principle bankers	Barclays Bank PLC 54 Lombard Street London EC3V 9EX

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Report of the directors for the year ended 31 March 2012

The directors present their report and the audited financial statements of the company for the year ended 31 March 2012

Principal activities, business review and future developments

The principal activity of the company during the year was the supply and then the maintenance of tailor-made communication solutions in the arena 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 17.8% last year to 19.9% 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 £2.2m compared to an inflow in the prior year of £1.7m

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 amounting to £3,808,089 (2011 loss £2,256,465)

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 (2011 £nil)

Going Concern

The directors believe that preparing the financial statements 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 Group (Redstone plc and its subsidiaries) has adequate resources to continue in business for the foreseeable future. The validity of this assumption depends on the ability of the Group to meet its cash flow forecasts and the continuing support of its bankers by providing adequate facilities and of its debt holders and shareholders. The Group has recently raised further equity finance, agreed new facilities with Barclays Bank Plc through to 1 July 2015, and the bank has agreed to variations to the financial covenants (see the Events after the balance sheet date note for further details). The Group's new strategy is expected to achieve cost savings and the growth of the underlying operations. The nature of the group's business and its new strategy is such that there can be considerable variation in cash inflows, and the timing thereof. Whilst 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 facilities for at least 12 months from the date of approval of these financial statements. For these reasons the directors believe the going concern basis to be appropriate.

Report of the directors for the year ended 31 March 2012 (continued)

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

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.

F Philbin (appointed 9/5/2011)

A Weaver

P Hallett

I Smith (appointed 9/5/2011)

N Randall (resigned on 18/11/2011)

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 43 days (2011: 70 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 (including foreign exchange risk, cash flow interest rate risk and price 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.

a) Market risk

i Foreign exchange 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.

ii Cash flow interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings. Borrowings at variable rates expose the company to cash flow interest rate risk. The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios,

Report of the directors for the year ended 31 March 2012 (continued)

the company calculates the impact on profit or loss of a defined interest rate shift and manages its cash flow interest rate risk by using hedges where appropriate

iii Price risk

The company is not exposed to significant commodity price risk

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, amounts recoverable on contracts and committed transactions. In order to manage credit risk the directors set individual risk limits for customers based on a combination of payment history and third party credit references. The utilisation of credit limits, ageing debt and collection history is regularly monitored with appropriate action taken by management in the event of a breach of credit limit.

c) 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.

Directors' Responsibilities Statement

The directors are responsible for preparing the report of the directors 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 2012 (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.

Events after the balance sheet date

The Redstone plc Group completed an eighteen month extension of its existing facilities on 22 June 2012. All the Group's facilities are due on 1 July 2015.

Donations

During the year the company made the following contributions

	2012	2011
	£	£
Breast Cancer	189	-
National Heart Hospital	564	-
Pink Elephant	-	674
Haiti Disaster Relief	-	1,825
Miscellaneous	250	-
Total charitable donations made for the financial year	<u>1,003</u>	<u>2,499</u>

Employees

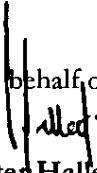
The company's employment policies are designed to ensure that they meet the statutory, social and market practices in the UK where the company operates. The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its relationship with its staff.

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. The company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Directors Indemnity

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

On behalf of the board


Peter Hallett
Director

Date 12/1/2012

Independent auditors' report 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 2012 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 four 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 and express an opinion on 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 Chapter 3 of Part 16 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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 report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report 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



Jaskamal S Sarai (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

Date

12/7/2012

Profit and loss account for the year ended 31 March 2012

	Note	2012 £	2011 £
Turnover	2	54,671,588	56,885,833
Cost of sales		(43,772,438)	(46,749,588)
Gross profit		10,899,150	10,136,245
Administrative expenses		(8,850,655)	(12,392,897)
Other income	3	765,634	-
Operating profit / (loss)	3	2,814,129	(2,256,652)
Interest receivable and similar income	6	180	241
Interest payable and similar charges	7	(328)	(54)
Profit / (loss) on ordinary activities before taxation		2,813,981	(2,256,465)
Tax on profit / (loss) on ordinary activities	8	994,108	-
Profit / (loss) for the financial year		3,808,089	(2,256,465)

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

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

Balance sheet as at 31 March 2012

Registered number 2027207

	Note	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	9	1,015,171			627,005
Current assets					
Stocks	11	444,539		422,489	
Debtors	12	20,606,867		21,628,910	
Cash at bank and in hand		6,046,783		4,972,646	
		27,098,189		27,024,055	
Creditors, amounts falling due within one year	13	(15,105,947)		(18,488,588)	
Net current assets			11,992,242		8,535,467
Total assets less current liabilities			<u>13,007,413</u>		<u>9,162,472</u>
Capital and reserves					
Called up share capital	18		900,000		900,000
Profit and loss account			12,107,413		8,262,472
Total equity shareholders' funds	19		<u>13,007,413</u>		<u>9,162,472</u>

The financial statements on pages 9 to 23 were approved by the directors and are signed on their behalf by



Peter Hallett
Director

Date 12/7/2012

Notes to the financial statements for the year ended 31 March 2012

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 2006 and applicable accounting standards in the United Kingdom

The directors believe that preparing the financial statements 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 Group (Redstone plc and its subsidiaries) has adequate resources to continue in business for the foreseeable future. The validity of this assumption depends on the ability of the Group to meet its cash flow forecasts and the continuing support of its bankers by providing adequate facilities and of its debt holders and shareholders. The Group has recently raised further equity finance, agreed new facilities with Barclays Bank Plc through to 1 July 2015, and the bank has agreed to variations to the financial covenants (see the Events after the balance sheet date note for further details). The Group's new strategy is expected to achieve cost savings and the growth of the underlying operations. The nature of the group's business and its new strategy is such that there can be considerable variation in cash inflows, and the timing thereof. Whilst 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 facilities for at least 12 months from the date of approval of these financial statements. For these reasons the directors believe the going concern basis to be appropriate. 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.

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 400 of the Companies Act 2006 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 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 which have remained unchanged from previous period and applied consistently throughout the year are set out below.

Cash flow statement

The company is a wholly owned subsidiary company of a group headed by Redstone plc, and is included in the consolidated financial statements 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 consolidated financial statements are publicly available.

* Before net finance costs, tax, depreciation, amortisation, integration and strategic costs and share-based payments

Notes to the financial statements for the year ended 31 March 2012 (continued)

1. Principal accounting policies (continued)

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales duty.

Turnover 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. Turnover includes expenses to the extent that they are recoverable. Where the percentage of completion cannot be reliably measured, turnover is recognised when specified contractual milestones are met or on project completion. When it is probable that total contract costs will exceed total turnover, the expected loss is recognised immediately. Turnover relating to contracted maintenance is recognised evenly over the period of the agreement.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as 'amounts recoverable on contracts' within debtors. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as deferred income within creditors.

Tangible fixed assets

All tangible fixed assets are recorded at historic purchase cost less accumulated depreciation. 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.

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%

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.

Share based employee remuneration

Redstone plc operates a number of equity-settled, share based compensation plans in which the company participates. 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 profit and loss account, with a corresponding adjustment to reserves.

Stocks

Stocks are valued at the lower of standard cost and net realisable value on a first in first out (FIFO) basis after making allowance for any obsolete or slow moving items.

Notes to the financial statements for the year ended 31 March 2012 (continued)

1. Principal accounting policies (continued)

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

Financial 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

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 gain 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.

Notes to the financial statements for the year ended 31 March 2012 (continued)

1. Principal accounting policies (continued)

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

2. Turnover

The turnover is attributable to the principal activity of the company

A geographical analysis of turnover is given below

	2012 £	2011 £
United Kingdom	53,743,687	56,789,155
Europe	927,901	96,678
	<u>54,671,588</u>	<u>56,885,833</u>

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

3. Operating (loss) / profit

Operating profit / (loss) is stated after charging

	2012 £	2011 £
Depreciation of owned tangible fixed assets	410,345	571,115
Auditors' remuneration		
Audit fees	63,000	63,000
Operating lease costs		
Plant and machinery	136,687	260,389
Land and buildings	384,065	310,824
Hire of equipment	<u>89,298</u>	<u>132,457</u>

Other operating income recognised in 2012 relates to the consideration for the sale of part of the business which took place in 2011. The corresponding receivable is recognised in Debtors (Amounts owed by group undertakings). The directors believe that the impact of this entry on the company's accounts is not fundamental. Consequently, the income was recognised in 2012 and the prior year results were not restated.

Notes to the financial statements for the year ended 31 March 2012 (continued)

4. Employees

The average monthly number of staff employed (including directors) by the company during the year amounted to

	2012 Number	2011 Number
Administrative staff	73	98
Direct staff	291	350
	<u>364</u>	<u>448</u>

The aggregate payroll costs of the above were

	2012 £	2011 £
Wages and salaries	16,347,483	20,219,668
Social security costs	1,866,107	2,233,562
Share based payments (note 15)	36,852	213,302
Pension costs (note 20)	444,518	555,804
	<u>18,694,960</u>	<u>23,222,336</u>

5. Directors

Remuneration in respect of directors was as follows

	2012 £	2011 £
Aggregate emoluments	220,426	421,961
Value of company pension contributions to money purchase schemes	24,603	14,047
	<u>245,029</u>	<u>436,008</u>

Emoluments of highest paid director

	2012 £	2011 £
Total emoluments (excluding pension contributions)	134,778	245,875
Value of company pension contributions to money purchase schemes	13,418	10,155
	<u>148,196</u>	<u>256,030</u>

Notes to the financial statements for the year ended 31 March 2012 (continued)

5. Directors (Continued)

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

	2012	2011
	Number	Number
Money purchase schemes	<u>1</u>	<u>2</u>

Several of the directors are paid for their services to the Redstone plc group as a whole and not specifically to Redstone Converged Solutions Limited. Their remuneration is disclosed in the Redstone plc group consolidated financial statements.

6. Interest receivable and similar income

	2012	2011
	£	£
Bank interest	<u>180</u>	<u>241</u>

7. Interest payable and similar charges

	2012	2011
	£	£
Interest payable on bank borrowing	<u>328</u>	<u>54</u>

Notes to the financial statements for the year ended 31 March 2012 (continued)

8. Tax on profit / (loss) on ordinary activities

(a) Analysis of charge in the year

	2012 £	2011 £
Current tax		
UK corporation tax on profit / (loss) for the year	-	-
Total current tax (note 8(b))	-	-
Deferred tax movement (note 14) – current	994,108	-
Total deferred tax	994,108	-
Total tax credit on profit / (loss) on ordinary activities	994,108	-

(b) Factors affecting current tax charge

The tax assessed on the profit / (loss) on ordinary activities for the year is lower (2011 higher) than the standard rate of corporation tax in the UK of 26% (2011 - 28%)

	2012 £	2011 £
Profit / (Loss) on ordinary activities before taxation	2,813,981	(2,256,465)
Profit / (Loss) profit on ordinary activities multiplied by rate of tax at 26% (2011 - 28%)	731,635	(631,810)
Expenses not deductible for tax purposes	75,664	108,659
Capital allowances less than depreciation	268,792	109,588
(Utilisation of tax losses) / losses carried forward	(1,076,091)	413,563
Total current tax charge (note 8(a))	-	-

A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26% from 1 April 2011. In the 21 March 2012 budget statement an announcement was made that the main rate of corporation tax will be reduced from 26% to 24% from 1 April 2012. This is a change from the rate of 25% included in the Finance Bill 2011. This change was substantively enacted on 26 March 2012 and will affect the measurement of deferred tax balances for companies with a balance sheet date on or after this date. Further decreases are expected to be enacted in future Finance Bills.

Notes to the financial statements for the year ended 31 March 2012 (continued)

8. Tax on (loss) / profits on ordinary activities (Continued)

Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% 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.

9. Tangible assets

	Premises improvements £	Fixtures and fittings £	Office equipment £	Total £
Cost:				
At April 2011	609,184	52,468	2,690,470	3,352,122
Additions	203,517	-	594,994	798,511
Disposals	-	-	(94,204)	(94,204)
At 31 March 2012	<u>812,701</u>	<u>52,468</u>	<u>3,191,260</u>	<u>4,056,429</u>
Accumulated depreciation				
At 1 April 2011	260,896	43,056	2,421,165	2,725,117
Charge for the year	163,149	2,303	244,893	410,345
Disposals	-	-	(94,204)	(94,204)
At 31 March 2012	<u>424,045</u>	<u>45,359</u>	<u>2,571,854</u>	<u>3,041,258</u>
Net book value				
At 31 March 2012	<u>388,656</u>	<u>7,109</u>	<u>619,406</u>	<u>1,015,171</u>
At 31 March 2011	<u>348,288</u>	<u>9,412</u>	<u>269,305</u>	<u>627,005</u>

10. Fixed asset investments

	Shares in group undertaking £
Cost	
1 April 2011 and 31 March 2012	<u>1</u>
Accumulated impairment	
1 April 2011 and 31 March 2012	<u>1</u>
Net book value	
At 31 March 2011 and 31 March 2012	<u>-</u>

Notes to the financial statements for the year ended 31 March 2012 (continued)

10. Fixed asset investments (continued)

At 31 March 2011 and 31 March 2012, the company wholly owned the share capital of the following undertakings

Subsidiary	Country of incorporation /registration	Class of share capital held	Proportion Held £
Comunica Group Limited	England & Wales	Ordinary	100%

Comunica Group Limited was dormant throughout the year

11. Stocks

	2012 £	2011 £
Raw materials	<u>444,539</u>	<u>422,489</u>

12. Debtors

	2012 £	2011 £
Trade debtors	5,603,769	8,561,292
Amounts recoverable on contracts	4,135,519	4,862,876
Prepayments and accrued income	2,090,379	3,293,631
Amounts owed by group undertakings	7,480,200	4,608,219
Deferred tax asset (note 14)	1,297,000	302,892
	<u>20,606,867</u>	<u>21,628,910</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand

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

	2012 £	2011 £
Amounts recoverable on contracts	<u>84,197</u>	<u>458,346</u>

Notes to the financial statements for the year ended 31 March 2012 (continued)

13. Creditors: amounts falling due within one year

	2012 £	2011 £
Payments received on account	258,222	1,715,604
Trade creditors	4,731,022	9,039,762
Taxation and social security	1,651,702	1,886,934
Accruals and deferred income	6,189,380	5,846,880
Amounts owed to group undertakings	2,275,621	-
	<u>15,105,947</u>	<u>18,488,588</u>

Amounts due from group undertakings are unsecured, interest free and repayable on demand

14. Deferred tax

Deferred taxation recognised in the financial statements relates predominantly to trading losses and is set out below

	2012 Recognised £	2011 Recognised £
Deferred tax asset		
At 31 March 2012 and 2011	<u>1,297,000</u>	<u>302,892</u>
	<u>1,297,000</u>	<u>302,892</u>

Notes to the financial statements for the year ended 31 March 2012 (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. The company participates in the Redstone ESOP.

Further details of these schemes can be found in the 2012 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 2012, and the resulting expense to the profit and loss account for that year, was assessed to be £36,852 (2011 £213,302). As the schemes relate to shares of the ultimate parent undertaking and the company was not recharged for this expense, the company has recognised a capital contribution equal to the profit and loss account charge for the year (note 19).

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 are as follows:

Number of share options	ESOP
At 31 March 2011	3,034,769
Awards expired	(1,447,179)
Awards surrendered	(375,590)
At 31 March 2012	1,212,000
Exercisable at 31 March 2012	1,212,000
Exercisable at 31 March 2011	2,095,179

Notes to the financial statements for the year ended 31 March 2012 (continued)

15. Share based payments (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. There were no grants to employees of Redstone Converged Solutions Limited in either the 2012 or 2011 financial years.

16. Lease commitments

At 31 March 2012 the company had annual commitments under non-cancellable operating leases as set out below:

	Property 2012 £	Plant and Machinery 2012 £	Property 2011 £	Plant and Machinery 2011 £
Operating leases which expire 1 - 5 years	447,711	10,408	447,711	9,555
	<u>447,711</u>	<u>10,408</u>	<u>447,711</u>	<u>9,555</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.

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.

There were no other contingent liabilities at 31 March 2012 or 31 March 2011.

18. Called up share capital

Authorised share capital

	2012 £	2011 £
900,000 ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>
Allotted up and fully paid		
	2012 Number	2011 Number
Ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>

Notes to the financial statements for the year ended 31 March 2012 (continued)

19. Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit / (Loss) for the financial year	3,808,089	(2,256,465)
Share based payments (note 15)	36,852	213,302
	<u>3,844,941</u>	<u>(2,043,163)</u>
Opening shareholders' funds	9,162,472	11,205,635
Closing shareholders' funds	<u>13,007,413</u>	<u>9,162,472</u>

20. 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 £444,518 (2011 - £555,804). There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2011 - £nil).

21. Ultimate parent company

The directors regard Redstone plc, incorporated in the United Kingdom, as the company's ultimate parent undertaking in which the results of the company are consolidated. 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. Redstone plc is the only group to include these financial statements in their consolidation.

22. Events after the balance sheet date

Subsequent to the year end The Group has amended the terms of its existing senior debt facilities with Barclays Bank PLC to effect the following key changes:

- an extension of the final repayment date to 1 July 2015,
- a consolidation of the overdraft and term loan facilities into a revolving credit facility of £15 million,
- restructuring of the various fees payable in respect of the facilities,
- a variation to the financial covenants including a change from quarterly to bi annual testing for the key covenant