

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 sell or transfer or have sold or otherwise transferred all of your Ordinary Shares in Telecom Plus PLC before 20 November 2013 (being the date when the Existing Ordinary Shares were marked “ex” entitlement to the Open Offer), please send this document and any accompanying Application Form and Form of Proxy along with the accompanying reply-paid envelope (for use within the UK only), immediately 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, such documents should not be forwarded or transmitted by any means or media, in whole or in part, into the United States, any other Excluded Territory or any other jurisdiction where to do so might constitute a violation of local securities laws or regulations. If you have sold or transferred part of your holding of Ordinary Shares, you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Telecom Plus PLC and the Directors, whose names appear on page 27 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of Telecom Plus PLC and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and makes no omission likely to affect the import of such information.

Telecom Plus PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 3263464)

Proposed Firm Placing of 6,788,843 New Ordinary Shares and Proposed Placing and Open Offer of up to 2,024,717 New Ordinary Shares at a price of 1475 pence per share

Proposed Acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited and Notice of General Meeting

Sponsor, Financial Adviser, Broker and Bookrunner
Peel Hunt LLP

Your attention is drawn to the letter from the Executive Chairman of Telecom Plus PLC, which is set out in Part VII of this document. You should read the whole of this document and any documents incorporated by reference prior to making any investment decision. Your attention is drawn to the section of this document entitled “Risk Factors” for a discussion of certain factors that should be considered by investors in considering whether to make an investment in the Company.

This document comprises: (i) a circular prepared in compliance with the Listing Rules of the UK Listing Authority; and (ii) a prospectus relating to the New Ordinary Shares prepared in accordance with the Prospectus Rules of the UK Listing Authority under Section 73A of FSMA and has been approved by the Financial Conduct Authority in accordance with Section 85 of FSMA. A copy of this document (the “Prospectus”) has been filed with the Financial Conduct Authority and has been made available to the public in accordance with paragraph 3.2.1 of the Prospectus Rules.

Application will be made to the UKLA for the New Ordinary Shares proposed to be issued in connection with the Issue to be admitted to the Official List maintained by the UKLA and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the premium segment of its Main Market. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on or around 20 December 2013 following approval by the Company’s shareholders of the Issue and the Acquisition at the General Meeting and the non-referral of the Acquisition by the Office of Fair Trading.

This Prospectus does not constitute, and may not be used for the purposes of, any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for New Ordinary Shares to or by anyone in any jurisdiction in which such offer, invitation or solicitation is unlawful or to any person to whom it is unlawful to make such offer or invitation or undertake such solicitation. The distribution of this Prospectus and the offering of New Ordinary Shares in certain jurisdictions may be restricted by law and, accordingly, persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned.

These materials do not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Securities may not be offered or sold in the United States absent: (i) registration under the Securities Act; or (ii) an available exemption from registration under the Securities Act. The securities mentioned herein have not been, and will not be, registered under the Securities Act, will be offered only in “offshore transactions” as defined in and pursuant to Regulation S of the Securities Act and will not be offered to the public in the United States.

Peel Hunt, which is a member of the London Stock Exchange, is authorised and regulated in the UK by the Financial Conduct Authority, and is acting as sponsor, financial adviser, broker and bookrunner to Telecom Plus PLC in connection with the proposed Issue, Acquisition and Admission. Persons receiving this document should note that, in connection with the Issue, Acquisition and Admission, Peel Hunt is acting exclusively for Telecom Plus PLC and no one else. Peel Hunt will not be responsible to anyone other than Telecom Plus PLC for providing the protections afforded to clients of Peel Hunt nor for advising any other person on the transactions and arrangements described in this document. No representation or warranty, express or implied, is made by Peel Hunt as to any of the contents of this document. Apart from the liabilities and responsibilities, if any, which may be imposed on Peel Hunt by the Financial Services and Markets Act 2000 nor the regulatory regime established under it, Peel Hunt accepts no responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by it or on its behalf in connection with Telecom Plus PLC, the Existing Ordinary Shares, the New Ordinary Shares, the Issue, the Acquisition or Admission. Peel Hunt accordingly disclaims all and any liability whatsoever whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

CONTENTS

| | | |
|--------------------------|--|-------------|
| | | <i>Page</i> |
| Part I | Summary | 3 |
| Part II | Risk Factors | 14 |
| Part III | Important Information..... | 22 |
| Part IV | Firm Placing and Placing and Open Offer Statistics..... | 25 |
| Part V | Expected Timetable of Principal Events..... | 26 |
| Part VI | Directors, Company Secretary, Registered Office and Advisers | 27 |
| Part VII | Letter from the Chairman of the Company | 28 |
| Part VIII | Summary of the Principal Terms of the Acquisition and Supply Arrangements..... | 38 |
| Part IX | Terms and Conditions of the Open Offer | 41 |
| Part X | Terms and Conditions of the Firm Placing and the Placing..... | 56 |
| Part XI | Questions and Answers About the Issue..... | 60 |
| Part XII | Information Concerning the New Ordinary Shares..... | 65 |
| Part XIII | Information on the Company | 67 |
| Part XIV | Operating and Financial Review of the Company | 71 |
| Part XV | Financial Information Relating to the Company | 75 |
| | Section A: Historical financial information relating to the Company..... | 75 |
| | Section B: Unaudited results of the Company for the six months ended 30 September 2013..... | 76 |
| Part XVI | Profit Forecast for the Group | 91 |
| | Section A: Profit forecast of the Group for the year ending 31 March 2014..... | 91 |
| | Section B: Accountant’s report in respect of the profit forecast for the Group for the year ending 31 March 2014..... | 92 |
| Part XVII | Historical Financial Information Relating to the Energy Companies | 94 |
| | Section A: Historical financial information of Electricity Plus Supply Limited | 94 |
| | Section B: Accountant’s report on the historical financial information on Electricity Plus Supply Limited | 105 |
| | Section C: Historical financial information of Gas Plus Supply Limited..... | 107 |
| | Section D: Accountant’s report on the historical financial information of Gas Plus Supply Limited | 117 |
| | Section E: Unaudited interim accounts of Electricity Plus Supply Limited for the eight months ended 31 August 2013..... | 119 |
| | Section F: Unaudited interim accounts of Gas Plus Supply Limited for the eight months ended 31 August 2013..... | 124 |
| Part XVIII | Unaudited Pro Forma Financial Information of the Enlarged Group..... | 129 |
| | Unaudited pro forma statement of net assets | 129 |
| | Accountant’s report in respect of the unaudited pro forma net assets statement of net assets..... | 132 |
| Part XIX | Additional Information | 134 |
| Part XX | Documents Incorporated by Reference..... | 163 |
| Definitions | | 166 |

PART I

SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

| Section A – Introduction and warnings | | |
|--|--|---|
| A.1 | Warning | <ul style="list-style-type: none"> • This summary should be read as an introduction to the Prospectus. • Any decision to invest in the securities should be based on consideration of the Prospectus as a whole, by the investor. • Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. • Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities. |
| A.2 | Subsequent resale of securities or final placement of securities through financial intermediaries | Not applicable, as Telecom Plus PLC has not given consent to the use of this Prospectus for subsequent resale or final placement of Ordinary Shares by financial intermediaries. |

| Section B – Issuer | | |
|---------------------------|---|---|
| B.1 | Legal and commercial name | Telecom Plus PLC trading as the “Utility Warehouse”. |
| B.2 | Domicile/legal form/legislation/country of incorporation | The Company was incorporated and registered in England and Wales on 9 October 1996 with registered number 3263464 as a public company limited by shares with the name Telecom Plus PLC. |
| B.3 | Current operations and principal activities | Trading as the “Utility Warehouse”, Telecom Plus PLC provides a range of services to households and small-to-medium sized, businesses giving customers the convenience of a single monthly payment and savings on the cost of their utilities. The range of utility services provided includes fixed telephony (calls and line rental), broadband, mobile, gas and electricity. The Group has its headquarters in Colindale, North London. The Group operates solely in the United Kingdom. |

| | | | | | | |
|------|---------------------------|--|--|-------------------|------------------|--------------------------|
| B.4a | Significant recent trends | <p>The macro-economic climate continues to provide a favourable environment for the Company’s business model, with many consumers receptive to the idea of saving money (by switching to a new utility supplier), and/or being interested in building a secure and reliable part-time income by promoting the Company’s services as a Distributor.</p> <p>The rising cost of domestic energy is becoming an increasingly important issue with Ofgem, the press, politicians and consumer groups all entering the debate. Whilst no consensus has yet been reached, a number of clearly discernible trends are beginning to emerge, including the desirability of bolstering competition to the large UK energy suppliers (the ‘Big 6’) and reducing the cost of government imposed regulatory charges.</p> <p>The Company’s current market share of around 1.5 per cent. of UK households (based on the most recent UK census statistics) demonstrates the scale of the organic growth opportunity available to the Company, and the combination of the Company’s route to market and unique customer proposition continues to give the Company a significant competitive advantage.</p> <p>Most of the large UK retail energy suppliers have recently announced price increases, principally reflecting higher wholesale prices and the costs associated with greener generation initiatives, upgrading the distribution infrastructure, and the installation of smart metering. These announced increases will take effect before the end of this calendar year.</p> | | | | |
| B.5 | Group structure | <p>Telecom Plus PLC is the parent company of the Group. The principal subsidiary and associated undertaking of the Company (being those which are considered by the Company to be most likely to have a significant effect on the assessment of the assets and liabilities, financial position or profits and losses of the Company) are set out below:</p> | | | | |
| | | Company | Principal activity | Shareholding held | Immediate parent | Country of Incorporation |
| | | Telecom-munications Management Limited | Supply of fixed wire and mobile telecommunication services to business and public sector customers | 100% | Telecom Plus PLC | England |
| | | Opus Energy Group Limited | Supply of electricity and gas to commercial customers | 20% | n/a | England |

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--|---|--|---|--|---|---|--|---|--|--------------------|---------------|-----------|------------|---------------------------------------|---------------|--------|---------------------------|-----------|-------|----------------------------|-----------|-------|---------|-------|------------------|-----------|-------|-----------|-------|---------------|--------|-------|--------|-------|
| B.6 | Notifiable interest in the Existing Ordinary Shares/different voting rights/controlling interests | As at 19 November 2013 (being the latest practicable date before the publication of this document), the interests (all of which are beneficial unless otherwise stated) of the Directors and senior managers in the share capital of the Company and (so far as is known or could with reasonable due diligence be ascertained by the relevant Director or senior manager) interests of a person connected (within the meaning of section 252 of the Companies Act) with a Director or senior manager were as follows: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | <table><tr><td>Director/ senior manager⁽¹⁾</td><td>Number of Ordinary Shares held prior to the Issue</td><td>Percentage of issued share capital held prior to the Issue</td><td>Proposed number of Ordinary Shares upon completion of the Issue⁽²⁾</td><td>Proposed percentage of share capital held upon completion of the Issue⁽²⁾</td></tr><tr><td>Charles Wigoder</td><td>15,981,041</td><td>22.6%</td><td>15,981,041</td><td>20.06%</td></tr><tr><td>Julian Schild</td><td>97,624</td><td>0.14%</td><td>113,895</td><td>0.14%</td></tr><tr><td>Andrew Lindsay</td><td>81,465</td><td>0.12%</td><td>132,312</td><td>0.17%</td></tr><tr><td>Melvin Lawson</td><td>2,050,000</td><td>2.89%</td><td>2,050,000</td><td>2.57%</td></tr><tr><td>Michael Pavia</td><td>25,000</td><td>0.04%</td><td>25,677</td><td>0.03%</td></tr></table> | | | | | Director/ senior manager ⁽¹⁾ | Number of Ordinary Shares held prior to the Issue | Percentage of issued share capital held prior to the Issue | Proposed number of Ordinary Shares upon completion of the Issue ⁽²⁾ | Proposed percentage of share capital held upon completion of the Issue ⁽²⁾ | Charles Wigoder | 15,981,041 | 22.6% | 15,981,041 | 20.06% | Julian Schild | 97,624 | 0.14% | 113,895 | 0.14% | Andrew Lindsay | 81,465 | 0.12% | 132,312 | 0.17% | Melvin Lawson | 2,050,000 | 2.89% | 2,050,000 | 2.57% | Michael Pavia | 25,000 | 0.04% | 25,677 | 0.03% |
| | | Director/ senior manager ⁽¹⁾ | Number of Ordinary Shares held prior to the Issue | Percentage of issued share capital held prior to the Issue | Proposed number of Ordinary Shares upon completion of the Issue ⁽²⁾ | Proposed percentage of share capital held upon completion of the Issue ⁽²⁾ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Charles Wigoder | 15,981,041 | 22.6% | 15,981,041 | 20.06% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Julian Schild | 97,624 | 0.14% | 113,895 | 0.14% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Andrew Lindsay | 81,465 | 0.12% | 132,312 | 0.17% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Melvin Lawson | 2,050,000 | 2.89% | 2,050,000 | 2.57% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Michael Pavia | 25,000 | 0.04% | 25,677 | 0.03% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | (1) Other than the Directors, there are no other senior managers' details which are required to be disclosed. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | (2) Assuming that none of their Open Offer Entitlements are taken up, that their allocations under the Firm Placing are received and that no further Ordinary Shares are issued as a result of the exercise of any options under the Share Schemes between the posting of this document and the closing of the Issue. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Save as disclosed below, the Company is not aware of any person who, directly or indirectly, was interested in three per cent. or more of the current issued ordinary share capital of the Company as at 19 November 2013 (being the latest practicable date before the publication of this document): | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | <table><tr><td>Shareholder</td><td>Number of Shares held prior to the Issue</td><td>Percentage of issued share capital held prior to the Issue</td></tr><tr><td>Standard Life Investments Limited</td><td>6,142,257</td><td>8.7%</td></tr><tr><td>Schroders plc</td><td>4,945,278</td><td>7.0%</td></tr><tr><td>Legal & General Investment Management</td><td>2,517,862</td><td>3.6%</td></tr><tr><td>BlackRock Management (UK)</td><td>2,505,848</td><td>3.5%</td></tr><tr><td>Sheldon Management Limited</td><td>2,209,028</td><td>3.1%</td></tr></table> | | | | | Shareholder | Number of Shares held prior to the Issue | Percentage of issued share capital held prior to the Issue | Standard Life Investments Limited | 6,142,257 | 8.7% | Schroders plc | 4,945,278 | 7.0% | Legal & General Investment Management | 2,517,862 | 3.6% | BlackRock Management (UK) | 2,505,848 | 3.5% | Sheldon Management Limited | 2,209,028 | 3.1% | | | | | | | | | | | | |
| | | Shareholder | Number of Shares held prior to the Issue | Percentage of issued share capital held prior to the Issue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Standard Life Investments Limited | 6,142,257 | 8.7% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Schroders plc | 4,945,278 | 7.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Legal & General Investment Management | 2,517,862 | 3.6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| BlackRock Management (UK) | 2,505,848 | 3.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sheldon Management Limited | 2,209,028 | 3.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| The Shareholders detailed in the above table do not have different voting rights from those of other Shareholders. The Directors are not aware: (i) of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control or ownership over the Company; nor (ii) of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | | | | | | |
|-----|--------------------------------------|---|--------------|---------------------|--------------|--------------|--------------|
| B.7 | Historical key financial information | The selected financial information set out below has been extracted without material adjustment from the audited annual report and accounts of the Group for the years ended 31 March 2011, 31 March 2012 and 31 March 2013 and unaudited half yearly accounts for the six month periods ended 30 September 2012 and 30 September 2013, each prepared under IFRS: | | | | | |
| | | Half year ended 30 September | | Year ended 31 March | | | |
| | | | 2012 £000 | 2013 £000 | 2011 £000 | 2012 £000 | 2013 £000 |
| | | Consolidated income statement information | | | | | |
| | | Revenue | 210,020 | 245,817 | 418,845 | 471,458 | 601,505 |
| | | Gross profit | 35,372 | 39,156 | 66,572 | 76,373 | 83,555 |
| | | Operating profit | 11,274 | 11,084 | 25,101 | 28,163 | 31,260 |
| | | Profit before taxation | 12,079 | 12,620 | 27,506 | 30,743 | 34,631 |
| | | Basic earnings per share | 13.5p | 14.3p | 30.1p | 33.8p | 38.7p |
| | | Consolidated balance sheet information | | | | | |
| | | Total assets | 123,072 | 148,909 | 125,581 | 140,167 | 181,180 |
| | | Net current assets | 21,436 | 25,373 | 23,966 | 21,653 | 26,604 |
| | | Net (debt)/cash | 735 | (1,392) | (13,106) | 946 | 773 |
| | | Total equity | 61,385 | 69,226 | 51,702 | 62,811 | 70,742 |
| | | Set out below are details of significant changes in the financial condition, operating results and trading position of the Group during the period covered by the audited annual report and accounts for the three years ended 31 March 2011, 31 March 2012 and 31 March 2013 (being the date of the Group's latest published audited annual report and accounts) and since 31 March 2013. | | | | | |
| | | <ul style="list-style-type: none">• In 2011, the Group saw good revenue growth driven by steady organic growth in the number of customers using the Group's services, an improvement in the quality of the customer base, an autumn increase in energy prices offsetting a period of lower retail energy prices in the first eight months of the period and record demand for gas during an exceptionally cold winter. The combination of these factors, together with a material increase in the number of services being provided drove a significant rise in pre-tax profits as the Group's gross margin grew. The Company paid a dividend in line with the year ended 31 March 2010.• In 2012, the Group saw faster organic growth than 2011, with service numbers growing sharply and a significant improvement in customer quality, with lower churn, lower delinquency and an increase in the average number of services taken by customers. This drove increased revenue in the period, and with an improved overall gross margin in the year due to higher retail energy tariffs, a relatively warmer winter and a one-off marketing support contribution from Npower, the Group's profits were notably higher than the corresponding period in 2011. With strong cash generation and good earnings growth, the Company's dividend increased by over 20%.• In 2013, the Group saw strong growth in revenue and profits. This was driven by a further significant increase in the number of new customers using its services, a continuing improvement in the | | | | | |

| | | |
|------------|---|---|
| | | <p>quality of its customer base, an industry-wide increase in energy prices during the period, and a significant increase in the amount of energy used by the Company's customers during the year due to an abnormally cold winter. The number of services provided by the Company grew at its fastest ever rate during the period, driven by a further rise in the proportion of new customers taking at least four of the Company's core services. With cash generation in line with management expectations, the Company's dividend grew in line with earnings.</p> <p>From 31 March 2013 to the date prior to the date of the Prospectus, the Group has seen strong growth in revenue. Pre-tax profits and earnings have been adversely affected by extra short-term costs associated with the Company's faster organic growth in customer numbers and from starting to implement the changes associated with Ofgem's Retail Market Review. The continued strong growth in revenue was mostly driven by a further acceleration in the number of new customers using the Group's services, accompanied by an increase in the average number of services taken by residential customers. The Group has also benefitted from the widespread publicity following the recent price rises announced by members of the 'Big 6' energy companies and, as a result, October saw record activity from the distribution channel, with net growth of over 12,000 customers and over 50,000 services. With underlying cash flow remaining strong, the Board resolved to increase the interim dividend by over 20% to 16p per share for the six months ended 30 September 2013. The Group is expected to deliver revenue and profits in line with market expectations for the year ended 31 March 2014, excluding the impact of the proposed transaction.</p> |
| B.8 | Selected key pro forma financial information | <p>The key elements of the unaudited pro forma financial information are summarised below. The pro forma financial information has been prepared to illustrate the effect of the Issue and the Acquisition on the consolidated net assets of the Group as if the Issue and the Acquisition had occurred on 30 September 2013.</p> <p>The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position or results, or its financial position or results if the proposed Acquisition and Issue take place.</p> |

| Section C – Securities | | | | | | | | | | | | |
|------------------------|--|--|--|-----------------------|---|--------|------------|--------------|------------|---------------------|--------------|------------|
| C.1 | Type and the class of the new securities | Ordinary Shares with a nominal value of £0.05 each and the ISIN GB0008794710 will be offered in connection with the Firm Placing and Placing and Open Offer and will be admitted to trading on the premium segment of the Main Market. The Firm Placing Shares and the Placing and Open Offer Shares will be admitted following the passing of the Resolutions at the General Meeting and the confirmation by the Office of Fair Trading that the Acquisition will not be referred to the Competition Commission. The Company intends to issue 6,788,843 New Ordinary Shares, raising gross proceeds of approximately £100 million through the Firm Placing. The Company intends to issue up to 2,024,717 New Ordinary Shares, raising gross proceeds of up to approximately £30 million through the Placing and Open Offer. | | | | | | | | | | |
| C.2 | Currency | The New Ordinary Shares will be denominated in Pounds Sterling. | | | | | | | | | | |
| C.3 | Shares issued and fully paid and issued but not fully paid | The Existing Ordinary Shares have a nominal value of £0.05. The following table sets out the issued and fully paid share capital of the Company as at 19 November 2013 (being the latest practicable date before the publication of this document) and as it will be (assuming that no options or awards granted under the Share Schemes are exercised between the date of this document and completion of the Issue) following the allotment and issue of 8,813,560 New Ordinary Shares under the Issue. <table><tr><td>Issued and Fully Paid</td><td>£</td><td>Number</td></tr><tr><td>At present</td><td>3,543,255.80</td><td>70,865,116</td></tr><tr><td>Following the Issue</td><td>3,983,933.80</td><td>79,678,676</td></tr></table> | | Issued and Fully Paid | £ | Number | At present | 3,543,255.80 | 70,865,116 | Following the Issue | 3,983,933.80 | 79,678,676 |
| Issued and Fully Paid | £ | Number | | | | | | | | | | |
| At present | 3,543,255.80 | 70,865,116 | | | | | | | | | | |
| Following the Issue | 3,983,933.80 | 79,678,676 | | | | | | | | | | |
| C.4 | Rights attached to the securities | Each New Ordinary Share will rank <i>pari passu</i> in all respects with each Existing Ordinary Share, and will have the same rights and restrictions as each Existing Ordinary Share save that it will not rank for any interim dividend in respect of the financial year ending 31 March 2014. | | | | | | | | | | |
| C.5 | Restrictions on the free transferability of the securities | Subject to article 33 of the Articles, there are no restrictions on the free transferability in relation to the New Ordinary Shares or Existing Ordinary Shares. | | | | | | | | | | |
| C.6 | Application for admission to trading on a regulated market | Applications will be made to the UK Listing Authority for the New Ordinary Shares to be listed on the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the premium segment of its Main Market on or around 20 December 2013. | | | | | | | | | | |
| C.7 | Description of dividend policy | The Company may, by ordinary resolution, declare a dividend to be paid to members in accordance with the respective rights and interests of the members in the profits of the Company and may fix the time for payment of such dividend provided that no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears to the Board to be justified by the financial position of the Company. The Board may also pay fixed rate dividends at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies the payment. Subject to unforeseen circumstances, the Company intends to pursue a progressive dividend policy, consistent with the growing working capital requirements of the business and the repayment obligations under the New Debt Facilities. | | | | | | | | | | |

Section D – Risks

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| D.1 | <p>Key information on the key risks that are specific to the issuer or its industry</p> | <ul style="list-style-type: none"> • The Group is subject to varying laws and regulations, including possible adverse effects from European regulatory intervention. The majority of the Group's services are supplied into highly regulated markets, and this could restrict the operational flexibility of the business. <p>The Ofgem Retail Market Review is intended to have a significant impact on the way energy will be sold throughout the UK going forward.</p> <p>It is difficult to anticipate how the new regime will operate in practice and what action the Enlarged Group's competitors will take and, in particular, how they will set the limited number of tariffs available to each of them. Accordingly, the Enlarged Group's competitive position may be affected either positively or negatively and if the effect is negative, it may adversely affect the Enlarged Group's financial position.</p> <p>It should be noted that the regulatory environment for the various markets in which the Group operates is generally focused on promoting competition. Governmental focus on reform of the energy market appears to be on the large vertically integrated suppliers, and in particular whether the link between energy generation and retail supply is preventing competition.</p> <ul style="list-style-type: none"> • The Company has a universal supply obligation in relation to the provision of energy to domestic customers. Although the Company is entitled to request a reasonable deposit from potential new customers who are not considered creditworthy, the Company is obliged to supply domestic energy to everyone who submits a properly completed application form. Where customers subsequently fail to pay for the energy they have used ("Delinquent Customers"), there is likely to be a considerable delay before the Company is able to control its exposure to future bad debt from them. • The provision of services to the Group's customers is reliant on the efficient operation of third party physical infrastructure. There is a risk of disruption to the supply of services to customers through a failure in the infrastructure e.g. gas shortages, power cuts or damage to communications networks. However, as the infrastructure is generally shared with other suppliers any material disruption to the supply of services is likely to impact a large part of the market as a whole and it is unlikely that the Group would be disproportionately affected. • Fraud within the telephony industry may arise from customers using the services without intending to pay their supplier. The amounts involved are generally relatively small, however, and the Group is able to immediately eliminate any further bad debt exposure by disconnecting any telephony service that demonstrates a suspicious usage profile, or falls into arrears on payments. <p>More generally, the Group is also exposed to payment card fraud, where customers use stolen cards to obtain credit or goods from the Group.</p> <ul style="list-style-type: none"> • The Group's reputation amongst its customers, suppliers and Distributors is believed to be fundamental to the future success of the Group. Failure to meet expectations in terms of the services |
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| | | <p>provided by the Group, the way the Group does business or in the Group's financial performance could have a material negative impact on the Group's performance.</p> <p>In relation to customer service, reputational risk is principally mitigated through its recruitment processes, a focus on closely monitoring staff performance, including the use of direct customer feedback surveys and the provision of rigorous staff training.</p> <p>Responsibility for maintaining effective relationships with suppliers and Distributors rests primarily with the appropriate member of the Group's senior management team. Any material changes to supplier agreements and Distributor commission arrangements which could impact the Group's relationships are generally negotiated by the executive Directors and ultimately approved by the full Board.</p> <ul style="list-style-type: none"> • The Group is dependent on its proprietary billing and customer management software for the successful operation of its business model. This software is developed and maintained in accordance with the changing needs of the business by a team of highly skilled, long-standing, motivated and experienced individuals. <p>All significant changes which are made to the billing and customer management software are tested as extensively as reasonably practical before launch and are ultimately approved by the heads of the IT and Billing departments in consultation with the Chief Executive as appropriate. Back-ups of both the software and underlying billing and customer data are made on a regular basis and securely stored off-site.</p> <ul style="list-style-type: none"> • The Group is dependent on members of its senior management team and a flexible, highly skilled and well motivated workforce. If the Enlarged Group does not succeed in attracting, developing and retaining skilled personnel, it may not be able to grow its business as anticipated. Further, the departure from the Enlarged Group of any of the executive Directors or certain senior employees could, in the short term, have a material adverse effect on the Group's business. • The Enlarged Group will continue to be dependent on Npower for the supply of energy required by its customers. In the event that Npower becomes insolvent or the SSA is terminated, this could have a material adverse effect on the financial affairs of the Enlarged Group. • As a result of the Acquisition, the Group will become a licensed gas and electricity supplier, and therefore also have a direct regulatory relationship with Ofgem. If the Group fails to foster an effective relationship with Ofgem and comply with its on-going licensing obligations, it could be subject to fines or to the removal of its respective licences. |
| D.3 | Key information on the key risks that are specific to the securities | <ul style="list-style-type: none"> • The market price of the Ordinary Shares may be affected by a variety of factors, including, but not limited to, changes in sentiment regarding the Ordinary Shares, variations in the Enlarged Group's operating results compared with the expectations of market analysts and investors, the operating performance of its competitors or speculation about the Enlarged Group's business or the industry segments in which it operates. Shareholders should therefore be aware that the value of the Ordinary Shares can go down as well as up. |

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| | | <ul style="list-style-type: none"> • The Company may decide to offer additional Shares in the future, which could have an adverse effect on the market price of Ordinary Shares. An additional offering of Ordinary Shares by the Company, significant sales of Ordinary Shares by employees or major Shareholders, or the public perception that an offering or sales may occur, could have an adverse effect on the market price of Ordinary Shares. • Shareholders will experience dilution in their ownership of the Company as a result of the Firm Placing and Shareholders who do not acquire New Ordinary Shares in the Open Offer will experience further dilution in their ownership of the Company. Shareholders in any Excluded Territory will suffer an immediate further dilution in their proportionate ownership and voting interests in the Enlarged Ordinary Share Capital. A Qualifying Shareholder who does not take up his Open Offer Entitlements in full (and does not receive any other New Ordinary Shares pursuant to the Issue) will be diluted by up to approximately 11.1 per cent. to his shareholding in the Company as a result of the Issue. Furthermore, a Qualifying Shareholder who takes up his Open Offer Entitlements in full (and does not receive any other New Ordinary Shares pursuant to the Issue) will suffer dilution of approximately 8.5 per cent. to his shareholding in the Company as a result of the Firm Placing. |
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| Section E – Offer | | |
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| E.1 | Net proceeds | The Company will issue 6,788,843 New Ordinary Shares by way of a Firm Placing, and up to 2,024,717 New Ordinary Shares by way of a Placing and Open Offer, in each case at a price of 1475 pence per New Ordinary Share, thereby raising approximately £130 million in aggregate gross proceeds. The net proceeds will be approximately £122.7 million after estimated expenses of £7.3 million. |
| E.2a | Reasons for the offer and use of proceeds | The net proceeds of the Issue will be used to part fund the proposed Acquisition for an aggregate cash consideration of £218 million, of which £196.5 million is payable on completion of the Acquisition and £21.5 million is payable on the third anniversary of completion. The balance of the initial consideration is to be funded by a drawdown of approximately £100 million under the New Debt Facilities. The remaining proceeds of the Issue will be used to provide additional working capital for the Group. |
| E.3 | Terms and conditions of the offer | <p>The Company invites Qualifying Shareholders to apply for Open Offer Shares <i>pro rata</i> to their existing shareholdings at a price of 1475 pence per Ordinary Share, payable in full in cash on application, free of all expenses, on the basis of: 1 Open Offer Share for every 35 Existing Ordinary Shares held by the Qualifying Shareholders at the Record Date and so in proportion for any other number of Existing Ordinary Shares then held, rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will not be allocated and will be disregarded.</p> <p>The Issue Price represents a discount of 2.1 per cent. to the Closing Price of 1507 pence on 19 November 2013 (being the latest practicable date before the announcement of the Issue and the Acquisition).</p> |

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| E.4 | A description of any interest that is material to the issue/offer including conflicting interests | Not applicable; there is no interest that is material to the Issue. |
| E.5 | Name of the person or entity offering to sell the security | Not applicable; no Shareholders are offering to sell Existing Ordinary Shares pursuant to the Issue and there will be no lock-up agreements. |
| E.6 | Immediate dilution resulting from the offer | <p>Following the issue of New Ordinary Shares to be allotted pursuant to the Issue, Qualifying Shareholders who take up their full Open Offer Entitlements will suffer a dilution of up to 8.5 per cent. to their interests in the Company.</p> <p>Qualifying Shareholders who do not take up any of their Open Offer Entitlements and do not participate in the Firm Placing will suffer a dilution of up to 11.1 per cent. to their interests in the Company.</p> |
| E.7 | Estimated expenses charged to the investor by the issuer or the offeror | Not applicable; no expenses are being directly charged to the investor by the Company in connection with the Issue. |

PART II

RISK FACTORS

An investment in shares is subject to a number of risks. Accordingly, investors and prospective investors should carefully consider all of the information set out in this Prospectus including, in particular, the risks described below, and all of the information incorporated by reference into this Prospectus prior to making an investment in the Company. The Group's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Ordinary Shares may decline and investors may lose all or part of their investment.

The risks below are all those which the Directors are aware of and which they consider material. However, additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may also have an adverse effect on the Group's operating results, financial condition and prospects. The information given is as of the date of this Prospectus and, except as required by the FCA, the London Stock Exchange, the Prospectus Rules, the Disclosure and Transparency Rules, the Listing Rules or any other law or regulation, will not be updated. Any forward-looking statements are made subject to the reservations specified under "Forward-looking statements" on page 22 of this document.

An investment in the New Ordinary Shares is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from that investment. Accordingly, prospective investors are recommended to obtain independent financial advice from an adviser authorised under FSMA (or another appropriately authorised independent professional adviser) who specialises in advising upon investments in shares or other securities.

1. RISK FACTORS AFFECTING THE GROUP AND THE ENLARGED GROUP OPERATING IN THE MULTI-UTILITY SERVICES INDUSTRY

1.1 Ability to compete in the multi-utility services industry in the UK

The Group operates in highly competitive markets and significant service innovations or increased price competition could impact future profit margins. In order to maintain its competitive position, there is a consistent focus on ways of improving operational efficiency and keeping the cost base as low as possible. New service innovations are monitored closely by senior management and the Group is typically able to respond rapidly by offering any new services using the infrastructure of its existing suppliers. The Group offers a unique multiservice proposition. The increasing proportion of customers who are benefiting from a genuine multi-utility solution, that is unavailable from any other known supplier, materially reduces any competitive threat.

The Directors anticipate that the Group will face continued competition in the future as the market grows, new companies enter the market and alternative technologies and services become available. The Group's services and expertise may be rendered obsolete or uneconomic by technological advances or novel approaches developed by one or more of the Group's competitors. The existing approaches of the Group's competitors or new approaches or technologies developed by such competitors may be more effective or affordable than those supplied to the Group. There can be no assurance that the Group's competitors will not develop more effective or more affordable technologies or services, thus rendering the Group's technologies and/or services obsolete, uncompetitive or uneconomical. There can be no assurance that the Group will be able to compete successfully with existing or potential competitors or that competitive factors will not have a material adverse effect on the Group's business, financial condition or results of operations.

However, as the Group's customer base continues to rise, competition amongst suppliers of services to the Group is expected to increase. This has already been evidenced by recently agreed volume-related growth incentives with the Group's three major wholesale suppliers. This should ensure that the Group has direct access to new technologies and services available to the market.

1.2 Legislative, regulatory and political risks

The Group is subject to varying laws and regulations, including possible adverse effects from European regulatory intervention. The energy markets in the UK and Continental Europe are subject to comprehensive operating requirements as defined by the relevant sector regulators and/or government departments. Amendments to the regulatory regime could have an impact on the Group's ability to achieve its financial goals. Furthermore, the Group is obliged to comply with retail supply procedures, amendments to which could have an impact on the Group's operating costs.

Recent regulatory changes such as the new requirements in relation to smart energy meters (with the potential for additional costs if existing meters must be replaced prior to the end of their planned lives) and supplier social tariffs, and changes to the current decommissioning regime could all have a potentially significant impact on the sector.

In general, the majority of the Group's services are supplied into highly regulated markets, and this could restrict the operational flexibility of the Group's business. In order to mitigate this risk, the Group maintains an appropriate relationship with both Ofgem and Ofcom (the UK regulators for the energy and communications markets respectively). The Group engages with officials from both these organisations on a periodic basis to ensure they are aware of the Group's views when they are consulting on proposed regulatory changes or if there are competition issues the Group need to raise with them: in particular, the Group has had a number of meetings with Ofgem over the course of the last year to discuss their Retail Market Review, which seems likely to have a significant impact on the way energy will be sold in the UK going forward.

However, it should be noted that the regulatory environment for the various markets in which the Group operates is generally focussed on promoting competition. As one of the new entrants, it seems reasonable to expect that most such changes will broadly be beneficial to the Group, given the Group's relatively small size compared to the former monopoly incumbents with whom it competes. Although these changes, and their actual impact, remain uncertain at present.

Furthermore, the governmental focus on reform of the energy market appears to be targeted at the large vertically integrated suppliers, with the objective of breaking the link between energy generation and retail supply.

Political and consumer concern over rising energy prices and fuel poverty, may lead to further reviews of the energy market which could result in further consumer protection legislation being introduced through energy supply licences. The Government could also choose to introduce adverse measures such as a windfall tax on the Company or price controls for certain customer segments.

Political and regulatory developments affecting the energy markets within which the Company operates may have a material adverse effect on the Group's business, results of operations and overall financial condition.

1.3 Fraud and bad debt risk

The Group has a universal supply obligation in relation to the provision of energy to domestic customers. This means that although the Group is entitled to request a reasonable deposit from potential new customers who are not considered creditworthy, the Company is obliged to supply domestic energy to everyone who submits a properly completed application form. Where customers subsequently fail to pay for the energy they have used ("Delinquent Customers"), there is likely to be a considerable delay before the Group is able to control its exposure to future bad debt from them by either installing a pre-payment meter or disconnecting their supply, and the costs associated with preventing such Delinquent Customers from increasing their indebtedness are not always fully recovered.

Fraud within the telephony industry may arise from customers using the services without intending to pay their supplier. The amounts involved are generally relatively small as the Group has sophisticated call traffic monitoring systems to identify material occurrences of fraud. The Group is able to immediately eliminate any further bad debt exposure by disconnecting any telephony service that demonstrates a suspicious usage profile, or falls into arrears on payments.

More generally, the Group is also exposed to payment card fraud, where customers use stolen cards to obtain credit (e.g. on their CashBack card) or goods (e.g. Smartphones) from the Group; the Group consistently refines its fraud protection systems to reduce its potential exposure to such risks.

1.4 Wholesale prices

The Group does not own or operate any utility network infrastructure itself, choosing instead to purchase the capacity needed from third parties. The advantage of this approach is that the Group is protected from technological risk, capacity risk or the risk of obsolescence, as it can purchase the amount of each service required to meet its customers' needs.

Whilst there is a theoretical risk that in some of the areas in which the Group operates it may be unable to secure access to the necessary infrastructure on commercially attractive terms, in practice the pricing of access to such infrastructure is either regulated (as in the energy market) or subject to

significant competitive pressures (as in telephony and broadband). The profile of the Group's customers, the significant quantities of each service they consume in aggregate, and its clearly differentiated route to market has historically proven attractive to potential partners, who compete aggressively to secure a share of the Group's growing business.

The supply of energy, which accounts for an increasing proportion of sales each year, has different risks associated with it. The wholesale price can be extremely volatile, and customer demand can be subject to considerable short term fluctuations depending on the weather. The Group has a long-standing supply relationship with Npower under which the latter assumes the substantive risks and rewards of hedging and buying energy for the Group's customers and the proposed Acquisition will provide a supply agreement which should provide continued protection from these risks for 20 years. If the Group did not have the benefit of this long term supply agreement it would be exposed to the pricing risk of securing access to the necessary energy on the open market.

1.5 General litigation

The Group has not (in the 12 month period prior to the publication of this Prospectus) been involved in any significant litigation. However, as the Group operates as an intermediary in highly regulated industries with contracts with utility providers and customers, it could be subject to material litigation in relation to its supply contracts or to litigation with customers in relation to debt collection.

1.6 Reputational risk

The Group's reputation amongst its customers, suppliers and Distributors is believed to be fundamental to the future success of the Group. Failure to meet expectations in terms of the services provided by the Group, the way the Group does business or in the Group's financial performance could have a material negative impact on the Group's performance.

In relation to customer service, reputational risk is principally mitigated through the Group's recruitment processes, a focus on closely monitoring staff performance, including the use of direct customer feedback surveys (Net Promoter Score), and through the provision of rigorous staff training.

Responsibility for maintaining effective relationships with suppliers and Distributors rests primarily with the appropriate member of the Group's senior management team with responsibility for the relevant area. Any material changes to supplier agreements and Distributor commission arrangements which could impact the Group's relationships are generally negotiated by the executive Directors and ultimately approved by the full Board.

1.7 Information technology risk

The Group is dependent on its proprietary billing and customer management software for the successful operation of its business model. This software is developed and maintained in accordance with the changing needs of the business by a team of highly skilled, long-standing, motivated and experienced individuals.

All significant changes which are made to the billing and customer management software are tested as extensively as reasonably practical before launch and are ultimately approved by the heads of the IT and Billing departments in consultation with the Chief Executive as appropriate. Back-ups of both the software and underlying billing and customer data are made on a regular basis and securely stored off-site. The Group also has extensive back-up information technology infrastructure in the event of a failure of the main system, designed to ensure that a near-seamless service to customers can be maintained.

1.8 Infrastructure risk

The provision of services to the Group's customers is reliant on the efficient operation of third party physical infrastructure. There is a risk of disruption to the supply of services to customers through any failure in the infrastructure e.g. gas shortages, power cuts or damage to communications networks. However, as the infrastructure is generally shared with other suppliers, any material disruption to the supply of services is likely to impact a large part of the market as a whole and it is unlikely that the Group would be disproportionately affected. In the event of any prolonged disruption isolated to the Group's principal supplier within a particular market, services required by customers could be sourced from another provider.

2. RISKS RELATING TO THE ENLARGED GROUP'S BUSINESS

2.1 Business development activity

New businesses or activities the Enlarged Group undertakes alone, or with partners, may not deliver target outcomes and may expose the Enlarged Group to additional operational and financial risk. Business development activities, including acquisitions, disposals and joint ventures and organic investment opportunities (including organic investments made as a result of changes to the energy market) entail a number of risks, including that they may be based on incorrect assumptions or conclusions, a failure to realise planned levels of synergy and efficiency savings, the inability to integrate acquired businesses effectively and the Enlarged Group may suffer on account of unanticipated costs and liabilities and other unanticipated effects. The Enlarged Group may also be liable for the past acts, omissions or liabilities of companies or businesses it has acquired, which may be unforeseen or greater than anticipated in the warranties and guarantees received from the sellers of such companies or businesses. The occurrence of any of these events could have a material adverse impact on the Enlarged Group's results of operations or financial condition and could also impact its ability to enter into other transactions.

2.2 Highly skilled management and personnel

The Group depends to a significant degree on the continued services of both the senior management and senior employees whom it considers to be key personnel. Their knowledge of both the energy markets and their skills and experience (including but not limited to knowledge of the proprietary billing and customer management software) are crucial elements to the success of the Group's business. The loss of key personnel or the Group's inability to attract, develop and retain additional qualified management and other personnel could have a material adverse effect on the Group's business.

2.3 Disruption to online platforms and premises infrastructure

Interruption to the Enlarged Group's online platforms or other aspects of infrastructure, could adversely affect quality and timeliness of service delivery. The Group has implemented a range of measures to mitigate the risk of such interruption. The Enlarged Group could, however, experience an interruption in the future and this could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

2.4 Competition regulation

The Enlarged Group's activities are subject to competition law, including Article 101(1) (ex Article 81(1)) of the Treaty on the Functioning of the European Union and Chapter I of the Competition Act 1998. Article 101(1) and Chapter I prohibit agreements (as well as decisions and concerted practices) which restrict competition within either: the EU which may affect trade between EU Member States; or the UK. Agreements (or individual provisions where severable) restricting competition within the meaning of Article 101(1) or Chapter I are void unless exempt as described below. The European Commission or the Office of Fair Trading (or the Competition and Markets Authority from 1 April 2014) may impose fines on parties entering into such agreements of up to 10 per cent. of their worldwide turnover in the preceding business year. Persons who have suffered loss by reason of the anti-competitive restrictions may claim for damages against those parties.

Agreements satisfying certain criteria are automatically exempt from the application of Article 101(1) or Chapter I by virtue of block exemptions. Parties to an agreement not covered by a block exemption may obtain the benefit of an individual exemption. In the event that any of the supply agreements entered into by the Group are found to infringe applicable competition legislation, this could have a material adverse impact on the Group, either by reason of the relevant agreement being held to be void or as a result of fines imposed on the Group.

2.5 Risk of interruption of operations

Although the Group has contingency plans in effect for certain natural disasters, as well as other unforeseen events that could damage the Enlarged Group's operations, no assurance can be given that any such events will not occur nor that they will not materially interrupt the Enlarged Group's business. In particular, an interruption in the supply of energy and telecommunication services could have a material adverse impact on the Group's business. The Enlarged Group maintains business interruption insurance, which is intended to contribute towards the increased cost of working caused by such occurrences. However, such insurance is capped and would not compensate the Enlarged

Group for the loss of opportunity and potential adverse impact on relations with existing customers created by an inability to complete its customer contracts or provide business continuity in a timely manner.

2.6 Macro-economic risks

The global financial system has experienced severe difficulties since 2008. This has led to unprecedented levels of illiquidity in the global financial system. In response to the market instability and illiquidity, a number of governments, including those of the UK, other EU member states and the US, have intervened in order to inject capital into and generate additional liquidity in financial markets to promote stability and in some cases to prevent the failure of financial institutions. Despite such measures, the volatility and disruption of the capital and credit markets has continued and recessionary or relatively low growth conditions are present in the UK, the market in which the Enlarged Group will continue to operate.

The precise nature of all the risks and uncertainties the Enlarged Group faces as a result of the global financial and economic instability cannot be predicted, as many of these risks are outside of the Enlarged Group's control. If the currently low interest rates were to rise and put pressure on household budgets, it is possible that the demand for the Group's services could be significantly curtailed. The Enlarged Group may experience reductions in trading activity, a lower share price, asset impairments and lower profitability as a result of a decline in the overall demand for its services which consequentially could have a material adverse effect on the Enlarged Group's business, results of operations or overall financial condition.

2.7 Dividends

Under UK company law, a company may pay cash dividends only to the extent that it has distributable reserves and cash available for this purpose. The Company's ability to pay dividends is affected by its profitability and the extent to which it has distributable reserves out of which dividends may be paid. In the light of these factors, and the increase in bank debt that the Enlarged Group will assume under the New Debt Facilities, there can be no assurance that the Group or the Enlarged Group will be able to pay a dividend in the future or as to the amount of any such dividend, if paid. However, subject to unforeseen circumstances, the Group has committed to pursuing a progressive dividend policy.

2.8 Risk relating to the revised regulatory regime

As a result of the Ofgem Retail Market Review, the regulatory regime relating to the supply of electricity and gas is being changed significantly. It is difficult to anticipate how the new regime will operate in practice and what action the Enlarged Group's competitors will take and, in particular, how they will set the limited number of tariffs available to each of them. Accordingly, the Enlarged Group's competitive position may be affected either positively or negatively and if the effect is negative, it may adversely affect the Enlarged Group's financial position.

3. RISKS RELATING TO THE ACQUISITION OF THE ENERGY COMPANIES

3.1 There can be no assurance that the Enlarged Group will realise the anticipated benefits of the Acquisition

The Directors believe that the Acquisition will provide benefits for the Enlarged Group. However, there is a risk that some or all of the expected benefits may fail to materialise, or may not occur within the time periods anticipated by the Directors, or the level of investment required to achieve these benefits may be higher than expected. The Directors' expectation of anticipated benefits, including expectations with respect to the future financial performance of the Enlarged Group, is based on certain assumptions and information available to the Group as at the date of this document which may not materialise or may cease to be valid in the future. The realisation of anticipated benefits may be affected by a number of factors and risks (including those described herein), many of which will be beyond the control of the Enlarged Group and, as such, actual results may differ materially from those currently anticipated.

3.2 Potential for misunderstanding of the financial information on the Energy Companies

The financial information on the Energy Companies set out in Part XVII of this document reflects the contractual arrangements which were previously in place between the Energy Companies (as part of the Npower group) and fellow subsidiaries within the RWE Npower Group. As a result of

the new supply terms being put in place as part of the Acquisition, the historic financial performance of the Energy Companies is not indicative of the expected future performance of the business, which will be materially altered going forward. More detail on the principal terms and conditions of the Acquisition and, in particular, the principal financial benefits of the Acquisition are set out in paragraphs 2, 8 and 9 of Part VII of this document.

3.3 The Acquisition is subject to a number of conditions which, if not satisfied, could result in the Acquisition not completing

The implementation of the Acquisition is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including OFT approval, the passing of the Resolutions and the Admission of the New Ordinary Shares. There is no guarantee that these conditions will be satisfied (or waived, if applicable), in which case the Acquisition will not complete. The conditions are more fully described in Part VIII of this document. If the Acquisition does not complete for any reason, the Group will have incurred costs which will need to be paid in any event. These costs will be approximately £2.9 million and the effect of this would be to reduce the Group's net cash position and profitability for the current year by this amount.

3.4 If goodwill or other intangible assets that the Enlarged Group records in connection with the Acquisition become impaired, the Enlarged Group could have to take significant charges against earnings

In connection with the accounting for the Acquisition, the Enlarged Group is expected to recognise an intangible asset and it is expected that the intangible asset will be amortised over the 20 year life of the SSA. Under IFRS any impairment to the value of this intangible asset will result in a charge against earnings, which could materially adversely affect the Enlarged Group's results of operations and shareholders' equity in future periods.

3.5 Dependence on Npower for supply of energy pursuant to the SSA

The Enlarged Group will continue to be dependent on Npower for the supply of energy required by its customers. In the event that Npower becomes insolvent or the SSA is terminated or Npower is in breach of its obligations under the SSA, this could have a material adverse effect on the financial affairs of the Enlarged Group.

3.6 Licensing risk

As a result of the Acquisition, the Group will become a licensed gas and electricity supplier, and therefore also have a direct regulatory relationship with Ofgem, which is a role it has not carried out in its own right since it sold the Energy Companies to Npower in 2006. If the Group fails to maintain an effective relationship with Ofgem and comply with its ongoing licensing obligations, it could be subject to fines or to the removal of its respective licences.

4. RISKS RELATING TO THE ISSUE AND THE ORDINARY SHARES

4.1 Possible volatility of the share price

The market price of the Ordinary Shares may be affected by a variety of factors, including, but not limited to, changes in sentiment regarding the Ordinary Shares, variations in the Enlarged Group's operating results compared with the expectations of market analysts and investors, its business development or those of its competitors, the operating performance of its competitors or speculation about the Enlarged Group's business or the industry segments in which it operates. Shareholders should therefore be aware that the value of the Ordinary Shares can go down as well as up.

4.2 Impact of further issues of Ordinary Shares and significant disposals of Ordinary Shares on the share price

Although there is no current intention to do so (other than pursuant to the Issue and under the Share Schemes), it is possible that the Company may decide to issue additional Shares in the future. In addition, the granting of employee and Distributor share options in respect of Ordinary Shares is an integral element of the Group's incentive policy. An additional offering of Ordinary Shares by the Company, significant sales of Ordinary Shares by employees or major Shareholders, or the public perception that an offering or sales may occur, could have an adverse effect on the market price of Ordinary Shares.

4.3 Shareholders will experience dilution in their ownership of the Company as a result of the Issue

Following the issue of the New Ordinary Shares, Shareholders who do not participate in the Firm Placing and/or do not take up their respective Open Offer Entitlements will suffer an immediate dilution in their proportion of ownership and voting interests in the Enlarged Ordinary Share Capital. Shareholders in any Excluded Territory will suffer an immediate further dilution in their proportionate ownership and voting interests in the Enlarged Ordinary Share Capital.

A Qualifying Shareholder who does not take up his Open Offer Entitlements in full (and does not receive any other New Ordinary Shares pursuant to the Issue) will be diluted by up to approximately 11.1 per cent. to his shareholding in the Company as a result of the Issue. Furthermore, a Qualifying Shareholder who takes up his Open Offer Entitlements in full (and does not receive any other New Ordinary Shares pursuant to the Issue) will suffer dilution of approximately 8.5 per cent. to his shareholding in the Company as a result of the Firm Placing.

4.4 The ability of Overseas Shareholders to bring enforcement actions or enforce judgments against the Company or the Directors may be limited

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Ordinary Shares are governed by the laws of England and Wales and by the Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. All of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on foreign securities laws brought against the Company or the Directors or the executive officers in a court of competent jurisdiction in England and Wales or other countries.

4.5 Timetable for listing and Admission to trading of the New Ordinary Shares

There is no assurance that the listing on the Official List and trading on the Main Market of the New Ordinary Shares will take place when anticipated. See "Expected Timetable of Principal Events" in Part V of this document for further information on the expected dates of these events.

5. RISKS RELATING TO THE TERMS OF THE NEW DEBT FACILITIES

5.1 Restrictions imposed on the Group by New Debt Facilities

The New Debt Facilities will mean that the Group has increased debt service obligations which may place operating and financial restrictions on the Group. This debt could have important adverse consequences insofar as it:

- (a) requires the Enlarged Group to dedicate a material proportion of its cash flows from operations to fund payments in respect of the debt, thereby reducing the flexibility of the Enlarged Group to utilise its cash to invest in and/or grow the business;
- (b) increases the Enlarged Group's vulnerability to adverse general economic and/or industry conditions;
- (c) may limit the Enlarged Group's flexibility in planning for, or reacting to, changes in its business or the industry in which it operates;
- (d) may limit the Enlarged Group's ability to raise additional debt in the long term; and
- (e) could restrict the Enlarged Group from making larger strategic acquisitions or exploiting business opportunities.

Each of the prospective adverse consequences (or a combination of some or all of them) could result in the potential growth of the Group being at a slower rate than may otherwise be achieved.

5.2 **Interest rate risk**

The Enlarged Group has entered into the New Debt Facilities which have a total value of £125 million and interest rates payable on the facilities are at margins above LIBOR. Volatility in LIBOR may impact the Enlarged Group's financial performance through higher interest rates on any unhedged portion and a related reduction in earnings. There is also a possibility that an increase in general interest rates may also reduce the Enlarged Group's ability to access further debt capital or to refinance debt if required in future.

PART III

IMPORTANT INFORMATION

1. Presentation of financial information

The Company publishes its financial statements in Pounds Sterling (“£” or “sterling”). The abbreviation “£m” or “£ million” represents millions of Pounds Sterling, and references to “pence” and “p” represent pence in the UK.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

International Financial Reporting Standards

As required by the Companies Act and Article 4 of the European Union IAS Regulation, the consolidated financial statements of the Group are prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union.

2. Forward-looking statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “anticipates”, “targets”, “aims”, “continues”, “expects”, “intends”, “may”, “will”, “would” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Group’s and/or the Directors’ intentions, beliefs or current expectations concerning, among other things, the Group’s results, operations, financial condition, prospects, growth strategies and the markets in which the Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including without limitation: conditions in the markets, the market position of the Group, earnings, financial position, return on capital, anticipated investments and capital expenditure, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the events described herein and the Group. Forward-looking statements contained in this document based on these trends or activities should not be taken as a representation that such trends or activities will continue in the future. None of the statements made in any way obviates the requirements of the Group and/or the Directors to comply with all applicable legal or regulatory requirements including, without limitation, the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules.

These forward-looking statements are further qualified by risk factors disclosed in this document that could cause actual results to differ materially from those in the forward-looking statements. Please see the section of this document entitled “Risk Factors”.

These forward-looking statements speak only as at the date of this document. Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules and any applicable law, the Company and/or the Directors, do not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules and any applicable law, the Company and the Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company’s and/or the Directors’ expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ

before making an investment decision. Investors and Shareholders should note that the contents of these paragraphs relating to forward looking statements are not intended to qualify the statements made as to the sufficiency of working capital in this document.

3. Notice to Overseas Shareholders

This document does not constitute or form part of an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, any New Ordinary Shares to any person in any Excluded Territories and is not for distribution or publication into any Excluded Territories. The New Ordinary Shares have not been and will not be registered under any securities regulatory authority or under any securities laws of any state or other jurisdiction of any Excluded Territory and may not be taken up, offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from any Excluded Territory. There will be no public offer of securities in any Excluded Territory.

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales and operating under the Companies Act. The rights of holders of Ordinary Shares are governed by English law and by the Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations.

All Overseas Shareholders and any person (including, without limitation, a nominee, custodian or trustee) who has a contractual or other legal obligation to forward this document or any Application Form, if and when received, or other document to a jurisdiction outside the UK, should read paragraph 6 of Part IX of this document.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. All of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors or the executive officers in a court of competent jurisdiction in England or other countries.

4. Notice to all Shareholders

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the New Ordinary Shares is prohibited. By accepting delivery of this document, each offeree of the New Ordinary Shares agrees to the foregoing.

The distribution of this document into jurisdictions other than the UK may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the Excluded Territories please see Part IX of this document.

For a description of the restrictions on offers, sales and transfers of the New Ordinary Shares and the distribution of this document, please see Part XI of this document.

No action has been taken by the Company or by Peel Hunt that would permit an offer of the New Ordinary Shares or possession or distribution of this document or any other offering or publicity material in any of the Excluded Territories.

5. Notice of General Meeting

Notice of the General Meeting of the Company, to be held at 10.00 a.m. on 6 December 2013 at the offices of the Company at Network HQ, 333 Edgware Road, London NW9 6TD, is set out at the end of this document.

Whether or not you intend to be present at the General Meeting, please complete the Form of Proxy enclosed with this document in accordance with the instructions printed on the Form of Proxy and return it to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than

10.00 a.m. on 4 December 2013 in order to be valid. Completion and return of the Form of Proxy will not preclude you from attending and voting at the General Meeting should you so wish.

6. Qualifying and Non-Qualifying CREST Shareholders

Qualifying Non-CREST Shareholders will find an Application Form enclosed with this document. Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of the Open Offer Entitlement which will be enabled for settlement on 21 November 2013.

Applications under the Open Offer may only be made by the Qualifying Shareholders originally entitled thereto or by a person entitled by virtue of a *bona fide* market claim arising out of the sale or transfer of Existing Ordinary Shares prior to the date on which the relevant Existing Ordinary Shares are marked “ex” the entitlement by the London Stock Exchange. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purposes of calculating entitlements under the Open Offer.

If the Open Offer Entitlement is for any reason not enabled by 3.00 p.m. on 21 November 2013 or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlement credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors regarding the action to be taken in connection with this document and the Open Offer. The Application Form is personal to Qualifying Non-CREST Shareholders and cannot be transferred, sold, or assigned except to satisfy bona fide market claims.

7. Incorporation of information by reference

The contents of the websites of the Company (including any materials which are hyper-linked to such websites) do not form part of this document and prospective investors should not rely on them.

8. References to defined terms

Certain terms used in this document, including certain capitalised terms and certain technical and other terms, are defined and explained in the section headed “Definitions” on page 166.

9. Copies

Copies of this document are available free of charge from Telecom Plus PLC, Network HQ, 333 Edgware Road, London NW9 6TD and the offices of Nabarro LLP, Lacon House, 84 Theobald’s Road, London WC1X 8RW.

10. General notice

Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional adviser for specific advice rendered on the basis of your situation.

PART IV

FIRM PLACING AND PLACING AND OPEN OFFER STATISTICS

| | |
|--|---|
| Issue Price per New Ordinary Share | 1475 pence |
| Open Offer Entitlements under the Open Offer | 1 Open Offer Share for every 35 Existing Ordinary Shares |
| Number of Ordinary Shares in issue at the date of this document | 70,865,116 |
| Number of Open Offer Shares to be issued by the Company | up to 2,024,717 |
| Number of Firm Placing Shares to be issued by the Company | 6,788,843 |
| Maximum aggregate number of New Ordinary Shares expected to be issued by the Company pursuant to the Issue | 8,813,560 |
| Enlarged Ordinary Share Capital immediately following completion of the Issue | 79,678,676 |
| Estimated expenses of the Issue and the Acquisition | £7.3 million |
| Estimated net proceeds of the Issue receivable by the Company | £122.7 million |

PART V

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2013

| | |
|--|--|
| Record Date for entitlements under the Open Offer | close of business on 18 November |
| Announcement of the Issue | 20 November |
| Publication and posting of the Prospectus, Form of Proxy and Application Form | 20 November |
| Ex-entitlement date for the Open Offer | 20 November |
| CREST Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders into CREST | as soon as possible after 8.00 a.m. on 21 November |
| Recommended latest time for requesting withdrawal of CREST Open Offer Entitlements into CREST | 4.30 p.m. on 29 November |
| Latest time for depositing CREST Open Offer Entitlements into CREST | 3.00 p.m. on 2 December |
| Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only) | 3.00 p.m. on 3 December |
| Latest time and date for receipt of Forms of Proxy and receipt of electronic proxy appointments via the CREST system | 10.00 a.m. on 4 December |
| Latest time and date for receipt of completed Application Form and payment in full under the Open Offer or settlement of relevant CREST Instruction | 11.00 a.m. on 5 December |
| General Meeting | 10.00 a.m. on 6 December |
| Date of announcement of results of the General Meeting and the Issue through a Regulatory Information Service | 6 December |
| Date of OFT approval of the Acquisition | on or around 17 December |
| Date of Admission and commencement of dealings in New Ordinary Shares and CREST Members' accounts credited in respect of New Ordinary Shares in uncertificated form | by 8.00 a.m. on 20 December |
| Date of despatch of definitive share certificates for New Ordinary Shares in certificated form | No later than 31 December |
| Effective date of the Acquisition | 1 December |
| Completion date of the Acquisition | On or around 20 December |

General Notes:

- (1) The times set out in the expected timetable of principal events above and mentioned throughout this document are times in London unless otherwise stated, and may be adjusted by the Company in consultation with or, if required, with the agreement of Peel Hunt, in which event details of the new times and dates will be notified to the Financial Conduct Authority, the London Stock Exchange and, where appropriate, Shareholders.
- (2) Subject to certain restrictions relating to certain Shareholders with registered addresses, or who are resident, outside the UK. See Part IX of this document.

If you have any queries on the procedure for application and payment then please call Capita Asset Services on 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399 between 9.00 a.m. and 5.30 p.m. Monday to Friday. Calls to the 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Capita Asset Services from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Capita cannot provide advice on the merits of the Issue nor give any financial, legal or tax advice.

PART VI

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

| | |
|---|---|
| Directors | The Hon. Charles Wigoder (<i>Executive Chairman</i>) Julian Schild (<i>Deputy Chairman and Senior Non-Executive Director</i>) Andrew Lindsay MBE (<i>Chief Executive Officer</i>) Chris Houghton (<i>Finance Director</i>) Melvin Lawson (<i>Non-Executive Director</i>) Michael Pavia (<i>Non-Executive Director</i>) |
| Company Secretary | David Baxter ACA |
| Registered Office | Network HQ 333 Edgware Road London NW9 6TD |
| Sponsor, Financial Adviser, Broker and Bookrunner | Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET |
| Legal Adviser to the Company | Nabarro LLP Lacon House 84 Theobald's Road London WC1X 8RW |
| Legal Adviser to the Sponsor, Financial Adviser, Broker and Bookrunner | Travers Smith LLP 10 Snow Hill London EC1A 2AL |
| Auditors and Reporting Accountant | BDO LLP 55 Baker Street London W1U 7EU |
| Receiving Agent | Capita Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU |
| Registrars | Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU |
| Financial Public Relations | MHP Communications 60 Great Portland Street London W1W 7RT |

PART VII

LETTER FROM THE CHAIRMAN OF THE COMPANY

TELECOMPLUSPLC

(Incorporated in England and Wales under the Companies Act 1985 registered number 3263464)

Directors:

The Hon. Charles Wigoder (*Executive Chairman*)
Julian Schild (*Deputy Chairman and Senior Non-Executive Director*)
Andrew Lindsay MBE (*Chief Executive Officer*)
Chris Houghton (*Finance Director*)
Melvin Lawson (*Non-Executive Director*)
Michael Pavia (*Non-Executive Director*)

Registered Office:

Network HQ
333 Edgware Road
London
NW9 6TD

20 November 2013

To Shareholders

Dear Shareholder,

Proposed Firm Placing of 6,788,843 New Ordinary Shares and Proposed Placing and Open Offer of up to 2,024,717 New Ordinary Shares at a price of 1475 pence per share

Proposed Acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited

and

Notice of General Meeting

1. Introduction

On 20 November 2013, the Board announced that the Group had entered into a conditional agreement to acquire the entire issued share capital of Electricity Plus and Gas Plus (together, the “Energy Companies”) from Npower, a subsidiary of RWE AG, for an aggregate consideration of £218 million. The consideration payable under the terms of the Acquisition is to be satisfied as to £196.5 million on completion of the Acquisition and £21.5 million on the third anniversary of completion.

The Acquisition represents a significant strategic opportunity for the Group to extend the term of the energy supply arrangements currently in place with Npower, to improve the competitiveness of its retail energy tariffs, and to enhance the Group’s overall profitability. Further details of the background to, reasons for, and expected benefits of the Acquisition are set out in paragraph 2 below.

The Acquisition and associated expenses will be funded from a combination of the net proceeds of a Firm Placing and a Placing and Open Offer (the “Issue”) and a drawdown of the New Debt Facilities entered into as part of the Acquisition. The Group is proposing to raise gross proceeds of approximately £130 million through the Issue (£122.7 million net of expenses), which has been fully underwritten by Peel Hunt, subject to certain conditions. In addition, the Group will drawdown approximately £100 million under the New Debt Facilities for the purposes of funding the Acquisition. The New Debt Facilities, which are further described in paragraph 11 of this Part VII of this document, are conditional upon the Acquisition and the Issue becoming unconditional in all respects.

The Acquisition represents a Class 1 transaction (as defined in Chapter 10 of the Listing Rules) for the Company and therefore requires the approval of Shareholders, pursuant to the Listing Rules. The Acquisition is also conditional upon the Office of Fair Trading not referring the Acquisition to the Competition Commission. In addition, the Directors are seeking the authority of Shareholders to increase the Company’s authorised share capital in its articles of association and to allot the New Ordinary Shares pursuant to the Issue. Admission of the New Ordinary Shares to the premium listing segment of the Official List and to trading on the Main Market will follow the satisfaction of these conditions, at which point the Issue and the New Debt Facilities will become unconditional.

The approval of Shareholders will be sought at a General Meeting of the Company, to be held at 10.00 a.m. on 6 December 2013, at the Company's offices at Network HQ, 333 Edgware Road, London NW9 6TD. The Directors recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, which are required to give effect to the Issue and the Acquisition, as they have irrevocably committed to do in respect of 18,235,130 Ordinary Shares, representing 25.7 per cent. of the issued share capital of the Company as at 20 November 2013 (being the latest practicable date before the posting of this document). An explanation of the Resolutions is set out in paragraph 16 of this Part VII.

2. Background to, reasons for, and expected benefits of, the Acquisition

The Energy Companies were originally sold by the Group to Npower in March 2006 in order to eliminate the Group's exposure to volatile wholesale energy prices at that time. The basis of this transaction was that the Group would remain responsible for managing the customer relationships under the Utility Warehouse brand, with Npower becoming responsible for supplying gas and electricity to the underlying customers, under the terms of a management services contract. This trading relationship has proved highly successful, with both parties benefitting financially as the number of energy services being supplied by the Energy Companies has grown from around 180,000 to approximately 800,000 since that date.

One of the key proposals contained in the recent Retail Market Review ("RMR") published by Ofgem, is that each energy supplier will be restricted to offering a maximum of four tariffs to domestic customers. This means that if the Energy Companies continued to remain part of the Npower group after implementation of the RMR changes, the ability of the Group and Npower to offer a full range of competitive tariffs under their respective Utility Warehouse and Npower brands would have been significantly restricted.

The Company and Npower have therefore agreed that the Company will acquire the Energy Companies, which will enable both the Company and Npower to continue competing effectively against other retail energy suppliers (and each other), pursuing their own customer acquisition strategies and each offering up to four tariffs under their respective retail brands.

Following completion of the Acquisition, there will be no material change in the responsibilities of either party compared with the current arrangements. The Group will remain responsible for customer acquisition and management (including pricing and all customer service related activities), and Npower will remain responsible, under a new 20 year supply agreement, for the wholesale supply of energy and any associated commodity price risks, in addition to funding most of the working capital required to run the Group's domestic energy supply business.

Following completion of the Acquisition, the gross margin that the Group earns from supplying energy to the Group's customers will immediately increase by 4.25 per cent., and Npower will assume responsibility for certain metering costs currently borne by the Company, which amounted to around £1.0 million during the year to 31 March 2013. Although a significant proportion of the incremental profit will: (a) be used to fund the interest and other costs associated with the New Debt Facilities; and (b) be invested in making the Group's energy tariffs more competitive (in order to generate faster organic growth in the more competitive environment which the RMR has been designed to encourage), subject to unforeseen circumstances, the Board anticipates that the Acquisition will be materially earnings accretive for the full financial year to 31 March 2015, excluding any amortisation relating to intangible assets recognised as a result of the Acquisition. The gross margin will increase by a further 0.25 per cent. in the future, conditional upon the Energy Companies supplying not less than 1,100,000 energy services.

On a pro forma basis, if the Group had owned the Energy Companies for the year ended 31 March 2013 and had the new energy supply agreement been in place during that period, the additional 4.25 per cent. of gross margin would have delivered incremental gross profit to the Group of approximately £20.9 million and the additional gas meter rental costs borne by Npower would have delivered approximately a further £1 million. Assuming that the Energy Companies had been bought on exactly the same terms as is proposed under the Acquisition, this £21.9 million of incremental gross profit would have been reduced by approximately £3.3 million of net finance cost under the terms of the New Debt Facilities and it is estimated that approximately 50 per cent. of the balancing £18.6 million of incremental profit would have been invested by the Group in lower energy tariffs. On this basis, the Directors believe that the pro forma adjusted incremental pre-tax profit acquired as part of the acquisition of the Energy Companies would have been approximately £9.3 million for the year ended 31 March 2013.

In summary, the Board believes that the Acquisition will deliver the following key benefits to the Group:

- (i) it will enable the Group to have its own range of energy tariffs following implementation of the RMR, and full flexibility in setting these tariffs;

- (ii) it will enable the Group to improve the competitiveness of its energy tariffs, with the objective of reducing customer churn and stimulating faster growth;
- (iii) it secures access to the wholesale energy markets for up to 20 years on attractive terms;
- (iv) it retains the working capital benefits of the existing relationship with Npower; and
- (v) it is expected to be materially earnings accretive, subject to unforeseen circumstances and excluding any amortisation relating to intangible assets recognised as a result of the Acquisition.

As a demonstration of their belief in the benefits of the Acquisition, the Directors are, in aggregate, committed to acquiring at least £1 million of New Ordinary Shares under the Firm Placing and Placing and Open Offer. More details of their individual participations are set out in paragraph 6 of Part XIX.

3. Summary of the Issue

The Issue is to be structured as a Firm Placing and a Placing and Open Offer. The Firm Placing is a placing of 6,788,843 New Ordinary Shares with principally institutional investors. The Placing and Open Offer, which is a mechanism for Shareholders to limit the effects of dilution arising from the Issue, is an offer of up to 2,024,717 New Ordinary Shares in total to existing Shareholders backed up by a conditional placing of those shares to certain institutional and other investors as further described in paragraph 13 of this Part VII. The net proceeds of the Issue of approximately £122.7 million are expected to be used as part consideration for the Acquisition.

The Issue is fully underwritten by Peel Hunt, subject to certain conditions. The Issue Price represents a discount of approximately 2.1 per cent. to the Closing Price of 1507 pence per Ordinary Share on 19 November 2013 (being the latest practicable date before the announcement of the Issue and the Acquisition). The Directors consider that the Issue Price represents the best price available at which the desired equity funding element of the Acquisition could be obtained in full.

The Board unanimously considers the Issue and the Acquisition to be in the best interests of the Company and its Shareholders as a whole and recommends that Shareholders vote in favour of all of the Resolutions, as they have irrevocably committed to do in respect of 18,235,130 Ordinary Shares representing 25.7 per cent. of the Company's issued share capital as at 19 November 2013 (being the latest practicable date before the posting of this document).

4. Summary information on the Group

Trading primarily as the Utility Warehouse, the Group provides a wide range of essential utility services to residential customers and small to medium-sized businesses. The Group also has a wholly-owned subsidiary (trading as TML) which provides telephony services to small businesses, and a minority 20 per cent. shareholding in Opus Energy Group Limited, a leading independent UK supplier of gas and electricity to business customers.

The principal services provided by the Group are telephony (calls and line rental), broadband, mobile, gas and electricity. The Group currently supplies services to around 1.5 per cent. of UK households (based on the most recent UK census statistics), and is headquartered in Colindale, North London.

Against a backdrop of a breakdown in trust between many UK consumers and their utility suppliers, the Board believes that as a relatively new entrant to these markets, the Group is well positioned to increase its share of the c. £52 billion annual marketplace for the services it offers, by providing a combination of high quality customer service, good value, and the convenience of a single monthly payment for all the services it provides.

The Group's vision is to become "The Nations's most trusted utility supplier", and the Board believes that making further progress towards this goal will be fundamental to achieving its medium term growth ambitions for the business.

5. Current Trading, Trends and Prospects

The Group has seen a period of sustained growth during the first six months of the current financial year, with increased revenue and EBITDA compared with the same period last year. From a financial perspective, the Group is trading in line with the Board's expectations, and it remains confident of the outlook for the full year. A profit forecast for the year ending 31 March 2014 is set out in Part XVI of this document. In summary, the Directors believe that the Group will report profit before tax in that financial period of approximately £40 million (excluding the impact of the proposed transaction). Operationally, the Company is

trading ahead of expectations, with net growth in customer and service numbers of 33,908 (2013: 22,657) and 165,174 (2013: 107,722) respectively during the first six months of the financial year to 31 March 2014, significantly higher than the numbers for the corresponding period last year.

There has also been an improvement over the period in many of the other key operational metrics, namely multi-service penetration, customer churn and delinquency levels. The proportion of new residential customers taking at least four main services (thereby achieving 'Gold Status') exceeded 65 per cent. during September, an all time high. Churn in energy services (measured at the supply point level in order to exclude customers who move home) has been consistently below 1 per cent. per month since the summer, representing an improvement of over 20 per cent. compared with the corresponding period last year. Despite a cold winter, during which average domestic gas consumption increased by approximately 20 per cent. over the previous winter, the proportion of the Group's customers that were significantly in arrears in September, and not yet on a prepayment meter or other payment arrangement, was below the corresponding figure for the same month last year.

The macro-economic climate continues to provide a favourable environment for the Group's business model, with many consumers receptive to the idea of saving money (by switching to a new utility supplier) and/or being interested in building a secure and reliable part-time income as a Distributor by promoting its services to potential customers.

The rising cost of domestic energy is becoming an increasingly important issue, with Ofgem, the press, politicians and consumer groups all entering the debate. Whilst no consensus has yet been reached, a number of clearly discernible trends are beginning to emerge, including the desirability of bolstering competition to the large UK energy suppliers (the 'Big 6') and reducing the cost of government imposed regulatory charges.

The Board strongly welcomes the final proposals contained in the RMR issued by Ofgem recently. As these proposals are implemented over the coming months, they will improve transparency, ensure customers who are switching achieve real savings, and strengthen competition in the domestic supply market. We believe our unique business model places us in a strong position to be one of the main net beneficiaries from these changes, and we have developed a clear strategy to reposition our current service proposition with the aim of further increasing our organic growth in future, and taking advantage of this significant opportunity. This strategy includes a simplification of our current proposition, a new incentive structure to encourage customers to switch all their services to us, and more competitive retail energy tariffs (the cost of which will largely be funded by using some of the additional margin available to us following successful completion of the Acquisition).

The Group's current relatively small market share of around 1.5 per cent. of UK households (based on the most recent UK census statistics) demonstrates the scale of the organic growth opportunity available, and the Board believes the combination of the Group's route to market and unique customer proposition continue to give us a significant competitive advantage. The Group's management team remains clearly focussed on reaching our medium term target of one million customers in due course, and delivering the significant increase in shareholder value which achievement of this goal can be expected to create.

6. Summary information on the Energy Companies

Electricity Plus holds an electricity supply licence and had contracts to supply electricity to 439,367 predominantly domestic customers as at 30 September 2013. Gas Plus holds a gas supply licence and had contracts to supply gas to 363,945 predominantly domestic customers as at 30 September 2013. Both companies are currently owned by Npower Limited, a subsidiary of RWE AG.

As part of the existing contractual arrangements between the Group and Npower, all the customer contracts within the Energy Companies are currently managed by the Group under the Utility Warehouse brand. Npower is responsible for the wholesale energy supply (including all commodity price related risks), and the Group is responsible for all aspects of customer acquisition and management, including billing, setting tariffs, customer service, metering and bad debts. In return for providing these services, the Group receives a monthly fee, which is directly related to the value of the energy billed.

Financial information on the Energy Companies is set out in Part XVII of this document. This financial information reflects the contractual arrangements which were previously in place between the Energy Companies (as part of the Npower group) and fellow subsidiaries within the RWE Npower Group. As a result of the new supply terms being put in place as part of the Acquisition, the historic financial performance of the Energy Companies is not indicative of expected future performance of the businesses, which will be materially altered going forward. A balance sheet restructuring has been carried out in

relation to the Energy Companies so as to reduce their net assets to an aggregate amount of approximately £2.0 million at the date of this document. A further balance sheet restructuring will take place prior to Completion which will ensure that the net assets of the Energy Companies will remain at approximately £1 million each, which amount, once finalised, will be reduced to zero through a cash payment by the Energy Companies to Npower of approximately £2 million in aggregate. Separately, the income statements of the Energy Companies will reflect the key terms of the SSA effective from 1 September 2013 onwards. Accordingly, the income statements of the Energy Companies following this date will reflect a level of profitability significantly below that shown historically but in exchange the Energy Companies will no longer be exposed to the wholesale price and volume risk. More detail on the principal terms and conditions of the Acquisition and, in particular, the principal financial benefits of the Acquisition are set out in paragraphs 2, 8 and 9 of this Part VII of this document.

7. Directors, employees and key personnel of the Enlarged Group

The average number of people employed by the Group in the financial years ended 31 March 2011, 2012 and 2013 were 479, 541 and 604 respectively.

Electricity Plus and Gas Plus had no employees in any of the financial years ended 31 December 2010, 2011 and 2012.

Further details of the Directors and the Group's corporate governance policies are set out in paragraph 8 of Part XIII and paragraph 14 of Part XIX of this document.

8. Principal terms and conditions of the Acquisition

The Company has agreed to acquire the entire issued share capital of the Energy Companies for an initial cash consideration of £196.5 million and a deferred cash consideration, payable on the third anniversary of completion of the Acquisition, of £21.5 million.

As part of the Acquisition, the Company, the Energy Companies, Npower and Plus Shipping will replace the existing management services agreement between them with a new wholesale supply and services agreement ("SSA"). This new agreement is on substantially the same commercial basis as the existing agreement, but contains a higher margin for the Company and a further contribution by Npower towards certain gas meter rental costs (as described above), and includes a requirement for Npower to provide wholesale gas and electricity to the Energy Companies for a period of up to 20 years.

Further details regarding this agreement are set out in paragraph 4 of Part VIII of this document.

In the event that the SSA is terminated by Npower in certain circumstances, including on a material breach by the Company or on the insolvency of the Company, an additional consideration of up to £201 million may become payable by the Company to Npower. Full details of the termination provisions of the SSA are set out in paragraph 4 of Part VIII. However, given the SSA termination rights are either, in the Board's view, very unlikely to occur or entirely within the control of the Company, the Board believes the likelihood of this type of termination event is remote.

Depending on the circumstances giving rise to a termination event, the additional consideration (if payable) may be spread over the unexpired term of the SSA. Following any such termination event, the Energy Companies would have direct access to the wholesale markets and the opportunity to earn additional margins from carrying out such activities.

The shares in the Energy Companies will be acquired by the Company fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto, including voting rights.

In addition to shareholder approval, the Acquisition is subject to the Office of Fair Trading not referring the Acquisition to the Competition Commission. Although there can be no certainty, the Board is confident that this condition should be satisfied. The timing of completion of the Acquisition and Issue is dependent on the Office of Fair Trading clearance which it is hoped will be obtained by 17 December 2013.

The Acquisition is expected to complete on or around 20 December 2013, following Admission, and no later than 31 January 2014, albeit that this timing is subject to the Office of Fair Trading review. On this basis, it is expected that dealings in the New Ordinary Shares will commence on or around 20 December 2013.

9. Financial effects of the Acquisition

The Board believes that the Acquisition presents significant opportunities for the Group. Subject to unforeseen circumstances, the Board expects that the Acquisition will be materially earnings enhancing

(excluding any amortisation relating to intangible assets recognised as a result of the Acquisition), in the year ended 31 March 2015, being the first full financial year following completion of the Acquisition, and will result in EBITDA margin enhancement for the Enlarged Group during the same year.⁽¹⁾

On a pro forma basis, and assuming that the Issue, the New Debt Facilities and the Acquisition had become effective on 30 September 2013, and that the Open Offer has been taken up in full, the Enlarged Group would have had net assets, including intangible assets expected to be recognised after the Acquisition, of approximately £195 million at that date, as more fully described in Part XVIII of this document (Unaudited Pro Forma Financial Information of the Group).

10. Financing the Acquisition

The Board has given careful consideration as to the mix of acquisition financing, including the impact on gearing and the structure of the proposed Issue. The Board has concluded that the Acquisition and associated expenses totalling approximately £7.3 million should be funded from a combination of:

- the Issue at a price of 1475 pence per New Ordinary Shares, raising gross proceeds of approximately £130 million of which £96.5 million will be used to partially fund the Acquisition; and
- a drawdown amounting to £100 million under the New Debt Facilities.

11. New Debt Facilities

The Group has entered into the New Debt Facilities with Barclays which provide term loans of £100 million to provide part of the funding for the Acquisition and a further £25 million in revolving credit facilities to provide working capital for the Group. Further details of the Facilities Agreement are set out in paragraph 19.1.4 of Part XIX of this document.

12. Use of Proceeds

As described in paragraphs 1 and 3 of this Part VII, the gross proceeds of the Issue will be approximately £130 million of which £96.5 million will be used, in conjunction with an initial drawdown of approximately £100 million under the New Debt Facilities, to fund the Acquisition. It is anticipated that the Issue and the Acquisition will complete on or around 20 December 2013.

The New Debt Facilities and Issue are conditional upon the Acquisition being completed. If the Acquisition does not complete, the Company will not have use of the New Debt Facilities for any purpose.

Assuming completion of the Acquisition, the uses of the gross proceeds of the Issue and New Debt Facilities are shown below:

| | £ million |
|--|------------------|
| Issue – Gross proceeds | 130.0 |
| Less: Acquisition funding from the Issue | (96.5) |
| Less: Estimated costs attributable to the Acquisition, the Issue and the New Debt Facilities | (7.3) |
| | <hr/> 26.2 <hr/> |
| | £ million |
| New Debt Facilities available for drawdown | 125.0 |
| Less: Acquisition funding from the New Debt Facilities | (100.0) |
| Remaining available headroom | <hr/> 25.0 <hr/> |

Upon completion of the Acquisition, the term loans of the New Debt Facilities of £100 million will have been drawn down in full and there will be no headroom available under the term loans of the New Debt Facilities. It is expected that the revolving credit facility element of £25 million of the New Debt Facilities will not be fully drawn down on the completion of the Acquisition.

Under the terms of the New Debt Facilities, subject to the term of one facility not being extended by one year at the Company's option, the outstanding balance is scheduled to be paid down in stages over the two and three year terms of the facilities. From time to time, the Enlarged Group may, at its discretion, make early repayments.

(1) This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cashflows of the Group will necessarily be greater than the historic published figures.

13. Information on the Issue

Background

It was announced on 20 November 2013 that the Company proposes to raise in aggregate approximately £130 million (approximately £122.7 million net of expenses associated with the Acquisition and the Issue) by way of a Firm Placing of 6,788,843 New Ordinary Shares to certain new and existing institutional investors and that the Company is providing existing Shareholders with the opportunity to participate in an Open Offer of 2,024,717 New Ordinary Shares, representing in aggregate 11.1 per cent. of the Enlarged Share Capital, at an issue price of 1475 pence per share. Peel Hunt has conditionally placed the New Ordinary Shares at the Issue Price pursuant to the Placing Agreement.

6,788,843 New Ordinary Shares will be issued through the Firm Placing and up to 2,024,717 of the New Ordinary Shares will be issued through the Placing and Open Offer. Qualifying Shareholders are being offered the right to subscribe for Open Offer Shares in accordance with the terms of the Placing and Open Offer. Qualifying Shareholders are not being offered the right to subscribe for the Firm Placing Shares.

The terms and conditions of the Firm Placing and Placing and Open Offer are contained in Parts IX and X of this document.

All elements of the Issue have the same Issue Price. The Issue Price was set having regard to the prevailing market conditions and the size of the Issue, and represents a discount of approximately 2.1 per cent. to the Closing Price of 1507 pence per Ordinary Share on 19 November 2013 (being the latest practicable date before the announcement of the Issue). The Board believes that both the Issue Price and the discount are appropriate and represents the best price available at which the desired equity funded element of the Acquisition could be obtained in full.

The Issue is being fully underwritten by Peel Hunt, subject to certain conditions. Further details on the terms of the Placing Agreement are set out in paragraph 19.1.1 of Part XIX of this document.

A Qualifying Non-CREST Shareholder who has sold or transferred all or part of their holding of Existing Ordinary Shares prior to 20 November 2013, being the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to the Open Offer by the London Stock Exchange, should consult their broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 8 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however, subject to certain exceptions, be forwarded to or transmitted in or into the Excluded Territories.

Application will be made to the UKLA for the New Ordinary Shares proposed to be issued in connection with the Issue to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its Main Market. It is expected that admission of the New Ordinary Shares will become effective, and that dealings in New Ordinary Shares will commence on 20 December 2013.

Firm Placing

Peel Hunt has placed the Firm Placing Shares at the Issue Price raising gross proceeds of approximately £100 million pursuant to the Placing Agreement. The Firm Placing Shares represent approximately 77 per cent. of the New Ordinary Shares and have been placed with certain institutional and other investors. The Firm Placing Shares are not subject to clawback. The Firm Placing is conditional upon the passing, without amendment, of the Resolutions and Admission becoming effective.

Placing and Open Offer

2,024,717 New Ordinary Shares are being allocated to Placees pursuant to the Placing and Open Offer and these allocations will be scaled back in order to satisfy valid applications under the Open Offer.

The Directors recognise the importance of pre-emption rights to Shareholders and consequently 2,024,717 of the New Ordinary Shares are being offered to existing Shareholders by way of the Open Offer. The Open Offer provides an opportunity for Qualifying Shareholders to participate in the fundraising by subscribing for their respective Open Offer Entitlements.

Qualifying Shareholders are being offered the opportunity to subscribe at the Issue Price for Open Offer Shares on the following basis:

1 Open Offer Share for every 35 Existing Ordinary Shares

registered in their name at the close of business on the Record Date.

Open Offer Entitlements under the Open Offer will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will not be allocated and will be disregarded.

If you have sold or otherwise transferred all of your Existing Ordinary Shares before the ex entitlement date, you are not entitled to participate in the Open Offer.

The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement in CREST, the Open Offer Entitlements will not be tradable and applications in respect of the Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders. Qualifying Shareholders who do not apply to take up their Open Offer Entitlements will have no rights under the Open Offer or receive any proceeds from it.

Application has been made for the Open Offer Entitlements of Qualifying CREST Shareholders to be admitted to CREST. It is expected that such Open Offer Entitlements will be admitted to CREST on 21 November 2013. The Open Offer Entitlements will also be enabled for settlement in CREST on 21 November 2013 to satisfy *bona fide* market claims only. Applications through the CREST system may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment, are contained in Part IX of this document and for Qualifying Non-CREST Shareholders on the accompanying Application Form. To be valid, Application Forms or CREST instructions (duly completed) and payment in full for the Open Offer Shares applied for must be received by Capita by 11.00 a.m. 5 December 2013. Application Forms should be returned to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Qualifying Non-CREST Shareholders will have received an Application Form with this document which sets out their maximum entitlement to Open Offer Shares as shown by the number of Open Offer Entitlements allocated to them.

The Open Offer will proceed, subject to Shareholder approval of the Resolutions and the other conditions of the Open Offer being satisfied.

Dilution

A Qualifying Shareholder who does not take up his Open Offer Entitlements in full (and does not receive any other New Ordinary Shares pursuant to the Issue) will be diluted by up to approximately 11.1 per cent. to his shareholding in the Company as a result of the Issue. Furthermore, a Qualifying Shareholder who takes up his Open Offer Entitlements in full (and does not receive any other New Ordinary Shares pursuant to the Issue) will suffer dilution of approximately 8.5 per cent. to his shareholding in the Company as a result of the Firm Placing.

Basis of allocation under the Issue

The Placing will be scaled back in order to satisfy valid applications under the Open Offer. The Open Offer is being made on a pre-emptive basis to Qualifying Shareholders. Any New Ordinary Shares that are available under the Open Offer and are not taken up by Qualifying Shareholders pursuant to their Open Offer Entitlements will be reallocated to the Placing.

The Directors have the discretion to determine the basis of allocation under any scaling back of or reallocation of Open Offer Shares to the Placing. In exercising this discretion, the Directors generally intend to give priority to existing Shareholders over prospective new Shareholders, although the Directors will seek to balance the benefits to the Company of allowing existing Shareholders to maintain or increase the size of their relative shareholdings with expanding the shareholder base of the Company.

General

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, save that they will not rank for any interim dividend in respect of the year ending 31 March 2014. The Issue is not being made to Overseas Shareholders in Excluded Territories, whose attention is drawn to paragraph 6 of Part IX of this document.

If the conditions of the Placing Agreement are not fulfilled on or before 8.00 a.m. on the third business day following the General Meeting or receipt of the OFT clearance, whichever is the later (or such later time and date as the Company and Peel Hunt may agree), the Open Offer will not become unconditional and application monies will be returned to applicants, without interest, as soon as practicable thereafter.

Although there is no current intention to do so (other than pursuant to the Issue and under the Share Schemes), it is possible that the Company may decide to offer additional Shares in the future.

Share Options

Options and awards are outstanding over Ordinary Shares pursuant to the Share Schemes which are summarised at paragraph 5 of Part XIX of this document. The Remuneration Committee will determine what adjustments (if any) will be made to outstanding options/awards, in accordance with the rules of the Share Schemes, to take into account the effects of the Issue following the ex-entitlement date for the Open Offer.

Significant Shareholders

To the extent known to the Company, the following persons intend to subscribe for more than 5 per cent. of the total number of New Ordinary Shares to be issued:

| | Number of New Ordinary Shares⁽¹⁾ |
|---------------------------------------|--|
| Standard Life Investments Limited | 842,696 |
| Legal & General Investment Management | 822,841 |
| Old Mutual Global Advisors | 705,101 |
| Schroders plc | 673,495 |

(1) Assuming that no further Ordinary Shares are issued as a result of the exercise of any options under the Share Schemes between the posting of this document and the closing of the Issue and that all Shareholders, including those listed above, take up their Open Offer Entitlements in full.

The table below states the position of, in so far as it is known to the Company, significant shareholders (being interested in three per cent. or more of the current issued ordinary share capital of the Company and excluding the Directors) as at 19 November 2013 (being the latest practicable date before the publication of this document) along with expected movements in shareholdings arising as a result of the Issue, subject to certain assumptions listed below the table:

| Shareholder | Number of Shares held prior to the Issue | Percentage of issued share capital held prior to the Issue | Proposed number of Ordinary Shares upon completion of the Issue⁽¹⁾ | Proposed percentage of share capital held upon completion of the Issue⁽¹⁾ |
|---------------------------------------|---|---|--|---|
| Standard Life Investments Limited | 6,142,257 | 8.7 | 6,984,953 | 8.8 |
| Schroders plc | 4,945,278 | 7.0 | 5,618,773 | 7.1 |
| Legal & General Investment Management | 2,517,862 | 3.6 | 3,340,703 | 4.2 |
| BlackRock Management (UK) | 2,505,848 | 3.5 | 2,758,863 | 3.5 |
| Sheldon Management Limited | 2,209,028 | 3.1 | 2,272,143 | 2.9 |

(1) Assuming that no further Ordinary Shares are issued as a result of the exercise of any options under the Share Schemes between the posting of this document and the closing of the Issue and that the Shareholders above take up their Open Offer Entitlements in full.

14. Listing, dealing and settlement of the New Ordinary Shares

Applications will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the Main Market. It is expected that Admission will become effective and that dealings for normal settlement in the New Ordinary Shares will commence on the London Stock Exchange at or shortly after 8.00 a.m. (London time) on or around 20 December 2013, subject to the timing of the Office of Fair Trading. The Existing Ordinary Shares are already admitted to the premium listing segment of the Official List and to trading on the Main Market. It is expected that all of the New

Ordinary Shares, when issued and fully paid, will be capable of being held and transferred by means of CREST. The New Ordinary Shares will trade under ISIN GB0008794710.

15. Dividend Policy

Subject to unforeseen circumstances, the Company intends to pursue a progressive dividend policy that is consistent with the growing working capital requirements of the business and the repayment obligations under the New Debt Facilities.

16. General Meeting

A notice convening the General Meeting to be held at 10.00 a.m. on 6 December 2013 at the offices of the Company at Network HQ, 333 Edgware Road, London NW9 6TD is set out at the end of this document. The purpose of the General Meeting is to seek Shareholder approval of the Resolutions in connection with the Issue and the Acquisition.

A summary of the Resolutions is set out below:

Resolution 1 – approval of the Acquisition

An ordinary resolution to approve the Acquisition and to authorise the Directors to take all necessary steps and to execute all documents and deeds as they may consider to be necessary, desirable or expedient to conclude, implement and give effect to the Acquisition.

Resolution 2 – increase in authorised share capital and authority to allot pursuant to the Issue

An ordinary resolution to increase the authorised share capital of the Company to £8,000,000 and to authorise the Directors to allot Ordinary Shares up to a maximum nominal amount of £440,678 pursuant to the Issue, representing up to approximately 12.4 per cent. of the Company's issued share capital as at 19 November 2013 (being the last practicable date before the publication of this document).

This resolution will allow the Directors to allot sufficient New Ordinary Shares to satisfy the Company's obligations in connection with the Issue. This authority will expire at the conclusion of the next annual general meeting of the Company. This resolution is conditional upon the passing of Resolution 1.

If the Resolutions are not passed, the Acquisition and the Issue will not proceed as anticipated.

17. Irrevocable undertakings

The Company has received irrevocable undertakings to vote in favour of the Resolutions from the Directors and certain connected persons in respect of the Existing Ordinary Shares in which they are beneficially interested, representing approximately 25.7 per cent. of the issued share capital of the Company as at 19 November 2013 (being the latest practicable date before the announcement of the Issue).

18. Recommendation

The Board believes that the Issue and the Acquisition are in the best interests of the Company and its Shareholders as a whole.

Accordingly, the Board unanimously recommends that you vote in favour of all of the Resolutions to be proposed at the General Meeting in order to give effect to the Issue and the Acquisition, as the Directors have irrevocably undertaken to the Company to do (or, as the case may be, procure) in respect of the Existing Ordinary Shares in which the Directors or connected persons are beneficially interested, representing approximately 25.7 per cent. of the issued share capital of the Company as at 19 November 2013 (being the latest practicable date before the announcement of the Issue).

Yours sincerely

The Hon. Charles Wigoder
Executive Chairman

PART VIII

SUMMARY OF THE PRINCIPAL TERMS OF THE ACQUISITION AND SUPPLY ARRANGEMENTS

Summarised below are the principal terms and conditions of the Acquisition.

1. Introduction

The Company has agreed to acquire the entire issued share capital of the Energy Companies for an aggregate cash consideration of £218 million, pursuant to the terms of the Acquisition Agreement with additional consideration becoming payable in the event that the SSA is terminated in certain circumstances.

2. Principal Terms of the Acquisition

The principal terms of the Acquisition Agreement are:

- (a) payment by the Company to Npower of initial cash consideration of £196.5 million on completion of the Acquisition ("Completion");
- (b) payment by the Company to Npower of £21.5 million of deferred cash consideration on the earlier of: (i) third anniversary of Completion; and (ii) the date on which the borrowings of the Group exceed £160 million;
- (c) payment by the Company to Npower of additional cash consideration in the event that the SSA is terminated in certain circumstances set out below: this additional consideration reduces from £201 million to £11 million over the 20 year life of the SSA;
- (d) customary warranties and indemnities from Npower to the Company in respect of the Energy Companies; and
- (e) the right for the Company to rescind the Acquisition Agreement in the event of a material breach of certain warranties or a breach of certain restrictions relating to the operation of the Energy Companies by Npower prior to Completion.

3. Conditions of the Acquisition

The Acquisition must complete by not later than 8.00 a.m. on 31 January 2014 or such later date (if any) as the Company and Npower may, agree.

In summary, the Acquisition is conditional upon:

- (a) the Resolutions having been passed at the General Meeting (or at any adjournment thereof);
- (b) the Office of Fair Trading not referring the proposed transaction to the Competition Commission; and
- (c) each of the Facilities Agreement and the Placing Agreement becoming unconditional in all respects (save for any conditions relating to the Acquisition Agreement becoming unconditional or to Admission).

4. Principal terms of the SSA

The Company, Npower, the Energy Companies and Plus Shipping have entered into the SSA.

The principal terms of the SSA are:

- (a) Npower will provide electricity and gas to the Company's customer base at an agreed discount to a benchmark transfer price based on variable tariffs offered by the "Big 6" energy suppliers;
- (b) Npower will also be responsible for:
 - (i) providing certain services to the Energy Companies;
 - (ii) funding a proportion of metering costs;
 - (iii) funding credit cover in relation to certain industry agreements for the first five years of the agreement; and
 - (iv) funding and ensuring that the Energy Companies are compliant with various industry schemes (including Energy Company Obligation; Warm Home Discount; the Renewables Obligation; and the Feed-in-Tariff);

- (c) Npower will remain responsible for funding the working capital requirements where the Company sells energy to customers on a Budget Plan;
- (d) the Company and the Energy Companies will, at completion of the Acquisition grant a second ranking debenture (which ranks behind the security granted to Barclays) in favour of Npower to secure payment of amounts due to Npower from the Company or the Energy Companies which may become payable following completion of the Acquisition Agreement;
- (e) the SSA may be terminated in the following circumstances, which would cause the additional consideration referred to in paragraph 2(c) above to become payable:
 - (i) by Npower immediately if:
 - any Telecom Plus party fails to pay when due any amount payable by it in full within 21 days after notice of such failure is given;
 - the Company fails to pay the £21.5 million deferred consideration referred to in paragraph 2(b) above within 30 days of it falling due;
 - the combined number of electricity and gas supply points of the Energy Companies falls below 450,000;
 - any Telecom Plus party fails to provide credit cover as may be requested under certain circumstances by Npower under the SSA;
 - it becomes unlawful for any Telecom Plus party to comply with its material obligations under the SSA or the Acquisition Agreement including if the Energy Companies cease to hold their respective licenses;
 - any Telecom Plus party fails to comply in any material respect with its obligations under the SSA (and such failure cannot be remedied to Npower's satisfaction within 30 days of notice of such failure);
 - any Telecom Plus party passes a resolution for its winding up, or administration proceedings are commenced against a Telecom Plus party, or enforcement action is taken, or an acceleration of borrowings takes place following an event of default in relation to the Group's banking facilities;
 - the payment collection account envisaged by the SSA ceases to be in full force and such breach is not remedied within 21 days; or
 - the industry agreement whereby the electricity usage of Electricity Plus is transferred to Npower's energy account is terminated by Electricity Plus or as a result of a default by Electricity Plus (and it is not re-established within 24 hours);
 - (ii) on three months' notice by Npower if:
 - control of Telecom Plus is acquired by a competitor of Npower (being a company which has at least 3 per cent. of the UK energy supply or generation market) and Npower gives notice of termination of the SSA within six months of a change of control of Telecom Plus;
 - Telecom Plus breaches a secured borrowing restriction covenant in its debenture in favour of Npower without rectification in 21 days of notice of such breach;
 - a party unrelated to Telecom Plus acquires any interest directly or indirectly in the Energy Companies; or
 - there is a persistent breach of the energy demand forecasting provisions of the SSA by Telecom Plus; and
- (f) the SSA may also be terminated in the following circumstances (without triggering the payment of the additional consideration referred to in paragraph 2(c) above):
 - (i) by the Company immediately if:
 - any Npower party fails to pay any amount owed within 21 days of receiving notice of failure to pay;

- any Npower party fails to comply in any material respect with its obligations under the SSA (and such failure cannot be remedied to the Company's satisfaction within 30 days of notice of such failure);
 - any Npower party passes a resolution for its winding up or administration proceedings are commenced against a Npower party or enforcement action is taken or an acceleration of borrowings takes place following an event of default in relation to Npower Group's banking facilities;
 - the industry agreement whereby the electricity usage of Electricity Plus is transferred to Npower's energy account is terminated by Npower or as a result of a default by Npower (and is not re-established within 24 hours); or
 - it becomes unlawful for any Npower party to comply with or perform any of their material obligations under the SSA, the Acquisition Agreement or the event that Plus Shipping does not hold a gas shipper licence.
- (ii) on three months' notice by the Company if there is a change of control of Npower with the right to terminate being exercisable within six months of the change of control.
- (g) the SSA is also terminable by either party in the event of force majeure affecting the other party's performance. If either party chooses to terminate the SSA in these circumstances, the additional consideration referred to in paragraph 2(c) above becomes payable in annual instalments over the remaining period of the SSA.

PART IX

TERMS AND CONDITIONS OF THE OPEN OFFER

As explained in the letter from the Chairman set out in Part VII of this document, the Company is proposing to raise approximately £130 million (approximately £122.7 million net of expenses). Of the New Ordinary Shares being issued, 6,788,843 of the New Ordinary Shares will be issued through the Firm Placing and up to 2,024,717 New Ordinary Shares will be issued through the Placing and Open Offer. Qualifying Shareholders are being offered the right to subscribe for Open Offer Shares in accordance with the terms of the Open Offer. Qualifying Shareholders are not automatically being offered the right to subscribe for the Firm Placing Shares.

This Part IX and, where applicable, the accompanying Application Form, contain the formal terms and conditions of the Open Offer. Your attention is drawn to the letter from the Chairman in Part VII of this document, which sets out the background to and reasons for the Issue.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is 5.00 p.m. on 18 November 2013. Application Forms are expected to be posted to Qualifying Non-CREST Shareholders on 20 November 2013. Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST on 21 November 2013. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 5 December 2013 with Admission and commencement of dealings in the New Ordinary Shares expected to take place at 8.00 a.m. on or around 20 December 2013.

The Open Offer is an opportunity for Qualifying Shareholders to apply for, in aggregate, 2,024,717 Open Offer Shares *pro rata* to their current holdings at the Issue Price of 1475 pence per share in accordance with the terms of the Open Offer.

Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Ordinary Shares prior to 5.00 p.m. on 18 November 2013 is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.

1. Details of the Open Offer

Qualifying Shareholders are hereby invited to apply for Open Offer Shares at the Issue Price, payable in full on application.

The Issue Price of 1475 pence per Open Offer Share represents a discount of approximately 2.1 per cent. to the Closing Price of an Ordinary Share of 1507 pence on 19 November 2013 (the latest practicable date before the announcement of the Issue on 20 November 2013).

The Open Offer is made on the terms and subject to the conditions set out in this Part IX and in the Application Form accompanying this document.

Qualifying Shareholders have Entitlements of:

1 Open Offer Share for every 35 Existing Ordinary Shares

registered in their name at the close of business on the Record Date and so in proportion for any greater or lesser number of Ordinary Shares then held.

Where appropriate, Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Open Offer Shares and any fractional entitlements to Open Offer Shares will be disregarded.

The Entitlements, in the case of Qualifying Non-CREST Shareholders, is set out in Box 3 on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Entitlements standing to the credit of their stock account in CREST.

If a Qualifying Shareholder does not take up his Open Offer Entitlements in full (and does not receive any other New Ordinary Shares pursuant to the Issue), such Qualifying Shareholder's holding will be diluted by up to approximately 11.1 per cent. as a result of the Firm Placing and the Placing and Open Offer. Furthermore, a Qualifying Shareholder who takes up his Open Offer Entitlements in full in respect of the Open Offer (and does not receive any other New Ordinary Shares pursuant to the Issue) will suffer dilution of approximately 8.5 per cent. to his shareholding in the Company as a result of the Firm Placing.

The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of CREST Open Offer Entitlements may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by the CREST claims processing unit. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Open Offer Shares not applied for under the Open Offer will not be sold in the market for those who do not apply to take up their CREST Open Offer Entitlements. Any Open Offer Shares not applied for under the Open Offer may be taken up pursuant to the Placing and the net proceeds held for the benefit of the Company.

The attention of Overseas Shareholders is drawn to paragraph 6 of this Part IX.

The Open Offer will remain open for acceptance until 11.00 a.m. on 5 December 2013.

The Open Offer Shares will when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of this document save that they will not rank for any interim dividend in respect of the financial year ending 31 March 2014. The Open Offer Shares will otherwise rank *pari passu* in all respects with the Ordinary Shares. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

The Issue is conditional on the Placing Agreement becoming or being declared unconditional in all respects and not being terminated before Admission. The principal conditions to the Placing Agreement are:

- the passing without amendment of the Resolutions to be proposed at the General Meeting to be held on 6 December 2013;
- the Placing Agreement having become unconditional in all respects and not being terminated in accordance with its terms before Admission becomes effective;
- the Acquisition Agreement and the Facilities Agreement not being terminated or rescinded and having become unconditional in all respects (save for Admission, the condition in the Facilities Agreement relating to the receipt by or on behalf of the Company of £96.5 million to effect the Acquisition and as regards any condition as to the Placing Agreement having become unconditional); and
- Admission occurring by not later than 8.00 a.m. on the third business day following the approval of the Resolutions at the General Meeting or following receipt of the OFT clearance, whichever is the later.

All monies received by the Receiving Agent in respect of Open Offer Shares will be held in a separate account by the Receiving Agent.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

2. Procedure for Application and Withdrawal Rights

If you are in any doubt as to the action you should take, or the contents of this document, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent adviser duly authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

The action to be taken by you in respect of the Open Offer depends on whether at the relevant time you have an Application Form in respect of your entitlement under the Open Offer or you have Open Offer Entitlements credited to your CREST stock account in respect of such entitlement.

CREST Sponsored Members should refer to their CREST Sponsor, as only their CREST Sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST Members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

Subject to the provisions of paragraph 4 of this Part IX entitled “Settlements and Dealings”, Qualifying Shareholders who hold their Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form to the extent that their entitlement to the Open Offer Shares arises as a result of holding Ordinary Shares in certificated form. Qualifying Shareholders who hold part of their Ordinary Shares in

uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to the Open Offer Shares arises as a result of holding Ordinary Shares in uncertificated form.

Qualifying Shareholders who do not want to apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

2.1 *If you have an Application Form in respect of your entitlement under the Open Offer*

2.1.1 *General*

Subject as provided in paragraph 6 of this Part IX in relation to certain Overseas Shareholders, Qualifying Non-CREST Shareholders will have received an Application Form enclosed with this document. The Application Form shows the number of Ordinary Shares registered in your name at the close of business on the Record Date. It also shows the number of Open Offer Shares which represent your Open Offer Entitlements. You may also hold such an Application Form by virtue of a *bona fide* market claim.

Your Open Offer Entitlements under the Open Offer will be rounded down to the nearest whole number. Fractional entitlements arising will not be allocated and will be disregarded.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

2.1.2 *Market claims*

Applications for the Open Offer Shares may only be made on the Application Form which is personal to the Qualifying Non-CREST Shareholder named thereon, and may not be sold, assigned or transferred, except to satisfy *bona fide* market claims in relation to purchases of Ordinary Shares through the market prior to the date on which, pursuant to the Listing Rules, the Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Application Forms may be split, but only to satisfy *bona fide* market claims, up to 3.00 p.m. on 3 December 2013. A Qualifying Non-CREST Shareholder who has, prior to the “ex-entitlement” date, sold or otherwise transferred some or all of their Ordinary Shares should contact their stockbroker, bank or other agent authorised under FSMA through whom the sale or transfer was effected as soon as possible and refer to the instructions regarding split applications set out in the accompanying Application Form, since the invitation to subscribe for Open Offer Shares under the Open Offer may, under the Listing Rules, represent a benefit which can be claimed from them by purchasers or transferees.

If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 2.2.5 below entitled “Deposit of Open Offer Entitlements into, and withdrawal from, CREST”.

2.1.3 *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply for all or any of the Open Offer Shares to which they are entitled should complete and sign the enclosed Application Form in accordance with the instructions thereon and send or deliver it, in the reply-paid envelope provided, together with a remittance for the full amount payable, to Capita Asset Services, either by post or by hand (during normal business hours only) to Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive as soon as possible and, in any event, so as to arrive no later than 11.00 a.m. on 5 December 2013, at which time the Open Offer will close. Application Forms received after this time will not be accepted. Applications, once made, will be irrevocable (save for any statutory withdrawal rights arising after the publication of a prospectus supplementing this document) and will not be acknowledged. Multiple applications will not be accepted.

Peel Hunt and the Company reserve the right (but shall not be obliged) to treat an Application Form as valid and binding on the person(s) by whom or for whose benefit it is lodged even if such an Application Form is not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required or which otherwise does not strictly comply with the terms and conditions of the Open Offer. Peel Hunt and the Company further reserve the right (but shall not be obliged) to accept either Application Forms and remittances received after 11.00 a.m. on 5 December 2013 but not later than 2.00 p.m. on 5 December 2013 or applications in respect of which remittances are

received before 2.00 p.m. on 5 December 2013 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days. If an Application Form is sent by post, Qualifying Non-CREST Shareholders are recommended to allow at least four working days for delivery.

2.1.4 *Payments*

All payments by Qualifying Non-CREST Shareholders must be made by cheque or duly endorsed banker's draft in pounds sterling drawn on the personal account of the individual investor to which they have sole or joint title to the funds and must be drawn on an account at a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man, which is either a settlement member of the Cheque and Credit Clearing Company Limited or of the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for members of either of those companies, and must bear the appropriate sort code number in the top right-hand corner. Third party cheques will not be accepted except building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping and endorsing the building society cheque or banker's draft on the reverse to such effect. Payments via CHAPS, BACS or electronic transfer will not be accepted. Any application which does not comply with these requirements will be treated as invalid.

Cheques or banker's drafts should be made payable to "Capita Registrars re Telecom Plus PLC – Open Offer a/c" and crossed "A/C Payee Only".

Any person returning an Application Form with a remittance in the form of a cheque thereby warrants that the cheque will be honoured on first presentation. If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are satisfied, the monies will be kept in a separate bank account until the conditions are fully met. In the event that the Issue does not become unconditional by 8.00 a.m. on 20 December 2013 (or such later time and/or date, being not later than 8.00 a.m. on 31 January 2014, as Peel Hunt may agree), the Open Offer will lapse and all application monies will be returned (at the Applicant's sole risk) to Applicants as soon as practicable thereafter. If any cheque is not honoured on first presentation, the relevant application may be deemed to be invalid.

2.1.5 *Effect of application*

All documents and remittances sent by post by or to an Applicant (or as the Applicant may direct) will be sent at the Applicant's own risk. By completing and delivering an Application Form, you (as the Applicant(s)):

- (a) agree with the Company and Peel Hunt that all applications under the Open Offer, and contracts resulting therefrom, and any non contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England;
- (b) confirm to the Company and Peel Hunt that in making the application you are not relying on any information or representation other than that contained in this document, and you accordingly agree that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and you further agree that, having had the opportunity to read this document, you will be deemed to have had notice of all the information concerning the Company contained herein (including information incorporated by reference);
- (c) confirm to the Company and Peel Hunt that no person has been authorised to give any information or make any representation concerning the Company or the Group or the New Ordinary Shares (other than as contained in this document) and if given or made any such information or representation should not be relied upon as having been authorised by the Company and Peel Hunt;
- (d) represent and warrant to the Company and Peel Hunt that you are the Qualifying Shareholder originally entitled to the Open Offer Entitlements or, if you have received some or all of your Open Offer Entitlements from a person other than the Company, you are entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;

- (e) represent and warrant to the Company and Peel Hunt that you have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise your rights, and perform your obligations under any contracts resulting therefrom and that you are not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (f) request that the Open Offer Shares to which you will become entitled be issued to you on the terms set out in this document and the Application Form and subject to the Articles;
- (g) represent and warrant to the Company and Peel Hunt that you are not, and you are not applying on behalf of any Shareholder who is, a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction outside the United Kingdom and you are not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of this application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction outside the United Kingdom (in each case except where proof satisfactory to the Company and Peel Hunt has been provided to the Company that you are able to accept the invitation by the Company free of any requirement which the Company and Peel Hunt, in their absolute discretion, regard as unduly burdensome) nor are you acting on behalf of any such person on a non-discretionary basis;
- (h) represent and warrant to the Company and Peel Hunt that you are not and nor are you applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986; and
- (i) confirm to the Company and Peel Hunt that in making the application you are not relying and have not relied on Peel Hunt or any person affiliated with Peel Hunt in connection with any investigation of the accuracy of any information contained in this document or your investment decision.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Please note that Capita cannot provide financial advice on the merits of the Open Offer or as to whether you should take up your entitlement.

If you do not wish to apply for the Open Offer Shares under the Open Offer, you should take no action and should not complete or return the Application Form. You are, however, encouraged to vote at the General Meeting by completing and returning the enclosed Form of Proxy.

2.2 *If your CREST Open Offer Entitlements are credited to your stock account in CREST*

2.2.1 *General*

Subject as provided in paragraph 6 of this Part IX in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlements under the Open Offer.

Open Offer Entitlements to Open Offer Shares will be rounded down to the nearest whole number. Any fractional entitlements to New Ordinary Shares arising will not be allocated and will be disregarded.

The CREST stock account to be credited will be an account under the Participant ID and Member Account ID that apply to the Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 3.00 p.m. on 21 November 2013 or such later time as the Company may decide, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements which

should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

CREST Members who wish to apply for some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Capita Asset Services on the telephone number set out on page 26 of this document. Please note that Capita Asset Services cannot provide financial advice on the merits of the Open offer or as to whether applicants should take up their Open Offer Entitlements. If you are a CREST Sponsored Member you should consult your CREST Sponsor if you wish to apply for Open Offer Shares as only your CREST Sponsor will be able to take the necessary action to make this application in CREST.

2.2.2 *Market claims*

The Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST claims processing unit as “cum” the Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlements will thereafter be transferred accordingly.

2.2.3 *USE instructions*

Qualifying CREST Shareholders who wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST Sponsored Members, procure that their CREST Sponsor sends) an Unmatched Stock Event (“USE”) instruction to Euroclear which, on its settlement, will have the following effect:

- (a) the crediting of a stock account of Capita under the Participant ID and Member Account ID specified below, with Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (b) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of Capita in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 2.2.3(a) above.

2.2.4 *Content of USE instructions in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlements being delivered to Capita Asset Services);
- (b) the ISIN of the Open Offer Entitlements. This is GB00BG0R5Z21;
- (c) the Participant ID of the accepting CREST Member;
- (d) the Member Account ID of the accepting CREST Member from which the Open Offer Entitlements is to be debited;
- (e) the Participant ID of Capita Registrars, in its capacity as a CREST Receiving Agent. This is 7RA33;
- (f) the Member Account ID of Capita Registrars, in its capacity as a CREST Receiving Agent. This is 28078TEL;
- (g) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 2.2.4(a) above;
- (h) the intended settlement date. This must be on or before 11.00 a.m. on 5 December 2013; and

- (i) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 5 December 2013.

In order to assist prompt settlement of the USE instruction, CREST Members (or their sponsors, where applicable) may consider adding the following non mandatory fields to the USE instruction:

- (a) a contact name and telephone number (in the free format shared note field); and
- (b) a priority of at least 80.

CREST Members and, in the case of CREST Sponsored Members, their CREST Sponsors, should note that the last time at which a USE instruction may settle on 5 December 2013 in order to be valid is 11.00 a.m. on that day.

In the event that the Issue does not become unconditional by 8.00 a.m. on 20 December 2013 (or such later time and date as the Company and Peel Hunt shall agree, being not later than 8.00 a.m. on 31 January 2014), the Issue will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter.

2.2.5 *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

In particular, having regard to normal processing times in CREST and on the part of Capita Asset Services, the recommended latest time for depositing an Application Form with the CCSS, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 2 December 2013, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 29 November 2013, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 5 December 2013.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Peel Hunt and Capita by the relevant CREST Member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing Open Offer entitlements into CREST" on page 3 of the Application Form, and a declaration to the Company, Peel Hunt and Capita from the relevant CREST Member(s) that it/ they is/are not citizen(s) or resident(s) of any countries outside the United Kingdom and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST Member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

2.2.6 *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 5 December 2013 will constitute a valid application under the Open Offer.

2.2.7 *CREST procedures and timings*

CREST Members and (where applicable) their CREST Sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST Sponsored Member, to procure that his CREST Sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 5 December 2013. In this connection CREST Members and (where applicable) their CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

2.2.8 *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through Capita reserves the right:

- (a) to reject the application in full and refund the payment to the CREST Member in question (without interest);
- (b) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST Member in question (without interest); or
- (c) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST Member in question (without interest).

2.2.9 *Effect of valid application*

A CREST Member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (a) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Capita payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST Member to pay to the Company the amount payable on application);
- (b) agree with the Company and Peel Hunt that all applications under the Open Offer and contracts resulting therefrom and any non-contractual obligations related thereto shall be governed by, and construed in accordance with, the laws of England;
- (c) confirm to the Company and Peel Hunt that in making such application he is not relying on any information in relation to the Company other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such other information and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all the information concerning the Company contained herein (including information incorporated by reference);
- (d) represent and warrant to the Company and Peel Hunt that he is the Qualifying CREST Shareholder originally entitled to the Open Offer Entitlements or, if he has received some or all of his Open Offer Entitlements from a person other than the Company, that he has received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (e) represent and warrant to the Company and Peel Hunt that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis; and

- (f) request that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles;
- (g) represent and warrant to the Company and Peel Hunt that he is not, and is not applying on behalf of any Shareholder, who is, a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction outside the United Kingdom and he is not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of this application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction outside the United Kingdom (in each case except where proof satisfactory to the Company and Peel Hunt has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which the Company or Peel Hunt (in their absolute discretion) regard as unduly burdensome), nor is he acting on behalf of any such person on a non-discretionary basis;
- (h) represent and warrant to the Company and Peel Hunt that he is not, and nor is he applying as, nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986; and
- (i) confirm to the Company and Peel Hunt that in making the application he is not relying and has not relied on Peel Hunt or any person affiliated with Peel Hunt in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

2.2.10 *Company's discretion as to rejection and validity of applications*

The Company and Peel Hunt may in their sole discretion:

- (a) treat as valid (and binding on the CREST Member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part IX;
- (b) accept an alternative properly authenticated dematerialised instruction from a CREST Member or (where applicable) a CREST Sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (c) treat a properly authenticated dematerialised instruction (in this sub paragraph the "first instruction") as not constituting a valid application if, at the time at which Capita receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Capita have received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (d) accept an alternative instruction or notification from a CREST Member or CREST Sponsored Member or (where applicable) a CREST Sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST Member or CREST Sponsored Member or (where applicable) CREST Sponsor, the CREST Member or CREST Sponsored Member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Capita in connection with CREST.

2.3 ***Withdrawal rights***

Persons wishing to exercise statutory withdrawal rights pursuant to section 87Q(4) of FSMA after the publication by the Company of a prospectus supplementing this document must do so by

lodging a written notice of withdrawal (which shall include a notice sent by any form of electronic communication) with Capita Asset Services, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be sent, not later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal.

3. Money Laundering

3.1 Holders of Application Forms

The verification of identity requirements of the Money Laundering Regulations 2007 will apply and verification of the identity of the Applicant(s) for Open Offer Shares may be required. If an Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations 2007, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted in the Application Form. If the value at the Issue Price of the Open Offer Shares for which you are applying does not exceed fifteen thousand euros (€15,000) (or the sterling equivalent) (and is not one of a series of linked applications, the aggregate value of which exceeds that amount), you will not be required to satisfy the verification of identity requirements described below. However, if such a value exceeds that amount, then failure to provide the necessary evidence of identity may result in your application being treated as invalid or in delaying acceptance of your application. In order to avoid this, all payments should be made by means of a cheque drawn by the person named in the Application Form (or one of such persons). If this is not practicable and you use a cheque drawn by a third party (for example, a building society cheque or banker's draft), you should:

- (a) write the name, address and date of birth of the person named on the Application Form (or one of such persons) on the back of the cheque, building society cheque or banker's draft;
- (b) if a building society cheque or banker's draft is used, ask the building society or bank to endorse the name and account number of the person whose building society or bank account is being debited on the cheque or banker's draft; and
- (c) if you are making the application as agent for one or more persons, indicate on the Application Form whether you are a UK or EC regulated person or institution (e.g. a bank or broker) and specify your status. If you are not a UK or EC regulated person or institution, you should contact Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If you deliver your Application Form personally by hand, you should ensure that you have with you evidence of your identity bearing your photograph (e.g. your passport). In any event, if it appears to Capita that an Applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the Applicant appears to be acting may be required. In relation to any application in respect of which the necessary verification of the identity of the Applicant or the person on whose behalf the Applicant appears to be acting has not been received on or before 11.00 a.m. on 5 December 2013 the Company may, in their absolute discretion, elect to treat the relevant application as invalid and/or delay the allotment of the relevant number of Open Offer Shares until the necessary verification has been provided. If an Application Form is treated as invalid the money paid in respect of the application will be returned (at the Applicant's risk and without interest).

By lodging an Application Form, each Qualifying Shareholder undertakes to provide such evidence of its identity at the time of lodging the Application Form or, at the absolute discretion of the Company and Peel Hunt, at such specified time thereafter as may be requested to ensure compliance with the Money Laundering Regulations 2007.

Capita is entitled, in its absolute discretion, to determine whether verification of identity requirements apply to any Applicant and whether such requirements have been satisfied. Neither Capita, nor the Company nor Peel Hunt shall be responsible or liable to any person for any loss or damage suffered as a result of the exercise of their discretion hereunder.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of

identity, Capita has not received evidence satisfactory to it as aforesaid, the Company or Peel Hunt may treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, Capita and Peel Hunt from the Applicant that the Money Laundering Regulations 2007 will not be breached by application of such remittance.

3.2 *Open Offer Entitlements in CREST*

If you hold your Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Capita is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Capita before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the Applicant to provide promptly to Capita such information as may be specified by Capita as being required for the purposes of the Money Laundering Regulations 2007. Pending the provision of evidence satisfactory to Capita as to identity, Capita may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

4. Settlements and Dealings

The result of the Open Offer is expected to be announced on 6 December 2013. Application will be made to the London Stock Exchange and the FCA for Admission. Subject to the Issue becoming unconditional in all respects (save only as to Admission), it is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 20 December 2013 for normal rolling settlement.

Application has been made for the CREST Open Offer Entitlements to be admitted to CREST. The conditions to such admission having already been met, the Open Offer Entitlements are expected to be admitted to CREST with effect from 21 November 2013. Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 5 December 2013 (the latest date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied (expected to be 11.00 a.m. on 5 December 2013). On this day, Capita will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be on or around 20 December 2013). The stock accounts to be credited will be accounts under the same Participant IDs and Member Account IDs in respect of which the USE instruction was given.

Subject to the conditions of the Open Offer being satisfied or waived, all Open Offer Shares to be issued in uncertificated form are expected to be credited to the appropriate CREST stock accounts on 20 December 2013, unless the Company exercises the right to issue such Open Offer Shares in certificated form, in which case definitive certificates are expected to be despatched by post on or before 31 December 2013. No temporary documents of title will be issued. Pending despatch of definitive share certificates, transfers of the Open Offer Shares by Qualifying Non-CREST Shareholders will be certified against the share register held by Capita. All documents or remittances sent by or to an Applicant (or his agent as appropriate) will (in the latter case) be sent through the post and will (in both cases) be at the risk of the Applicant. Qualifying Shareholders whose Ordinary Shares are held in CREST should note that they will be sent no confirmation of the credit of the Open Offer Shares to their CREST stock account nor any other written communication by the Company in respect of the issue of the Open Offer Shares.

Notwithstanding any other provision in this document, the Company reserves the right to send you an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and/or to

issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and systems operated by the Receiving Agent in connection with CREST.

5. Taxation

Your attention is drawn to the section headed “UK Taxation” set out in paragraph 20 of Part XIX of this document.

6. Overseas Shareholders

The document has been approved by the FCA, being the competent authority in the United Kingdom, in accordance with Section 85 of FSMA.

6.1 General

The making of or acceptance of the Open Offer to or by persons who have registered addresses outside the United Kingdom, or who are resident in countries outside the United Kingdom, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to take up their entitlements.

It is also the responsibility of all persons (including, without limitation, custodians, nominees, agents and trustees) outside the United Kingdom wishing to take up their entitlements under the Open Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. **The comments set out in this paragraph 6.1 are intended as a general guide only and any Shareholders who are in doubt as to their position should consult their professional adviser without delay.**

No public offer of the New Ordinary Shares is being made by virtue of this document or the Application Forms into the United States or any jurisdiction outside the United Kingdom in which such offer would not be lawful. No action has been or will be taken by the Company, Peel Hunt or any other person to permit a public offering or distribution of this document (or any other offering or publicity materials or Application Form(s) relating to the Open Offer Shares) or the New Ordinary Shares in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

These materials do not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Securities may not be offered or sold in the United States absent: (i) registration under the Securities Act; or (ii) an available exemption from registration under the Securities Act. The securities mentioned herein have not been, and will not be, registered under the Securities Act, will be offered only in “offshore transactions” as defined in and pursuant to Regulation S of the Securities Act and will not be offered to the public in the United States.

Receipt of this document and/or any Application Form and/or the crediting of any CREST Open Offer Entitlements to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or an Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to Shareholders with registered addresses outside the United Kingdom or their agent or intermediary, except where the Company and Peel Hunt are satisfied at their absolute discretion that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction. Open Offer Entitlements will not be credited to the CREST accounts of Shareholders with a registered address or resident outside the United Kingdom unless the Company and Peel Hunt are satisfied at their absolute discretion such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or receiving Open Offer Entitlements in a stock account in CREST with a bank or financial institution in any jurisdiction other than the United Kingdom may treat the same as constituting an invitation or offer to him nor should he in any event use the Application Form unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to him or the Application Form could lawfully be used

or dealt with without contravention of any registration or other legal requirements. In such circumstances, this document and the Application Form are to be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or an Application should not, in connection with the Open Offer, distribute or send the same or in or into any Excluded Territory or any other jurisdiction where to do so would or might contravene local security laws or regulations. If an Application Form is received by any person in any such jurisdiction, or by his agent or nominee, he must not seek to take up the Open Offer Entitlements referred to in the Application Form or in this document unless the Company and Peel Hunt (at their absolute discretion) determine that such actions would not violate applicable registration or other legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or an Application Form into any such jurisdictions (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 6.

Subject to paragraphs 6.2 and 6.3 below, any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to accept his Open Offer Entitlements under the Open Offer must satisfy himself as to full observance of the applicable laws of any relevant jurisdiction, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such jurisdictions. The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

The Company and Peel Hunt reserve the right to treat as invalid and will not be bound to allot or issue any Open Offer Shares in respect of any acceptance or purported acceptance of the offer of Open Offer Shares which:

- (a) appears to the Company or its agents to have been executed, effected or despatched from outside the United Kingdom unless the Company and Peel Hunt are satisfied that such action would not result in the contravention of any registration or other legal requirement; or
- (b) in the case of an Application Form, provides an address for delivery of the share certificates in or, in the case of a credit of Open Offer Shares in CREST, to a CREST Member or CREST Sponsored Member whose registered address would be in any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement.

The attention of Overseas Shareholders is drawn to paragraphs 6.2 and 6.3 below.

The provisions of paragraph 2 above will apply to Overseas Shareholders who are not credited with Open Offer Entitlements, or if credited with such in error, are unable to take up Open Offer Shares provisionally credited to them because such action would result in a contravention of applicable registration or other legal or regulatory requirements. Accordingly, such Shareholders will be treated as Shareholders that have not taken up their entitlement for the purposes of paragraph 2 above.

Despite any other provision of this document or the Application Form, the Company and Peel Hunt reserve the right to permit any Shareholder to take up under the Open Offer his entitlements if the Company and Peel Hunt in their sole and absolute discretion are satisfied that the transaction in question is exempt from or not subject to the registration or other legal or regulatory requirements giving rise to the restrictions in question.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 2.1 (Qualifying Non-CREST Shareholders) and 2.2 (Qualifying CREST Shareholders) above.

Overseas Shareholders should note that all subscription monies must be in pounds sterling by cheque or duly endorsed banker's draft and should be drawn on a bank in the UK, made payable to **Capita Registrars – re: Telecom Plus PLC – Open Offer plc** and crossed **A/C payee only**.

6.2 *Notice in London Gazette*

In accordance with section 562(3) of the Act, the Open Offer to Qualifying Shareholders who have no registered address within the UK and who have not supplied to the Company an address within

the UK for the service of notices, will be made (subject to the passing of the Resolutions) by the Company publishing a notice in the London Gazette on 20 November 2013 stating where copies of this document and any accompanying documents may be inspected or obtained on personal application by or on behalf of such Qualifying Shareholders (other than those referred to in paragraph 6.3 below). Accordingly, such Qualifying Shareholders, if it is lawful for them to do so, may accept the offer by returning the Application Form posted to them in accordance with the instructions set out therein or by obtaining copies of such letter from the place stated in the London Gazette notice and returning them in accordance with the instructions set out in such letter.

6.3 *Representations and warranties relating to Overseas Shareholders*

The attention of Overseas Shareholders is drawn to the representations and warranties set out in paragraphs 2.1.5 (in the case of Qualifying Non-CREST Shareholders) and 2.2.9 (in the case of Qualifying CREST Shareholders) of this Part IX.

6.4 *Times and dates*

The Company shall, in agreement with Peel Hunt and after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances notify the Financial Conduct Authority, and make an announcement on a Regulatory Information Service and, if appropriate, by Shareholders but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

6.5 *Further information*

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

6.6 *Waiver*

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company and Peel Hunt in their absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing an Application Form and in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

7. *Structure of the Issue*

For technical reasons, at the conclusion of the Issue, the Company will issue the New Ordinary Shares in consideration for the transfer to it by Peel Hunt (the “Newco Subscriber”) of the issued ordinary shares of Newco held by the Newco Subscriber and the entire issued redeemable preference share capital of Newco, which will result in the Company owning the entire issued share capital of Newco the only assets of which will be its cash resources. These resources will represent the net proceeds of the Issue. The Company will be able to utilise this amount by redeeming the redeemable preference shares it will then hold in Newco and, during any interim period prior to redemption, by procuring that Newco lends the amount to the Company or another member of the Group. The structure of the Issue is expected to have the effect of creating distributable reserves equal to the net proceeds of the Issue less the par value of the New Ordinary Shares. Accordingly, by applying for New Ordinary Shares in the Open Offer and submitting a valid payment in respect thereof, a Qualifying Shareholder instructs the Receiving Agent to: (i) hold such payments on the shareholder’s behalf until Admission and, if Admission does not take place, to return such payment, without interest, to the shareholder; (ii) following Admission and to the extent of a successful application under the Open Offer, to apply such payment (after deduction of certain agreed fees, costs and expenses) on behalf of the Newco Subscriber solely for the purposes of acquiring preference shares in Newco; and (iii) to the extent of an unsuccessful application under the Open Offer, to return the relevant payment without interest to the shareholder.

The Board may elect to implement all or part of the Issue without using the structure described above if it deems it to be in the Company's interest to do so.

8. Governing Law

The terms and conditions of the Open Offer as set out in this Part IX and the Application Form shall be governed by, and construed in accordance with, English law. The Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document and the Application Form.

By taking up their entitlements under the Open Offer in accordance with the instructions set out in this document and (where applicable) the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient form.

PART X

TERMS AND CONDITIONS OF THE FIRM PLACING AND THE PLACING

1. Definitions

- “Regulation S” means Regulation S as promulgated under the Securities Act; and
- “Securities Act” means the United States Securities Act of 1933, as amended.

2. Introduction

These terms and conditions apply to persons making an offer to subscribe for Firm Placing Shares under the Firm Placing and/or Placing Shares under the Placing. The Placee hereby agrees with Peel Hunt and the Company to be bound by these terms and conditions as being the terms and conditions upon which Firm Placing Shares will be sold under the Firm Placing and Placing Shares will be sold under the Placing (as applicable). A Placee shall, without limitation, become so bound if Peel Hunt confirms its allocation of Firm Placing Shares under the Firm Placing and/or Placing Shares under the Placing (as applicable) to such Placee.

Upon being notified of its allocation of Firm Placing Shares under the Firm Placing and/or Placing Shares under the Placing, a Placee shall, subject to the provisions of paragraph 6 of this section with respect to the Placing Shares, be contractually committed to acquire the number of Firm Placing Shares and/or Placing Shares allocated to them at the Issue Price and to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate or otherwise withdraw from such commitment. Dealing may not begin before any notification is made.

3. Agreement to acquire Firm Placing Shares and/or Placing Shares

Each of the Firm Placing and the Placing is conditional upon the following principal conditions:

- the passing without amendment of the Resolutions to be proposed at the General Meeting to be held on 6 December 2013;
- the Placing Agreement having become unconditional in all respects and not being terminated in accordance with its terms before Admission becomes effective;
- the Acquisition Agreement and the Facilities Agreement not being terminated or rescinded and having become unconditional in all respects (save for Admission, the condition in the Facilities Agreement relating to the receipt by or on behalf of the Company of £96.5 million to effect the Acquisition and as regards any condition as to the Placing Agreement having become unconditional); and
- Admission occurring by not later than 8.00 a.m. on the third business day following the approval of the Resolutions at the General Meeting or following receipt of the OFT clearance, whichever is the later.

Subject to the above conditions, a Placee agrees to become a Shareholder and agrees to acquire Firm Placing Shares and/or Placing Shares (as applicable) at the Issue Price. The number of Firm Placing Shares issued to such Placee under the Firm Placing and/or Placing Shares issued to such Placee under the Placing (as applicable) shall be in accordance with the arrangements described above, subject to the provisions of paragraph 6 of this section with respect to the Placing Shares.

4. Payment for Firm Placed Shares and/or Placing Shares

Each Placee undertakes to pay the Issue Price for the Firm Placing Shares and/or Placing Shares (as applicable) issued to such Placee in such manner as shall be directed by Peel Hunt. In the event of any failure by a Placee to pay as so directed by Peel Hunt, the relevant Placee shall be deemed hereby to have appointed Peel Hunt or any nominee of Peel Hunt to sell (in one or more transactions) any or all of the Firm Placing Shares and/or Placing Shares (as applicable) in respect of which payment shall not have been made as so directed and to have agreed to indemnify on demand Peel Hunt in respect of any liability for UK stamp duty and/or stamp duty reserve tax arising in respect of any such sale or sales.

5. Representations and Warranties

By receiving this document, each Placee and, in the case of paragraph 5.15 of this Part X, any person confirming his agreement to subscribe for Firm Placing Shares and/or Placing Shares on behalf of a Placee

or authorising Peel Hunt to notify a Placee's name to the Registrars, is deemed to acknowledge, agree, undertake, represent and warrant to each of Peel Hunt, the Registrars and the Company that:

- 5.1 the Placee has read this document in its entirety and acknowledges that its participation in the Firm Placing and/or the Placing (as applicable) shall be made solely on the terms and subject to the conditions set out in these terms and conditions, the Placing Agreement and the Articles. Such Placee agrees that these terms and conditions and the contract note issued by Peel Hunt to such Placee represents the whole and only agreement between the Placee, Peel Hunt and the Company in relation to the Placee's participation in the Firm Placing and/or the Placing (as applicable) and supersedes any previous agreement between any of such parties in relation to such participation. Accordingly, all other terms, conditions, representations, warranties and other statements which would otherwise be implied (by law or otherwise) shall not form part of these terms and conditions. Such Placee agrees that none of Peel Hunt nor any of its officers or directors will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;
- 5.2 the Placee has the power and authority to subscribe for and purchase the Placing Shares under the Placing and/or the Firm Placing Shares under the Firm Placing (as applicable) and to execute and deliver all documents necessary for such subscription and purchase;
- 5.3 neither Peel Hunt nor any person affiliated with Peel Hunt or acting on its behalf is responsible for or shall have any liability for any information, representation or statement contained in this Prospectus or any information previously published by or on behalf of the Company or any member of the Group and will not be liable for any decision by a Placee to participate in the Firm Placing and/or the Placing based on any information, representation or statement contained in this document or otherwise;
- 5.4 the Placee acknowledges that the New Ordinary Shares will be admitted to the Official List, and the Company is therefore required to publish certain business and financial information in accordance with the rules and practices of the FCA (collectively, the "Exchange Information"), which includes a description of the nature of the Company's business and the Company's most recent balance sheet and profit and loss account and that the Placee is able to obtain or access such Exchange Information without undue difficulty and is able to obtain access to such information or comparable information concerning any other publicly traded company without undue difficulty;
- 5.5 the Placee acknowledges that neither Peel Hunt, nor any person affiliated with Peel Hunt, nor any person acting on its behalf is making any recommendations to it or advising it regarding the suitability or merits of any transaction it may enter into in connection with the Firm Placing and/or the Placing, and that participation in the Firm Placing and/or the Placing is on the basis that it is not and will not be a client of Peel Hunt for the purposes of the Firm Placing and/or the Placing (as applicable) and the Placee acknowledges that neither Peel Hunt, nor any person affiliated with Peel Hunt, nor any person acting on its behalf has any duties or responsibilities to the Placee for providing the protections afforded to its clients or for providing advice in relation to the Firm Placing and/or the Placing or in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement or for the exercise or performance of any of Peel Hunt's rights and obligations thereunder, including any right to waive or vary any condition or exercise any termination right contained therein;
- 5.6 the Placee has not relied on Peel Hunt or any person affiliated with Peel Hunt in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision;
- 5.7 in agreeing to purchase Firm Placing Shares under the Firm Placing and/or Placing Shares under the Placing (as applicable), the Placee is relying on this Prospectus and/or any supplementary prospectus issued by the Company in connection with the Issue (as the case may be) or any regulatory announcement that may be issued by the Company and not on any other information or representation concerning the Group, the Firm Placing, the Placing, the Firm Placing Shares or the Placing Shares. Such Placee agrees that neither Peel Hunt nor its officers, directors or employees will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;
- 5.8 save in the event of fraud on its part (and to the extent permitted by the rules of the FCA), neither Peel Hunt nor any of its directors or employees shall be liable to a Placee for any matter arising out

of the role of Peel Hunt as the Company's adviser and broker or otherwise, and that where any such liability nevertheless arises as a matter of law each Placee will immediately waive any claim against Peel Hunt and any of its directors and employees which a Placee may have in respect thereof;

- 5.9 such Placee: (i) has complied with all applicable laws and such Placee will not infringe any applicable law as a result of such Placee's agreement to purchase Firm Placing Shares under the Firm Placing and/or Placing Shares under the Placing (as applicable) and/or acceptance thereof or any actions arising from such Placee's rights and obligations under the their agreement to purchase Firm Placing Shares under the Firm Placing and/or Placing Shares under the Placing (as applicable) and/or acceptance thereof; and (ii) agrees to accept the New Ordinary Shares subject to, and to comply with the Articles;
- 5.10 the Placee has accepted that its application is irrevocable and if for any reason it becomes necessary to adjust the expected timetable as set out in this Prospectus, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates. In particular, the Company shall, in agreement with Peel Hunt, be entitled to extend the last time and/or date for applications under the Firm Placing and/or the Placing, and any such extension will not affect applications already made, which will continue to be irrevocable;
- 5.11 to the fullest extent permitted by law, the Placee acknowledges and agrees to the disclaimers contained in this Prospectus and acknowledges and agrees to comply with the selling restrictions set out in this Prospectus;
- 5.12 the Ordinary Shares have not been and will not be registered under the Securities Act, or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United States or under the applicable securities laws of the Excluded Territories or where to do so may contravene local securities laws or regulations;
- 5.13 the Placee is not located in the United States, and is acquiring the New Ordinary Shares in an "offshore transaction" (as defined in Regulation S) conducted in accordance with Regulation S and the New Ordinary Shares were not offered to such Placee by means of "directed selling efforts" as defined in Regulation S;
- 5.14 the Placee is not a resident of the Excluded Territories and acknowledges that the Firm Placing Shares and the Placing Shares have not been and will not be registered nor will a prospectus be prepared in respect of the Firm Placing Shares and/or the Placing Shares under the securities legislation of the Excluded Territories and, subject to certain exceptions, may not be offered or sold, directly or indirectly, in or into those jurisdictions;
- 5.15 in the case of a person who confirms to Peel Hunt on behalf of a Placee an agreement to purchase Firm Placing Shares under the Firm Placing and/or Placing Shares under the Placing and/or who authorises Peel Hunt to notify such Placee's name to the Registrars, that person represents and warrants that he has authority to do so on behalf of the Placee;
- 5.16 the Placee undertakes to provide satisfactory evidence of its identity within such reasonable time (in each case to be determined in the absolute discretion of Peel Hunt) to ensure compliance with the Money Laundering Regulations;
- 5.17 the Placee is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services);
- 5.18 if you are a resident in the European Economic Area, you are a qualified investor within the meaning of the law in the Relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive (Directive 2003/71/EC);
- 5.19 the exercise by Peel Hunt of any rights or discretions under the Placing Agreement shall be within its absolute discretion and Peel Hunt need not have any reference to any Placee and shall have no liability to any Placee whatsoever in connection with any decision to exercise or not to exercise any such right and each Placee agrees that it shall have no rights against Peel Hunt or its directors or employees under the Placing Agreement; and
- 5.20 the Placee has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the Firm Placing Shares and or the Placing Shares (as applicable) in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person; and

5.21 the Placee acknowledges that any money held in an account with Peel Hunt on behalf of the Placee and/or any person acting on behalf of the Placee will not be treated as client money within the meaning of the rules and regulations of the FCA. The Placee further acknowledges that the money will not be subject to the protections conferred by the client money rules; as a consequence, this money will not be segregated from Peel Hunt's money in accordance with the client money rules and will be used by Peel Hunt in the course of its own business; and the Placee will rank only as a general creditor of Peel Hunt.

The Placee acknowledges and understands that the Company and Peel Hunt will rely upon the truth and accuracy of the foregoing representations, warranties, agreements, acknowledgements and undertakings.

The Placee indemnifies on an after-tax basis and holds harmless Peel Hunt and each person affiliated with Peel Hunt and any person acting on their behalf from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this Part X of the document and further agrees that the provisions of this Part X of the document shall survive after completion of the Firm Placing and the Placing.

6. Scale back of the Placing Shares

The number of Placing Shares to be issued under the Placing may be scaled back at the discretion of the Directors (in consultation with Peel Hunt) in order to satisfy valid applications under the Open Offer.

7. Miscellaneous

The rights and remedies of Peel Hunt, Capita Registrars and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, each Placee may be asked to disclose, in writing or orally to Peel Hunt:

- if he is an individual, his nationality; or
- if he is a discretionary fund manager, the jurisdiction in which the funds are managed or owned.

All documents will be sent at the Placee's risk. They may be sent by post to such Placee at an address notified to Peel Hunt.

The provisions of these terms and conditions of the Firm Placing, the Placing and/or Open Offer may be waived, varied or modified as regards specific Placees or on a general basis by Peel Hunt.

The contract to subscribe for Firm Placing Shares and/or Placing Shares (as applicable) and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Peel Hunt, the Company and the Registrars, each Placee irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against a Placee in any other jurisdiction.

In the case of a joint agreement to subscribe for Firm Placing Shares and/or Placing Shares (as applicable), references to a "Placee" in these terms and conditions are to each of such Placees and such joint investors' liability is joint and several.

In addition to the provisions of paragraph 6 of this Part X, Peel Hunt and the Company each expressly reserve the right to modify the Firm Placing and/or the Placing (including, without limitation, its timetable and settlement) at any time before allocations of Firm Placing Shares under the Firm Placing and/or of Placing Shares under the Placing are determined.

PART XI

QUESTIONS AND ANSWERS ABOUT THE ISSUE

The questions and answers set out in this Part XI are intended to be in general terms only and, as such, you should read Part XI of this document for full details of what action to take. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under FSMA if you are in the United Kingdom.

This Part XI deals with general questions relating to the Issue and more specific questions relating principally to persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part IX of this document. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part IX of this document for full details of what action you should take. If you are a CREST Sponsored Member, you should also consult your CREST Sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call the Capita Asset Services on 0871 664 0321 (from within the UK) or on +44 (0)20 8639 3399 (if calling from outside the UK). Calls to the 0871 664 0321 number are charged at 10 pence per minute (excluding VAT) plus network extras. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday (except UK public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

The Shareholder Helpline cannot provide advice on the merits of the Issue or the Acquisition nor give any financial, legal or tax advice. The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult their own appropriate professional advisers for advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action.

1. What is a firm placing and a placing and open offer?

A firm placing and a placing and open offer is a way for companies to raise money. Companies usually do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shares (an open offer) and providing for new investors to acquire new shares in the company (a firm placing and a placing). The fixed price is normally a discount to the market price of the existing ordinary shares prior to the announcement of the open offer.

2. Am I eligible to participate in the Firm Placing or the Placing

A firm placing or placing is where specific investors procured by the company's advisers agree to subscribe for placed shares. The Firm Placing Shares and the Placing Shares do not form part of the Open Offer. Unless you are a Placee, you will not participate in the Firm Placing or the Placing.

3. What is the Company's Open Offer?

The offer under the Open Offer is 1 Open Offer Share for every 35 Existing Ordinary Shares at a price of 1475 pence per Open Offer Share. If you held Ordinary Shares on the Record Date and did not sell them before the ex-entitlement date, and are a Qualifying Shareholder you will be entitled to subscribe for Open Offer Shares under the Open Offer. If you hold your Ordinary Shares in certificated form, your entitlement will be set out in your Application Form.

Open Offer Shares are being offered to Qualifying Shareholders in the Open Offer at a discount to the share price on the last dealing day before the details of the Open Offer were announced on 20 November 2013. The Issue Price of 1475 pence per Open Offer Share represents a discount of approximately 2.1 per cent. to the Closing Price of 1507 pence per Ordinary Share on 19 November 2013, the last Business day prior to the date of announcement of the terms of the Open Offer. The Board considers that the level of discount is appropriate in order to secure the investment necessary to effect the Acquisition having regard to prevailing market conditions and transaction costs.

An Open Offer is not a rights issue and therefore, if you are a Qualifying Shareholder and you do not want to buy the Open Offer Shares to which you are entitled, you will not be able to sell or transfer your entitlement to those Open Offer Shares.

4. I hold my Ordinary Shares in certificated form. How do I know if I am able to acquire Open Offer Shares under the Open Offer?

If you receive an Application Form and you are a Qualifying Shareholder then you should be eligible to acquire Open Offer Shares under the Open Offer (as long as you did not sell all of your Ordinary Shares before 8.00 a.m. on 20 November 2013 (the time when the Ordinary Shares were marked “ex-entitlements” by the London Stock Exchange)).

The Application Form shows:

- how many Ordinary Shares you held at the close of business on 18 November 2013 (the Record Date for the Open Offer);
- how many Open Offer Shares you are entitled to buy; and
- how much you need to pay if you want to take up your entitlement to buy all the Open Offer Shares which you are entitled to buy.

If you are an Overseas Shareholder, subject to certain exceptions, you will not have received and will not receive an Application Form.

5. I am a Qualifying Shareholder and I hold my Ordinary Shares in certificated form. What are my choices and what should I do with the Application Form?

If you want to take up all of your Open Offer Entitlements

If you want to take up all of your Open Offer Entitlements to acquire Open Offer Shares, you should complete and sign your Application Form, and send this, together with your cheque or duly endorsed banker’s draft in pounds sterling for the full amount of your Open Offer Entitlements, payable to Capita Registrars Limited re: Telecom Plus PLC – Open Offer a/c and crossed A/C Payee Only, by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, to arrive by no later than 11.00 a.m. on 5 December 2013. Within the UK only, you can use the reply-paid envelope which will be enclosed with the Application Form. Full instructions are set out in Part IX of this document and in the Application Form.

Please note third party cheques may not be accepted other than building society cheques or banker’s drafts. If payment is made by building society cheque (not being drawn on an account of the Applicant) or a banker’s draft, the building society or bank must endorse on the cheque or draft the Applicant’s name and the number of an account held in the Applicant’s name at the building society or bank, such endorsement being validated by a stamp and an authorised signature.

Subject to Shareholders approving the Resolutions at the General Meeting to be held on 6 December 2013 and Admission occurring thereafter, a definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 31 December 2013.

If you want to take up more than your Open Offer Entitlements

You are not able to take up more than your Open Offer Entitlements and there is no excess allotment facility.

If you do not want to take up your Open Offer Entitlements at all

If you do not want to take up your Open Offer Entitlements to Open Offer Shares, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer shares you could have taken up are sold, as would happen under a rights issue. You cannot sell your Application Form to anyone else. If you do not take up your Open Offer Shares pursuant to the Open Offer and are not a Placee, your interest in the Company will be diluted by 11.1 per cent.

If you want to take up some but not all of your Open Offer Entitlements

If you want to take up some but not all of your entitlement, you should complete Boxes 5 and 6 on the Application Form and return it together with your cheque or banker’s draft in pounds sterling for the full amount due, payable to Capita Registrars Limited re: Telecom Plus PLC – Open Offer a/c and crossed A/C Payee Only, by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, to arrive by no later than 11.00 a.m. on 5 December 2013. Within the UK only, you can use the reply-paid envelope which will be enclosed with the Application Form. Full instructions are set out in Part IX of this document and in the Application Form.

6. I acquired my Ordinary Shares prior to the Record Date and hold my Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?

If you have not received an Application Form with this document but hold your Ordinary Shares in certificated form, this probably means that you are not able to participate in the Open Offer. Some Qualifying Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to acquire Open Offer Shares under the Open Offer, namely:

- Qualifying CREST Shareholders who held their Ordinary Shares in uncertificated form on 18 November 2013 and who have converted them to certificated form;
- Shareholders who bought Ordinary Shares before 20 November 2013 and who hold such Ordinary Shares in certificated form but were not registered as the holders of those Ordinary Shares at the close of business on 18 November 2013; and
- certain Overseas Shareholders.

If you have not received an Application Form but think that you should have received one or have lost your Application Form, please contact Capita Asset Services on 0871 664 0321 within the UK or, if telephoning from outside of the UK on +44 (0) 208 639 3399 between 9.00 a.m. and 5.30 p.m. Monday to Friday. Calls to the 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. For legal reasons, the Shareholder Helpline will only be able to provide information contained in this document (and in addition information relating to Telecom Plus PLC's register of members) and will be unable to give advice on the merits of the Issue or to provide financial, tax or investment advice.

If you bought your shares before the Record Date but were not the registered holder of those shares at close of business on the Record Date you should consult your stockbroker, bank manager or other appropriate financial adviser or whoever arranged your share purchase to ensure you can claim your entitlement.

7. If I buy Ordinary Shares after the record date will I be eligible to participate in the Open Offer?

If you bought Ordinary Shares after the Record Date but prior to 8.00 a.m. on 20 November 2013 (the time when the Ordinary Shares are expected to start trading ex entitlements on the London Stock Exchange), you may be eligible to participate in the Open Offer.

If you are in any doubt, please consult your stockbroker, bank manager or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement. If you buy Ordinary Shares at or after 8.00 a.m. on 20 November 2013, you will not be eligible to participate in the Open Offer in respect of those Ordinary Shares.

8. I hold my Ordinary Shares in certificated form. If I take up my entitlement, when will I receive the certificate representing my Open Offer Shares?

If you take up your entitlement under the Open Offer, share certificates for the Open Offer Shares are expected to be posted by no later than 31 December 2013.

9. What if I change my mind?

If you are a Qualifying Non-CREST Shareholder, once you have sent your Application Form and payment to Capita Registrars Limited, you cannot withdraw your application or change the number of Open Offer Shares for which you have applied, except in the very limited circumstances which are set out in Part IX of this document.

10. What if the number of Open Offer Shares to which I am entitled is not a whole number, am I entitled to fractions of Open Offer Shares?

Your Open Offer Entitlements to Open Offer Shares were calculated at the Record Date (other than in the case of those who bought shares after the Record Date but prior to 8.00 a.m. on 20 November 2013 who are eligible to participate in the Open Offer). If the result is not a whole number, you will not receive an Open Offer Share in respect of the fraction of an Open Offer Share and your Open Offer Entitlements have been rounded down to the nearest whole number. Any fractional entitlements to Open Offer Shares will be disregarded.

11. Will I be taxed if I take up my entitlement?

If you are resident in the UK for tax purposes, you should not have to pay UK tax when you take up your entitlement, although the Open Offer will affect the amount of UK tax you may pay when you subsequently sell your Ordinary Shares.

Further information for Qualifying Shareholders who are resident in the UK for tax purposes is contained in paragraph 20 of Part XIX of this document. This information is intended as a general guide to the current tax position in the UK and Qualifying Shareholders should consult their own appropriately qualified tax advisers regarding the tax treatment of the Open Offer in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

12. I hold my Ordinary Shares in certificated form. What if I want to sell the Open Offer Shares for which I have paid?

Provided the Open Offer Shares have been paid for and Admission occurs, you will be able to sell your Open Offer Shares in the normal way. The share certificate relating to your Open Offer Shares is expected to be despatched to you by no later than 31 December 2013. Pending despatch of the share certificate, instruments of transfer will be certified by the Registrar against the register. Further details are set out in paragraph 4 of Part IX of this document.

13. What should I do if I live outside the UK?

Whilst you may have an entitlement to participate in the Open Offer, your ability to take up entitlements to Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your entitlement. Shareholders with registered addresses outside the UK are not generally able to acquire Open Offer Shares under the Open Offer. Your attention is drawn to the information in paragraph 6 of Part IX of this document.

14. How do I transfer my entitlement into the CREST system?

If you are a Qualifying Non-CREST Shareholder but are a CREST Member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST Deposit Form (set out in Box 11 of the Application Form), and ensure they are delivered to CCSS to be received by 3.00 p.m. on 2 December 2013 at the latest. CREST Sponsored Members should arrange for their CREST Sponsors to do this.

If you have transferred your entitlement into the CREST system, you should refer to paragraph 2.2.5 of Part IX of this document for details on how to pay for the Open Offer Shares.

15. What should I do if I think my holding of shares is incorrect?

If you have bought or sold Ordinary Shares shortly before 18 November 2013, your transaction may not be entered on the register of members in time to appear on the register at the Record Date. If you are concerned about the figure in the Application Form or otherwise concerned that your holding of Shares is incorrect, please contact Capita Asset Services on 0871 664 0321 within the UK or, if telephoning from outside the UK, on +44 208 639 3399 between 9.00 a.m. and 5.30 p.m. Monday to Friday. Calls to the 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

For legal reasons, the Shareholder Helpline will only be able to provide information contained in this document (and, in addition, information relating to the Company register of members) and will be unable to give advice on the merits of the Issue or to provide legal, financial, tax or investment advice.

16. Further assistance

All enquiries in relation to the procedure for application and completion of Application Forms should be addressed to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or made by telephone on 0871 664 0321 from within the UK) or on +44 208 639 3399 (if calling from outside the UK). Calls to the 0871 664 0321 number are charged at 10 pence per minute (excluding VAT) plus network extras. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday (except UK public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the

applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Issue or the Acquisition nor give financial, tax, investment or legal advice.

PART XII

INFORMATION CONCERNING THE NEW ORDINARY SHARES

1. Description of the type and class of securities being offered

The New Ordinary Shares to be issued by the Company will be Sterling denominated ordinary shares with a nominal value of five pence each, with ISIN GB0008794710. Following Admission which is expected to occur on or about 20 December 2013, the Company will have one class of Ordinary Shares, the rights of which are set out in the Articles.

The New Ordinary Shares will be credited as fully paid and will be free from all liens, equities, charges, encumbrances and other interests.

2. Legislation under which the New Ordinary Shares have been created

The New Ordinary Shares will be created under the Act.

3. Listing

The Existing Ordinary Shares are listed on the Official List and are admitted to trading on the premium segment of the Main Market. Applications have been made to the UK Listing Authority for the New Ordinary Shares to be listed on the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the premium segment of the Main Market. It is expected that Admission will become effective, and that dealings for normal settlement in New Ordinary Shares will commence at 8.00 a.m. on 20 December 2013.

4. Form and currency of the New Ordinary Shares

The New Ordinary Shares to be issued pursuant to the Issue will, when issued, be in registered form and will be capable of being held in certificated and uncertificated form. The Registrars are Capita Asset Services of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Ordinary Shares will be evidenced by entry in the operator register maintained by Euroclear (which forms part of the register of members of the Company). No share certificates will be issued in respect of the New Ordinary Shares in uncertificated form. If any such shares are converted to be held in certificated form, share certificates will be issued in respect of those shares in accordance with applicable legislation. The New Ordinary Shares will be denominated in Pounds Sterling.

5. Rights attached to the New Ordinary Shares

Each New Ordinary Share will rank *pari passu* in all respects with each Existing Ordinary Share from the date of their issue, and will have the same rights and restrictions as each Existing Ordinary Share save that it will not rank for any interim dividend in respect of the year ending 31 March 2014. There are no restrictions on the free transferability in relation to the New Ordinary Shares or Existing Ordinary Shares, subject to article 33 of the Articles. Further details of the rights attaching to the Existing Ordinary Shares and the New Ordinary Shares are set out in paragraph 11 of Part XIX of this document.

6. Resolutions, authorisations and approvals relating to the New Ordinary Shares

On 6 December 2013 at the General Meeting, the Resolutions will be considered by the holders of the Existing Ordinary Shares and, if thought fit, passed. The New Ordinary Shares will be allotted and issued pursuant to the authority of the Resolutions. Details of these Resolutions are set out in the Notice of General Meeting at the end of this document.

7. Dilution

If a Qualifying Shareholder does not take up his Open Offer Entitlements in full (and does not receive any other New Shares pursuant to the Issue), such Qualifying Shareholder's holding will be diluted by up to approximately 11.1 per cent. as a result of the Issue. Furthermore, a Qualifying Shareholder who takes up his Open Offer Entitlements in full in respect of the Open Offer (and does not receive any other New Shares pursuant to the Issue) will suffer dilution of approximately 8.5 per cent. to his shareholding in the Company as a result of the Firm Placing.

8. Taxation

Please see paragraph 20 of Part XIX of this document for information relating to UK taxation (including a discussion of UK stamp duty and SDRT which is relevant to holders of Ordinary Shares, irrespective of their tax residence).

PART XIII

INFORMATION ON THE COMPANY

Investors should read the whole of this document and the documents incorporated herein by reference and should not just rely on the financial information set out in Part XV of this document.

1. Introduction

Telecom Plus PLC which owns and operates the Utility Warehouse brand, is the UK's only fully integrated provider of a wide range of competitively priced utility services spanning both the communications and energy markets (including gas, electricity, home phone, broadband and mobile).

Customers benefit from the convenience of a single monthly bill, consistently good value across all their utilities and exceptional levels of customer service. The Company offers a wide range of additional benefits to those customers who have joined its Discount Club, such as a prepaid cashback card scheme, mobile phone protection cover and discounted online shopping. The Company relies principally on "word of mouth" recommendation by existing satisfied customers and over 42,000 self-employed independent Distributors in order to grow its market share.

As at 30 September 2013, the Company provided over 1.7 million services to approximately 495,000 customers with a significant number taking at least four of the core services (gas, electricity, home phone, mobile and broadband) with the average number of services taken by each residential member of the discount club reaching 3.92 by 30 September 2013.

The Company has approximately 690 employees based across two sites in the UK, a head office building and warehouse in North London. The Company regularly wins accolades from *Which?* Magazine for the quality and value of its services.

The Company has a wholly-owned subsidiary called Telecommunications Management Limited (TML), which it purchased in 2002 and which supplies predominantly fixed line telephony to small and medium sized business customers through a network of authorised resellers and dealers.

The Company also has a 20 per cent. shareholding in Opus Energy Group Limited, which is a successful, profitable and fast growing independent supplier of gas and electricity to small, medium and large business customers.

2. History of the Company

On 26 July 2000, the Ordinary Shares were admitted to the Official List and were admitted to trading on the premium segment of the Main Market of the London Stock Exchange's market for listed securities. At this time, the Group's activities consisted of providing a broad range of telecommunications services to the UK domestic market.

The key events in the Group's history can be summarised as:

- June 1997 – Ordinary Shares admitted to trading on OFEX.
- February 1998 – Charles Wigoder joins the Company as Chief Executive.
- 1998 – Relocation of fixed telephony activities to new premises in north-west London.
- August 1998 – Expansion of range of services offered by launching a mobile phone service.
- June 1999 – Raises £5 million (before expenses) to provide additional working capital by way of an offer for subscription to both new and existing shareholders.
- July 2000 – Ordinary Shares were admitted to the Official List.
- September 2001 – Ofgem awards an unrestricted licence to provide gas to domestic customers throughout the UK. Launch of gas and electricity supply services.
- June 2002 – Acquisition of TML for a total consideration (subject to adjustment) of £4.9 million payable in cash.
- February/March 2006 – Sale of the Energy Companies and Plus Shipping to Npower for nominal consideration and entering into a Management Services Agreement with Npower, the Energy Companies and Plus Shipping.

- August 2008 – Acquisition of the freehold of Network HQ, 333 Edgware Road, London NW9 6TD and the adjoining multi-storey car park for a total cash consideration (including stamp duty and fees) of approximately £9.0 million.
- May 2011 – New supply agreement with Npower to reduce the Group’s working capital requirements and improve margins over the medium term subject to the achievement of agreed growth targets and extension of the notice period of the contract to three years for either party.
- February 2012 – Acquisition of new larger freehold head office building Merit House, 508 Edgware Road, London NW9 5AF for a total cash consideration of approximately £6.6 million in order to accommodate future growth. Merit House will be refurbished prior to expected occupation by the Company in early 2015.

3. Strategy

The Company intends to continue to develop effectively and incentivise its independent Distributor network in order to grow its customer base and increase the number of services provided.

4. Organisational Structure

The Company is the parent company of the Group. A full list of the Company’s principal subsidiary undertakings, which are considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, the financial position and profits and losses of the Group, is set out in paragraph 8 of Part XIX of this document. Following completion of the Acquisition, the Energy Companies will become wholly-owned subsidiaries of the Company.

5. Principal Activities and Principal Markets

The Company operates solely in the UK energy and telecommunication markets.

6. Breakdown of revenues per sector

The Group’s revenue by service is set out below:

| | Year ended 31 March 2013 £ million |
|--|--|
| Electricity | 235.2 |
| Gas | 256.5 |
| Fixed Communications (Telephony/Broadband) | 71.8 |
| Mobile | 13.7 |
| Other | 15.0 |
| | <hr/> 592.2 <hr/> |

7. Business Development

Over the last few years the Company has taken a series of steps to improve the quality of its customer base, as a result of which the Company has seen an increase in the overall proportion of “Gold Status” residential club members taking at least four core services (gas, electricity, mobile, home phone and broadband) rise progressively over the period to 30 September 2013 to 42.0 per cent. from 39.5 per cent. as at 31 March 2013 (2012: 33.8 per cent.). As the penetration of “Gold Status” amongst new residential members of the discount club has been running consistently above 55 per cent. since the range of benefits offered to them was strengthened in March 2012, the Directors believe that this encouraging upward trend will continue.

This improving quality has led to a continuation of the downward trend in the level of customer churn within its residential club over the last few years, which fell to an average of 1.2 per cent. per month during the final quarter of the year to 31 March 2013. This clearly demonstrates the benefit the Company is deriving from the significant resources it has invested to attract and retain multi-service “Gold Status” members.

To build on this progress, the Company has recently announced a new focus on building trust in every aspect of its business, with a view to establishing itself as the Nation’s most trusted utility supplier.

8. Key Individuals

The Hon. Charles Wigoder, Executive Chairman

Charles, aged 53, qualified as a Chartered Accountant with KPMG in 1984 and was subsequently employed by Kleinwort Securities as an investment analyst in the media and communication sectors. Between 1985 and 1988, he was head of corporate finance and development at Carlton Communications PLC and then Quadrant Group PLC. In March 1988 he left Quadrant Group to set up The Peoples Phone Company PLC, which was subsequently purchased by Vodafone in December 1996. He joined the Company in February 1998.

Julian Schild, Deputy Chairman and Senior Non-Executive Director

Julian, aged 54, qualified as a Chartered Accountant with Coopers and Lybrand in 1986. He joined Huntleigh Technology PLC in 1987 and was promoted to Group Finance Director that year, and to Chairman in 2003. Julian was Chairman of the Association of British Healthcare Industries from 2006 to 2007. Following the sale of Huntleigh in 2007, he set up a company investing in start-ups. Julian actively supports many charitable activities. He is a Director of the Hospital of St. John & Elizabeth in London and is an Advisory Fellow of Pembroke College, Oxford. Julian joined the Company in May 2010 as an independent non-executive director and meets the test of independence under section B.1.1 of the UK Corporate Governance Code.

Andrew Lindsay MBE, Chief Executive Officer

Andrew, aged 36, joined the Company in April 2007 and was appointed to the Board in November 2008. Before joining Telecom Plus, Andrew was Managing Director of Ryness, an electrical retail chain based in London in which he previously held a significant equity stake after participating in a management buyout in 2006. Prior to buying Ryness, he spent three years as an analyst in the UK Mergers & Acquisitions team at Goldman Sachs. Andrew rowed for Great Britain at the Sydney Olympic Games in 2000, where he won a Gold medal.

Chris Houghton, Finance Director

Chris, aged 34, qualified as a Chartered Accountant with PricewaterhouseCoopers in 2003. Whilst there he gained experience in both their Consumer Products team and also in their Telecoms, Information, Communications, Entertainment and Energy team. Subsequently, he worked within the Corporate Finance department, where he completed a two-year secondment at The Takeover Panel. He joined the Company in September 2008 and was appointed Finance Director in February 2009.

Melvin Lawson, Non-Executive Director

Melvin, aged 55, is the Managing Director of A Beckman PLC, a company formerly listed on the London Stock Exchange which was taken private in 1995. He has interests in a wide range of investments and is a director of Catalyst Media Group PLC and a number of other companies. He joined the Company in September 2006 and meets the test of independence under section B.1.1 of the UK Corporate Governance Code.

Michael Pavia, Non-Executive Director

Michael, aged 67, is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), and has significant experience of the energy industry, having served on the Boards of LASMO, SEEBOARD and London Electricity. He is currently a non-executive director of Thames Water Utilities Limited, Wales and West Utilities and Salamander Energy PLC, and non-executive Chairman of PetroGranada Ltd. He joined the Company in December 2006 as an independent non-executive director and meets the test of independence under section B.1.1 of the UK Corporate Governance Code.

9. Property, Plant and Equipment

As at 31 March 2013, the Company's principal establishments which are owned and/or occupied by the Company and its subsidiaries were:

| Address | Current Use | Owned/Leased | End Date | Rent (£) per annum |
|---|-----------------|--------------|----------|-----------------------|
| Network HQ 333 Edgware Road London NW9 6TD | Head Office | Owned | n/a | n/a |
| Merit House 508 Edgware Road London NW9 5AF | New Head Office | Owned | n/a | n/a |

| Address | Current Use | Owned/Leased | End Date | Rent (£) per annum |
|--|--------------------|--------------|-------------------------|-----------------------|
| Units 2 & 3 Horseshoe Close London NW2 7JJ | Warehouse & office | Leased | 12/12/2014 | £80,124 |
| Units 1-7 Dryden House Edge Business Centre Humber Road London NW2 6EW | Former Head Office | Leased | 23/06/2014 - 21/02/2016 | £229,835 |

The Company has recently started work on refurbishing its new head office building at Merit House. Once the project has been completed in around 12-15 months time, Merit House is expected to provide sufficient office accommodation to support the Company's growing business needs for the foreseeable future.

The net book value of all of the Group's property, plant and equipment as at 31 March 2013 was £18.95 million, of which £15.15 million represented freehold land and buildings, £0.3 million represented freehold and leasehold improvements, £0.8 million represented plant and machinery, £1.5 million represented fixtures and fittings, £1.1 million represented computer and office equipment and £0.1 million represented motor vehicles. All of the Group's properties are occupied for trading purposes.

The Group's property is stated at cost net of accumulated depreciation and any provision for impairment. Freehold land is not depreciated. Depreciation is calculated on a straight line basis to allocate costs to the residual value over the estimated useful lives of each asset.

The Group is not aware of any environmental issues that would compromise the Group's ability to utilise the assets detailed above.

10. Principal Investments

A description of the Company's principal investments can be found at paragraph 9 of Part XIX.

11. Information Technology

The Group is dependent on its proprietary billing and customer management software for the successful operation of its business model. This software is developed and maintained in accordance with the changing needs of the business by a team of highly skilled, long-standing, motivated and experienced individuals. The Group also uses a SQL database for certain elements of its IT operations.

All significant changes which are made to the billing and customer management software are tested as extensively as reasonably practicable before launch and are ultimately approved by the heads of the IT and Billing departments in consultation with the Chief Executive as appropriate. Back-ups of both the software and underlying billing and customer data are made on a regular basis and securely stored off-site. The Group also has extensive back-up information technology infrastructure in the event of a failure of the main system, ensuring that a near-seamless service to customers can be maintained.

12. Research and Development, Patents and Licenses

Save for ongoing development of its billing systems, the Group does not carry out significant research and development and is not dependent on any patents or licences other than in respect of generic software products.

13. Dividends and Dividend Policy

Subject to the Act, the Board may declare and pay to the members such interim dividends (including a dividend payable at a fixed rate) as appear to the Board to be justified by the profits of the Company available for distribution and the Company's financial position.

Except as otherwise provided by the Articles or the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up or credited as paid up on the shares in respect of which the dividend is declared and paid. Dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. If any share is issued on terms that it shall rank for dividend as from a particular date then it shall rank for dividend as from that date.

Any dividend which has remained unclaimed for a period of 12 years from the date it became due for payment is forfeited and ceases to remain owing by the Company.

Please refer to paragraph 24 of Part XIX for details on dividend payments made by the Company in the three years ended 31 March 2013.

PART XIV

OPERATING AND FINANCIAL REVIEW OF THE COMPANY

Some of the information in the review below and elsewhere in this document includes forward looking statements based on current expectations that involve risks and certain uncertainties. See “Forward Looking Statements” on page 22 for a discussion of important factors that could cause actual results to differ materially from the results described in the forward looking statements contained in this document.

The following review of the Group’s financial condition and operating results should be read in conjunction with the financial information incorporated by reference in this document in accordance with Part XX of this document, “Documents Incorporated by Reference”, and the other financial information included elsewhere in this document.

Investors should read the whole of this document and the documents incorporated herein by reference.

1. Overview

The Company’s current trading is summarised in paragraph 5 of Part VII. Descriptions of the Company’s financial condition, changes in that condition and results of operations for each financial year and interim period required to be disclosed in this document under the Prospectus Rules are further referred to in paragraph 5 of this Part XIV. The audited annual reports and accounts for the three years ended 31 March 2011, 2012 and 2013 are incorporated by reference into this document by Part XX. The Company’s unaudited interim results for the period ended 30 September 2013 comprise Section B, Part XV of this document.

2. Changes in financial condition and results for the interim period ending 30 September 2013

Current trading and operations have not materially changed since the half yearly financial statements of the Company for the six month interim period ended 30 September 2013 set out in Section B, Part XV, save as set out below:

The Company restructured its energy tariffs on 7 November 2013 to conform with the requirements of the RMR, which included an average price rise of approximately 6.9 per cent. At the same time, the Company made changes to its other services and “Gold Status” structure designed to further encourage and incentivise members to take more services.

3. Governmental, economic, fiscal, monetary and political policies or factors

For information regarding governmental, economic, fiscal, monetary or political policies or factors that have materially affected or could materially affect directly or indirectly the Company’s operations, investors are referred to the discussion of the Retail Market Review which can be found in paragraph 2 of Part VII and the risk factors in paragraphs 1, 2, 3 and 4 of Part II.

4. Summary of Operating and Financial Review

Set out below is a summary of significant changes in the financial condition, operating results and trading position of the Group during the period covered by the audited annual report and accounts for the three years ended 31 March 2011, 31 March 2012 and 31 March 2013 and since 31 March 2013 (being the date of the Group’s latest published audited annual report and accounts).

- In 2011, the Group saw good revenue growth driven by steady organic growth in the number of customers using the Group’s services, an improvement in the quality of the customer base, an autumn increase in energy prices offsetting a period of lower retail energy prices in the first eight months of the period and record demand for gas during an exceptionally cold winter. The combination of these factors, together with a material increase in the number of services being provided drove a significant rise in pre-tax profits as the Group’s gross margin grew. The Company paid a dividend in line with the year ended 31 March 2010.
- In 2012, the Group saw faster organic growth than 2011, with service numbers growing sharply and a significant improvement in customer quality, with lower churn, lower delinquency and an increase in the average number of services taken by customers. This drove increased revenue in the period, and with an improved overall gross margin in the year due to higher retail energy tariffs, a relatively warmer winter and a one-off marketing support contribution from Npower, as a result of which the

Group's profits were notably higher than the corresponding period in 2011. With strong cash generation and good earnings growth, the Company's dividend increased by over 20 per cent.

- In 2013, the Group saw strong growth in revenue and profits. This was driven by a further significant increase in the number of new customers using its services, a continuing improvement in the quality of its customer base, an industry-wide increase in energy prices during the period, and a significant increase in the amount of energy used by the Company's customers during the year due to an abnormally cold winter. The number of services provided by the Company grew at its fastest ever rate during the period, driven by a further rise in the proportion of new customers taking at least four of the Company's core services. With cash generation in line with management expectations, the Company's dividend grew in line with earnings.
- From 31 March 2013 to the date prior to the date of the Prospectus, the Group has seen strong growth in revenue. Pre-tax profits and earnings have been adversely affected by extra short-term costs associated with the Company's faster organic growth in customer numbers and from starting to implement the changes associated with Ofgem's Retail Market Review. The continued strong growth in revenue mostly was driven by a further acceleration in the number of new customers using the Group's services, accompanied by an increase in the average number of services taken by residential customers. The Group has also benefitted from the widespread publicity following the recent price rises announced by members of the 'Big 6' energy companies and, as a result, October saw record activity from the distribution channel, with net growth of over 12,000 customers and over 50,000 services. With underlying cash flow remaining strong, the Board decided to increase the interim dividend by over 20% for the six months ended 30 September 2013. The Group is expected to deliver revenue and profits in line with market expectations for the year ended 31 March 2014, excluding the impact of the proposed transaction.

5. Operating and Financial Review items incorporated by reference

Investors are referred to paragraph 6 in this Part XIV and paragraph 1 of Part XV ("Documents incorporated by reference") for specific items of information which have been incorporated by reference into this document including:

- (i) a description of the Group's financial condition, changes in financial condition and results of operations for each year, for which historical financial information is required, including the causes of material changes from year to year in the financial information to the extent necessary for an understanding of the Group's business as a whole. This can be found in the Overview, Chairman's Statement, Business Review, Financial Review, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Cash Flow Statements and the Consolidated Statement of Changes in Equity within the Annual Report for the years ended 31 March 2013, 31 March 2012 and 31 March 2011;
- (ii) information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the Group's income from operations, indicating the extent to which income was so affected. This can be found within the Overview, Chairman's Statement, Business Review, Financial Review, Consolidated Statement of Comprehensive Income within the Annual Report for the years ended 31 March 2013, 31 March 2012 and 31 March 2011;
- (iii) material changes in net sales or revenues, including a narrative discussion of the reasons for such changes including exceptional items. This can be found within the Overview, Chairman's Statement, Business Review, Financial Review, Consolidated Statement of Comprehensive Income within the Annual Report for the years ended 31 March 2013, 31 March 2012 and 31 March 2011; and
- (iv) an explanation of the sources and amounts of the Group's cash flows, including a narrative description of the Group's cash flows. This can be found within the Financial Review and the Consolidated and Company Cash Flow Statements within the Annual Report for the years ended 31 March 2013, 31 March 2012 and 31 March 2011.

6. Operating and Financial Review cross-reference list for items incorporated by reference

The following list is intended to enable investors to identify easily specific items of information which have been referred to in paragraph 5(i) to 5(iv) of this Part XIV and incorporated by reference in this document pursuant to Part XX.

6.1 *2011 Annual Report and Accounts*

The page numbers below refer to the relevant pages of the 2011 Annual Report and Accounts:

| | |
|--|-------|
| ● Overview | 2-6 |
| ● Chairman's Statement | 7-11 |
| ● Business Review | 12-19 |
| ● Financial Review | 20-22 |
| ● Consolidated Statement of Comprehensive Income | 45 |
| ● Consolidated and Company Balance Sheets | 46 |
| ● Consolidated and Company Cash Flow Statements | 47 |
| ● Consolidated Statement of Changes in Equity | 48-49 |
| ● Notes to the Consolidated Financial Statements | 50-77 |

6.2 *2012 Annual Report and Accounts*

The page numbers below refer to the relevant pages of the 2012 Annual Report and Accounts:

| | |
|--|-------|
| ● Overview | 2-6 |
| ● Chairman's Statement | 7-10 |
| ● Business Review | 11-20 |
| ● Financial Review | 21-24 |
| ● Consolidated Statement of Comprehensive Income | 46 |
| ● Consolidated and Company Balance Sheets | 47 |
| ● Consolidated and Company Cash Flow Statements | 48 |
| ● Consolidated Statement of Changes in Equity | 49-50 |
| ● Notes to the Consolidated Financial Statements | 51-73 |

6.3 *2013 Annual Report and Accounts*

The page numbers below refer to the relevant pages of the 2013 Annual Report and Accounts:

| | |
|--|-------|
| ● Overview | 2-6 |
| ● Chairman's Statement | 7-10 |
| ● Business Review | 11-20 |
| ● Financial Review | 21-24 |
| ● Consolidated Statement of Comprehensive Income | 46 |
| ● Consolidated and Company Balance Sheets | 47 |
| ● Consolidated and Company Cash Flow Statements | 48 |
| ● Consolidated Statement of Changes in Equity | 49 |
| ● Notes to the Consolidated Financial Statements | 51-74 |

7. **Liquidity and Capital Resources**

There has been no significant change to the liquidity and capital resources position of the Group since 30 September 2013, the date to which the half yearly financial statements of the Group are prepared.

The Company does not have any restriction on the use of its capital resources.

Treasury activities take place under procedures and policies approved and monitored by the Board.

The capitalisation and indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) of the Group are set out below. Unless indicated otherwise, these figures are as of 30 September 2013 and have been extracted from the Group's unaudited accounting records.

Indebtedness

| | As at 30 September 2013 £'000 |
|---|--|
| Total current debt | |
| Guaranteed | — |
| Secured | 4,736 |
| Unguaranteed/unsecured: | — |
| | <hr/> 4,736 |
| Total non-current debt (excluding current portion of long-term debt) | |
| Guaranteed | — |
| Secured | — |
| Unguaranteed/unsecured | — |
| | <hr/> — |
| Total indebtedness as at 30 September 2013 | <hr/> 4,736 |

Capitalisation

This information is as at 30 September 2013 and has been extracted from the Group's unaudited accounting records. There has been no material change in the capitalisation of the Group between 30 September 2013 and the date of this document.

| | As at 30 September 2013 £'000 |
|-----------------------------|--|
| Shareholders' equity | |
| Share capital | 3,542 |
| Share premium | 9,069 |
| Other reserves | (2,275) |
| Total | <hr/> 10,336 |

Capital and reserves do not include the profit and loss reserve.

Net indebtedness in the short term and in the medium-long term:

| | As at 30 September 2013 £'000 |
|---|--|
| Cash at bank and cash in hand | 3,343 |
| Cash equivalent | 1 |
| Liquidity | <hr/> 3,344 |
| Current bank debt | (4,736) |
| Current financial debt | <hr/> (4,736) |
| Net current financial indebtedness | (1,392) |
| Non current bank loans | — |
| Non current financial indebtedness | <hr/> — |
| Net financial indebtedness as at 30 September 2013 | <hr/> 1,392 |

Indirect and contingent indebtedness

As at 30 September 2013, the Group had no indirect or contingent indebtedness.

Borrowings and existing facility agreement

As at 30 September 2013, the Group had an available overdraft facility of £5,000,000 and an available money market loan facility of £20,000,000. As at 30 September 2013, £4,736,000 had been drawn down from these facilities. These facilities are available to the Group until 25 December 2013 but will be replaced by the New Debt Facilities.

PART XV

FINANCIAL INFORMATION RELATING TO THE COMPANY

SECTION A

HISTORICAL FINANCIAL INFORMATION RELATING TO THE COMPANY

Consolidated financial statements of the Group included in the 2013 Annual Report, the 2012 Annual Report and the 2011 Annual Report, together with the audit reports thereon, are incorporated by reference into this document. PKF (UK) LLP, now merged with BDO LLP, has issued unqualified opinions on the consolidated financial statement of Telecom Plus PLC included in each of the 2012 Annual Report and the 2011 Annual Report. PKF (UK) LLP resigned as auditor on 19 April 2013 following the merger with BDO LLP on 28 March 2013. BDO has issued an unqualified audit opinion on the consolidated financial statements of Telecom Plus PLC included in the 2013 Annual Report. The 2013 Annual Report, the 2012 Annual Report and the 2011 Annual Report are available for inspection in accordance with paragraph 28 of Part XIX and contain information which is relevant to this document.

1. Financial statements for the year ended 31 March 2011

The page numbers below refer to the relevant pages of the Company's 2011 Annual Report and Accounts:

| | |
|--|-------|
| ● Independent auditor's report | 43-44 |
| ● Consolidated statement of comprehensive income | 45 |
| ● Consolidated balance sheet | 46 |
| ● Consolidated cash flow statement | 47 |
| ● Consolidated statement of changes in equity | 48-49 |
| ● Notes to the consolidated financial statements | 50-70 |

2. Financial statements for the year ended 31 March 2012

The page numbers below refer to the relevant pages of the Company's 2012 Annual Report and Accounts:

| | |
|--|-------|
| ● Independent auditor's report | 44-45 |
| ● Consolidated statement of comprehensive income | 46 |
| ● Consolidated balance sheet | 47 |
| ● Consolidated cash flow statement | 48 |
| ● Consolidated statement of changes in equity | 49-50 |
| ● Notes to the consolidated financial statements | 51-73 |

3. Financial statements for the year ended 31 March 2013

The page numbers below refer to the relevant pages of the Company's 2013 Annual Report and Accounts:

| | |
|--|-------|
| ● Independent auditor's report | 44-45 |
| ● Consolidated statement of comprehensive income | 46 |
| ● Consolidated balance sheet | 47 |
| ● Consolidated cash flow statement | 48 |
| ● Consolidated statement of changes in equity | 49-50 |
| ● Notes to the consolidated financial statements | 51-74 |

SECTION B

UNAUDITED RESULTS OF THE COMPANY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

Financial and Operating Review

Results

Revenue for the first half of the financial year increased by 17 per cent. to £245.8 million (2012: £210.0 million) and profit before tax increased by 4.5 per cent. to £12.6 million (2012: £12.1 million). Basic earnings per share for the period increased by 5.9 per cent. to 14.3p (2012: 13.5p).

Pre-tax profits and earnings for the period were adversely affected by extra short-term costs associated with our faster organic growth and from starting to implement the changes associated with Ofgem's Retail Market Review.

The results also include a much higher charge relating to our various share incentive schemes, which has increased to £1.1 million (2012: £0.4 million) during the period, reflecting the recent strong rise in the price of our shares. As a result of the increasing relative size of this charge, we have decided to separately disclose the amount on the face of the Consolidated Statement of Comprehensive Income in order to allow a clearer analysis of the underlying performance of the business to be carried out. Adjusting our reported financial performance to exclude this accounting item, we achieved an increase in profit before tax of 10.1 per cent. to £13.7 million (2012: £12.5 million), and an increase in adjusted earnings per share of 11.5 per cent. to 15.5p (2012: 13.9p).

The 17 per cent. rise in revenues mainly reflects the sustained organic growth we have delivered over the last 12 months, together with the industry wide increase in energy prices last autumn, partially offset by the impact of slightly warmer temperatures compared with last summer.

The slight reduction in our percentage gross margin to 15.9 per cent. (2012: 16.8 per cent.) for the period is in line with previous guidance, and reflects the increasing proportion of our total revenue that relates to lower margin energy services, as well as the impact of the steps we have been taking to make our customer proposition more attractive to both new and existing customers.

We achieved customer growth for the half-year of 33,908 (2012: 22,657) and service growth of 165,714 (2012: 107,722), representing an improvement in customer and service growth of almost 50 per cent. and 54 per cent. respectively compared with the corresponding period last year. This takes our total customer base to 494,940 (31 March 2013: 461,032) and the number of services we are providing to 1,767,774 (31 March 2013: 1,602,060). We are particularly encouraged by the acceleration we saw in our rate of growth over the period, with over 60 per cent. of the net growth for the period (in both customer and service numbers) being achieved during the second quarter.

Within these numbers, we added approximately 65,000 energy services, 15,000 mobile services and 27,000 broadband services, despite recent high profile advertising campaigns from some of our competitors who are including free television and/or free sports bundled in with their own broadband packages.

It is pleasing that this improvement in our rate of organic growth has been accompanied by a further increase in the quality of our customers, with 60 per cent. of new members during the period applying for at least four major services; this has driven the average number of services taken by each residential Club member to a record high of 3.92 (2012: 3.72).

The ongoing improvement we are seeing in the quality of our overall customer base derives directly from a clear focus by our distribution channel over the last few years on introducing home owners who take a combination of energy and communications services from us, and thus benefit from the simplicity and convenience of our integrated billing and customer service system; we are particularly pleased with the impact this continues to have on reducing both customer churn and delinquency levels.

Costs

Distribution expenses increased by 10 per cent. reflecting the impact of our continuing strong organic growth, and consequent increase in the amount of commission paid to distributors.

Within administration costs, our bad debt charge remained constant at approximately 1.9 per cent. of turnover, but increased in absolute terms to £4.7 million (2012: £3.9 million), primarily reflecting the increase in our growth rate, where it is inevitable that defaults will be highest amongst new customers who have not yet established a satisfactory payment history with the Company. Delinquency levels have continued to fall, and are now at a record seasonal low of just under 1 per cent., having fallen progressively from their peak of 2.5 per cent. in 2010.

We have also continued to invest in growing head count at all levels within the Company, to ensure we maintain our current high standards of customer service as the business continues to grow.

Overall, administration costs rose by around £2.4 million, representing a small reduction to 7.8 per cent. of revenues (2012: 8.0 per cent.) for the period.

Distributors

Interest in the part-time income opportunity we provide remains strong, with around 8,000 new distributors registering to market our services during the first half of the year. We were pleased to see a record attendance of around 4,200 distributors at the motivational training conferences organised by our key leaders over the weekend of 14/15 September which were again held in Bradford and Cheltenham.

We ran a number of promotions during the period which were designed to assess the impact that changing a number of key drivers would have on both customer gathering and recruitment activity; the knowledge we gained from these experiments has been incorporated into the changes we have recently implemented to how we promote our services, including abolishing the monthly membership fee and restructuring the way our multi-service proposition is presented. These changes have been warmly welcomed by our distributors.

Opus Energy Group Limited (“Opus”)

Opus continues to make strong progress in building its market share as the UK’s leading independent supplier of energy to business users. The number of electricity sites they supply increased by 12 per cent. during the year; with gas site numbers having increased year-on-year by over 43 per cent.

Turnover at Opus remains weighted towards the second half of the financial year, however, the rapid and consistent organic growth they are achieving has resulted in our share of their profits for the first half almost doubling to £1,546,000 (2012: £811,000).

The Opus Board remains confident that the outcome for the full year will be significantly ahead of the record profits they reported last year.

Customer, Distributor and Service Numbers

| Telecom Plus Group | FY2014 | | FY2013 | | |
|---------------------------|-----------|-----------|-----------|-----------|-----------|
| | Q2 | Q1 | Q4 | Q3 | Q2 |
| Distributors | 42,223 | 39,848 | 38,902 | 37,508 | 37,709 |
| Customers | | | | | |
| Residential Club | 399,184 | 383,231 | 373,056 | 363,287 | 352,733 |
| Business Club | 29,289 | 28,764 | 28,313 | 27,957 | 27,717 |
| Total Club | 428,473 | 411,995 | 401,369 | 391,244 | 380,450 |
| Non Club | 59,567 | 55,123 | 52,062 | 49,922 | 48,379 |
| Total Telecom Plus | 488,040 | 467,118 | 453,431 | 441,166 | 428,829 |
| TML | 6,900 | 7,286 | 7,601 | 8,336 | 9,317 |
| Total Group | 494,940 | 474,404 | 461,032 | 449,502 | 438,146 |
| Services | | | | | |
| Electricity | 439,367 | 417,047 | 403,922 | 389,637 | 375,262 |
| Gas | 363,945 | 345,311 | 334,565 | 322,964 | 311,780 |
| Fixed Telephony | 273,168 | 258,746 | 250,643 | 245,251 | 240,963 |
| Fixed Line Rental | 246,624 | 231,136 | 221,692 | 213,782 | 206,316 |
| Broadband | 202,102 | 185,204 | 175,337 | 166,208 | 157,355 |
| Mobile | 104,249 | 96,691 | 89,017 | 83,060 | 77,344 |
| CashBack card | 129,018 | 122,558 | 117,025 | 113,040 | 108,806 |
| Non Geographic numbers | 9,301 | 9,634 | 9,859 | 10,291 | 10,919 |
| Total Group | 1,767,774 | 1,666,327 | 1,602,060 | 1,544,233 | 1,488,745 |
| Residential Club | 1,564,841 | 1,474,487 | 1,418,078 | 1,364,746 | 1,311,540 |
| Business Club | 78,168 | 75,022 | 72,676 | 71,155 | 69,773 |
| Total Club | 1,643,009 | 1,549,509 | 1,490,754 | 1,435,901 | 1,381,313 |
| Non Club | 100,931 | 92,505 | 86,724 | 82,587 | 79,723 |
| Total Telecom Plus | 1,743,940 | 1,642,014 | 1,577,478 | 1,518,488 | 1,461,036 |
| TML | 23,834 | 24,313 | 24,582 | 25,745 | 27,709 |
| Total Group | 1,767,774 | 1,666,327 | 1,602,060 | 1,544,233 | 1,488,745 |

Acquisition of Energy Supply Licences

We have today separately announced the proposed acquisition for £218 million of Gas Plus Supply Limited and Electricity Plus Supply Limited, which are the companies that hold the supply licences for our energy customers. This deal is expected to be earnings-enhancing immediately, and will enable us to maintain an even more competitive market position in future as we continue to grow.

The transaction is subject to shareholder approval and the Office of Fair Trading not referring the proposed acquisition to the Competition Commission; further information has been published today in a separate announcement and a full prospectus will be posted to shareholders shortly.

Charity of the Year Partnership

Thanks to the enthusiastic and generous support of customers, distributors and staff, our new charity partnership with Prostate Cancer UK and the Breast Cancer Campaign has made an encouraging start towards raising £200,000 in the current financial year to support their efforts to find a cure for two cancers which affect a significant number of people each year.

Future Opportunities

We continue to invest significant resources in developing our online presence, which we believe offers significant medium-term potential to increase our current growth using complementary marketing initiatives aimed at both new (e.g. a customer referral scheme), existing (e.g. additional services) and former members (e.g. a win-back campaign). We look forward to rolling out these programs over the course of 2014 once the necessary development work is complete.

The television space remains confusing, with multiple hardware platforms, distribution technologies and content providers all jockeying for position (Cable, Satellite, Broadband, Freeview, YouView, Google, Apple and many others), not to mention the battle over sporting rights being fought out at ever increasing cost between BT and Sky. We are retaining a – ‘watching brief’ on this market until it becomes clear which, if any, commercial opportunities can sensibly be harnessed for the benefit of all our stakeholders.

In relation to energy, we strongly welcome the final proposals contained in the Retail Market Review issued by Ofgem this summer. As these are implemented in phases over the coming months, they will improve transparency, ensure customers who are switching achieve real savings, and strengthen competition in the domestic supply market. We believe our unique business model places us in a strong position to be one of the main net beneficiaries from these changes, and we have developed a clear strategy to re-position our current service proposition to further increase our organic growth in future. We have recently shared these changes with our customers and distributors, and look forward to the positive impact we believe these changes will have on our future growth.

We also welcome the groundswell of opinion which is building behind the suggestion that some of the so-called green levies should be rolled back, and possibly funded out of general taxation in future, rather than the regressive way in which they are currently collected from all customers through their energy bills. This would immediately reduce energy prices for virtually all UK households, create a stronger competitive environment, and help to start rebuilding trust in the energy industry by reducing the wide disparity in prices between large and small suppliers (who do not currently pay these charges); we look forward to the Chancellor’s Autumn Statement on 4 December 2013 which is widely expected to include some steps in this direction and which would enable us to reduce our own energy prices commensurate with any such reduction.

The main utility service we are still unable to provide remains the supply of water to domestic customers. This will create an exciting opportunity for us when this market eventually opens up to competition, albeit that no decision to do so has yet been made by either the Government or Ofwat.

Dividend

The Board has resolved to increase the interim dividend by 23 per cent. to 16p per share (2012: 13p). This will be paid on 16 December 2013 to shareholders on the register on 29 November 2013, and represents a higher proportion of the total expected dividend for the year than has been the case in previous years, as we complete our previously announced move towards a more even split between the interim and final dividend payments. The Company’s shares will go ex-dividend on Wednesday 27 November 2013.

In the absence of unforeseen circumstances, and on the assumption that the acquisition is successfully completed, the Board intends to propose a final dividend on the enlarged share capital of 19p (2013: 18p) making a total of 35p (2013: 31p) for the full year.

Following the proposed acquisition announced today, the Board re-iterates its intention to pursue a progressive dividend policy in future, consistent with the growing working capital requirements of the business and the repayment obligations under the Company's new borrowing facilities which will be entered into at completion of the proposed acquisition.

Cash Flow

Our underlying cash flow remains strong, with a small net debt position at the end of the period of £1.4 million, compared with a net cash position of £0.8 million at the year end. This movement includes payment of our final dividend for last year of £12.7 million in August, and increased customer acquisition costs during the second quarter as our rate of organic growth accelerated.

We anticipate continued steady underlying cash generation each month going forward, although the borrowings we are taking on to help fund the proposed acquisition we have announced today means we expect to remain in a net debt position for the next few years.

Details of our new borrowing facilities are contained in the prospectus which will be posted to shareholders shortly.

Tax

Our lower effective tax rate in the first half of 20 per cent. (2012: 22 per cent.) reflects the inclusion of our share of the profits of Opus (in which we have a 20 per cent. shareholding) which is shown on our Consolidated Statement of Comprehensive Income net of tax.

Principal Risks and Uncertainties

The principal risks and uncertainties affecting the Company's activities are set out in Note 5 to this Half-Yearly Report.

Directors' responsibilities

The Directors are responsible for the preparation of the condensed set of financial statements and interim management report comprising this set of Half-Yearly Results for the six months ended 30 September 2013, each of whom accordingly confirms that to the best of his knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" and provides a true and fair view of the assets, liabilities, financial position and profit of the Group as a whole;
- the interim management report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules (DTR) 4.2.7R (indication of important events during the first six months and their impact on the financial statements and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosures of related party transactions and changes therein).

The Directors of Telecom Plus PLC are:

| | |
|-----------------|-------------------------------|
| Charles Wigoder | Executive Chairman |
| Julian Schild | Non-Executive Deputy Chairman |
| Andrew Lindsay | Chief Executive |
| Chris Houghton | Finance Director |
| Melvin Lawson | Non-Executive Director |
| Michael Pavia | Non-Executive Director |

Outlook

We saw record activity from our distribution channel during October, with net growth of over 12,000 customers and over 50,000 services. Whilst we generally see increased activity when the energy industry is receiving a higher profile in the national press, the impact on this occasion has been of a different order of magnitude, and clearly also reflects the confidence of our distribution channel in the value and service we are providing. Although we anticipate another good month during November, it is likely our numbers will tail off during the run-up to Christmas and over the New Year holiday period, which have historically always seen a brief lull in activity.

This strong performance takes our annualised growth in new Club members to almost 20 per cent. since the start of this financial year, and means that we now have over 500,000 customers using our services – a landmark achievement we are delighted to have reached on our journey to become the Nation's most trusted utility supplier.

There is currently some uncertainty as to what the eventual level of domestic energy prices for this coming winter will be, with four of the 'Big 6' announcing price increases averaging around 9 per cent. some weeks ago. Since then, speculation has intensified that the Chancellor will roll back some of the green levies in his autumn statement on 4 December, and in anticipation of such action EDF announced a price rise of just 3.9 per cent. last week. These increases compare with our own price rise of 6.9 per cent. which we announced about 10 days ago, but this did not take account of any possible reduction in the cost of green levies. We fully understand the difficulties faced by our customers as a result of energy prices continuing to climb faster than inflation, and look forward to reducing our prices for this winter if the aforementioned speculation proves accurate.

We believe the new multi-service bundles we announced recently, combined with the even more competitive energy prices we are now offering (where customers taking all their utilities from us can benefit from a guaranteed saving of 5 per cent. compared with the average variable tariffs offered by the 'Big 6'), place us in a uniquely strong position to capitalise on the current high levels of mistrust between domestic consumers and their current suppliers, and will enable us to deliver even faster organic growth over the months and years ahead.

The consistent growth in services that we have seen over the last 15 months is being driven by an increasing proportion of new members taking four or more major services from us, where the lifetime value is many times greater than the 'energy only' or 'telephony only' customers which were gathered historically; we are encouraged that these high quality customers now account for 42 per cent. (2012: 36.9 per cent.) of our residential Club membership. This steady improvement in the proportion of our customers who fall into this category is expected to generate increasing levels of profitability (with lower churn and lower bad debts) for many years to come.

The continuing difficult economic climate is providing strong support for our position in the market as the sole integrated supplier of a wide range of essential utility services, combining the convenience of a single bill with substantial cost savings and exceptional customer service. We anticipate distributor recruitment continuing at around the current level of 1,000 per month for the foreseeable future, reflecting the attractiveness of the secure and reliable part-time business opportunity we provide.

The growth in service numbers achieved over the last 12 months and the improvements we have seen in the quality of our customer base give us considerable confidence in the outcome for the full year; we expect revenues, profits and earnings per share all to set new records in line with market expectations, excluding any impact from the acquisition. We remain well placed to benefit from the opportunities which lie ahead.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 September 2013 (unaudited) £'000 | Six months ended 30 September 2012 (unaudited) £'000 | Year ended 31 March 2013 (audited) £'000 |
|--|---|---|---|
| Revenue | 245,817 | 210,020 | 601,505 |
| Cost of sales | (206,661) | (174,648) | (517,950) |
| Gross profit | 39,156 | 35,372 | 83,555 |
| Distribution expenses | (8,160) | (7,421) | (17,635) |
| Administrative expenses | (19,200) | (16,779) | (34,636) |
| Share incentive scheme charges | (1,103) | (382) | (931) |
| Other income | 391 | 484 | 907 |
| Operating profit | 11,084 | 11,274 | 31,260 |
| Financial income | 31 | 24 | 49 |
| Financial expense | (41) | (30) | (82) |
| Net financial expense | (10) | (6) | (33) |
| Share of profit of associates | 1,546 | 811 | 3,404 |
| Profit before taxation | 12,620 | 12,079 | 34,631 |
| Taxation | (2,567) | (2,679) | (7,565) |
| Profit and total comprehensive income for the period attributable to owners of the parent | 10,053 | 9,400 | 27,066 |
| Basic earnings per share | 14.3p | 13.5p | 38.7p |
| Diluted earnings per share | 14.0p | 13.2p | 38.1p |
| Interim dividend per share | 16.0p | 13.0p | |

CONSOLIDATED BALANCE SHEET

| | As at 30 September 2013 (unaudited) £'000 | As at 30 September 2012 (unaudited) £'000 | As at 31 March 2013 (audited) £'000 |
|--|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 19,111 | 18,880 | 18,950 |
| Intangible assets | 2,969 | 2,969 | 2,969 |
| Goodwill | 3,742 | 3,742 | 3,742 |
| Investments in associates | 5,706 | 4,624 | 7,216 |
| Deferred tax | 1,817 | 1,545 | 1,646 |
| Non-current receivables | 11,985 | 8,189 | 10,300 |
| Total non-current assets | 45,330 | 39,949 | 44,823 |
| Current assets | | | |
| Inventories | 578 | 339 | 491 |
| Trade and other receivables | 17,271 | 16,254 | 16,541 |
| Prepayments and accrued income | 82,386 | 63,038 | 115,947 |
| Cash | 3,344 | 3,492 | 3,378 |
| Total current assets | 103,579 | 83,123 | 136,357 |
| Total assets | 148,909 | 123,072 | 181,180 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Short term borrowings | (4,736) | (2,757) | (2,605) |
| Trade and other payables | (5,721) | (5,039) | (7,504) |
| Current tax payable | (2,156) | (2,212) | (2,815) |
| Accrued expenses and deferred income | (65,593) | (51,679) | (96,829) |
| Total current liabilities | (78,206) | (61,687) | (109,753) |
| Non-current liabilities | | | |
| JSOP creditor | (1,477) | – | (685) |
| Total assets less total liabilities | 69,226 | 61,385 | 70,742 |
| Equity | | | |
| Share capital | 3,542 | 3,520 | 3,530 |
| Share premium | 9,069 | 8,133 | 8,508 |
| JSOP reserve | (2,275) | (2,275) | (2,275) |
| Retained earnings | 58,890 | 52,007 | 60,979 |
| Total equity | 69,226 | 61,385 | 70,742 |

CONSOLIDATED CASH FLOW STATEMENT

| | Six months ended 30 September 2013 (unaudited) £'000 | Six months ended 30 September 2012 (unaudited) £'000 | Year ended 31 March 2013 (audited) £'000 |
|---|---|---|---|
| Operating activities | | | |
| Operating profit | 11,084 | 11,274 | 31,260 |
| Depreciation of property, plant and equipment | 630 | 614 | 1,254 |
| Distribution from associated company | 3,056 | 2,365 | 2,365 |
| (Increase)/decrease in inventories | (87) | 113 | (39) |
| Decrease/(increase) in trade and other receivables | 31,146 | 14,941 | (40,366) |
| (Decrease)/increase in trade and other payables | (33,019) | (14,757) | 32,858 |
| Share incentive scheme charges | 1,103 | 382 | 931 |
| Corporation tax paid | (3,194) | (3,432) | (7,284) |
| Net cash flow from operating activities | 10,719 | 11,500 | 20,979 |
| Investing activities | | | |
| Purchase of property, plant and equipment | (791) | (238) | (948) |
| Purchase of shares in associated company | – | (18) | (18) |
| Cash flow from investing activities | (791) | (256) | (966) |
| Financing activities | | | |
| Dividends paid | (12,656) | (11,876) | (20,965) |
| Interest received | 31 | 24 | 49 |
| Interest paid | (41) | (30) | (82) |
| Issue of new ordinary shares | 573 | 427 | 812 |
| Cash flow from financing activities | (12,093) | (11,455) | (20,186) |
| Decrease in cash and cash equivalents | (2,165) | (211) | (173) |
| Net cash and cash equivalents at the beginning of the period | 773 | 946 | 946 |
| Net cash and cash equivalents at the end of the period | (1,392) | 735 | 773 |
| Cash | 3,344 | 3,492 | 3,378 |
| Short term borrowings | (4,736) | (2,757) | (2,605) |
| Net cash and cash equivalents at the end of the period | (1,392) | 735 | 773 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share Capital £'000 | Share Premium £'000 | JSOP Reserve £'000 | Retained Earnings £'000 | Total £'000 |
|---|---------------------------|---------------------------|--------------------------|-------------------------------|----------------|
| Balance at 1 April 2012 | 3,510 | 7,716 | (2,275) | 53,860 | 62,811 |
| Profit and total comprehensive income for the period | — | — | — | 9,400 | 9,400 |
| Deferred tax on share options | — | — | — | 241 | 241 |
| Dividends | — | — | — | (11,876) | (11,876) |
| Credit arising on share options | — | — | — | 382 | 382 |
| Issue of new shares | 10 | 417 | — | — | 427 |
| Balance at 30 September 2012 | 3,520 | 8,133 | (2,275) | 52,007 | 61,385 |
| Balance at 1 October 2012 | 3,520 | 8,133 | (2,275) | 52,007 | 61,385 |
| Profit and total comprehensive income for the period | — | — | — | 17,666 | 17,666 |
| Deferred tax on share options | — | — | — | 535 | 535 |
| Dividends | — | — | — | (9,089) | (9,089) |
| Debit arising on share options | — | — | — | (140) | (140) |
| Issue of new shares | 10 | 375 | — | — | 385 |
| Balance at 31 March 2013 | 3,530 | 8,508 | (2,275) | 60,979 | 70,742 |
| Balance at 1 April 2013 | 3,530 | 8,508 | (2,275) | 60,979 | 70,742 |
| Profit and total comprehensive income for the period | — | — | — | 10,053 | 10,053 |
| Deferred tax on share options | — | — | — | 203 | 203 |
| Dividends | — | — | — | (12,656) | (12,656) |
| Credit arising on share options | — | — | — | 311 | 311 |
| Issue of new shares | 12 | 561 | — | — | 573 |
| Balance at 30 September 2013 | 3,542 | 9,069 | (2,275) | 58,890 | 69,226 |

NOTES TO THE HALF-YEARLY REPORT

1. General information

The financial information contained in this Half-Yearly Report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information contained in this Half-Yearly Report has not been audited but has been subject to a review by the auditor.

The statutory accounts for year ended 31 March 2013 which were prepared under International Financial Reporting Standards as adopted by the European Union, have been filed with the Registrar of Companies. The auditor's report on these accounts was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The Group's consolidated financial information has been prepared on the going concern basis and in accordance with accounting policies consistent with those adopted in the financial statements for the year ended 31 March 2013 and has been drawn up in accordance with International Accounting Standard 34, "Interim Financial Reporting".

As a result of the increasing relative size of share incentive scheme charges it has been decided to separately disclose the amount on the face of the Consolidated Statement of Comprehensive Income for the period. The increase in this charge mainly reflects the recent strong rise in the Company's share price and therefore separate disclosure was deemed appropriate in order to allow a clearer analysis of the underlying performance of the business to be carried out.

In order to be consistent with the separate presentation of share incentive scheme charges on the face of the Consolidated Statement of Comprehensive Income for the current half year, comparative figures set out in this report have been amended to also show such charges separately for prior periods. Historically share incentive scheme charges, as calculated in accordance with IFRS 2, were classified in distribution expenses to the extent they related to the distributor share option scheme and administrative expenses to the extent they related to staff and directors.

Total share incentive scheme charges of approximately £62,000 were previously included within distribution expenses for the six month period ended 30 September 2012 (year ended 31 March 2013: £118,000) and total share incentive scheme charges of approximately £320,000 were previously included within administrative expenses for the six month period ended 30 September 2012 (year ended 31 March 2013: £813,000).

Seasonality of business: in respect of the energy supplied by the Group, approximately two thirds is consumed by customers in the second half of the financial year.

This Half-Yearly Report was approved for issue by the Board of Directors on 19 November 2013.

2. Operating segments

For management reporting purposes, the Group is currently organised into two operating divisions: Customer Management and Customer Acquisition. These divisions form the basis on which the Group reports its segment information.

| | Six months ended 30 September 2013 (unaudited) | | Six months ended 30 September 2012 (unaudited) | | Year ended 31 March 2013 (audited) | |
|----------------------|--|----------------------------|--|----------------------------|--|----------------------------|
| | Revenue £'000 | Segment Result £'000 | Revenue £'000 | Segment Result £'000 | Revenue £'000 | Segment Result £'000 |
| Customer Management | 238,229 | 16,819 | 205,645 | 15,689 | 592,182 | 41,403 |
| Customer Acquisition | 7,588 | (5,735) | 4,375 | (4,415) | 9,323 | (10,143) |
| Total | <u>245,817</u> | <u>11,084</u> | <u>210,020</u> | <u>11,274</u> | <u>601,505</u> | <u>31,260</u> |
| | | £'000 | | £'000 | | £'000 |
| Customer Management | | 145,211 | | 120,063 | | 177,649 |
| Customer Acquisition | | 3,698 | | 3,009 | | 3,531 |
| Total Assets | | <u>148,909</u> | | <u>123,072</u> | | <u>181,180</u> |

3. Dividends

| | Six months ended 30 September 2013 (unaudited) £'000 | Six months ended 30 September 2012 (unaudited) £'000 | Year ended 31 March 2013 (audited) £'000 |
|---|---|---|---|
| Final dividend for the year ended 31 March 2013 of 18p per share (2012: 17p) | 12,656 | 11,876 | 11,876 |
| Interim dividend for the year ended 31 March 2013 of 13p per share (2012: 10p) | — | — | 9,089 |

An interim dividend of 16p per share will be paid on 16 December 2013 to shareholders on the register at close of business on 29 November 2013. The estimated amount of this dividend to be paid is £11.3 million and, in accordance with IFRS accounting requirements, has not been recognised in these accounts.

4. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

| | Six months ended 30 September 2013 (unaudited) £'000 | Six months ended 30 September 2012 (unaudited) £'000 | Year ended 31 March 2013 (audited) £'000 |
|---|---|---|---|
| Earnings for the purpose of basic and diluted earnings per share | 10,053 | 9,400 | 27,066 |
| Share incentive scheme charges (net of tax) | 850 | 290 | 707 |
| Earnings excluding share incentive scheme charges for the purpose of adjusted basic and diluted earnings per share | 10,903 | 9,690 | 27,773 |
| | Number (000s) | Number (000s) | Number (000s) |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 70,211 | 69,797 | 69,887 |
| Effect of dilutive potential ordinary shares (share options) | 1,439 | 1,147 | 1,120 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 71,650 | 70,944 | 71,007 |
| Adjusted basic earnings per share ⁽¹⁾ | 15.5p | 13.9p | 39.7p |
| Basic earnings per share | 14.3p | 13.5p | 38.7p |
| Adjusted diluted earnings per share ⁽¹⁾ | 15.2p | 13.7p | 39.1p |
| Diluted earnings per share | 14.0p | 13.2p | 38.1p |

As set out in the Annual Report, and in accordance with accounting rules, awards made under the Company's JSOP share incentive scheme are deemed to be cash-settled. However, whilst approximately £792,000 of the share incentive scheme charges during the current half year relate to JSOP awards, and could therefore be settled in cash, in practice it is expected that any settlement of awards under the JSOP will be made in equity. It is therefore deemed appropriate to present the above analysis of earnings per share as adjusted for share incentive scheme charges.

(1) Adjusted basic and diluted earnings per share exclude share incentive scheme charges.

5. Principal Risks

Background

The Group faces various risk factors, both internal and external, which could have a material impact on long-term performance. However, the Group's underlying business model is considered relatively low-risk,

with no need for management to take any disproportionate risks in order to preserve or generate shareholder value.

The Group continues to develop and operate a consistent and systematic risk management process, which involves risk ranking, prioritisation and subsequent evaluation, with a view to ensuring all significant risks have been identified, prioritised and (where possible) eliminated, and that systems of control are in place to manage any remaining risks.

A formal document is prepared by the executive directors and senior management team on a regular basis detailing the key risks faced by the Group and the operational controls in place to mitigate those risks; this document is then reviewed by the Audit Committee.

Business model

The principal risks outlined below should be viewed in the context of the Group's business model as a reseller of utility services (gas, electricity, fixed line telephony, mobile telephony and broadband internet) under the Utility Warehouse and TML brands. As a reseller, the Group does not own any of the network infrastructure required to deliver its services to customer. This means that while the Group is heavily reliant on third party providers, it is insulated from all the direct risks associated with owning and/or operating such capital intensive infrastructure itself.

The Group's services are promoted using 'word of mouth' by a large network of independent distributors, who are paid solely on a commission basis. This means that the Group has minimal fixed costs associated with acquiring new customers.

The principal specific risks arising from the Group's business model, and the measures taken to mitigate those risks, are set out below:

Reputational risk

The Group's reputation amongst its customers, suppliers and Distributors is believed to be fundamental to the future success of the Group. Failure to meet expectations in terms of the services provided by the Group, the way the Group does business or in the Group's financial performance could have a material negative impact on the Group's performance.

In relation to customer service, reputational risk is principally mitigated through the Group's recruitment processes, a focus on closely monitoring staff performance, including the use of direct customer feedback surveys (Net Promoter Score), and through the provision of rigorous staff training.

Responsibility for maintaining effective relationships with suppliers and Distributors rests primarily with the appropriate member of the Group's senior management team with responsibility for the relevant area. Any material changes to supplier agreements and Distributor commission arrangements which could impact the Group's relationships are generally negotiated by the executive Directors and ultimately approved by the full Board.

Information technology risk

The Group is dependent on its proprietary billing and customer management software for the successful operation of its business model. This software is developed and maintained in accordance with the changing needs of the business by a team of highly skilled, long-standing, motivated and experienced individuals.

All significant changes which are made to the billing and customer management software are tested as extensively as reasonably practical before launch and are ultimately approved by the heads of the IT and Billing departments in consultation with the Chief Executive as appropriate.

Back-ups of both the software and underlying billing and customer data are made on a regular basis and securely stored off-site. The Group also has extensive back-up information technology infrastructure in the event of a failure of the main system, designed to ensure that a near-seamless service to customers can be maintained.

Legislative and regulatory risk

The Group is subject to varying laws and regulations, including possible adverse effects from European regulatory intervention. The energy markets in the UK and Continental Europe are subject to comprehensive operating requirements as defined by the relevant sector regulators and/or government departments. Amendments to the regulatory regime could have an impact on the Group's ability to achieve

its financial goals. Furthermore, the Group is obliged to comply with retail supply procedures, amendments to which could have an impact on operating costs.

Recent regulatory changes such as the new requirements in relation to smart energy meters (with the potential for additional costs if existing meters must be replaced prior to the end of their planned lives) and supplier social tariffs, and changes to the current decommissioning regime could all have a potentially significant impact on the sector, although any additional costs associated with smart metering are not expected to affect the net margins earned by energy suppliers (any such extra costs are likely to be reflected in higher retail charges).

In general, the majority of the Group's services are supplied into highly regulated markets, and this could restrict the operational flexibility of the Group's business. In order to mitigate this risk, the Group maintains an appropriate relationship with both Ofgem and Ofcom (the UK regulators for the energy and communications markets respectively). The Group engages with officials from both these organisations on a periodic basis to ensure they are aware of the Group's views when they are consulting on proposed regulatory changes or if there are competition issues the Group need to raise with them: in particular, the Group has had a number of meetings with Ofgem over the course of the last year to discuss their Retail Market Review, which seems likely to have a significant impact on the way energy will be sold in the UK going forward.

However, it should be noted that the regulatory environment for the various markets in which the Group operates is generally focussed on promoting competition. As one of the new entrants, it seems reasonable to expect that most such changes will broadly be beneficial to the Group, given the Group's relatively small size compared to the former monopoly incumbents with whom it competes, although these changes, and their actual impact, remain uncertain at present. Furthermore, the governmental focus on reform of the energy market appears to be targeted at the large vertically integrated suppliers, with the objective of breaking the link between energy generation and retail supply.

Political and consumer concern over rising energy prices and fuel poverty, may lead to further reviews of the energy market which could result in further consumer protection legislation being introduced through energy supply licences. The Government could also choose to introduce adverse measures such as a windfall tax on the Group or price controls for certain customer segments. In addition, political and regulatory developments affecting the energy markets within which the Group operates may have a material adverse effect on the Group's business, results of operations and overall financial condition.

Proposed acquisition risk

The directors believe that the proposed acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited ("the Energy Companies") from npower will provide significant benefits for the Group. However, as a result of the proposed acquisition the Group will become a licenced gas and electricity supplier, and therefore also have a direct regulatory relationship with Ofgem, which is a role it has not carried out in its own right since it sold the Energy Companies to npower in 2006. If the Group fails to maintain an effective relationship with Ofgem and comply with its ongoing licensing obligations, it could be subject to fines or to the removal of its respective licences.

As a result of the proposed acquisition the Group will enter into new debt facilities leading to increased debt service obligations which may place operating and financial restrictions on the Group. This debt could have adverse consequences insofar as it: (a) requires the Group to dedicate a material proportion of its cash flows from operations to fund payments in respect of the debt, thereby reducing the flexibility of the Group to utilise its cash to invest in and/or grow the business; (b) increases the Group's vulnerability to adverse general economic and/or industry conditions; (c) may limit the Group's flexibility in planning for, or reacting to, changes in its business or the industry in which it operates; (d) may limit the Group's ability to raise additional debt in the long term; and (e) could restrict the Group from making larger strategic acquisitions or exploiting business opportunities.

Each of the prospective adverse consequences (or a combination of some or all of them) could result in the potential growth of the Group being at a slower rate than may otherwise be achieved.

Fraud and bad debt risk

The Group has a universal supply obligation in relation to the provision of energy to domestic customers. This means that although the Group is entitled to request a reasonable deposit from potential new customers who are not considered creditworthy, the Group is obliged to supply domestic energy to everyone who submits a properly completed application form. Where customers subsequently fail to pay

for the energy they have used (“Delinquent Customers”), there is likely to be a considerable delay before the Group is able to control its exposure to future bad debt from them by either installing a pre-payment meter or disconnecting their supply, and the costs associated with preventing such Delinquent Customers from increasing their indebtedness are not always fully recovered.

Fraud within the telephony industry may arise from customers using the services without intending to pay their supplier. The amounts involved are generally relatively small as the Group has sophisticated call traffic monitoring systems to identify material occurrences of fraud. The Group is able to immediately eliminate any further bad debt exposure by disconnecting any telephony service that demonstrates a suspicious usage profile, or falls into arrears on payments.

More generally, the Group is also exposed to payment card fraud, where customers use stolen cards to obtain credit (e.g. on their CashBack card) or goods (e.g. Smartphones) from the Group; the Group consistently refines its fraud protection systems to reduce its potential exposure to such risks.

Wholesale prices risk

The Group does not own or operate any utility network infrastructure itself, choosing instead to purchase the capacity needed from third parties. The advantage of this approach is that the Group is protected from technological risk, capacity risk or the risk of obsolescence, as it can purchase the amount of each service required to meet its customers’ needs.

Whilst there is a theoretical risk that in some of the areas in which the Group operates it may be unable to secure access to the necessary infrastructure on commercially attractive terms, in practice the pricing of access to such infrastructure is either regulated (as in the energy market) or subject to significant competitive pressures (as in telephony and broadband). The profile of the Group’s customers, the significant quantities of each service they consume in aggregate, and its clearly differentiated route to market has historically proven attractive to potential partners, who compete aggressively to secure a share of the Group’s growing business.

The supply of energy, which accounts for an increasing proportion of sales each year, has different risks associated with it. The wholesale price can be extremely volatile, and customer demand can be subject to considerable short term fluctuations depending on the weather. The Group has a long-standing supply relationship with npower under which the latter assumes the substantive risks and rewards of hedging and buying energy for the Group’s customers. If the Group did not have the benefit of this long term supply agreement it would be exposed to the pricing risk of securing access to the necessary energy on the open market.

Competitive risk

The Group operates in highly competitive markets and significant service innovations or increased price competition could impact future profit margins. In order to maintain its competitive position, there is a consistent focus on ways of improving operational efficiency and keeping the cost base as low as possible. New service innovations are monitored closely by senior management and the Group is typically able to respond rapidly by offering any new services using the infrastructure of its existing suppliers. The Group offers a unique multiservice proposition. The increasing proportion of customers who are benefiting from a genuine multi-utility solution, that is unavailable from any other known supplier, materially reduces any competitive threat.

The Directors anticipate that the Group will face continued competition in the future as the market grows, new companies enter the market and alternative technologies and services become available. The Group’s services and expertise may be rendered obsolete or uneconomic by technological advances or novel approaches developed by one or more of the Group’s competitors. The existing approaches of the Group’s competitors or new approaches or technologies developed by such competitors may be more effective or affordable than those supplied to the Group. There can be no assurance that the Group’s competitors will not develop more effective or more affordable technologies or services, thus rendering the Group’s technologies and/or services obsolete, uncompetitive or uneconomical. There can be no assurance that the Group will be able to compete successfully with existing or potential competitors or that competitive factors will not have a material adverse effect on the Group’s business, financial condition or results of operations. However, as the Group’s customer base continues to rise, competition amongst suppliers of services to the Group is expected to increase. This has already been evidenced by recently agreed volume-related growth incentives with the Group’s three major wholesale suppliers. This should ensure that the Group has direct access to new technologies and services available to the market.

Infrastructure risk

The provision of services to the Group's customers is reliant on the efficient operation of third party physical infrastructure. There is a risk of disruption to the supply of services to customers through any failure in the infrastructure e.g. gas shortages, power cuts or damage to communications networks. However, as the infrastructure is generally shared with other suppliers, any material disruption to the supply of services is likely to impact a large part of the market as a whole and it is unlikely that the Group would be disproportionately affected. In the event of any pro-longed disruption isolated to the Group's principal supplier within a particular market, services required by customers could be sourced from another provider.

PART XVI

PROFIT FORECAST FOR THE GROUP

SECTION A

PROFIT FORECAST OF THE GROUP FOR THE YEAR ENDING 31 MARCH 2014

1. Profit forecast

The announcement released by the Company on 8 October 2013 included the following statement:

“The Board remains comfortable (subject to unforeseen circumstances) with consensus market expectations, and looks forward to reporting record figures for turnover, profits, earnings and dividends for the full year in due course.”

This statement set a floor on the Board’s expectation for the profits for the year ended 31 March 2014 and is therefore to be construed as a profit forecast under the Prospectus Rules.

Accordingly, the Group states that it is expecting to report pre-tax profits of approximately £40 million for the year ending 31 March 2014 (excluding the impact of the proposed transaction).

The profit forecast as stated above (the “Profit Forecast”) is correct as at the date of publication of this document and is supported by latest available internal forecasts. The basis of preparation and assumptions underlying the Profit Forecast are set out below.

2. Basis of preparation

The Profit Forecast has been prepared on a basis consistent with the accounting policies adopted by the Group in the financial information set out in Part XV of this document. The Profit Forecast has been prepared on the basis of IFRS.

3. Principal assumptions

The Profit Forecast has been prepared by the Directors on the basis of the principal assumptions below, which are exclusively outside the influence of the Directors:

- seasonally normal energy consumption;
- wholesale energy price increase of 9% before 31 March 2014;
- no significant change in delinquency levels;
- no significant change in the performance of Opus Energy Group Limited; and
- no material change in tax laws or interpretations.

The principal assumptions that the Directors can influence include:

- no material change in the terms of trade with mobile and fixed-line telephony network operators;
- no significant change in rate of customer and distributor number growth;
- no significant change in the level of customer churn;
- no significant change in the level of ‘Gold Status’ customers; and
- no material change in the trading performance of TML.

SECTION B

ACCOUNTANT'S REPORT IN RESPECT OF THE PROFIT FORECAST FOR THE GROUP FOR THE YEAR ENDING 31 MARCH 2014



BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Telecom Plus PLC
Network HQ
333 Edgware Road
London NW9 6TD

20 November 2013

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Dear Sirs

We report on the profit forecast comprising the forecast profit before tax of Telecom Plus PLC (the “Company”) and its subsidiaries (together the “Group”) for the year ending 31 March 2014 (the “Profit Forecast”). The Profit Forecast, and the material assumptions upon which it is based, are set out in Part XVI of the prospectus and circular issued by the Company dated 20 November 2013 (the “Prospectus and Circular”).

This report is required by item 13.2 of annex I of the Commission Regulation (EC) No. 809/2004 (the “PD Regulation”) and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Profit Forecast in accordance with the requirements of the PD Regulation.

It is our responsibility to form an opinion as required by item 13.2 of annex I of the PD Regulation as to the proper compilation of the Profit Forecast and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of annex I of the PD Regulation.

Basis of preparation of the Profit Forecast

The Profit Forecast has been prepared on the basis stated on page 91 of the Prospectus and Circular and is based on the unaudited interim financial results for the six months ended 30 September 2013 and a forecast to 31 March 2014. The Profit Forecast is required to be presented on a basis consistent with the accounting policies of the Group.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included considering whether the Profit Forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of the Group. Whilst the assumptions upon which the Profit Forecast are based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Profit Forecast have not been disclosed and whether any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Forecast has been properly compiled on the basis stated.

Since the Profit Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Profit Forecast and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Profit Forecast has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of annex I of the PD Regulation.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

PART XVII

HISTORICAL FINANCIAL INFORMATION RELATING TO THE ENERGY COMPANIES

As a result of the new supply terms being put in place as part of the Acquisition, the historical financial performance of the Energy Companies is not indicative of expected future performance of the businesses, which will be materially altered in the future. A proposed balance sheet restructuring prior to completion of the Acquisition will reduce the net assets of the Energy Companies to approximately £1 million each and, separately, the income statements of the Energy Companies will reflect the key terms of the SSA effective from 1 September 2013 onwards. Accordingly the income statements of the Energy Companies following this date will reflect a level of profitability significantly below that shown historically but, in exchange, the Energy Companies will no longer bear the exposure to the wholesale price and volume risk.

The historical financial information relating to the Energy Companies is presented in a form which is consistent with the accounting policies adopted by the Company in its latest annual consolidated accounts (IFRS).

SECTION A

HISTORICAL FINANCIAL INFORMATION OF ELECTRICITY PLUS SUPPLY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

| | | Year ended 31 December | | |
|---|-------|------------------------|---------------|---------------|
| | Notes | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Revenue | 1 | 163,276 | 177,130 | 217,304 |
| Cost of sales | | (116,560) | (132,065) | (164,902) |
| Gross profit | | 46,716 | 45,065 | 52,402 |
| Administrative expenses | | (22,236) | (25,765) | (32,756) |
| Income from operating activities | 2 | 24,480 | 19,300 | 19,646 |
| Finance income | 3 | 159 | 875 | 1,165 |
| Finance expense | 3 | (54) | (54) | (1,014) |
| Income before tax | | 24,585 | 20,121 | 19,797 |
| Taxes on income | 4 | (6,840) | (5,125) | (4,568) |
| Profit and total comprehensive income for the year attributable to the owners of the company | | 17,745 | 14,996 | 15,229 |

All results relate to continuing operations.

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical equivalents.

STATEMENT OF FINANCIAL POSITION

| | | As at 31 December | | |
|-------------------------------------|-------|-------------------|---------------|----------------|
| | Notes | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 5 | 31 | — | — |
| Deferred taxes | 9 | 8 | 15 | 11 |
| Total non-current assets | | <u>39</u> | <u>15</u> | <u>11</u> |
| Current assets | | | | |
| Receivables and other assets | 6 | 54,128 | 93,933 | 129,939 |
| Cash and cash equivalents | | 13,819 | — | — |
| Total current assets | | <u>67,947</u> | <u>93,933</u> | <u>129,939</u> |
| Total assets | | <u>67,986</u> | <u>93,948</u> | <u>129,950</u> |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 10 | — | — | — |
| Retained earnings | | 24,502 | 39,498 | 54,727 |
| | | <u>24,502</u> | <u>39,498</u> | <u>54,727</u> |
| Current liabilities | | | | |
| Bank overdraft | | — | 3,354 | 26 |
| Taxation | | 2,625 | — | — |
| Trade accounts payable | | 15 | 5,125 | 9,280 |
| Other liabilities | 7 | 40,844 | 44,499 | 65,917 |
| Provisions | 8 | — | 1,472 | — |
| Total current liabilities | | <u>43,484</u> | <u>54,450</u> | <u>75,223</u> |
| Total equity and liabilities | | <u>67,986</u> | <u>93,948</u> | <u>129,950</u> |

STATEMENT OF CHANGES IN EQUITY

| | Share Capital £000 | Retained Earnings £000 | Total £000 |
|---|--------------------------|------------------------------|---------------|
| Balance at 1 January 2010 | — | 6,757 | 6,757 |
| Profit and total comprehensive income for the year | — | 17,745 | 17,745 |
| Balance at 31 December 2010 | — | 24,502 | 24,502 |
| Profit and total comprehensive income for the year | — | 14,996 | 14,996 |
| Balance at 31 December 2011 | — | 39,498 | 39,498 |
| Profit and total comprehensive income for the year | — | 15,229 | 15,229 |
| Balance at 31 December 2012 | — | 54,727 | 54,727 |

CASH FLOW STATEMENT

| | Year ended 31 December | | |
|---|------------------------|-----------------|-----------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Operating activities | | | |
| Operating profit | 24,480 | 19,300 | 19,646 |
| Depreciation of property, plant and equipment | 31 | 31 | – |
| (Increase)/decrease in trade and other receivables | (617) | 422 | (21,481) |
| Increase/(decrease) in group trading balances | 223 | (35,355) | 19,998 |
| Increase in trade and other payables | 1,740 | 5,988 | 9,161 |
| Increase/(reduction) in provisions made | – | 1,472 | (1,472) |
| Corporation tax paid | (1,059) | (2,625) | – |
| Group relief paid | – | (4,219) | (5,132) |
| Net cash flow from operating activities | 24,798 | (14,986) | 20,720 |
| Investing activities | | | |
| Loans made to group undertakings | (24,247) | (3,008) | (17,543) |
| Interest received | 159 | 875 | 1,165 |
| Cash flow from investing activities | (24,088) | (2,133) | (16,378) |
| Financing activities | | | |
| Interest paid | (54) | (54) | (1,014) |
| Cash flow from financing activities | (54) | (54) | (1,014) |
| (Decrease)/increase in cash and cash equivalents | 656 | (17,173) | 3,328 |
| Net cash and cash equivalents at the beginning of the year | 13,163 | 13,819 | (3,354) |
| Net cash and cash equivalents at the end of the year | 13,819 | (3,354) | (26) |
| Cash | 13,819 | – | – |
| Short term borrowings | – | (3,354) | (26) |
| Net cash and cash equivalents at the end of the year | 13,819 | (3,354) | (26) |

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Accounting policies

The financial information has been prepared on the going concern basis, under the historical cost convention. It has been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These policies have been applied consistently.

This non-statutory financial information is the first that the company has prepared under IFRS. There would be no material differences if this financial information were prepared under UK GAAP and thus there is no requirement to report reconciliations from UK GAAP to IFRS as required by IFRS 1 First-time Adoption of International Financial Reporting Standards.

(i) *Revenue*

Revenue is the value of goods and services excluding value added tax and other sales related taxes. The recognition of revenue associated with the provision of electricity services by the company relies on estimates of actual usage where meter readings are not available. These estimates are based on historical usage information as adjusted for known factors such as variations in weather.

(ii) *Interest*

Interest receivable and payable is credited or charged to the income statement on an accruals basis.

(iii) *Property, plant and equipment and depreciation*

Property, plant and equipment is stated at original cost less accumulated depreciation and any provision for impairment in value. 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. Interest costs are not capitalised.

Depreciation charge is based on the following estimates of useful lives.

| | |
|--------------------|---------|
| Software | 5 years |
| Computer equipment | 5 years |

(iv) *Taxation*

The tax charge for the year comprises current and deferred tax. Taxation is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, based on the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(v) *Provisions*

Provisions are recognised when:

- the company has a present legal or constructive obligation as a result of a past event;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Where appropriate, discounting will be applied to the cashflows of the provision, with the discounted amount being shown within net interest payable and similar charges.

(vi) **Financial instruments**

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on trade date when the company becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument. Financial instruments are subsequently measured at amortised cost using the effective interest rate method.

Financial instruments are derecognised on trade date when the company is no longer a party to the contractual provisions of the instrument.

2. Income from operating activities

Income before taxation is stated after charging:

| | Year ended 31 December | | |
|--|------------------------|-------|-------|
| | 2010 | 2011 | 2012 |
| | £'000 | £'000 | £'000 |
| Depreciation of tangible fixed assets (note 5) | 31 | 31 | 12 |
| Services provided by the company's auditors: | | | |
| Fees payable for the audit | 7 | 7 | 12 |
| Fees payable for other services – other non audit services | – | – | 6 |

3. Net finance income

| | Year ended 31 December | | |
|---|------------------------|-------|---------|
| | 2010 | 2011 | 2012 |
| | £'000 | £'000 | £'000 |
| Other interest receivable | 2 | 88 | 5 |
| Other interest receivable from group undertakings | 157 | 787 | 1,160 |
| Total finance income | 159 | 875 | 1,165 |
| Interest payable on bank overdraft charges | – | (6) | (1,014) |
| Other interest payable | (54) | (48) | – |
| Total finance expense | (54) | (54) | (1,014) |
| Net finance income | 105 | 821 | 151 |

4. Taxes on income

(i) **Recognised in the Statement of Comprehensive Income**

| | Year ended 31 December | | |
|-------------------------------------|------------------------|-------|-------|
| | 2010 | 2011 | 2012 |
| | £'000 | £'000 | £'000 |
| Current tax charge | | | |
| Current year | 2,625 | – | – |
| Group relief payable | 4,219 | 5,132 | 4,564 |
| | 6,844 | 5,132 | 4,564 |
| Deferred tax (credit)/charge | | | |
| Other temporary differences | (5) | (8) | 3 |
| Reduction in rate of future taxes | 1 | 1 | 1 |
| | (4) | (7) | 4 |
| Total tax charge | 6,840 | 5,125 | 4,568 |

(ii) **Reconciliation of total tax charge**

| | Year ended 31 December | | |
|--|------------------------|---------------|---------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Profit before tax | 24,585 | 20,121 | 19,797 |
| Corporation tax using the UK corporation tax rate of 24.5% (2011: 26.5%; 2010: 28.0%) | 6,883 | 5,332 | 4,850 |
| Non taxable income | (49) | (216) | (280) |
| Expenses not deductible for taxation purposes | 5 | 8 | (3) |
| Reduction in rate of future taxes | 1 | 1 | 1 |
| Total tax charge for the year | 6,840 | 5,125 | 4,568 |

5. Property plant and equipment

| | Software £'000 | Computer equipment £'000 | Total £'000 |
|--|-------------------|--------------------------------|----------------|
| 2012 | | | |
| Cost | | | |
| At 1 January 2012 | 53 | 103 | 156 |
| Accumulated depreciation: | | | |
| At 1 January 2011 | 53 | 103 | 156 |
| Charge for the year | — | — | — |
| At 31 December 2012 | 53 | 103 | 156 |
| Net book amount at 31 December 2012 | — | — | — |
| 2011 | | | |
| Cost | | | |
| At 1 January 2011 | 53 | 103 | 156 |
| Accumulated depreciation: | | | |
| At 1 January 2010 | 41 | 84 | 125 |
| Charge for the year | 12 | 19 | 31 |
| At 31 December 2011 | 53 | 103 | 156 |
| Net book amount at 31 December 2011 | — | — | — |
| | Software £'000 | Computer equipment £'000 | Total £'000 |
| 2010 | | | |
| Cost | | | |
| At 1 January 2010 | 53 | 103 | 156 |
| Accumulated depreciation: | | | |
| At 1 January 2010 | 31 | 63 | 94 |
| Charge for the year | 10 | 21 | 31 |
| At 31 December 2010 | 41 | 84 | 125 |
| Net book amount at 31 December 2010 | 12 | 19 | 31 |

6. Receivables and other assets

| | Year ended 31 December | | |
|---|------------------------|---------------|----------------|
| | 2010 | 2011 | 2012 |
| | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | |
| Loans owed by group undertakings | 32,917 | 35,925 | 53,468 |
| Amounts owed by group undertakings | 17,993 | 55,212 | 52,194 |
| Other debtors | 3,218 | 2,796 | 24,277 |
| | <u>54,128</u> | <u>93,933</u> | <u>129,939</u> |

Loans owned by group undertakings are unsecured and are repayable on demand. Loans bear interest at LIBOR minus 0.1% (2011 and 2010: LIBOR plus 0.5%). Other amounts owed by group undertakings relate to short term trading balances.

7. Other liabilities

| | Year ended 31 December | | |
|------------------------------------|------------------------|---------------|---------------|
| | 2010 | 2011 | 2012 |
| | £'000 | £'000 | £'000 |
| Amounts owed to group undertakings | 31,836 | 34,613 | 51,025 |
| Taxation and social security | 105 | 98 | 225 |
| Accruals and deferred income | 8,903 | 9,788 | 14,667 |
| | <u>40,844</u> | <u>44,499</u> | <u>65,917</u> |

All of the above creditors are unsecured. Amounts owed to group undertakings relate to short term trading balances.

Amounts owed to group undertakings also include £4.6 million of group relief payable (2011: £5.1 million; 2010: £4.2 million).

8. Provisions

| | CESP | | |
|--------------------------|----------|--------------|----------|
| | 2010 | 2011 | 2012 |
| | £'000 | £'000 | £'000 |
| At 1 January | – | – | 1,472 |
| Charged in the year | – | 1,472 | 798 |
| Utilised during the year | – | – | (2,270) |
| | <u>–</u> | <u>1,472</u> | <u>–</u> |

The CESP provision relates to the Government's Community Energy Saving programme ("CESP"). The provision was fully utilised during 2012.

Provisions have not been discounted by the Directors as the impact is not material.

9. Deferred taxation

| | 2010 | 2011 | 2012 |
|----------------------------|----------|-----------|-----------|
| | £'000 | £'000 | £'000 |
| At 1 January | 4 | 8 | 15 |
| Credit to income statement | 4 | 7 | (4) |
| At 31 December | <u>8</u> | <u>15</u> | <u>11</u> |

Deferred taxation accounted for in the balance sheet at 23% (2011: 25%; 2010: 27%) is as follows:

| | Year ended 31 December | | |
|---|------------------------|-----------|-----------|
| | 2010 | 2011 | 2012 |
| | £'000 | £'000 | £'000 |
| Tax effect of timing differences because of | | | |
| Decelerated capital allowances | 8 | 15 | 11 |
| | <u>8</u> | <u>15</u> | <u>11</u> |

Finance Act 2013 was substantively enacted on 2 July 2013. As disclosed in the note on taxation, Finance Act 2013 included reductions to the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015.

These reductions in the corporation tax rate were not substantively enacted at the balance sheet date and therefore are not applied in calculating the deferred tax asset. If applied to the deferred tax asset, there would be no change in the deferred tax asset in 2014 or 2015.

10. Called up share capital

| | Year ended 31 December | | |
|--------------------------------|------------------------|---------------|---------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Allotted and fully paid | | | |
| 1 ordinary share of £1 each | 1 | 1 | 1 |

11. Capital management

The directors of Electricity Plus Supply Limited do not primarily focus their management of the activities of the company or wider group on a legal entity basis.

Electricity Plus Supply Limited is part of the Npower supply division and capital management is monitored, assessed and managed on the basis of the division as a whole.

The company has no external debt and is part of the Npower group cash pooling arrangement.

12. Derivatives and financial instruments

Capital management

The company's objectives policies and processes for managing capital are consistent with those of the RWE AG Group. Details of discussions of these and the context of the RWE AG Group as a whole are provided on page 146 of the RWE AG 2012 Annual Report.

Carrying amounts of financial instruments

All financial assets, which include cash, trade and other receivables and accrued income, are classified as loans and receivables with a total value for the company of £129,939,000 (2011: £93,933,000). All financial liabilities, which include trade and other payables and accrued expenditure, are held at amortised cost with a total value for the company of £75,223,000 (2011: £52,978,000).

Credit risk

The company's debtors comprise loans made to other group undertakings, amounts owed by other group undertakings and balances in relation to the supply of energy, balances in relation to taxation and amounts owed by Telecom Plus PLC.

The maximum credit risk for the company is £129,939,000 (2011: £93,933,000).

Interest rate risk

The company has interest-bearing assets and liabilities. Interest-bearing assets include cash and loans to other group undertakings. Interest on loans is variable at LIBOR minus 0.1%. The impact on profit or loss and equity of a reasonably possible movement in interest rates is not considered to be material.

Commodity price risk

The company is charged for wholesale energy by its parent company and is exposed to commodity price movements as a result of its operations. However the risks associated with commodity prices are managed by another group undertaking using appropriate techniques and methodologies in accordance with the Commodity Risk Controlling Directive of the company's ultimate parent RWE AG. These techniques and methodologies include the application of appropriate hedge policies, the measurement of commodity risks, the setting of approved transaction limits (together with the monitoring of compliance with the approved limits), the reporting of un-hedged positions and the conduct of scenario analysis and stress tests. The hedge policies consist of the purchase of forward contracts for the purchase of electricity on the wholesale market.

The Directive and its application within the company is kept under constant review to reflect changes in market and company dynamics, together with the nature of products offered to the market.

Liquidity risk

The company forms part of the RWE Npower plc group treasury arrangements which actively manage a mixture of finance to ensure that the group has sufficient liquid resources to manage its current and future operational requirements.

Foreign currency risk

The group does not have any foreign currency exposure.

Interest rate and currency profile of financial assets and liabilities

All financial assets and liabilities are denominated in Sterling. Receivables due from other group undertakings earns interest at LIBOR minus 0.1%.

Borrowing facilities

The company forms part of the RWE Npower plc group treasury arrangements which actively manage a mixture of finance to ensure that the group has sufficient liquid resources to manage its current and future operational requirements.

Fair values

There is not considered to be any material difference between the fair value of any financial instruments and their net book amount due to the short term maturity of the instruments.

13. Related parties

The company's immediate parent company is Npower Limited, a company incorporated in Great Britain and registered in England and Wales.

The company's ultimate parent company and controlling party is RWE AG, a company incorporated in Germany, which is the parent undertaking of the smallest and largest group is consolidate these financial statement. Copies of the group financial statements are available from RWE AG, Opernplatz 1, D-45128, Essen, Germany.

| | Year ended 31 December | | |
|---------------------------------|------------------------|---------------|----------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Purchase of power: | | | |
| – From RWE subsidiaries | 76,791 | 84,381 | 104,703 |
| Recharges for services: | | | |
| – From immediate parent company | 5,859 | 8,001 | 10,364 |
| | <u>82,650</u> | <u>92,382</u> | <u>115,067</u> |

Year-end balances arising from sales/purchases of goods/services

| | Year ended 31 December | | |
|-------------------------------------|------------------------|---------------|---------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Amounts owed by group undertakings: | | | |
| – RWE subsidiaries | – | 16,546 | 51,374 |
| – Telecom Plus accrued income | – | 19,315 | – |
| – Telecom Plus debtor | 17,405 | 17,298 | – |
| – External debtor | 552 | 1,790 | – |
| – Immediate parent company | 36 | 263 | 820 |
| | <u>17,993</u> | <u>55,212</u> | <u>52,194</u> |
| Amounts owed to group undertakings: | | | |
| – RWE subsidiaries | 1 | – | 8,784 |
| – Immediate parent company | 31,835 | 34,613 | 42,241 |
| | <u>31,836</u> | <u>34,613</u> | <u>51,025</u> |

Loans to related parties

| | Year ended 31 December | | |
|-----------------------------------|------------------------|---------------|---------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Loans owed by group undertakings: | | | |
| – Immediate parent company | | | |
| At 1 January | 8,670 | 32,917 | 35,925 |
| Loans advanced during year | 24,090 | 2,221 | 16,383 |
| Interest charges | 157 | 787 | 1,160 |
| At 31 December | <u>32,917</u> | <u>35,925</u> | <u>53,468</u> |

14. Post balance sheet events

On 13 November 2013, the company paid a dividend of £69.05 million to its sole shareholder, Npower Limited, thereby reducing its net assets to approximately £1 million.

On 15 November 2013, Npower Ltd made a loan to the company of £15.0 million. The loan terminates on 31 March 2014.

Subsequent to the balance sheet date, loans owed by group undertakings of £53.47 million as at 31 December 2012 were repaid by Npower Ltd.

SECTION B

ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF ELECTRICITY PLUS SUPPLY LIMITED



BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Telecom Plus PLC
Network HQ
333 Edgware Road
London NW9 6TD

20 November 2013

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Dear Sirs

Electricity Plus Supply Limited

Introduction

We report on the financial information set out in Section A of this Part XVII. This financial information has been prepared for inclusion in the prospectus and circular and dated 20 November of Telecom Plus PLC (the "Prospectus and Circular") on the basis of the accounting policies set out in note 1 to the financial information. This report is required by item 13.5.21R of the listing rules made by the Financial Conduct Authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "Listing Rules") and item 20.1 of annex I of the Commission Regulation (EC) No. 809/2004 (the "PD Regulation") and is given for the purpose of complying with those items and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided and which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Prospectus and Circular, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules and item 23.1 of annex I of the PD Regulation consenting to its inclusion in the Prospectus and Circular.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus and Circular, a true and fair view of the state of affairs of Electricity Plus Supply Limited as at 31 December 2010, 2011 and 2012 and of its results, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union and has been prepared in a form that is consistent with the accounting policies adopted in the Company's latest annual accounts.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of annex I of the PD Regulation.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

SECTION C

HISTORICAL FINANCIAL INFORMATION OF GAS PLUS SUPPLY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

| | | Year ended 31 December | | |
|---|-------|------------------------|---------------|---------------|
| | Notes | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Revenue | 1 | 161,351 | 152,321 | 222,347 |
| Cost of sales | | (114,764) | (122,281) | (172,680) |
| Gross profit | | 46,587 | 30,040 | 49,667 |
| Administrative expenses | | (20,362) | (22,778) | (28,304) |
| Income from operating activities | 2 | 26,225 | 7,262 | 21,363 |
| Finance income | 3 | – | 176 | 2,115 |
| Finance expense | 3 | (698) | (263) | (2) |
| Income before tax | | 25,527 | 7,175 | 23,476 |
| Taxes on income | 4 | – | 1,547 | (5,427) |
| Profit and total comprehensive income for the year attributable to the owners of the company | | 25,527 | 8,722 | 18,049 |

All results relate to continuing operations.

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical equivalents.

STATEMENT OF FINANCIAL POSITION

| | | As at 31 December | | |
|-------------------------------------|-------|-------------------|-----------------|----------------|
| | Notes | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Deferred taxes | 8 | — | 1,589 | — |
| Current assets | | | | |
| Receivables and other assets | 5 | 29,864 | 62,006 | 132,503 |
| Cash and cash equivalents | | 18,014 | 33,007 | 37,726 |
| Total current assets | | 47,878 | 95,013 | 170,229 |
| Total assets | | 47,878 | 96,602 | 170,229 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 9 | — | — | — |
| Retained earnings | | (25,616) | (16,894) | 1,155 |
| | | (25,616) | (16,894) | 1,155 |
| Current liabilities | | | | |
| Trade accounts payable | | 51 | 20,644 | 10,419 |
| Other liabilities | 6 | 73,443 | 91,480 | 158,655 |
| Provisions | 7 | — | 1,372 | — |
| Total current liabilities | | 73,494 | 113,496 | 169,074 |
| Total equity and liabilities | | 47,878 | 96,602 | 170,229 |

STATEMENT OF CHANGES IN EQUITY

| | Share Capital £'000 | Retained Earnings £'000 | Total £'000 |
|--|---------------------------|-------------------------------|----------------|
| Balance at 1 January 2010 | — | (51,143) | (51,143) |
| Profit and total comprehensive income for the year | — | 25,527 | 25,527 |
| Balance at 31 December 2010 | — | (25,616) | (25,616) |
| Profit and total comprehensive income for the year | — | 8,722 | 8,722 |
| Balance at 31 December 2011 | — | (16,894) | (16,894) |
| Profit and total comprehensive income for the year | — | 18,049 | 18,049 |
| Balance at 31 December 2012 | — | 1,155 | 1,155 |

CASH FLOW STATEMENT

| | Year ended 31 December | | |
|---|------------------------|-----------------|-----------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Operating activities | | | |
| Operating profit | 26,225 | 7,262 | 21,363 |
| Increase in trade and other receivables | (1,255) | (648) | (27,267) |
| (Increase)/decrease in group balances | (20,203) | 31,590 | 61,667 |
| Increase/(decrease) in trade and other payables | 75 | 20,542 | (4,877) |
| Increase/(decrease) in provisions made | – | 1,372 | (1,372) |
| Corporation tax paid | (12) | – | – |
| Group relief paid | – | – | (42) |
| Net cash flow from operating activities | 4,830 | 60,118 | 49,472 |
| Investing activities | | | |
| Loans made to group undertakings | – | (45,038) | (46,866) |
| Interest received | – | 176 | 2,115 |
| Cash flow from investing activities | – | (44,862) | (44,751) |
| Financing activities | | | |
| Interest paid | (698) | (263) | (2) |
| Cash flow from financing activities | (698) | (263) | (2) |
| Increase in cash and cash equivalents | 4,132 | 14,993 | 4,719 |
| Net cash and cash equivalents at the beginning of the year | 13,882 | 18,014 | 33,007 |
| Net cash and cash equivalents at the end of the year | 18,014 | 33,007 | 37,726 |
| Cash | 18,014 | 33,007 | 37,726 |
| Net cash and cash equivalents at the end of the year | 18,014 | 33,007 | 37,726 |

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Accounting policies

The financial information has been prepared on the going concern basis, under the historical cost convention. It has been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These policies have been applied consistently.

This non-statutory financial information is the first that the company has prepared under IFRS. There would be no material differences if this financial information were prepared under UK GAAP and thus there is no requirement to report reconciliations from UK GAAP to IFRS as required by IFRS 1 First-time Adoption of International Financial Reporting Standards.

(i) *Revenue*

Revenue is the value of goods and services excluding value added tax and other sales related taxes. The recognition of revenue associated with the provision of gas services by the company relies on estimates of actual usage where meter readings are not available. These estimates are based on historical usage information as adjusted for known factors such as variations in weather.

(ii) *Interest*

Interest receivable and payable is credited or charged to the income statement on an accruals basis.

(iii) *Taxation*

The tax charge for the year comprises current and deferred tax. Taxation is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, based on the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iv) *Provisions*

Provisions are recognised when

- the company has a present legal or constructive obligation as a result of a past event
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated

Where appropriate, discounting will be applied to the cashflows of the provision, with the discounted amount being shown within net interest payable and similar charges.

(v) *Financial Instruments*

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on trade date when the company becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument. Financial instruments are subsequently measured at amortised cost using the effective interest rate method.

Financial instruments are derecognised on trade date when the company is no longer a party to the contractual provisions of the instrument.

2. Income from operating activities

Income before taxation is stated after charging:

| | Year ended 31 December | | |
|--|------------------------|---------------|---------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Services provided by the company's auditors: | | | |
| Fees payable for the audit | 7 | 7 | 12 |
| Fees payable for other services – non audit services | – | – | 6 |

3. Net finance income

| | Year ended 31 December | | |
|---|------------------------|---------------|---------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Other interest receivable | – | 160 | 660 |
| Other interest receivable from group undertakings | – | 16 | 1,455 |
| Total finance income | – | 176 | 2,115 |
| Interest payable from group undertakings | (696) | (259) | – |
| Other interest payable | (2) | (4) | (2) |
| Total finance expense | (698) | (263) | (2) |
| Net finance income | (698) | (87) | 2,113 |

4. Taxes on income

(i) *Recognised in the Statement of Comprehensive Income*

| | Year ended 31 December | | |
|-------------------------------------|------------------------|---------------|---------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Current tax charge | | | |
| Group relief payable | – | 42 | 3,838 |
| | – | 42 | 3,838 |
| Deferred tax (credit)/charge | | | |
| Other temporary differences | – | 1,890 | 1,589 |
| Reduction in rate of future taxes | – | 127 | – |
| Adjustment for prior years | – | (3,606) | – |
| | – | (1,589) | 1,589 |
| Total tax charge | – | (1,547) | 5,427 |

(ii) *Reconciliation of total tax charge*

| | Year ended 31 December | | |
|---|------------------------|---------------|---------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Profit before tax | 25,527 | 7,177 | 23,476 |
| Corporation tax using the UK corporation tax rate of 24.5% (2011: 26.5%; 2010: 28.0%) | 7,147 | 1,902 | 5,752 |
| Non taxable income | – | (4) | (357) |
| Use of brought forward tax losses | (7,147) | – | – |
| Reduction in rate of future taxes | – | 161 | 32 |
| Adjustments in respect of prior years – deferred tax | – | (3,606) | – |
| Total tax charge for the year | – | (1,547) | 5,427 |

5. Receivables and other assets

| | Year ended 31 December | | |
|--|------------------------|---------------|----------------|
| | 2010 | 2011 | 2012 |
| | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | |
| Loans owed by group undertakings | – | 45,038 | 91,904 |
| Amounts owed by group undertakings | 26,447 | 12,903 | 13,063 |
| Taxation and social security | 3,417 | 4,065 | – |
| Other debtors | – | – | 27,536 |
| Total amounts falling due within one year | 29,864 | 62,006 | 132,503 |

Loans owed by group undertakings are unsecured and are repayable within a year. Loans bear interest at LIBOR minus 0.1% (2011 and 2010: LIBOR plus 0.1%). Other amounts owed by group undertakings relate to short term trading balances.

6. Other liabilities

| | Year ended 31 December | | |
|------------------------------------|------------------------|---------------|----------------|
| | 2010 | 2011 | 2012 |
| | £'000 | £'000 | £'000 |
| Amounts owed to group undertakings | 10,996 | – | – |
| Amounts owed to group undertakings | 62,396 | 91,480 | 153,307 |
| Taxation and social security | 51 | – | 5,348 |
| | 73,443 | 91,480 | 158,655 |

Amounts owed to group undertakings also include £3,838,000 (2011: £42,000; 2010: £nil) of group relief payable.

7. Provisions

| | CESP | | |
|--------------------------|----------|--------------|----------|
| | 2010 | 2011 | 2012 |
| | £'000 | £'000 | £'000 |
| At 1 January | – | – | 1,372 |
| Charged in the year | – | 1,372 | 743 |
| Utilised during the year | – | – | (2,115) |
| | – | 1,372 | – |

The CESP provision relates to the Government's Community Energy Saving programme ("CESP"). The provision will fully utilised during 2012.

Provisions have not been discounted by the Directors as the impact is not material.

8. Deferred taxation

The movement on deferred taxation is as follows:

| | 2010 | 2011 | 2012 |
|----------------------------|----------|--------------|----------|
| | £'000 | £'000 | £'000 |
| At 1 January | – | – | 1,589 |
| Credit to income statement | – | 1,589 | (1,589) |
| At 31 December | – | 1,589 | – |

Deferred taxation accounted for in the balance sheet at 23% (2011: 25%; 2010: 27%) is as follows:

| | Year ended 31 December | | |
|--|------------------------|--------------|----------|
| | 2010 | 2011 | 2012 |
| | £'000 | £'000 | £'000 |
| Tax effect of timing differences because of tax losses carried forward | – | 1,589 | – |
| | – | 1,589 | – |

Finance Act 2013 was substantively enacted on 2 July 2013. As disclosed in the note on taxation, Finance Act 2013 included reductions to the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015.

These reductions in the corporation tax rate were not substantively enacted at the balance sheet date and therefore are not applied in calculating the deferred tax asset. If applied to the deferred tax asset, there would be no change in the deferred tax asset in 2014 or 2015.

9. Called up share capital

| | Year ended 31 December | | |
|--------------------------------|------------------------|---------------|---------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Allotted and fully paid | | | |
| 1 ordinary share of £1 | 1 | 1 | 1 |

10. Capital management

The directors of Gas Plus Supply Limited do not primarily focus their management of the activities of the company or wider group on a legal entity basis.

Gas Plus Supply Limited is part of the Npower supply division and capital management is monitored, assessed and managed on the basis of the division as a whole.

The company has no external debt and is part of the Npower group cash pooling arrangement.

11. Derivatives and financial instruments

Capital management

The company's objectives of policies and processes for managing capital are consistent with those of the RWE AG Group. Details of discussions of these and the context of the RWE AG Group as a whole are provided on page 146 of the RWE AG 2012 Annual Report.

Carrying amounts of financial instruments

All financial assets, which include cash, trade and other receivables and accrued income, are classified as loans and receivables with a total value for the company of £170,229,000 (2011: £95,013,000). All financial liabilities, which include trade and other payables and accrued expenditure, are held at amortised cost with a total value for the company of £112,124,000 (2011: £169,074,000).

Credit risk

The company's debtors comprise loans made to other group undertakings, amounts owed by other group undertakings and balances in relation to the supply of energy, balances in relation to taxation and amounts owed by Telecom Plus PLC.

The maximum credit risk for the company is £170,229,000 (2011: £95,013,000).

Interest rate risk

The company has interest-bearing assets and liabilities. Interest-bearing assets include cash and loans to other group undertakings. Interest on loans is variable at LIBOR minus 0.1%. The impact on profit or loss and equity of a reasonably possible movement in interest rates is not considered to be material.

Commodity price risk

The company is charged for wholesale energy by its parent company and is exposed to commodity price movements as a result of its operations. However the risks associated with commodity prices are managed by another group undertaking using appropriate techniques and methodologies in accordance with the Commodity Risk Controlling Directive of the company's ultimate parent RWE AG. These techniques and methodologies include the application of appropriate hedge policies, the measurement of commodity risks, the setting of approved transaction limits (together with the monitoring of compliance with the approved limits), the reporting of un-hedged positions and the conduct of scenario analysis and stress tests. The hedge policies consist of the purchase of forward contracts for the purchase of electricity on the wholesale market.

The Directive and its application within the company is kept under constant review to reflect changes in market and company dynamics, together with the nature of products offered to the market.

Liquidity risk

The company forms part of the RWE Npower plc Group treasury arrangements which actively manage a mixture of finance to ensure that the group has sufficient liquid resources to manage its current and future operational requirements.

Foreign currency risk

The group does not have any foreign currency exposure.

Interest rate and currency profile of financial assets and liabilities

All financial assets and liabilities are denominated in Sterling. Receivables due from other group undertakings earns interest at LIBOR minus 0.1%.

Borrowing facilities

The company forms part of the RWE Npower plc Group treasury arrangements which actively manage a mixture of finance to ensure that the group has sufficient liquid resources to manage its current and future operational requirements.

Fair values

There is not considered to be any material difference between the fair value of any financial instruments and their net book amount due to the short term maturity of the instruments.

12. Related parties

The company's immediate parent company is Npower Limited, a company incorporated in Great Britain and registered in England and Wales.

The company's ultimate parent company and controlling party is RWE AG, a company incorporated in Germany, which is the parent undertaking of the smallest and largest group to consolidate these financial statement. Copies of the group financial statements are available from RWE AG, Opernplatz 1, D-45128, Essen, Germany.

| | Year ended 31 December | | |
|------------------------------------|------------------------|----------------|----------------|
| | 2010 | 2011 | 2012 |
| | £'000 | £'000 | £'000 |
| Purchase of gas and related costs: | | | |
| – From RWE subsidiaries | 114,667 | 122,279 | 171,181 |
| Recharges for services: | | | |
| – From immediate parent company | 5,011 | 5,975 | 5,322 |
| | <u>119,678</u> | <u>128,254</u> | <u>176,503</u> |

Year-end balances arising from sales/purchases of goods/services

| | Year ended 31 December | | |
|-------------------------------------|------------------------|---------------|----------------|
| | 2010 | 2011 | 2012 |
| | £'000 | £'000 | £'000 |
| Amounts owed by group undertakings: | | | |
| – RWE subsidiaries | – | 4,277 | 13,063 |
| – Telecom Plus accrued income | 26,447 | 23,512 | – |
| – Telecom Plus creditor | – | (14,838) | – |
| – External creditors | – | (48) | – |
| – Immediate parent company | – | – | – |
| | <u>26,447</u> | <u>12,903</u> | <u>13,063</u> |
| Amounts owed to group undertakings: | | | |
| – RWE subsidiaries | 57,383 | 85,463 | 142,775 |
| – Immediate parent company | 5,013 | 6,017 | 10,532 |
| | <u>62,396</u> | <u>91,480</u> | <u>153,307</u> |

Amounts owed to and from group undertakings (parent and other) are unsecured, interest free and have no fixed date of repayment.

Loans to related parties

| | Year ended 31 December | | |
|-----------------------------------|------------------------|---------------|---------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Loans owed by group undertakings: | | | |
| – Npower Limited | | | |
| At 1 January | – | – | 45,038 |
| Loans advanced during year | – | 45,022 | 45,411 |
| Interest charges | – | 16 | 1,455 |
| At 31 December | – | 45,038 | 91,904 |

| | Year ended 31 December | | |
|-----------------------------------|------------------------|---------------|---------------|
| | 2010 £'000 | 2011 £'000 | 2012 £'000 |
| Loans owed to group undertakings: | | | |
| – Npower Limited | | | |
| At 1 January | 40,015 | 10,996 | – |
| Loans repayment during year | (29,715) | (11,255) | – |
| Interest charged | 696 | 259 | – |
| At 31 December | 10,996 | – | – |

Loans owed to and from group undertakings are unsecured and are repayable within a year.

13. Post balance sheet events

On 13 November 2013, the company paid a dividend of £17.01 million to its sole shareholder, Npower Limited, thereby reducing its net assets to approximately £1 million.

On 15 November 2013, Npower Ltd made a loan to the company of £2.0 million. The loan terminates on 31 March 2014.

Subsequent to the balance sheet date, loans owed by group undertakings of £91.90 million as at 31 December 2012 were repaid by Npower Ltd.

SECTION D

ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF GAS PLUS SUPPLY LIMITED



BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Telecom Plus PLC
Network HQ
333 Edgware Road
London NW9 6TD

20 November 2013

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Dear Sirs

Gas Plus Supply Limited

Introduction

We report on the financial information set out in Section C of this Part XVII. This financial information has been prepared for inclusion in the prospectus and circular dated 20 November 2013 of Telecom Plus PLC (the "Prospectus and Circular") on the basis of the accounting policies set out in note 1 to the financial information. This report is required by item 13.5.21R of the listing rules made by the Financial Conduct Authority for the purposes of part VI of the Financial Services and Markets Act 2000 (the "Listing Rules") and item 20.1 of annex I of the Commission Regulation (EC) No. 809/2004 (the "PD Regulation") and is given for the purpose of complying with those items and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided and which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Prospectus and Circular, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules and item 23.1 of annex I of the PD Regulation consenting to its inclusion in the Prospectus and Circular.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus and Circular, a true and fair view of the state of affairs of Gas Plus Supply Limited as at 31 December 2010, 2011 and 2012 and of its results, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union and has been prepared in a form that is consistent with the accounting policies adopted in the Company's latest annual accounts.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of annex I of the PD Regulation.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

SECTION E

UNAUDITED INTERIM ACCOUNTS OF ELECTRICITY PLUS SUPPLY LIMITED FOR THE EIGHT MONTHS ENDED 31 AUGUST 2013

The Directors confirm that the following unaudited interim accounts of Electricity Plus Supply Limited for the eight months ended 31 August 2013 are presented in a form that is consistent with the Company's own latest annual consolidated accounts.

INCOME STATEMENT

| | Period ended 31 August | |
|---|------------------------|---------------|
| | 2012 £'000 | 2013 £'000 |
| Revenue | 136,664 | 163,663 |
| Cost of sales | (102,220) | (121,945) |
| Gross profit | 34,444 | 41,718 |
| Administrative expenses | (20,611) | (22,515) |
| Income from operating activities | 13,833 | 19,203 |
| Net finance income | 363 | 135 |
| Income before tax | 14,196 | 19,338 |
| Taxes on income | — | — |
| Total comprehensive income for the year attributable to the owners | 14,196 | 19,338 |

BALANCE SHEET

| | | At 31 December 2012 £'000 | At 31 August 2013 £'000 |
|-------------------------------------|-------|------------------------------------|----------------------------------|
| | Notes | | |
| ASSETS | | | |
| Non-current assets | | | |
| Deferred taxes | | 11 | 11 |
| Current assets | | | |
| Financial assets | 1 | 53,468 | 53,666 |
| Receivables and other assets | 2 | 76,471 | 150,855 |
| Total current assets | | 129,939 | 204,521 |
| Total assets | | 129,950 | 204,532 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | — | — |
| Retained earnings | | 54,727 | 74,065 |
| | | 54,727 | 74,065 |
| Current liabilities | | | |
| Trade accounts payable | | 9,280 | 6,447 |
| Other liabilities | 4 | 65,917 | 83,361 |
| Bank overdraft | | 26 | 40,659 |
| Total current liabilities | | 75,223 | 130,467 |
| Total equity and liabilities | | 129,950 | 204,532 |

STATEMENT OF RECOGNISED INCOME AND EXPENSES

| | Period ended 31 August | |
|---|------------------------|--------|
| | 2012 | 2013 |
| | £'000 | £'000 |
| Total comprehensive income attributable to the owners | 14,196 | 19,338 |

STATEMENT OF CHANGES IN EQUITY

| | At 31 December 2012 £'000 | At 31 August 2013 £'000 |
|-----------------------|------------------------------------|----------------------------------|
| Retained Earnings | | |
| As at 1 January | 39,498 | 54,727 |
| Profit for the period | 15,229 | 19,338 |
| As at 31 December | 54,727 | 74,065 |

CASH FLOW STATEMENT

| | Period ended 31 August | |
|---|------------------------|-----------------|
| | 2012 | 2013 |
| | £'000 | £'000 |
| Income before taxes | 14,196 | 19,338 |
| Adjustments for: | | |
| Depreciation, amortisation, impairment | | |
| Interest income | (363) | (135) |
| Operating profit before working capital changes | 13,833 | 19,203 |
| Working capital changes: | | |
| (Increase)/decrease in receivables and other assets | (139,151) | (74,384) |
| Increase/(decrease) in trade payables | 3,972 | (2,833) |
| Increase in other liabilities | 6,073 | 17,444 |
| Other changes: | | |
| Provisions less payments | (1,472) | – |
| Cash generated from operations before interest and tax | (116,745) | (40,570) |
| Interest received/(paid) | (415) | (63) |
| Corporation tax paid | | |
| Group relief paid | | |
| Cash flows from operating activities | (117,160) | (40,633) |
| Cash flows from investing activities | – | – |
| Cash flows from financing activities | – | – |
| Net change in cash and cash equivalents | (117,160) | (40,633) |
| Cash and cash equivalents at the beginning of the reporting period | (3,354) | (26) |
| Cash and cash equivalents at the end of the reporting period | (120,514) | (40,659) |

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Financial assets

| | At 31 December 2012 £'000 | At 31 August 2013 £'000 |
|--------------------------------------|------------------------------------|----------------------------------|
| Amounts falling due within one year: | | |
| Loans owed by group undertakings | 53,468 | 53,666 |

2. Receivables and other assets

| | At 31 December 2012 £'000 | At 31 August 2013 £'000 |
|--------------------------------------|------------------------------------|----------------------------------|
| Amounts falling due within one year: | | |
| Amounts owed by group undertakings | 52,194 | 122,122 |
| Tax and social security | – | 12,530 |
| Other debtors | 24,277 | 16,203 |
| | 76,471 | 150,855 |

3. Intercompany Debtors

| | At 31 December 2012 £'000 | At 31 August 2013 £'000 |
|-------------------------------------|------------------------------------|----------------------------------|
| Loans owed by group undertakings: | | |
| <i>Npower Limited</i> | 53,468 | 53,666 |
| | 53,468 | 53,666 |
| Amounts owed by group undertakings: | | |
| <i>Gas Plus Supply Limited</i> | 51,374 | 121,962 |
| <i>Npower Limited</i> | 820 | 160 |
| | 52,194 | 122,122 |

4. Other liabilities

| | At 31 December 2012 £'000 | At 31 August 2013 £'000 |
|------------------------------------|------------------------------------|----------------------------------|
| Amounts owed to group undertakings | 51,025 | 72,743 |
| Taxation and social security | 225 | 35 |
| Accruals and deferred income | 14,667 | 10,583 |
| | 65,917 | 83,361 |

5. Intercompany Creditors

| | At 31 December 2012 £'000 | At 31 August 2013 £'000 |
|---------------------------------------|------------------------------------|----------------------------------|
| Amounts owed to group undertakings: | | |
| <i>Npower Limited</i> | 42,241 | 41,860 |
| <i>Npower Northern Limited</i> | – | 7 |
| <i>Npower Yorkshire Limited</i> | – | 19 |
| <i>Gas Plus Supply Limited</i> | 8,784 | – |
| <i>Plus Shipping Services Limited</i> | – | 30,857 |
| | 51,025 | 72,743 |

SECTION F

UNAUDITED INTERIM ACCOUNTS OF GAS PLUS SUPPLY LIMITED FOR THE EIGHT MONTHS ENDED 31 AUGUST 2013

The Directors confirm that the following unaudited interim accounts of Gas Plus Supply Limited for the eight months ended 31 August 2013 are presented in a form that is consistent with the Company's own latest annual consolidated accounts.

INCOME STATEMENT

| | Period ended 31 August | |
|---|------------------------|---------------|
| | 2012 £'000 | 2013 £'000 |
| Revenue | 134,495 | 179,722 |
| Cost of sales | (106,648) | (137,528) |
| Gross profit | 27,847 | 42,194 |
| Administrative expenses | (17,255) | (21,253) |
| Income from operating activities | 10,592 | 20,941 |
| Net finance income | 1,346 | 540 |
| Income before tax | 11,938 | 21,481 |
| Taxes on income | — | — |
| Total comprehensive income for the year attributable to the owners | 11,938 | 21,481 |

BALANCE SHEET

| | Notes | 31 December 2012 £'000 | 31 August 2013 £'000 |
|-------------------------------------|-------|------------------------------|----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Financial assets | 1 | 91,904 | 92,244 |
| Receivables and other assets | 2 | 40,599 | 36,230 |
| Cash and cash equivalents | | 37,726 | 109,226 |
| Total current assets | | <u>170,229</u> | <u>237,700</u> |
| Total assets | | <u>170,229</u> | <u>237,700</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | — | — |
| Retained earnings | | 1,155 | 22,636 |
| | | <u>1,155</u> | <u>22,636</u> |
| Current liabilities | | | |
| Trade accounts payable | | 10,419 | 199 |
| Other liabilities | 4 | 158,655 | 214,865 |
| Total current liabilities | | <u>169,074</u> | <u>215,064</u> |
| Total equity and liabilities | | <u>170,229</u> | <u>237,700</u> |

STATEMENT OF RECOGNISED INCOME AND EXPENSES

| | Period ended 31 August | |
|---|------------------------|--------|
| | 2012 | 2013 |
| | £'000 | £'000 |
| Total comprehensive income attributable to the owners | 11,938 | 21,481 |

STATEMENT OF CHANGES IN EQUITY

| | As at 31 December 2012 £'000 | As at 31 August 2013 £'000 |
|-----------------------|---------------------------------------|-------------------------------------|
| Retained Earnings | | |
| As at 1 January | (16,894) | 1,155 |
| Profit for the period | 18,049 | 21,481 |
| As at 31 December | 1,155 | 22,636 |

CASH FLOW STATEMENT

| | Period ended 31 August | |
|---|------------------------|----------------|
| | 2012 £'000 | 2013 £'000 |
| Income before taxes | 11,938 | 21,481 |
| Adjustments for: | | |
| Interest income | (1,346) | (540) |
| Operating profit before working capital changes | 10,592 | 20,941 |
| Working capital changes: | | |
| (Increase)/decrease in receivables and other assets | (30,256) | 4,369 |
| Increase/(decrease) in trade payables | (20,207) | (10,220) |
| Increase in other liabilities | 141,802 | 56,210 |
| Other changes: | | |
| Provisions less payments | (1,372) | — |
| Cash generated from operations before interest and tax | 100,559 | 71,300 |
| Interest received/(paid) | 369 | 200 |
| Corporation tax paid | | |
| Group relief paid | | |
| Cash flows from operating activities | 100,928 | 71,500 |
| Cash flows from investing activities | — | — |
| Cash flows from financing activities | — | — |
| Net change in cash and cash equivalents | 100,928 | 71,500 |
| Cash and cash equivalents at the beginning of the reporting period | 33,007 | 37,726 |
| Cash and cash equivalents at the end of the reporting period | 133,935 | 109,226 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Financial assets

| | At 31 December 2012 £'000 | At 31 August 2013 £'000 |
|--------------------------------------|------------------------------------|----------------------------------|
| Amounts falling due within one year: | | |
| Loans owed by group undertakings | 91,904 | 92,244 |

2. Receivables and other assets

| | At 31 December 2012 £'000 | At 31 August 2013 £'000 |
|--------------------------------------|------------------------------------|----------------------------------|
| Amounts falling due within one year: | | |
| Other debtors | 27,536 | 21,665 |
| Amounts owed by group undertakings | 13,063 | 14,565 |
| | 40,599 | 36,230 |

3. Intercompany Debtors

| | At 31 December 2012 £'000 | At 31 August 2013 £'000 |
|--|------------------------------------|----------------------------------|
| Loans owed by group undertakings: | | |
| <i>Npower Limited</i> | 91,904 | 92,244 |
| | 91,904 | 92,244 |
| Amounts owed by group undertakings: | | |
| <i>Plus Shipping Services Limited</i> | 4,277 | 14,565 |
| <i>Npower Limited</i> | — | — |
| <i>Electricity Plus Supply Limited</i> | 8,786 | — |
| | 13,063 | 14,565 |

4. Other liabilities

| | At 31 December 2012 £'000 | At 31 August 2013 £'000 |
|------------------------------------|------------------------------------|----------------------------------|
| Amounts owed to group undertakings | 153,307 | 214,711 |
| Taxation and social security | 5,348 | 154 |
| | 158,655 | 214,865 |

5. Intercompany Creditors

| | At 31 December 2012 £'000 | At 31 August 2013 £'000 |
|--|------------------------------------|----------------------------------|
| Amounts owed to group undertakings: | | |
| <i>Npower Limited</i> | 10,532 | 5,603 |
| <i>Npower Northern Limited</i> | 1,497 | 3,676 |
| <i>Electricity Plus Supply Limited</i> | 51,374 | 121,962 |
| <i>Plus Shipping Services Limited</i> | 89,904 | 83,469 |
| <i>Npower Gas Limited</i> | — | 1 |
| | 153,307 | 214,711 |

PART XVIII

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The Company has entered into a conditional agreement to acquire the entire issued share capital of Electricity Plus Supply Limited and Gas Plus Supply Limited from Npower, a subsidiary of RWE AG, for an aggregate consideration of £218 million.

As a result of the new supply terms being put in place as part of the Acquisition, the historical financial performance of the Energy Companies is not indicative of expected future performance of the businesses, which will be materially altered going forwards.

A proposed balance sheet restructuring prior to completion of the Acquisition will reduce the net assets of the Energy Companies to approximately £1 million each and, separately, the income statements of the Energy Companies will reflect the key terms of the SSA effective from 1 September 2013 onwards. Accordingly the income statements of the Energy Companies following this date will reflect a level of profitability significantly below that shown historically but in exchange the Energy Companies will no longer bear the exposure to the wholesale price and volume risk.

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

This unaudited pro forma statement of net assets of the Enlarged Group in this Part XVIII (the “pro forma financial information”) has been based on the consolidated net assets of the Group as at 30 September 2013 set out in the unaudited consolidated half yearly financial statements of the Group for the period ended 30 September 2013 and the net assets of the Energy Companies as at 31 August 2013.

The following unaudited pro forma statement of net assets of the Enlarged Group has been prepared to illustrate the effect on the consolidated net assets of the Group as if the proposed acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited, together with the associated placing, had taken place on 30 September 2013.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Enlarged Group’s actual financial position or results or its financial position or results if the proposed acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited, together with the associated placing, takes place.

| | The Company as at 30 September 2013 (note 1) £'000 | Electricity Plus as at 31 August 2013 (note 2) £'000 | Gas Plus as at 31 August 2013 (note 3) £'000 | Bank finance and net proceeds (note 4) £'000 | Acquisitions (notes 5, 6, 7) £'000 | Pro forma net assets of the Enlarged Group £'000 |
|---|---|---|---|--|---|--|
| ASSETS | | | | | | |
| Non-current assets | | | | | | |
| Property, plant and equipment | 19,111 | – | – | – | – | 19,111 |
| Intangible assets | 2,969 | – | – | – | 220,990 | 223,959 |
| Goodwill | 3,742 | – | – | – | – | 3,742 |
| Investments in associates | 5,706 | – | – | – | – | 5,706 |
| Deferred tax | 1,817 | 11 | – | – | (11) | 1,817 |
| Non-current receivables | 11,985 | – | – | – | – | 11,985 |
| Total non-current assets | 45,330 | 11 | – | – | 220,979 | 266,320 |
| Current assets | | | | | | |
| Inventories | 578 | – | – | – | – | 578 |
| Loans due from group undertakings | – | 53,666 | 92,244 | – | (145,910) | – |
| Trade and other receivables | 17,271 | 16,203 | 21,665 | – | (37,868) | 17,271 |
| Amounts owed by group undertakings | – | 122,122 | 14,565 | – | (136,687) | – |
| Prepayments and accrued income | 82,386 | – | – | – | – | 82,386 |
| Tax and social security | – | 12,530 | – | – | (12,530) | – |
| Cash | 3,344 | – | 109,226 | 225,660 | (308,716) | 29,514 |
| Total current assets | 103,579 | 204,521 | 237,700 | 225,660 | (641,711) | 129,749 |
| Total assets | 148,909 | 204,532 | 237,700 | 225,660 | (420,732) | 396,069 |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Short term borrowings and overdraft | (4,736) | (40,659) | – | – | 40,659 | (4,736) |
| Amounts owed to group undertakings | – | (72,743) | (214,711) | – | 287,454 | – |
| Trade and other payables | (5,721) | (6,447) | (199) | – | 6,646 | (5,721) |
| Current tax payable | (2,156) | (35) | (154) | – | 189 | (2,156) |
| Accrued expenses and deferred income | (65,593) | (10,583) | – | – | 10,583 | (65,593) |
| Total current liabilities | (78,206) | (130,467) | (215,064) | – | 345,531 | (78,206) |
| Non-current liabilities | | | | | | |
| Bank loans | – | – | – | (100,000) | – | (100,000) |
| Deferred consideration | – | – | – | – | (21,500) | (21,500) |
| JSOP creditor | (1,477) | – | – | – | – | (1,477) |
| Total non-current liabilities | (1,477) | – | – | (100,000) | (21,500) | (122,977) |
| Total liabilities | (79,683) | (130,467) | (215,064) | (100,000) | 324,031 | (201,183) |
| Net assets | 69,226 | 74,065 | 22,636 | 125,660 | (96,701) | 194,886 |

Notes:

1. The net assets of the Group at 30 September 2013 have been extracted without material adjustment from the unaudited consolidated interim financial statements of the Group for the period ended 30 September 2013.
2. The net assets of Electricity Plus Supply Limited have been extracted without material adjustment from the financial information on Electricity Plus Supply Limited for the period ended 31 August 2013, set out in Section E of Part XVII of this document.
3. The net assets of Gas Plus Supply Limited have been extracted without material adjustment from the financial information on Gas Plus Supply Limited for the period ended 31 August 2013, set out in Section F of Part XVII of this document.

4. The increase in cash and increase in bank loans payable comprises the estimated gross placing proceeds of £130 million and £100 million of bank loan receipt, less estimated listing expenses and bank fees of £4.34 million.
5. The calculation of intangible assets is as follows:

| | £'000 |
|------------------------|----------------|
| Purchase consideration | 218,000 |
| Costs of acquisition | 2,990 |
| | <u>220,990</u> |

6. The cash outflow due to the acquisition is calculated as follows:

| | £'000 |
|--|----------------|
| Purchase consideration payable on completion | 196,500 |
| Costs of acquisition | 2,990 |
| | <u>199,490</u> |
| Elimination of Gas Plus Supply Limited balance | 109,226 |
| | <u>308,716</u> |

7. The other adjustments reflect the fact that, prior to the acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited, the companies will be restructured. It is anticipated that their respective net assets will amount to approximately £1 million each. To the extent there are net assets, the Company will make an additional payment to Npower Limited equivalent to the amount of the net assets acquired.
8. No account has been taken of the financial performance of the Group since 30 September 2013, or the financial performance of the Energy Companies since 31 August 2013, nor of any other event save as disclosed above.

**ACCOUNTANT'S REPORT IN RESPECT OF THE UNAUDITED
PRO FORMA STATEMENT OF NET ASSETS**



BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Telecom Plus PLC
Network HQ
333 Edgware Road
London NW9 6TD

20 November 2013

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Dear Sirs

Telecom Plus PLC (the “Company”)

Pro forma financial information

We report on the unaudited pro forma statement of net assets (the “Pro Forma Financial Information”) set out in Part XVIII of the prospectus and circular dated 20 November (the “Prospectus and Circular”) which has been prepared on the basis described, for illustrative purposes only, to provide information about how the proposed acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited (the “Targets”) and associated firm placing and placing and open offer of new Ordinary Shares in the Company might have affected the financial information presented on the basis of accounting policies adopted by the Company in preparing the financial statements for the period ended 30 September 2013.

This report is required by paragraph 13.3.3R of the listing rules made by the Financial Conduct Authority for the purposes of part VI of the Financial Services and Markets Act 2000 (the “Listing Rules”) and item 20.2 of annex I of the Commission Regulation (EC) No. 809/2004 (the “PD Regulation”) and is given for the purpose of complying with that paragraph and that item and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules and item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided and which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Prospectus and Circular, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules and item 23.1 of annex I of the PD Regulation consenting to its inclusion in the Prospectus and Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of annex I of the PD Regulation.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

PART XIX

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names appear on page 27 of this document, accept responsibility for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the knowledge of the Company and the Directors, in accordance with the facts and contains no omission likely to affect its import.

2. Incorporation and Information about the Company

- 2.1 The Company was incorporated in England and Wales under the 1985 Act on 9 October 1996 with registered number 3263464 as a public company limited by shares with the name Telecom Plus PLC.
- 2.2 On 26 July 2000, the Ordinary Shares were admitted to the Official List and were admitted to trading on the Premium Segment of the Main Market of the London Stock Exchange's market for listed securities.
- 2.3 The Company is domiciled in England and Wales and its registered and head office is Network HQ, 333 Edgware Road, London, NW9 6TD. The telephone number of the registered office is 020 8955 5000.
- 2.4 The principal legislation under which the Company operates is the Act and the regulations made under that Act.
- 2.5 The principal activities of the Group comprise the provision of a wide range of utility services spanning both the communications and energy markets (including gas, electricity, home phone, mobile and broadband).

3. Share Capital

- 3.1 The issued and fully paid share capital of the Company as at 19 November 2013 (being the latest practicable date before the publication of this document) and as it will be immediately following the allotment and issue of the New Ordinary Shares assuming that no Ordinary Shares are issued on exercise of options over Ordinary Shares under the Share Schemes between 20 November 2013 (publication of this document) and the date on which the Issue completes is shown below:

| | Issued and Fully Paid | |
|---------------------|-----------------------|------------|
| | £ | Number |
| At present | 3,543,255.80 | 70,865,116 |
| Following the Issue | 3,983,933.80 | 79,678,676 |

- 3.2 No Ordinary Shares have been issued otherwise than as fully paid. The nominal value of the Existing Ordinary Shares is five pence (£0.05) each. There is no issued share capital that is not fully paid up and less than 10 per cent. of the issued share capital of the Company was paid for with assets other than cash during the period since 1 April 2010.
- 3.3 As at 19 November 2013, being the latest practicable date before publication of this document, the Company held no Ordinary Shares as treasury shares.
- 3.4 Other than as disclosed in this document, there are no Ordinary Shares in the Company held by or on behalf of the Company itself or by any of the subsidiaries.
- 3.5 Save for the options granted by the Company (the details of which are set out below), the Company has not issued any convertible securities, exchangeable securities or securities with warrants.
- 3.6 The table below sets out the changes to the issued share capital of the Company for the three financial years ended 31 March 2011, 2012 and 2013 and for the period 1 April 2013 to 19 November 2013 (being the latest practicable date before the publication of this document):

| Period ended | Number of issued Ordinary Shares | |
|------------------|----------------------------------|------------|
| | £ | Number |
| 19 November 2013 | 3,543,256 | 70,865,116 |
| 31 March 2013 | 3,530,113 | 70,602,262 |
| 31 March 2012 | 3,510,398 | 70,207,963 |
| 31 March 2011 | 3,476,991 | 69,539,828 |

4. Resolutions

4.1 By ordinary resolution passed on 17 July 2013, the Directors have been authorised in accordance with section 551 of the Act in substitution for all existing authorities:

4.1.1 to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together “Relevant Securities”) up to an aggregate nominal amount of £1,177,010; and

4.1.2 to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the Act) up to an additional aggregate nominal amount of £1,177,010 provided that this authority may only be used in connection with a rights issue in favour of holders of Ordinary Shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever.

4.1.3 Such authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, 30 September 2014, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted after the authority expires.

4.2 By special resolution passed on 17 July 2013, the Company was unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693 (4) of the Act) on the London Stock Exchange of its own fully paid Ordinary Shares in the capital of the Company on such terms and in such manner as the directors may from time to time determine provided that:

4.2.1 the maximum aggregate number of Ordinary Shares which may be purchased is 7,062,061 being approximately 10 per cent. of the issued Ordinary Share capital as at 11 June 2013;

4.2.2 the minimum price which may be paid for an Ordinary Share is 5p (exclusive of expenses payable by the Company);

4.2.3 the maximum price which may be paid for an Ordinary Shares (exclusive of expenses payable by the Company) cannot be more than the higher of:

(a) 105 per cent. of the average market value of an Ordinary Share for the five business days prior to the day on which the Ordinary Share is contracted to be purchased; and

(b) the value of an Ordinary Share calculated on the basis of the higher of:

(i) the last independent trade of; or

(ii) the highest current independent bid for,

any number of Ordinary Shares on the trading venue where the market purchase by the Company will be carried out; and

(c) the authority conferred shall expire at the conclusion of the next annual general meeting of the Company except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.

- 4.3 By special resolution passed on 17 July 2013 the Directors have been authorised pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 (1) of the Act) for cash pursuant to the authority conferred by resolution number 10 or by way of a sale of treasury shares as if section 561 (1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- 4.3.1 the allotment of equity securities in connection with a rights issue or other *pro rata* offer (but, in the case of the authority granted conferred by the ordinary resolution, by way of a rights issue only) in favour of holders of Ordinary Shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities, subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and
- 4.3.2 the allotment (otherwise than pursuant to the allotment above) of equity securities up to an aggregate nominal amount of £176,552.

Such authority shall expire upon the expiry of the general authority conferred by the ordinary resolution above, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

- 4.4 Subject to the passing of the Resolutions:

- 4.4.1 the authorised share capital of the Company will be increased from £4,000,000 to £8,000,000 representing an additional 80,000,000 Ordinary Shares; and
- 4.4.2 in addition to the authority referred to in paragraph 4.1 above, the Directors will be generally and unconditionally authorised to allot relevant securities up to an aggregate nominal amount of £440,678 in connection with the Issue (comprising 12.4 per cent. of the issued share capital of the Company as at the date of this document, and 11.1 per cent. following Admission), such authority to expire at the end of the next annual general meeting of the Company.
- 4.5 Save for the issue of Ordinary Shares pursuant to the Issue, or pursuant to options exercised under the Share Schemes, or as otherwise disclosed in this document, the Directors have no present intention of exercising the authorities referred to in paragraph 4 above.

5. Share Schemes

The Company operates the Telecom Plus PLC 2007 Employee Share Option Plan (the “ESOP”), the Telecom Plus PLC 2007 Networkers and Consultants Share Option Plan (the “Distributors Plan”), the Telecom Plus PLC Joint Share Ownership Plan (the “JSOP”) and the Telecom Plus PLC 1997 Non-Approved Share Option Scheme (the “1997 ESOP”). As at the date of this document, options under the Share Schemes were exercisable over an aggregate of 2,101,249 Ordinary Shares and an award is outstanding under the JSOP over 500,000 Ordinary Shares.

5.1 *The ESOP*

The principal features of the ESOP are as follows:

5.1.1 *Administration*

The Company’s Remuneration Committee is responsible for administering the ESOP. The ESOP is divided into two parts: the approved part, which is approved by HMRC, and the non-approved part.

5.1.2 *Grant of options and eligibility*

The Committee may grant options to acquire Ordinary Shares in the Company to any employee and full time director of the Group. Options are granted free of charge and are non-transferable.

5.1.3 *Period for the grant of options*

Options may be granted within 42 days following the announcement of the Company's interim and/or final results for any period. In exceptional circumstances, options may be granted at other times.

5.1.4 *Exercise price*

The exercise price per Ordinary Share is determined by the Committee but must be no less than its market value on the date of grant being determined for the purposes of the ESOP in normal circumstances to be the average of the middle market quotations for the three dealing days immediately preceding the relevant date of grant (or its nominal value, if higher).

5.1.5 *Performance condition*

The Committee may impose an objective condition on the exercise of options, requiring a sustained and significant improvement in: (a) the Group's financial performance over a continuous period; or (b) the performance of the participant over a continuous period.

5.1.6 *Individual limits*

There is no limit on an individual's participation in the ESOP. However, an individual's participation in the approved part of the ESOP is limited to unexercised options over shares with a value (as at the date of grant) of £30,000.

5.1.7 *Plan limit*

The number of Ordinary Shares issued or issuable (or transferred or transferable out of treasury) pursuant to options granted under the ESOP, when aggregated with the number of Ordinary Shares issued or issuable (or transferred or transferable out of treasury) pursuant to all rights granted under all Group employee share schemes (including for this purpose the 1997 Networkers and Consultants Share Option Scheme and the Distributors Plan) within the previous period of 10 years, may not exceed 15 per cent. of the Company's issued ordinary share capital at the relevant date of grant.

5.1.8 *Exercise and lapse of options*

(a) *General position*

An option is normally exercisable between three and 10 years from the date of grant, provided that any relevant performance condition has been satisfied.

(b) *Special Circumstances*

Options will normally lapse on cessation of employment except in particular situations such as death, ill health, redundancy or the sale of the optionholder's employing company out of the group. Exercise is also permitted in special circumstances such as a takeover. In the event of a takeover, early exercise of options is only permitted subject to satisfaction of any performance condition.

(c) *Exchange of options on a takeover*

In the event of a takeover, a participant may be permitted to exchange his options for options over shares in the acquiring company.

5.1.9 *Satisfaction of options*

On exercise of an option, the Company will satisfy such exercise by issuing new shares, procuring the transfer of existing shares or transferring treasury shares. Alternatively, at the Company's election, it may satisfy the option either by issuing shares at nominal value or by procuring the transfer of shares at nil cost, in each case so that the value of the benefit received by the optionholder is equal to the growth in the Company's share price between grant and exercise of the option for each share the subject of the exercise.

5.1.10 *Variation of share capital*

On certain variations of the ordinary share capital of the Company the Committee may, subject to the approval of the Company's auditors and (in the case of the approved part of the ESOP) HMRC, adjust the exercise price and the number of Ordinary Shares comprised in existing options.

5.1.11 *Pensionability of benefits*

Benefits derived under the ESOP are not pensionable.

5.1.12 *Amendment*

- (a) The Committee may amend the ESOP in any way necessary to obtain and maintain HMRC approval for the approved part of the ESOP.
- (b) In addition, the Committee may make any other amendment to the ESOP which it sees fit (subject to the prior approval of HMRC if the amendment is to a key feature of the approved part of the plan), provided that amendments to certain important rules (including those relating to the overall limit on the ESOP, the individual limits and eligibility to participate in the ESOP) to the advantage of participants may only be made with the sanction of the Company in general meeting. However, such shareholder approval is not required for minor amendments to benefit the administration of the ESOP or for amendments to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, for future participants or for participating companies.

5.1.13 *Termination*

The ESOP will terminate on 10 August 2017 or earlier, if the Committee so determines.

5.2 ***The Distributors Plan***

The principal features of the Distributors Plan are as follows:

5.2.1 *Administration*

The Company's Remuneration Committee ("the Committee") is responsible for administering the Distributors Plan.

5.2.2 *Grant of options and eligibility*

The Committee may grant options to acquire Ordinary Shares in the Company to any person (not being an employee) who provides consultancy services to the Group or any person who is a party to an annual agreement with the Company under which that person undertakes to provide customers for the Group's business. Options are granted free of charge and are non-transferable.

5.2.3 *Period for the grant of options*

Options may be granted within 42 days following the announcement of the Company's interim and/or final results for any period. In exceptional circumstances, options may be granted at other times.

5.2.4 *Exercise price*

The exercise price per Ordinary Share is determined by the Committee but must be no less than its market value on the date of grant being determined for the purposes of the Distributors Plan in normal circumstances to be the average of the middle market quotations for the three dealing days immediately preceding the relevant date of grant (or its nominal value, if higher).

5.2.5 *Performance condition*

The Committee may impose an objective condition on the exercise of options, requiring a sustained and significant improvement in: (a) the Group's financial performance over a continuous period; or (b) the performance of the participant over a continuous period.

5.2.6 *Distributors Plan limits*

The number of Ordinary Shares issued or issuable (or transferred or transferable out of treasury) pursuant to options granted under the Distributors Plan, when aggregated with the number of Ordinary Shares issued or issuable (or transferred or transferable out of treasury) pursuant to all rights granted under all Group employee share schemes (including for this purpose the 1997 Networkers and Consultants Share Option Scheme) within the previous period of 10 years, may not exceed 15 per cent. of the Company's issued ordinary share capital at the relevant date of grant.

5.2.7 *Exercise and lapse of options*

(a) *General position*

An option is normally exercisable between three and 10 years from the date of grant, provided that any relevant performance condition has been satisfied.

(b) *Special circumstances*

Options will normally lapse on a participant ceasing to be eligible to participate under the Distributors Plan other than on death, although the Committee has discretion to allow options to remain exercisable depending upon the circumstances of such cessation. Exercise is also permitted in special circumstances such as a takeover. In the event of a takeover, early exercise of options is only permitted subject to satisfaction of any performance condition.

(c) *Exchange of options on a takeover*

In the event of a takeover, a participant may be permitted to exchange his options for options over shares in the acquiring company.

5.2.8 *Variation of share capital*

On certain variations of the ordinary share capital of the Company the Committee may, subject to the approval of the Company's auditors, adjust the exercise price and the number of Ordinary Shares comprised in existing options.

5.2.9 *Satisfaction of options*

On exercise of an option, the Company will satisfy such exercise by issuing new shares, procuring the transfer of existing shares or transferring treasury shares. Alternatively, at the Company's election, it may satisfy the option either by issuing shares at nominal value or by procuring the transfer of shares at nil cost, in each case so that the value of the benefit received by the optionholder is equal to the growth in the Company's share price between grant and exercise of the option for each share the subject of the exercise.

5.2.10 *Amendment*

The Committee may make any amendment to the Distributors Plan, provided that amendments to certain important rules (including those relating to the overall limit on the Distributors Plan, the individual limits and eligibility to participate in the Distributors Plan) to the advantage of participants may only be made with the sanction of the Company in general meeting. However, such shareholder approval is not required for minor amendments to benefit the administration of the Distributors Plan or for amendments to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, for future participants or for participating companies.

5.2.11 *Termination*

The Distributors Plan will terminate on 10 August 2017 or earlier, if the Committee so determine.

5.3 ***The JSOP***

The principal features of the JSOP are as follows:

5.3.1 *Purpose of the JSOP*

The primary purpose of the JSOP is to provide a long-term incentive to senior management of the Company. It is intended that the JSOP should deliver a reward to participants over a vesting period of (normally) three to five years subject to growth in the Company's share price and the satisfaction of performance conditions. Any reward will be delivered through the growth in value of a tranche of shares in the Company ("Ordinary Shares") in which the relevant participant will have an interest.

5.3.2 *Operation and administration of the JSOP*

The Company's Remuneration Committee (the "Committee") will supervise the operation of, and administer, the JSOP, which will be operated in conjunction with the trustees of the Telecom Plus JSOP Share Trust (the "EBT") established for the purpose. The EBT will be put in funds by the Company by way of loan to acquire Ordinary Shares at full market value

(whether by subscription of new Ordinary Shares, purchase of treasury shares or by purchase of existing Ordinary Shares on or off the market) at the time of grant of any award.

5.3.3 *Eligibility*

Any employee (including an Executive Director) of the Group will be eligible to be made an award under the JSOP (an “Award”) at the discretion of the Committee.

5.3.4 *Period for the making of Awards*

Awards may be made at any time during the period of 42 days after the announcement of the Company’s annual or half-yearly results for any period. In exceptional circumstances, Awards may be made at other times.

5.3.5 *Individual limit on Awards*

Excluding the initial Award made to Andrew Lindsay immediately following adoption of the JSOP, it is intended that, except in special circumstances, Awards will not be made in any financial year over Ordinary Shares with a value exceeding 100 per cent. of a participant’s annual base salary. However, the initial Award made to any participant may exceed this limit if the Committee considers it is in the best interests of the Company to do so.

5.3.6 *Nature of Awards*

- (a) Awards will take the form of a restricted interest in Ordinary Shares. An Award permits a participant to benefit from the increase (if any) in the value of a specified number of Ordinary Shares over a 5 per cent. compound annual growth rate, or such higher rate as may be determined at the date of grant by the Committee.
- (b) In order to acquire an Award, a participant must enter into a joint ownership agreement with the trustees of the EBT. Under this agreement, the participant and the trustees of the EBT jointly own the Ordinary Shares in such a way that the participant has a right to receive the growth in value of the Ordinary Shares above a threshold amount (the “Threshold Amount”), being the market value of the relevant Ordinary Shares at the time an Award is made plus a compound annual incremental percentage specified by the Committee (being no less than 5 per cent, as referred to above).
- (c) The Committee will determine the price (if any) which participants must pay to acquire Awards.
- (d) Awards are not transferable by participants (although on death, Awards may be exercised by the personal representatives of the deceased participant).
- (e) Awards are not pensionable.

5.3.7 *Vesting and performance conditions*

- (a) Awards will vest over a period of (normally) three to five years. The vesting of any Awards will be further subject to the satisfaction of performance conditions, which may be either individual or corporate or both, over the vesting period. The Committee will have the right to adjust the performance conditions if events happen that render the prevailing conditions unfair or unreasonable.
- (b) If (and to the extent that) an Award fails to vest as a result of non-achievement of the performance conditions, it will be forfeited for a consideration no greater than the original acquisition cost (if any) paid by the participant for the relevant part of the Award.
- (c) In the event of a takeover of the Company (or certain other major corporate events) or in the case of a Good Leaver (see below) prior to the date on which an Award has vested, the Committee will consider the extent to which the performance conditions have been met and accordingly the extent to which Awards should vest; any such decision shall be at the sole and absolute discretion of the Committee.

5.3.8 *Leaving employment*

- (a) If before an Award (or part of an Award) vests a participant ceases to be an employee or a director because of incapacity, death, redundancy, his employing business or company being sold outside the group or in any other circumstances if the Committee (acting reasonably but at its absolute and sole discretion) so determines (a “Good

Leaver”), the Committee will specify the extent to which such Award (or such part of an Award) should vest having regard to the length of time since the Award was acquired and performance to that date.

- (b) A Good Leaver may retain such part of his Award as has vested or is treated as vested, but cannot benefit from any increase in the share price which takes place (and no further vesting will take place) after the relevant leaving date. Any unvested part of an Award will be forfeited for a consideration no greater than the original acquisition cost (if any) paid by the Good Leaver for the relevant part of the Award.
- (c) If a participant ceases to be an employee or a director other than as Good Leaver, then he will forfeit his Awards (whether vested or unvested) for a consideration no greater than the original acquisition cost (if any) paid by him for such Awards.

5.3.9 *Effect of vesting*

If an Award vests, the participant can require the trustees of the EBT at any time thereafter to join with the participant in selling the number of Ordinary Shares in relation to which the Award has vested on terms that the trustees will account to the participant for his proportion of the proceeds, being the difference between the sale proceeds and the Threshold Amount, less the relevant proportion of the sales expenses. If the Award is capped, the trustees of the EBT will retain any sale proceeds above the cap. Alternatively, at the election of the Committee (acting in its absolute and sole discretion), arrangements will be put in place which would result in the participant having full legal and beneficial ownership, in satisfaction of his Award, of such number of Ordinary Shares as have a full value equal to the result of multiplying the number of Ordinary Shares in respect of which his Award has vested by the difference between the full value of one Share and the Threshold Amount per Share.

5.3.10 *Plan limit*

- (a) The JSOP may operate using newly issued Ordinary Shares, Ordinary Shares purchased by the trustees of the EBT in the market or treasury shares.
- (b) The number of Ordinary Shares issued or issuable (or transferred or transferable out of treasury) pursuant to Awards made under the JSOP, when aggregated with the number of Ordinary Shares issued or issuable (or transferred or transferable out of treasury) pursuant to all rights granted under all the Group’s share plans in the period of 10 years ending on the date the Award is made, must not exceed 15 per cent. of the Company’s issued ordinary share capital at the date the Award is made.

5.3.11 *Rights attaching to Ordinary Shares*

No voting rights will be exercised on the Ordinary Shares subject to Awards. Dividends and other distributions on the Ordinary Shares subject to Awards will be waived by the trustee of the EBT. When Awards have vested and Ordinary Shares are transferred to the participant, the participant will then be entitled to vote and receive any dividends or other distributions on those Ordinary Shares.

5.3.12 *Variation of capital*

In the event of any variation of the Company’s share capital the Committee and trustees of the EBT may make such adjustment as they consider appropriate to the number of Ordinary Shares subject to an Award (and/or to the other terms of the Award) or to the maximum number of Ordinary Shares which may be subject to Awards.

5.3.13 *Alterations to the JSOP*

- (a) The Committee may, at any time, amend the JSOP in any respect, provided that the prior approval of the Company’s shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Ordinary Shares, the basis for determining a participant’s entitlement to acquire rights under the JSOP and the terms of those rights and the adjustment of rights as a result of any variation of the Company’s share capital.
- (b) The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the JSOP, to take

account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

5.3.14 *Duration of the JSOP*

No Awards may be made after 30 March 2016.

5.3.15 *The EBT*

The EBT is constituted by a trust deed (and itself constitutes an employees' share scheme). Under the trust deed, the EBT is not permitted to subscribe for Ordinary Shares other than pursuant to the JSOP and may not hold at any time more than 5 per cent. of the issued ordinary share capital of the Company at that time.

5.4 *The 1997 ESOP*

No further options may be granted under the 1997 ESOP and only a single option (over 300 Ordinary Shares) remains outstanding as at the date of this document. That option will lapse to the extent unexercised on 3 January 2014. The principal features of the 1997 ESOP (so far as is relevant) reflect those of the ESOP as described in paragraph 5.1 above.

5.5 *Outstanding options*

As at the date of this document, options over a total of 2,101,249 Ordinary Shares, amounting to approximately 3.0 per cent. of the issued share capital, have been granted under the terms of the Share Schemes (see details below at paragraph 5 of this Part XIX) as follows:

| | Number of options | Exercise price per share | Exercisable from | Expiry date |
|--|----------------------|--------------------------------|------------------|-------------|
| 2007 Networkers and Consultants Share Option Plan | | | | |
| 30 Aug 2007 | 10,000 | 171p | 30 Aug 2010 | 29 Aug 2017 |
| 10 Dec 2008 | 36,250 | 340p | 10 Dec 2011 | 9 Dec 2018 |
| 26 Jun 2009 | 15,000 | 278p | 26 Jun 2012 | 25 Jun 2019 |
| 9 Dec 2009 | 14,000 | 305p | 9 Dec 2012 | 8 Dec 2019 |
| 5 Jul 2010 | 220,652 | 338p | 5 Jul 2013 | 3 Jul 2020 |
| 17 Dec 2010 | 11,882 | 442p | 17 Dec 2013 | 16 Dec 2020 |
| 14 Jun 2011 | 7,000 | 603p | 14 Jun 2014 | 11 Jun 2021 |
| 15 Dec 2011 | 15,000 | 774p | 15 Dec 2014 | 14 Dec 2021 |
| 1 Jun 2012 | 144,000 | 721p | 1 Jun 2015 | 31 May 2022 |
| 26 Jun 2012 | 11,000 | 828p | 26 Jun 2015 | 25 Jun 2022 |
| 20 Nov 2012 | 70,000 | 854.5p | 20 Nov 2015 | 19 Nov 2022 |
| 10 Dec 2012 | 17,000 | 878p | 10 Dec 2015 | 9 Dec 2022 |
| 17 Jun 2013 | 54,000 | 1219p | 17 Jun 2016 | 16 Jun 2023 |
| 1997 Employee Share Option Plan | | | | |
| 4 Jan 2007 | 300 | 199.25p | 4 Jan 2010 | 3 Jan 2014 |
| 2007 Employee Share Option Plan | | | | |
| 30 Aug 2007 | 27,150 | 171p | 30 Aug 2010 | 29 Aug 2017 |
| 17 Jan 2008 | 23,900 | 198p | 17 Jan 2011 | 16 Jan 2018 |
| 12 Jun 2008 | 254,050 | 330.5p | 12 Jun 2011 | 11 Jun 2018 |
| 10 Dec 2008 | 66,065 | 340p | 10 Dec 2011 | 9 Dec 2018 |
| 26 Jun 2009 | 97,250 | 278p | 26 Jun 2012 | 25 Jun 2019 |
| 9 Dec 2009 | 9,100 | 305p | 9 Dec 2012 | 8 Dec 2019 |
| 5 Jul 2010 | 104,050 | 338p | 5 Jul 2013 | 3 Jul 2020 |
| 17 Dec 2010 | 71,000 | 442p | 17 Dec 2013 | 16 Dec 2020 |
| 14 Jun 2011 | 206,600 | 603p | 14 Jun 2014 | 11 Jun 2021 |
| 15 Dec 2011 | 78,100 | 774p | 15 Dec 2014 | 14 Dec 2021 |
| 26 Jun 2012 | 193,800 | 828p | 26 Jun 2015 | 25 Jun 2022 |
| 10 Dec 2012 | 90,000 | 878p | 10 Dec 2015 | 9 Dec 2022 |
| 17 Jun 2013 | 254,100 | 1219p | 17 Jun 2016 | 16 Jun 2023 |

6. **Directors' and others' Interests**

- 6.1 As at 19 November 2013 (being the latest practicable date before the publication of this document) and, following Admission, the interests of the Directors, their immediate families and so far as known or could with reasonable due diligence be ascertained by the relevant Director or senior

manager interests of persons connected (within the meaning of section 252-255 of the Act) with a Director or senior manager (all of which are beneficial unless otherwise stated) in the issued share capital of the Company are as follows:

| Director | As at 19 November 2013 | | Following Admission | |
|-----------------|-----------------------------|------------------------------------|---|--|
| | Holdings of Ordinary Shares | Percentage of issued share capital | Proposed number of Ordinary Shares ⁽²⁾ | Proposed percentage of issued share capital ⁽²⁾ |
| Charles Wigoder | 15,981,041 ⁽³⁾ | 22.6 | 15,981,041 | 20.06 |
| Julian Schild | 97,624 | 0.14 | 113,895 | 0.14 |
| Andrew Lindsay | 81,465 | 0.12 | 132,312 | 0.17 |
| Melvin Lawson | 2,050,000 | 2.9 | 2,050,000 | 2.57 |
| Michael Pavia | 25,000 | 0.04 | 25,677 | 0.03 |
| Chris Houghton | — | — | — | — |

- (1) Other than the Directors, there are no senior managers' details which are required to be disclosed.
- (2) Assuming that none of their Open Offer entitlements are taken up, that their allocation under the Firm Placing are received and that no further Ordinary Shares are issued as a result of the exercise of any options under the Share Schemes between the posting of this document and the closing of the Issue.
- (3) Mr Wigoder has a beneficial interest in 12,931,041 shares and a non-beneficial interest in 3,050,000 shares, representing approximately 18.3 per cent. and 4.3 per cent. respectively of the current issued share capital.

6.2 As at 19 November 2013 (being the latest practicable date before the publication of this document), the Directors held options over Ordinary Shares as follows:

| Director | Options | Option scheme (Date Granted) | Exercisable from Date | Final exercise Date | Exercise price pence |
|----------------|------------------------|------------------------------|-----------------------|---------------------|----------------------|
| Andrew Lindsay | 217,400 | 12 Jun 2008 | 12 Jun 2011 | 11 Jun 2018 | 330.5p |
| | 500,000 ⁽¹⁾ | 31 Mar 2011 | 1 Apr 2015 | n/a | n/a |
| Chris Houghton | 50,000 ⁽²⁾ | 10 Dec 2008 | 10 Dec 2011 | 9 Dec 2018 | 340p |
| | 50,000 | 26 Jun 2009 | 26 Jun 2012 | 25 Jun 2019 | 278p |
| | 25,000 | 26 Jun 2012 | 26 Jun 2015 | 26 Jun 2022 | 828p |
| | 25,000 | 26 Jun 2012 | 26 Jun 2017 | 26 Jun 2022 | 828p |

- (1) The Company established a Joint Share Ownership Plan ("the JSOP") on 30 March 2011. As part of the JSOP an employee benefit trust was established to hold shares jointly with the participants in the plan ("the JSOP Share Trust"). As at 31 March 2013, the JSOP Share Trust jointly held 500,000 shares with Mr Lindsay. Prior to vesting, all voting and dividend rights attached to these shares have been waived. Shares held jointly with JSOP Share Trust and was made subject to performance conditions as described in detail in the annual report for the year ended 31 March 2011 (incorporated by reference). The JSOP interest allows Mr Lindsay, subject to the achievement of the performance conditions referred to in the annual report year ended 31 March 2013 (incorporated by reference), to receive any increase in the value of the 500,000 shares over the share price on the date of grant (£4.55), plus an annual compound growth rate of 5 per cent. This means that if Mr Lindsay were to exercise his award on the first date of vesting, 1 April 2015, he would receive any value over £5.53 per share.
- (2) The 50,000 options granted to Mr Houghton on 10 December 2008 were granted to him prior to his appointment to the Board on terms that performance conditions would not be imposed in respect of this grant. However, the 50,000 options granted to him on 26 June 2009 after his appointment to the Board were made subject to performance conditions which were described in detail in the annual report for the year ended 31 March 2010. The performance conditions in relation to these options were all met and the options have vested.

6.3 Save as disclosed in this paragraph, none of the Directors (or persons connected with the Directors within the meaning of sections 252-255 of the Act) has any beneficial or non-beneficial interest in any securities of the Company or its subsidiaries.

7. Significant Shareholders

- 7.1 The Disclosure and Transparency Rules require Shareholders to notify the Company if the voting rights held by such Shareholders (including by way of a certain financial instrument) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent..
- 7.2 Pursuant to the Act, the Company may also send a notice to any person whom the Company knows or believes to be interested in the Company's shares requiring that person to confirm whether he has such an interest and, if so, details of that interest.
- 7.3 Under the Articles and the Act, if a person fails to provide the Company with the information required by the notice within the time specified, or information provided happens to be false

(whether deliberate or reckless) in respect of any Ordinary Shares (the “default shares”) the Directors may serve a restriction notice on such person. Such a restriction notice will state that the default shares held by that person shall not confer any right to attend or vote at any general meeting of the Company, or separate meeting of the holders of any class of shares, and certain other sanctions may also apply.

- 7.4 Set out below are, in so far as is known to the Company, the names of those persons other than the Directors, who directly or indirectly, have an interest in 3 per cent. or more of the issued share capital of the Company as at 19 November 2013 (being the latest practicable date before the publication of this document):

| | Number of Ordinary Shares | Percentage of issued share capital |
|---------------------------------------|---------------------------------|--|
| Standard Life Investments Limited | 6,142,257 | 8.7 |
| Schroders plc | 4,945,278 | 7.0 |
| Legal & General Investment Management | 2,517,862 | 3.6 |
| BlackRock Investment Management (UK) | 2,505,848 | 3.5 |
| Sheldon Management Limited | 2,209,028 | 3.1 |

Immediately following Admission, the following are expected to have notifiable holdings of 3 per cent. or more in the issued share capital of the Company (on the assumption that no further Ordinary Shares are issued as a result of the exercise of any options under the Share Schemes between the posting of the document and the closing of the Issue and that all Shareholders, including those listed below, take up their Open Offer Entitlements in full):

| | Number of Ordinary Shares | Percentage of issued share capital |
|---------------------------------------|---------------------------------|--|
| Standard Life Investments Limited | 6,984,953 | 8.8 |
| Schroders plc | 5,618,773 | 7.7 |
| Legal & General Investment Management | 3,340,703 | 4.2 |
| BlackRock Management (UK) | 2,758,863 | 3.5 |

- 7.5 To the extent known to the Company, the following persons intend to subscribe for more than 5 per cent. of the New Ordinary Shares under the Issue:

| | Number of New Ordinary Shares ⁽¹⁾ |
|---------------------------------------|---|
| Standard Life Investments Limited | 842,696 |
| Legal & General Investment Management | 822,841 |
| Old Mutual Global Advisors | 705,101 |
| Schroders plc | 673,495 |

(1) Assuming that no further Ordinary Shares are issued as a result of the exercise of any options under the Share Schemes between the posting of this document and the closing of the Issue and that all Shareholders, including those listed above, take up their Open Offer Entitlements in full.

- 7.6 There are no differences between the voting rights enjoyed by those Shareholders set out in paragraphs 7.4 and 7.5 above and those enjoyed by any other holder of Ordinary Shares in the Company.
- 7.7 Save as set out above, so far as the Company is aware there are no other persons who are now or will, immediately following Admission, be interested, directly or indirectly, in 3 per cent. or more of the Company’s issued share capital, nor, so far as the Company is aware, are there any persons who, now or at Admission, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.
- 7.8 As at 19 November 2013 (being the latest practicable date before the publication of this document), Npower held 426,989 Ordinary Shares.

8. Organisational structure, subsidiary undertakings and other holdings

- 8.1 The Company is the holding company of the Group and has the following significant subsidiary undertakings which is directly wholly owned by the Company and the issued share capital is fully paid:

| Name | Country of incorporation | Principal activity |
|---------------------------------------|--------------------------|--|
| Telecommunications Management Limited | England and Wales | Supply of fixed wire and mobile telecommunication services to business and public sector customers |

- 8.2 Save for the significant subsidiaries disclosed in paragraph 8.1 above and the investments disclosed in paragraph 9 below, the Company does not hold any capital in any other undertakings that have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.

9. Investments

- 9.1 Since 9 December 2002, the Company has made the following principal investment:

| Name | Country of incorporation | Principal activity | Shareholding |
|---------------------------|--------------------------|------------------------------|--------------|
| Opus Energy Group Limited | England and Wales | gas and electricity supplier | 20 per cent. |

- 9.2 The Board and management of the Company have made no firm commitments for future investments of the Company.

10. Property, plant and equipment

- 10.1 The following are summary details of the material Group's leased properties:

| Lessee | Leased Premises | Current rent per Annum exc. VAT | Current use | Area |
|-------------------------|--------------------------------------|---------------------------------|------------------------------------|--------------|
| Kia Motors (UK) Limited | 335-343 Edgware Road, London NW9 6TD | £200,000 | Car sales showroom and car storage | 13,574 sq.ft |

- 10.2 There are no environmental issues that may affect the Group's utilisation of any tangible fixed assets nor any encumbrances over any of the leased properties listed above.

11. Memorandum and Articles of Association

The following is a summary of the Articles, which are available for inspection as set out in paragraph 11 of this Part XIX. The Articles contain provisions, amongst others, to the following effect. In this paragraph 11 "Statutes" means the Act and every other statute or statutory instrument, rule, order or regulation from time to time in force concerning companies so far as they apply to the Company.

11.1 *Objects*

The objects of the Company are to carry on business as a general commercial company and, *inter alia*, to carry on any other trade or business whatsoever which in the opinion of the board of directors can be advantageously carried on by the Company and to do all such other things as may be considered by the directors of the Company to further the interests of the Company.

11.2 *Rights attaching to the Ordinary Shares*

The following is a summary of the rights and the provisions of the Articles relating to the Existing Ordinary Shares.

11.3 *Votes of members*

11.3.1 Subject to the provisions of the Statutes and to any special terms as to voting upon which any shares may be issued or may be held, on a show of hands every member present in person and entitled to vote shall have one vote and on a poll every member present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder.

11.3.2 No holder of a share shall be entitled to be present or be counted in the quorum or vote either in person or by proxy at any general meeting or at any separate meeting of the holders of a class of shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll unless:

- (a) all calls or other monies due and payable in respect of the member's share or shares have been paid; or

- (b) he or any other person the Company knows or has reasonable cause to believe to be interested in that share has been duly served, pursuant to section 793 of the Act or any other statutory provision concerning the disclosure of interests in voting shares, with a notice requiring the provision to the Company of information regarding that share, has failed to give the Company the information required within 14 days following the date of service of the notice and the board has served a notice of disenfranchisement on such holder, unless the board otherwise decides.

11.4 Dividends

- 11.4.1 Subject to the Statutes, the board may declare and pay to the members, such interim dividends (including a dividend payable at a fixed rate) as appear to the board to be justified by the profits of the Company available for distribution and the Company's financial position.
- 11.4.2 Except as otherwise provided by the Articles or the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up or credited as paid up on the shares in respect of which the dividend is declared and paid. Dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. If any share is issued on terms that it shall rank for dividend as from a particular date then it shall rank for dividend as from that date.
- 11.4.3 Any dividend which has remained unclaimed for a period of 12 years from the date it became due for payment is forfeited and ceases to remain owing by the Company.

11.5 Distribution of assets on a winding-up

If the Company shall be wound up voluntarily the liquidator may, with the authority of a special resolution and any sanction required by law, divide among the members in kind the whole or any part of the assets of the Company and whether or not the assets consist of property of one kind or of different kinds and may for this purpose set such value as he deems fair on any class or classes of property and may determine on the basis of that valuation and in accordance with the then existing rights of members how such division shall be carried out as between the members or different classes of members.

11.6 Changes in capital

- 11.6.1 Subject to the Statutes and without prejudice to any special rights attached to any existing shares or class of shares, any share in the Company (whether forming part of the present capital or not) may be issued with or have attached to them such special rights, conditions or restrictions as the Company may by ordinary resolution direct or failing such direction (but in the case of unclassified shares only) as the board may determine. Where the equity share capital of the Company includes shares with different voting rights, the designation of each class of shares other than those with the most favourable voting rights will include the words "restricted voting" or "limited voting" or "non voting".
- 11.6.2 The Company may by ordinary resolution:
 - (a) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled;
 - (b) subject to the Statutes, sub-divide all or any of its shares into shares of a smaller amount and may by the resolution determine that the shares resulting from such sub-division may have any preferred or other special rights or be subject to any restrictions, as compared with the others.
- 11.6.3 Subject to the Statutes and to the rights attached to existing shares, the Company may by special resolution reduce its share capital, any capital redemption reserve fund, any share premium account and/or any other non-distributable reserves in any manner.
- 11.6.4 Subject to the Statutes, the Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or of the member.

11.7 Variation of class rights and class meetings

- 11.7.1 Subject to the Statutes, the rights attached to any class of shares may, whether or not the Company is being wound up, be modified, varied or abrogated:

- (a) in such manner (if any) as may be provided by those rights; or
 - (b) in the absence of any such provision, either with the consent in writing of the holders of at least three fourths in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of that class and then only subject to section 633 of the Act.
- 11.7.2 The rights attached to any class of share are not, unless otherwise expressly provided by the Articles or in the rights attaching to the shares of that class, deemed to be modified, varied or abrogated by the creation or issue of further shares ranking *pari passu* (save as to the date from which such further shares shall rank for dividend) with every other share of that class or subsequent to them or by the purchase or redemption by the Company of its own shares in accordance with the Statutes and the Articles.
- 11.7.3 A separate meeting for the holders of a class of shares shall be convened and conducted as nearly as possible in the same way as a general meeting except that the necessary quorum (other than at an adjourned meeting) is two persons, present in person or by proxy, holding or representing by proxy at least one third in nominal value of the capital paid up on the issued shares of the class and, at an adjourned meeting, one person holding shares of the class in question present in person or by proxy and any holder of shares of the class in question present in person or by proxy and entitled to vote at the meeting may demand a poll and shall be entitled on a poll to one vote for every share of that class of which he is the holder. No member, other than a director, is entitled to notice of a separate class meeting or to attend unless he is a holder of shares of that class and no vote may be given except in respect of a share of that class.

11.8 **Transfer of shares**

- 11.8.1 Subject to the Articles, any member may transfer all or any of his certificated shares by instrument of transfer in any usual form or in such other form as the board may approve and the instrument must be executed by or on behalf of the transferor and (except in the case of a share which is fully paid up) by or on behalf of the transferee but need not be under seal. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it. Transfers of shares in uncertificated form shall be effected by means of the relevant system in accordance with the Statutes and the Articles.
- 11.8.2 The Directors may refuse to register any transfer of any share only if certain conditions in relation to the transfer are satisfied and may impose restrictions on the transfer of partly paid shares only if such restrictions do not prevent dealings in the shares from taking place on an open and proper basis.
- 11.8.3 Subject to the Articles, the board may refuse to register a transfer of a certificated share unless the instrument of transfer:
- (a) is in respect of only one class of shares;
 - (b) is in favour of not more than four joint transferees;
 - (c) is duly stamped (if required); and
 - (d) is lodged at the registered office or such other place as the board may decide accompanied by the certificate for the shares to which it relates (save in the case of a transfer by a recognised person to whom no certificate was issued) and such other evidence as the board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.
- 11.8.4 The board may refuse to register any transfer of a certificated share which is not fully paid, provided that this discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis.
- 11.8.5 The board may, in exceptional circumstances permitted by the FCA and the London Stock Exchange, disapprove the transfer of a certificated share, provided that exercise of such powers does not disturb the market in the shares.

11.8.6 The board may refuse to register the transfer of an uncertificated share in any circumstances permitted by the FCA, the London Stock Exchange, the CREST Regulations and the rules and practices of the operator of the relevant system.

11.8.7 The Articles do not contain any pre-emption rights on the transfer of shares.

11.8.8 Subject to the CREST Regulations, the board may permit shares of any class to be held in uncertificated form and to be transferred by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

11.9 **Directors**

11.9.1 Except as provided in the Articles, a director may not vote in respect of any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he is, to his knowledge, materially interested, directly or indirectly, otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. This prohibition does not apply to any resolution concerning any of the following matters namely:

- (a) the giving to him of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving to a third party of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility, in whole or in part, under a guarantee or indemnity or by the giving of security;
- (c) a contract, arrangement, transaction or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;
- (d) a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise (“relevant company”), if he is not, directly or indirectly, the holder of or beneficially interested in 1 per cent. or more of a class of equity share capital of the relevant company or of the voting rights available to members of the relevant company or able to cause 1 per cent. or more of those voting rights to be cast at his direction (and for the purposes of this Article, shares held by a director as bare or custodian trustee and in which he has no beneficial interest, shares comprised in a trust and in which the director’s interest is in reversion or is in remainder, if and so long as another person is entitled to receive the income from the trust, and shares comprised in an authorised unit trust scheme in which the director is interested only as a unit holder are disregarded);
- (e) a contract, arrangement, transaction or proposal concerning the adoption, modification or operation of a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or personal pension plan or employees’ share scheme under which he may benefit and which has been approved by or is subject to and conditional on approval by the HMRC for taxation purposes or which does not accord to any director as such any privilege or benefit not accorded to the employees to whom the scheme or fund relates;
- (f) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiary undertakings under which the director benefits in a similar manner to the employees and which does not accord to any director as such any privilege or benefit not accorded to the employees to whom it relates; or
- (g) a contract, arrangement, transaction or proposal concerning the maintenance or purchase of any insurance policy which the Company is empowered to purchase and/or maintain for the benefit of directors or for the benefit of persons including directors.

- 11.9.2 There shall be available to be paid out of the funds of the Company to the directors as fees in each year an aggregate sum not exceeding £100,000 as the Board may determine, such sum to be divided among such directors in such proportions as the Board may decide or, in default of agreement, equally. Any director holding the office of director for part of a year shall, unless otherwise agreed, be entitled only to a proportionate part of such fee. The Company may by ordinary resolution increase the amount of the fees payable under this Article. A fee payable pursuant to this Article is distinct from any salary, remuneration or other amount payable to him under any other Article and accrues from day to day.
- 11.9.3 The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in the performance of their duties as directors, including their expenses of travelling to and from meetings of the board or committees of the board or general meetings or separate meetings of the holders of a class of shares and any expenses incurred by them in obtaining independent professional advice.
- 11.9.4 The remuneration of a director appointed to hold employment or executive office in accordance with the Articles may be a fixed sum of money or in whole or in part by participation in profits or otherwise as the board may determine and may be in addition to or instead of a fee payable to him for his services as director pursuant to the Articles.
- 11.9.5 The Board may grant reasonable additional remuneration and expenses to any director who, at the request of the Board, goes or resides abroad or renders any special or extra services to the Company, which may be paid by way of a lump sum, participation in profits or otherwise as the Board may determine.
- 11.9.6 Subject to the Statutes and to the requirement for a Director to declare his interests, a director, notwithstanding his office:
- (a) may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director and on such terms as to remuneration and otherwise as the Board may arrange. Any director may act by himself or through his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director of the Company;
 - (b) may enter into or otherwise be interested in a contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested either in connection with his tenure of an office or place of profit and either as vendor, purchaser or otherwise;
 - (c) may be a member or director or other officer of or employed by or a party to a contract, transaction, arrangement or proposal with or be otherwise interested in a company promoted by the Company or in which the Company is otherwise interested;
 - (d) unless otherwise agreed, is not liable to account to the Company for any remuneration, profit or other benefit received by him by virtue of such office, employment, contract, arrangement, transaction or proposal and no such contract, arrangement, transaction or proposal is avoided on the grounds of any such interest or benefit.
- 11.9.7 No person is disqualified from being or becoming a director by reason of his having attained the age of 70 or any other age. Special notice is not required in connection with the appointment, reappointment or approval of the appointment or reappointment of such person.

11.10 ***Borrowing powers***

The Board may exercise all the powers of the Company to borrow money, but shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate principal amount (including any premium payable on final repayment) remaining undischarged of all moneys borrowed by the Group does not at any time without the previous sanction of an ordinary resolution exceed the greater of £3,000,000 and a sum equal to three times the adjusted capital and reserves (as defined in the Articles).

11.11 *General Meetings*

At least 21 clear days' notice of every annual general meeting and at least 14 clear days' notice of every other general meeting shall be given, to such Members as are, under the Articles, or the terms of issue of shares, entitled to receive such notices from the Company and to the Directors and the Auditors.

12. **Service Agreements and Remuneration of Directors**

12.1 The following are particulars of the existing services agreements of the Directors with the Company:

Executive Directors

12.1.1 Charles Wigoder has a service agreement dated 5 May 2011 in respect to his appointment as Executive Chairman effective from 14 July 2010 with the Company. Mr Wigoder is entitled to an annual salary of three hundred and ten thousand pounds (£310,000) subject to annual review on 1 April each year where Mr Wigoder shall receive a salary increase of not less than 4.5 per cent. The Company contributes to a defined contribution pension scheme chosen by Mr Wigoder a sum equal to 10 per cent. of his salary and also provides Mr Wigoder with private medical insurance and life assurance. The service agreement is terminable by either party on not less than 12 months' notice.

12.1.2 Andrew Lindsay has a service agreement dated 5 May 2011 in respect to his appointment as Chief Executive effective from 14 July 2010 with the Company. Mr Lindsay is entitled to an annual salary of three hundred and ten thousand pounds (£310,000) subject to annual review on 1 April each year where Mr Lindsay shall receive a salary increase of not less than 4.5 per cent. The Company contributes to a defined contribution pension scheme chosen by Mr Lindsay a sum equal to 10 per cent. of his salary and also provides Mr Lindsay with private medical insurance and life assurance. The service agreement is terminable by either party on not less than six months' notice.

12.1.3 Chris Houghton has a service agreement in respect to his appointment as Finance Director effective from 16 February 2009 with the Company. Mr Houghton is entitled to an annual salary of one hundred and fifty thousand pounds (£150,000) subject to annual review on 1 April each year. The Company contributes to a defined contribution pension scheme chosen by Mr Houghton a sum equal to 10 per cent. of his salary and also provides Mr Houghton with private medical insurance and life assurance. The service agreement is terminable by either party on not less than six months' notice.

Non-Executive Directors

12.1.4 Julian Schild has a letter of appointment dated 25 May 2010 with the Company to act as Non-Executive Director. Mr Schild is entitled to an annual remuneration of thirty-five thousand pounds (£35,000) and will be reviewed at the same time as any review of the fees of other non-executive directors. Mr Schild is not entitled to pension contributions or to participate in any of the Company's benefit arrangements; including share option schemes (save as may otherwise be agreed by the Board). The letter of appointment is terminable by either party on not less than three months' notice.

12.1.5 Melvin Lawson has a letter of appointment dated 27 September 2006 with the Company to act as Non-Executive Director. Mr Lawson is entitled to an annual remuneration of twelve thousand pounds (£12,000) and will be reviewed at the same time as any review of the fees of other non-executive directors. Mr Lawson is not entitled to pension contributions or to participate in any of the Company's benefit arrangements; including share option schemes (save as may otherwise be agreed by the Board). The letter of appointment is terminable by either party on not less than three months' notice.

12.1.6 Michael Pavia has a letter of appointment dated 10 November 2006 with the Company to act as Non-Executive Director. Mr Pavia is entitled to an annual remuneration of twenty-one thousand pounds (£21,000) and will be reviewed at the same time as any review of the fees of other non-executive directors. Mr Pavia is not entitled to pension contributions or to participate in any of the Company's benefit arrangements; including share option schemes (save as may otherwise be agreed by the Board). The letter of appointment is terminable by either party on not less than three months' notice.

- 12.2 Save as aforesaid, there are no existing or proposed service agreements between any Director and the Company or any of its subsidiaries with a notice period of one year or more.
- 12.3 The amount of remuneration paid (including any contingency or deferred compensation) and benefits in kind granted to each of the Directors by any member of the Group for services in all capacities to the Group for the financial year ended 31 March 2013 were as follows:

| Director | Basic Salary/Fee (£000) | Healthcare (£000) | Pension (£000) | Total (£'000) |
|-----------------|----------------------------|----------------------|-------------------|------------------|
| Charles Wigoder | 360 | 5 | 36 | 401 |
| Julian Schild | 35 | - | - | 35 |
| Andrew Lindsay | 360 | 3 | 36 | 399 |
| Chris Houghton | 225 | 3 | 23 | 251 |
| Melvin Lawson | 12 | - | - | 12 |
| Michael Pavia | 21 | - | - | 21 |
| Total | 1,013 | 11 | 95 | 1,119 |

- 12.4 The total emoluments receivable by the Directors will not be varied in consequence of the Acquisition or the Issue.
- 12.5 The total amount accrued by the Company in respect of pension contributions to Directors for the year ended 31 March 2013 was ninety-five thousand pounds (£95,000).
- 12.6 There are no circumstances where there are special provisions in any of the contracts of employment of the Executive Directors.
- 12.7 Save as mentioned above in this paragraph 12, there are no existing or proposed service agreements between any Director and the Company or any of its subsidiaries providing for benefits upon termination of employment.

13. Additional information on Directors

- 13.1 The current business address of the Directors is Network HQ, 333 Edgware Road, London, NW9 6TD. Further details of the Directors' functions and relevant management experience is set out in paragraph 8 of Part XIII and this paragraph 13 of this Part XIX above and in the 2013 Annual Report (which is incorporated by reference into this document).
- 13.2 The Directors currently hold, or have held within the past five years, the following directorships and partnerships outside the Group:

| Name of Director | Existing Directorships | Past Directorships |
|------------------|---|--|
| Charles Wigoder | Mobile Media Promotions Ltd T.G.R'S Limited Mirago Technologies Limited Mirago Limited 9 Hyde Park Gardens Limited Opus Energy Group Limited Mirago M3 Ltd HPG1A Limited Jersey House (Developments) Ltd Herald Ventures II L.P. Base Holdings Limited Base Bistro & Gourmet Foods Limited Base Foods Limited | Destiny Wireless Limited Base Baker Street Limited 10-12 Hyde Park Gardens (Freehold) Limited |
| Julian Schild | Lizon Properties Limited Champery Investments Limited The Hospital of St John and St Elizabeth Iverson Properties LLP Tosca Penta Investments LLP Kings Place Capital LLP | The English Concert Ingenious Film Partners 2 LLP |

| Name of Director | Existing Directorships | Past Directorships |
|------------------|--|---|
| Andrew Lindsay | None | Ryness Limited Ryness 1 Limited Ryness Buyerco Limited Ryness Electrical Supplies Limited Ryness Holdings Limited |
| Chris Houghton | None | None |
| Melvin Lawson | 5 App Ltd App City Ltd 82 Portland Place (Freehold) Ltd A Beckman plc AB Group Limited Alternateport Limited Bantent Limited Baywork Limited Beckman Property Investments Limited Belgravia Homes Limited Boostmarket Limited Bradsett Limited Brytron Limited Catalyst Media Group Plc Catalyst Media Holdings Limited Deynacourt Limited Eagle I Invest Ltd Hallstar Limited Holbond Limited Homeplace Limited Homeshire Limited ICE Design Limited Jenty Properties Limited Lakeplace Limited Lakesystem Limited Lockston Developments (Woolwich) Limited Nightingale Hammerson Trustee Company Ltd No 1 Building Property Co Limited Optimal Monitoring Holdings Limited Optimal Monitoring Limited Optimal Monitoring Services Limited Primister Limited Rosesite Limited Rushden Warehouse Limited Satellite Information Services (Holdings) Limited Telecom Invest Limited Valbond Management Limited | Rosesite (Southern) Limited |
| Michael Pavia | A.C.A Limited Thames Water Utilities Limited Salamander Energy plc Elizabeth Finn Care Elizabeth Finn Trading Limited Wales & West Utilities Limited Wales & West Utilities Finance plc PetroGranada Limited | British Nuclear Fuels Limited |

13.3 None of the Directors has at any time within the last five years:

13.3.1 has had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;

- 13.3.2 been adjudged bankrupt or the subject of any individual voluntary arrangement;
 - 13.3.3 had a receiver appointed with respect to any assets belonging to him;
 - 13.3.4 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies);
 - 13.3.5 been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company;
 - 13.3.6 been a partner in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or entered into any partnership voluntary arrangement, or had a receiver appointed over any partnership asset; or
 - 13.3.7 save as disclosed in this paragraph 13 of Part XIX, been a director or senior manager of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time while he was a director or senior manager of that company or within 12 months after his ceasing to be a director.
- 13.4 There are no family relationships between any of the Directors and there are no potential conflicts of interest between their duties to the Company and their private interests.
 - 13.5 There are no restrictions which have been agreed by the Directors on the disposal of their holdings in the share capital of the Company.
 - 13.6 There are no outstanding loans or guarantees which have been granted or provided to or for the benefit of any Director by the Company or any of its subsidiaries.
 - 13.7 No director of the Company or any of its subsidiaries has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or any of its subsidiaries and which was effected by the Company or any of its subsidiaries during the current or immediately preceding financial year or which was effected before then and remains in any respect outstanding or unperformed.
 - 13.8 Charles Wigoder is a non-executive director of Base Holdings Limited which went into creditors' voluntary liquidation on 22 February 2011. The company had unsecured liabilities totalling £1,238,952 as at 17 April 2013.
 - 13.9 Charles Wigoder is a non-executive director of Base Bistro & Gourmet Foods Limited which went into creditors' voluntary liquidation on 11 November 2010. The company had creditors' liabilities (some of which related to preferential creditors) of £10,004 as at 9 January 2013 and unsecured creditors' claims have been noted when received by the liquidator.
 - 13.10 Charles Wigoder is a non-executive director of Base Foods Limited which went into creditors' voluntary liquidation on 11 November 2010. The company had creditors' liabilities (some of which relate to preferential creditors) of £20,690 as at 9 January 2013 and unsecured creditors' claims have been noted when received by the liquidator.

14. Corporate Governance and Board Practices

14.1 *Corporate Governance Code*

- 14.1.1 The annual report and accounts of the Company for the year ended 31 March 2013, which is incorporated by reference into this document, gives details of:
 - (a) the composition of the Board;
 - (b) the roles of Board members;
 - (c) matters reserved for a decision of the Board;
 - (d) the Group's corporate governance framework;
 - (e) the Group's reporting lines; and
 - (f) the independence and appointment of Non-executive Directors.
- 14.1.2 The Board is committed to ensuring that high levels of corporate governance are maintained that underpin the management of the Company's affairs. As at the date of this document,

and throughout the previous financial year, the Company has complied with the main principles and provisions of the Corporate Governance Code.

- 14.1.3 During the current financial year the Board will continue to assess its practices to ensure compliance with the Corporate Governance Code on an on going basis and will continue to monitor any changes required to be made to further develop and enhance its governance policies.
- 14.1.4 The Company is committed to the principles of corporate governance contained in the Corporate Governance Code and, as at the date of this document, the Company continues to comply with the provisions set out in the Corporate Governance Code and all the relevant corporate governance regimes in England and Wales.
- 14.1.5 The directors recognise that the Corporate Governance Code requires an external evaluation of the boards of FTSE 350 companies to be carried out at least every three years. The directors considered the position in relation to the year ended 31 March 2013, which represents the second reporting year under which this requirement has been in place, and concluded that an external evaluation was not necessary. In reaching this conclusion the directors were mindful of the effective operation of the Board during the year and the strong performance of the Company. As part of its normal review process the Board will re-assess its position in this regard during the current year.
- 14.1.6 The Audit Committee (see below) is mindful of the Code's requirement for FTSE 350 companies to put external audit contracts out to tender at least every 10 years. On 28 March 2013, the Company's auditor PKF (UK) LLP ("PKF"), which had been in place for over 10 years, announced that its merger with fellow accountancy firm, BDO LLP ("BDO"), had completed. During PKF's tenure, and in accordance with internal procedures and best practice, audit partners rotated every five years. The year ended 31 March 2013 represented the fifth and final year for the Company's previous audit partner, Jason Homewood. Therefore in the light of the requirements of the Corporate Governance Code and the associated guidance, the Committee would ordinarily have proposed that the external audit contract for the current year be put out to tender.
- 14.1.7 However, the Committee concluded that the merger of PKF and BDO increased the breadth of resources available to the Company for the conduct of the audit. Discussions with the combined firm regarding the audit for the current year indicated that at partner level members of the audit team would likely be drawn from the BDO side. In practice the Committee therefore felt that the current year's audit would effectively be led by a new audit firm, whilst continuing to benefit from the enhanced audit effectiveness inherent in audit team continuity at levels below partner. Nonetheless, the Committee remains conscious of the principles behind the requirement in the Corporate Governance Code to tender the external audit and will therefore closely monitor the performance, objectivity and independence of BDO in the short term. Should any concerns arise in these areas then it is likely the Committee will reconsider its position in relation to tendering the audit contract within the 10 year period set out in the Corporate Governance Code.

14.2 *Audit Committee*

- 14.2.1 The Audit Committee is made up of the independent non-executive directors of the Company and is chaired by Michael Pavia. The other members of the Audit Committee are Melvin Lawson and Julian Schild.
- 14.2.2 The key responsibilities of the Audit Committee include:
- (a) reviewing the appointment, re-appointment and removal of the external auditor and the direction of the external auditor to investigate any matters of particular concern;
 - (b) assessing the effectiveness of the Company's external auditor, including considering the scope and results of the annual audit;
 - (c) reviewing the independence and objectivity of the external auditor and assessing any potential impact on objectivity resulting from the provision of non-audit services by the external auditor;
 - (d) monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's performance; and

- (e) reviewing the Company's internal financial controls and other internal control and risk management processes.

14.2.3 The senior management team and executive directors periodically review the effectiveness of key internal control and risk management processes within the Company and report any changes in such activities to the Audit Committee and the external auditor for consideration. The review covers all material controls, including financial, operational and compliance controls.

14.3 **Remuneration Committee**

14.3.1 The Remuneration Committee is comprised of the independent non-executive directors of the Company and is chaired by Julian Schild. The other members of the Remuneration Committee are Melvin Lawson and Michael Pavia.

14.3.2 The Remuneration Committee is responsible for reviewing and making recommendations to the Board regarding the broad policy relating to the total remuneration paid to the executive directors and members of senior management of the Company; it meets regularly to review and set all elements of the remuneration paid to the executive directors of the Company, including pension rights, and monitors the level and structure of remuneration for other senior management of the Company. It also exercises all the powers of the Board in relation to the operation of the Company's share incentive schemes, including the grant of options and the terms of those grants.

14.3.3 The Committee met formally four times during the year ended 31 March 2013.

14.3.4 The Committee's principal activities during the year included:

- (a) reviewing and approving executive remuneration packages;
- (b) monitoring senior management remuneration packages;
- (c) reviewing and approving the issue of share options to the Finance Director, certain employees and independent Distributors of the Company;
- (d) determining the performance conditions attached to the issue of share options; and
- (e) approval of a minor change to the rules of the Distributor share option scheme to allow options to be issued with performance conditions attached to vesting.

14.4 **Nomination Committee**

14.4.1 The Nomination Committee is chaired by Michael Pavia. The other members of the Nomination Committee are Charles Wigoder and Julian Schild and is therefore made up of a majority of independent non-executive directors.

14.4.2 The main purpose of the Nomination Committee is to make recommendations to the Board on the appointment of new directors.

14.4.3 The key responsibilities of the Nomination Committee include:

- (a) making recommendations to the Board on the appointment of new non-executive and executive directors, including making recommendations as to the composition of the Board generally and the balance between executive and nonexecutive directors;
- (b) giving consideration to succession planning for directors and other senior executives;
- (c) reviewing on an annual basis the time required from non-executive directors and assessing whether the non-executive directors are spending enough time to fulfil their duties;
- (d) reviewing the re-election by shareholders of directors under the annual re-election provisions of the Code; and
- (e) evaluating any matters relating to the continuation in office of any director including the suspension or termination of service of an executive director.

15. **Working Capital**

15.1 The Company is of the opinion that, having regard to the New Debt Facilities available to the Group, the working capital of the Group is sufficient for its present requirements, that is for at least 12 months following the date of this document.

- 15.2 The Company is of the opinion that, having regard to the New Debt Facilities available to the Group and the proceeds of the Issue, the working capital of the Enlarged Group is sufficient for its present requirements, that is for at least 12 months following the date of this document.

16. Significant Change

- 16.1 There has been no significant change in the financial or trading position of the Group since 30 September 2013, being the date to which the Group's latest unaudited interim financial statements have been published.
- 16.2 Save for the balance sheet restructuring undertaken by the Energy Companies which has been carried out prior to the date of this document and the new energy supply arrangements entered into by the Energy Companies referred to in paragraph 6 of Part VII of this document, there has been no significant change in the financial or trading position of the Energy Companies since 31 August 2013, being the date to which the unaudited interim financial information of the Energy Companies set out in Sections E and F of Part XVII has been made up.

17. Litigation

- 17.1 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which during the 12 month period prior to the publication of this document may have, or have had in the recent past, significant effects on the Company or the Group's financial position or profitability.
- 17.2 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which during the 12 month period prior to the publication of this document may have, or have had in the recent past, significant effects on the Energy Companies' financial position or profitability.

18. Employees

- 18.1 As at 19 November 2013 (being the latest practicable date before the publication of this document) the Group had 690 employees.
- 18.2 In the financial year ended 31 March 2013 the Group employed an average number of 604 employees (including Directors).
- 18.3 In each of the last three financial years, the average number of employees in the Group can be broken into the following categories and locations:

| Employees | | Number (as at 31 March 2013) | Number (as at 31 March 2012) | Number (as at 31 March 2011) |
|-----------------------|----------------------|---------------------------------|---------------------------------|---------------------------------|
| Category | Customer Acquisition | 84 | 91 | 70 |
| | Customer Management | 520 | 450 | 409 |
| | Total | 604 | 541 | 479 |
| Geographical location | London | 604 | 541 | 479 |

19. Material Contracts

The Company

- 19.1 The following contracts have been entered into by members of the Group otherwise than in the ordinary course of business: (a) in the two years immediately preceding the date of this document and are or may be material; and (b) otherwise than in the two years immediately preceding the date of this document which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document;

19.1.1 *Placing Agreement*

Pursuant to the Placing Agreement, Peel Hunt has agreed to procure subscribers for, or failing which itself to subscribe for New Ordinary Shares not taken up under the Issue. In consideration of its services under the Placing and Open Offer Agreement, Peel Hunt will be paid £2.3 million.

The Company will pay all other costs, charges and expenses of, or incidental to, the issue of New Ordinary Shares, including the fees of the Financial Conduct Authority and the London Stock Exchange, printing costs, registrars' and receiving bankers' fees, the Company's legal

expenses, and Peel Hunt's legal and out-of-pocket expenses, and all related irrecoverable value added tax, if applicable.

The Placing and Open Offer Agreement, which contains certain representations, warranties and indemnities by the Company in favour of Peel Hunt is conditional, *inter alia*, on:

- (a) the passing of the Resolutions without amendment to be proposed at the General Meeting to be held on 6 December 2013;
- (b) the Acquisition Agreement and the Facilities Agreement not being terminated or rescinded and having become unconditional in all respects (save for Admission, the condition in the Facilities Agreement relating to the receipt by or on behalf of the Company of £96.5 million to effect the Acquisition and as regards any condition as to the Placing Agreement having become unconditional); and
- (c) Admission occurring by not later than 8.00 a.m. on the third business day following the approval of the Resolutions at the General Meeting or following receipt of the OFT clearance, whichever is the later.

Peel Hunt may terminate the Placing and Open Offer Agreement up to the date of Admission if, *inter alia*, there is a material adverse change in the financial position of the Group which, in the opinion of Peel Hunt, acting in good faith, would materially prejudice the success, of the Placing and Firm Placing.

19.1.2 *Acquisition Agreement*

A sale and purchase agreement dated 19 November 2013 between the Company and Npower pursuant to which the Company has agreed to acquire the entire issued share capital of each of the Energy Companies, as summarised in Part VIII of this document.

19.1.3 *Supply and Services Agreement*

A supply and services agreement dated 19 November 2013 between the Company, the Energy Companies, Npower and Plus Shipping pursuant to which Npower has agreed to make available gas and electricity and provide certain services to the Energy Companies for a period of up to 20 years as summarised in Part VIII of this document.

19.1.4 *Facilities Agreement*

The Company and certain of its subsidiaries entered into a credit agreement with Barclays as arranger, agent, security agent, original hedge counterparty and original lender dated 19 November 2013 under which the lenders granted the Company a secured term loan facility for a maximum principal amount of £70,000,000 ("Facility A"), a secured term loan facility for a maximum principal amount of £30,000,000 ("Facility B") and a secured revolving credit facility for a maximum principal amount of £25,000,000 (the "Revolving Credit Facility"). Facility A is repayable in quarterly instalments beginning on 30 June 2014 with the final payment date being the third anniversary of first drawdown unless such date is extended to the fourth anniversary of first drawdown in accordance with the terms of the Facilities Agreement. The Revolving Credit Facility will be increased by £5,000,000 for a limited three month period between December 2014 and February 2015 inclusive. Facility B is repayable on the second anniversary of first drawdown. Each loan made under the Revolving Credit Facility must be repaid on the last day of its interest period but may be redrawn to the extent there is availability under the Revolving Credit Facility. The Revolving Credit Facility will cease to be available on the date falling one month prior to the third anniversary of first drawdown. Interest is payable on the principal amount outstanding under each facility at rates between 1.85 and 3.6 per cent. per annum plus LIBOR. Certain fees and expenses, including a commitment fee, arrangement fee and agent's fee are payable by the Company. The Facilities Agreement includes a cross-guarantee and at the date of the Facilities Agreement the Company and TML are guarantors. The Facilities Agreement requires the Company to ensure that financial covenants are complied with. The financial covenants include a: (a) total net debt adjusted: EBITDA covenant; (b) EBITDA: net finance charges covenant; and (c) cash flow to gross finance charges covenant.

The Company, Barclays and Npower have entered into a priority and subordination agreement which regulates the respective rights and interests of Barclays and Npower as secured creditors. Npower's security is subordinated to Barclays' security and so too are

Npower's rights of enforcement save for limited claims which are unsecured. Npower has also undertaken in the priority and subordination agreement to agree to subordinate its security and rights to the security and rights of a future senior secured lender which refinances Barclays or any other senior secured lender which finances the Enlarged Group on terms no less favourable than set out in the priority and subordination agreement.

19.1.5 *Merit House Acquisition Agreement*

An agreement dated 10 February 2012 between the Company and Philip Glenn and Bryn Wilson of DTZ (acting in their capacity as joint Law of Property Act receivers and agents for Amadeus (Colindale) Limited) for the sale of the freehold land at Merit House, 508 Edgware Road, London NW9 5AB for a consideration of £6,280,000 (excluding VAT). The contract was entered into with no title guarantee and subject to the occupational leases and the entering into of a number of deeds of assignment relating to the occupational leases.

19.1.6 *Refurbishment contract*

The Company entered into a design and build contract with Area Sq Limited on 11 July 2013 in relation to the refurbishment of its new head office at Merit House. Under the terms of the contract, the Company shall pay Area Sq Limited a total of £17,493,834 for the works subject to the terms and conditions of the contract.

19.1.7 *Subscription and Transfer Agreements*

In connection with the Issue the Company, Newco and the Newco Subscriber, have entered into a subscription and transfer agreement and an initial subscription and put and call option agreement (together, the "Subscription and Transfer Agreements") each dated 20 November 2013 in respect of the subscription and transfer of ordinary shares and redeemable preference shares in Newco. Under the terms of the Subscription and Transfer Agreements:

- (a) the Company and the Newco Subscriber have agreed to subscribe for ordinary shares in Newco and enter into put and call options in respect of the ordinary shares in Newco subscribed for by the Newco Subscriber that are exercisable if the Issue does not proceed;
- (b) following the Placing Agreement becoming unconditional, payments received from Qualifying Shareholders subscribing for New Shares under the Open Offer shall be held by the Receiving Agent on behalf of the Newco Subscriber, and payments received by Peel Hunt from investors subscribing for New Shares under the Firm Placing and/or the Placing shall be held by Peel Hunt as the Newco Subscriber, in each case solely for the purpose of enabling the Newco Subscriber to subscribe for redeemable preference shares in the capital of Newco to an aggregate value equal to such monies, after deduction of the amount of certain commissions and expenses; and
- (c) the Company will allot and issue the New Shares conditional on Admission to those persons entitled thereto in consideration of the Newco Subscriber transferring its holdings of redeemable preference shares pursuant to the terms of the Issue and ordinary shares in the capital of Newco to the Company.

Accordingly, instead of receiving cash as consideration for the issue of the New Ordinary Shares, at the conclusion of the Issue, the Company will own the entire issued ordinary and redeemable preference share capital of Newco whose only assets will be its cash reserves, which will represent an amount equivalent to the net proceeds of the Issue. The Company will be able to utilise this amount by exercising its right of redemption over the redeemable preference shares it will hold in Newco and, during any interim period prior to redemption, by procuring that Newco lends the amount to the Company (or one of the Company's subsidiaries).

Qualifying Shareholders are not party to these arrangements and so will not acquire any direct right against the Newco Subscriber pursuant to these arrangements. The Company will be responsible for enforcing the Newco Subscriber's obligations thereunder.

The Energy Companies

- 19.2 Save for the Supply and Services Agreement referred to in paragraph 19.1.3, the Energy Companies have not entered into any contract otherwise than in the ordinary course of business: (a) in the two years immediately preceding the date of this document and are or may be material; and

(b) otherwise than in the two years immediately preceding the date of this document which contain any provision under which either of the Energy Companies has any obligation or entitlement which is material to the them as at the date of this document.

20. UK Taxation

20.1 Introduction

The comments set out below are based on existing United Kingdom law and what is understood to be current HMRC practice, both of which are subject to change at any time. They are intended as a general guide only and apply only to Shareholders who are resident and, in the case of individuals, ordinarily resident and domiciled, in the United Kingdom for tax purposes (except to the extent that specific reference is made to Shareholders resident outside the United Kingdom), who hold the shares as investments and who are the absolute beneficial owners of those shares. The comments set out below do not deal with the position of certain classes of Shareholders, such as dealers in securities, broker dealers, insurance companies, collective investment schemes or Shareholders who have or are deemed to have acquired their Existing Ordinary Shares by virtue of an office or employment. Shareholders who are in any doubt as to their taxation position or who are subject to taxation in any jurisdiction other than the United Kingdom, should consult their own professional advisers immediately.

20.2 Capital Gains Tax

It is understood that HMRC takes the view that, in circumstances such as these, the issue of New Ordinary Shares by the Company to Qualifying Shareholders up to each Qualifying Shareholder's *pro rata* entitlement may be treated as a reorganisation of the share capital for the purposes of United Kingdom taxation of capital gains.

Accordingly, New Ordinary Shares issued to a Qualifying Shareholder by the Company and not exceeding the Qualifying Shareholder's *pro rata* entitlement may, together with the shareholder's holding of Existing Ordinary Shares, be treated as a single asset acquired at the time the holding of Existing Ordinary Shares was acquired. The price paid for the New Ordinary Shares would then be added to the base cost of the existing holding.

United Kingdom resident individual Qualifying Shareholders are no longer entitled to indexation allowance or taper relief when they dispose of Ordinary Shares. Instead, depending upon their individual circumstances and any available reliefs, they may be subject to capital gains tax at the prevailing rate on any disposals of Existing Ordinary Shares or New Ordinary Shares. For individuals whose total taxable income and gains after all allowable deductions (including losses, the income tax personal allowance and the capital gains tax annual exempt amount) is less than the upper limit of the basic rate income tax band (£32,010 for 2013-14), the rate of capital gains tax will be 18 per cent. For gains (and any parts of gains) above that limit, the rate will be 28 per cent. For trustees and personal representatives, the rate will be 28 per cent. for gains above the applicable capital gains tax annual exempt amount.

A United Kingdom resident corporate Qualifying Shareholder will continue to be entitled to indexation allowance. For the purposes of calculating the indexation allowance, the expenditure incurred in subscribing for the New Ordinary Shares will be treated as having been incurred when the Qualifying Shareholder makes or becomes unconditionally liable to make payment of the subscription monies. A subsequent disposal of the New Ordinary Shares may give rise to a liability to United Kingdom corporation tax on chargeable gains.

20.3 Taxation of Dividends

No taxation will be withheld from cash dividends paid by the Company. In relation to certain shareholders, dividends carry a tax credit equal to one ninth of the dividend.

United Kingdom resident individuals

Individual shareholders, who are resident in the United Kingdom for tax purposes, will generally be subject to income tax on the aggregate amount of the dividend and associated tax credit (the "gross dividend"). For example, on a cash dividend of £90 an individual would be treated as having received dividend income of £100 and as having paid income tax of £10 (the "associated tax credit"). The gross dividend will be regarded as the top slice of the shareholder's income.

Individual shareholders who (after taking account of the gross dividend) are liable to income tax at the basic rate, pay tax on dividends at the dividend ordinary rate of 10 per cent. Such individuals will have no further tax to pay, as the tax liability will be fully extinguished by the

associated tax credit. Individual shareholders who are not liable to income tax are not able to recover the tax credit.

Individual shareholders who (after taking account of the gross dividend) are subject to income tax at the higher rate (currently 40 per cent.) will be liable to tax at the dividend upper rate of 32.5 per cent., on the gross dividend. For example, a higher rate tax payer receiving a dividend of £90 would for income tax purposes be treated as receiving dividend income of £100 (the aggregate of the £90 dividend received and the associated tax credit of £10). The tax liability would be £32.50. However, the associated tax credit of £10 would be set against the tax liability, leaving the individual with net tax to pay of £22.50.

Individual shareholders who (after taking account of the gross dividend) are subject to income tax at the additional rate (currently 45 per cent. from 6 April 2013) will be liable to income tax at the dividend additional rate of 37.5 per cent. on the gross dividend. For example, a 45 per cent. tax payer receiving a dividend of £90 would for income tax purposes be treated as receiving dividend income of £100 (the aggregate of the £90 dividend received and the associated tax credit of £10). The tax liability would be £37.50. However the associated tax credit of £10 would be set against the tax liability, leaving the individual with net tax to pay of £27.50.

United Kingdom resident trustees

Trustees of discretionary trusts liable to account for income tax on the income of the trust will be treated as having received gross income equal to the aggregate amount of the dividend and associated tax credit. Trustees will pay tax on dividends received at the rate of 37.5 per cent. As with the additional rate individual shareholders, the 10 per cent. tax credit will be set against the tax liability leaving further tax to pay of 27.5 per cent. of the gross dividend.

United Kingdom resident companies

Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on dividends unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether other conditions are met will depend upon the circumstances of the particular shareholder, although it is expected that the dividends paid by the company would normally be exempt.

United Kingdom resident gross funds/charities

There is no entitlement, for either a gross fund or charity, to a tax credit and consequently no claim to recover the tax credit will be possible.

20.4 Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

No liability to United Kingdom stamp duty or SDRT should arise on the issue of New Ordinary Shares to a Qualifying Shareholder.

Shares held outside the CREST system

The conveyance or transfer on sale of the New Ordinary Shares will usually be subject to stamp duty on the instrument of transfer, generally at the rate of 0.5 per cent. of the consideration given for the shares in money or money’s worth. Stamp duty is charged in multiples of £5, and is usually payable within 30 days of the date of execution of the relevant instrument completing the transfer. An exemption from stamp duty is available on an instrument transferring shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

An obligation to account for SDRT at the rate of 0.5 per cent. of the amount or value of the consideration will also arise if an unconditional agreement to transfer the New Ordinary Shares is not completed by a duly stamped instrument of transfer before the “accountable date” for SDRT purposes. The accountable date is the seventh day of the month following the month in which the agreement for the transfer is made. Payment of the stamp duty will cancel the liability to account for SDRT.

It is the purchaser who is in general liable to account for stamp duty or SDRT.

Shares held within the CREST system

The transfer of the New Ordinary Shares in uncertificated form in the CREST system will generally attract a liability of 0.5 per cent. of the consideration given for the shares in money or money’s worth. The SDRT will generally be collected by CREST.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or SDRT, and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

21. Consents and related matters

- 21.1 Peel Hunt LLP, of Moor House, 120 London Wall, London EC2Y 5ET, which is regulated by the Financial Conduct Authority, has given and has not withdrawn its written consent to the issue of this document with references to its name being included in it in the form and context in which they appear.
- 21.2 BDO LLP, of 55 Baker Street, London W1U 7EU, has given and has not withdrawn its written consent to the inclusion in this document of its letters and reports and the references to such letters and reports in the form and context in which they respectively appear. BDO LLP has authorised the contents of its reports for the purposes of Prospectus Rule 5.3.3R(2)(f).

22. Expenses of the Issue

The total costs and expenses of and incidental to the Issue, including the Financial Conduct Authority fee and the fees of the London Stock Exchange, commissions and fees payable to Peel Hunt and the costs of printing and distribution of the documents are estimated to amount to approximately £7.3 million (exclusive of VAT) and are payable by the Company. The estimated net cash proceeds of the Placing and Open Offer accruing to the Company are £122.7 million.

23. Dilution

The share capital of the Company in issue at the date of this document will, following the Issue, be increased by 12.4 per cent. as a result of the Placing and Open Offer. Those Shareholders who do not take up their Open Offer entitlement (and does not receive any other New Ordinary Shares pursuant to the Issue) will suffer a reduction of 11.1 per cent. in their proportionate ownership and voting interest in the ordinary share capital of the Company as represented by their holding of Ordinary Shares immediately following Admission.

24. Dividend policy

The amount of the dividend per share paid for each of the financial years ended 31 March 2011, 2012 and 2013 (as adjusted to cater for changes in the number of Ordinary Shares of the Company to make it comparable) was:

| Date | Amount of dividend |
|---------------|---|
| 31 March 2011 | Twenty-two pence (£0.22) per Ordinary Share |
| 31 March 2012 | Twenty-seven pence (£0.27) per Ordinary Share |
| 31 March 2013 | Thirty-one pence (£0.31) per Ordinary Share |

25. Related Party Transactions

Other than as disclosed in the financial information incorporated by reference into this document (as explained in Part XX of this document) for the financial years ended 31 March 2011, 31 March 2012 and 31 March 2013, there are no related party transactions between the Company and members of the Group that were entered into during that period. During the period from 1 April 2013 to the date of this document, the Company acquired goods and services worth approximately £11,000 from companies in which certain Directors have a beneficial interest and sold goods and services worth approximately £5,600 to companies in which certain Directors have a beneficial interest.

26. General

- 26.1 The Company's registrar and paying agent for the Placing and Open Offer is Capita Registrars of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU who will, in relation to Ordinary Shares in certificated form, be responsible for keeping the Company's share records.
- 26.2 The auditors of the Company are BDO LLP of 55 Baker Street, London W1U 7EU, who have audited the Company's accounts for the financial year ended 31 March 2013. PKF (UK) LLP, which merged with BDO LLP on 28 March 2013, was the auditor of the Company for the financial years ended 31 March 2011 and 2012. The audit reports were unqualified.

- 26.3 For the period from 1 April 2010, the Company has spent £Nil on research and development activities.

27. Takeover Bids

27.1 Mandatory bids

The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding Ordinary Shares in the Company at a price not less than the highest price paid for the Ordinary Shares in the Company by the acquirer or its concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties) Ordinary Shares carrying between 30 to 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

27.2 Squeeze-out

Under the Act, if a person were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding holders of Ordinary Shares telling them that it will compulsorily acquire their Ordinary Shares and then, six weeks later, executing a transfer of the outstanding Ordinary Shares in its favour and paying the consideration to the Company, which would then hold the consideration on trust for outstanding holders of Ordinary Shares. The consideration offered to the outstanding holders of Ordinary Shares whose shares are compulsorily acquired must, in general, be the same as the consideration that was available under the takeover offer.

27.3 Takeover bids

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

28. Documents available for Inspection

Copies of the following documents may be inspected at the offices of Nabarro LLP, Lacon House, 84 Theobald's Road, London WC1X 8RW and at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the date that is 12 months after Admission:

- 28.1 the Memorandum of Association of the Company and the Articles;
- 28.2 the audited consolidated accounts of the Company and its subsidiaries for the three financial years ended 31 March 2011, 2012 and 2013 and the unaudited half year results for the period ended 30 September 2013;
- 28.3 the reports of BDO LLP contained in Parts XVI, XVII and XVIII; and
- 28.4 this document, the Application Form and Form of Proxy;
- 28.5 the letter of consent of Peel Hunt LLP dated 20 November 2013; and
- 28.6 the letter of consent of BDO LLP dated 20 November 2013.

29. Availability of the Prospectus

Copies of this document together with the documents incorporated by reference listed in Part XX of this document will be available free of charge from the registered office of the Company and the London office of Nabarro LLP, Lacon House, 84 Theobald's Road, London WC1X 8RW during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document until the date of Admission.

PART XX

DOCUMENTS INCORPORATED BY REFERENCE

1. Telecom Plus PLC documents incorporated by reference

The Annual Report of the Company for each of the financial years ended 31 March 2013, 31 March 2012 and 31 March 2011 are available for inspection in accordance with paragraph 28 of Part XIX “Additional Information” of this document and contain information which is relevant to the Company and the Shares. These documents are also available on the Telecom Plus PLC’s website at www.utilitywarehouse.co.uk.

The table below sets out the various sections of such document which are incorporated by reference into this document so as to provide the information required under the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of the Company and the New Ordinary Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company.

Save as set out in paragraphs 3 and 4 of this Part XX, all other parts of the documents incorporated by reference in this document are either not relevant for investors or are covered elsewhere in this document.

2. Documents incorporated by reference in relation to the Operating and Financial Review and the Historical Financial Information

In order to satisfy the operating and financial review information and the historical financial information requirements set out in the Prospectus Rules the following documents are incorporated by reference in this document:

- 2011 Annual Report and Accounts;
- 2012 Annual Report and Accounts; and
- 2013 Annual Report and Accounts.

3. Operating and Financial Review cross-reference list

The following list is intended to enable investors to identify easily specific items of information which have been referred to in paragraph 5(i) to 5(iv) of Part XIV and incorporated by reference in this document pursuant to this Part XX.

3.1 *2011 Annual Report and Accounts*

The page numbers below refer to the relevant pages of the 2011 Annual Report and Accounts:

| | |
|--|-------|
| ● Overview | 2-6 |
| ● Chairman’s Statement | 7-11 |
| ● Business Review | 12-19 |
| ● Financial Review | 20-22 |
| ● Consolidated Statement of Comprehensive Income | 45 |
| ● Consolidated and Company Balance Sheets | 46 |
| ● Consolidated and Company Cash Flow Statements | 47 |
| ● Consolidated Statement of Changes in Equity | 48-49 |
| ● Notes to the Consolidated Financial Statements | 50-77 |

3.2 *2012 Annual Report and Accounts*

The page numbers below refer to the relevant pages of the 2012 Annual Report and Accounts:

| | |
|------------------------|-------|
| ● Overview | 2-6 |
| ● Chairman’s Statement | 7-10 |
| ● Business Review | 11-20 |
| ● Financial Review | 21-24 |

| | |
|--|-------|
| ● Consolidated Statement of Comprehensive Income | 46 |
| ● Consolidated and Company Balance Sheets | 47 |
| ● Consolidated and Company Cash Flow Statements | 48 |
| ● Consolidated Statement of Changes in Equity | 49-50 |
| ● Notes to the Consolidated Financial Statements | 51-73 |

3.3 ***2013 Annual Report and Accounts***

The page numbers below refer to the relevant pages of the 2013 Annual Report and Accounts:

| | |
|--|-------|
| ● Overview | 2-6 |
| ● Chairman's Statement | 7-10 |
| ● Business Review | 11-20 |
| ● Financial Review | 21-24 |
| ● Consolidated Statement of Comprehensive Income | 46 |
| ● Consolidated and Company Balance Sheets | 47 |
| ● Consolidated and Company Cash Flow Statements | 48 |
| ● Consolidated Statement of Changes in Equity | 49-50 |
| ● Notes to the Consolidated Financial Statements | 51-74 |

4. **Historical Financial Information cross-reference list**

The following list is intended to enable investors to identify easily specific items of information which comprises the historical financial information incorporated by reference in this document pursuant to this Part XX.

4.1 ***Financial statements for the year ended 31 March 2011***

The page numbers below refer to the relevant pages of the 2011 Annual Report and Accounts:

| | |
|--|-------|
| ● Independent auditor's report | 43-44 |
| ● Consolidated statement of comprehensive income | 45 |
| ● Consolidated balance sheet | 46 |
| ● Consolidated cash flow statement | 47 |
| ● Consolidated statement of changes in equity | 48-49 |
| ● Notes to the consolidated financial statements | 50-70 |

4.2 ***Financial statements for the year ended 31 March 2012***

The page numbers below refer to the relevant pages of the 2012 Annual Report and Accounts:

| | |
|--|-------|
| ● Independent auditor's report | 44-45 |
| ● Consolidated statement of comprehensive income | 46 |
| ● Consolidated balance sheet | 47 |
| ● Consolidated cash flow statement | 48 |
| ● Consolidated statement of changes in equity | 49-50 |
| ● Notes to the consolidated financial statements | 51-73 |

4.3 ***Financial statements for the year ended 31 March 2013***

The page numbers below refer to the relevant pages of the 2013 Annual Report and Accounts:

| | |
|--|-------|
| ● Independent auditor's report | 44-45 |
| ● Consolidated statement of comprehensive income | 46 |
| ● Consolidated balance sheet | 47 |

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|--|-------|
| ● Consolidated cash flow statement | 48 |
| ● Consolidated statement of changes in equity | 49 |
| ● Notes to the consolidated financial statements | 51-74 |

DEFINITIONS

In this document the following terms and expressions have the following meanings unless the context requires otherwise. All references to legislation in this Prospectus are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof. Words importing the singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

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|---|--|
| 1997 ESOP | the Telecom Plus PLC 1997 Non-Approved Share Option Scheme |
| Acquisition | the acquisition pursuant to the Acquisition Agreement of the entire issued share capital of the Energy Companies by the Company |
| Acquisition Agreement | the agreement dated 20 November 2013 between the Company and Npower relating to the Acquisition |
| Act | Companies Act 2006 (as amended from time to time) |
| Admission | the admission of the New Ordinary Shares to the premium listing segment of the Official List becoming effective in accordance with the Listing Rules and the admission of the New Ordinary Shares to trading on the Main Market becoming effective in accordance with the Admission and Disclosure Standards |
| Admission and Disclosure Standards | the admission and disclosure standards of the London Stock Exchange containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the Main Market |
| Applicant | a Qualifying Shareholder applying for Open Offer Shares |
| Application Form | the application form accompanying this document on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer |
| Articles | the articles of association of the Company, details of which are set out in paragraph 11 of Part XIX of this document |
| Audit Committee | the Company's audit committee, further details of which are set out in Part XIX of this document |
| Barclays | Barclays Bank PLC |
| Board or Directors | the executive directors and non-executive directors of Telecom Plus PLC, whose names appear on page 27 of this document |
| Business Day | a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in the City of London for the transaction of normal banking business |
| Capita Asset Services | a trading name of Capita Registrars Limited of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU |
| CCSS | the CREST Courier and Sorting Service established by Euroclear UK to facilitate, amongst other things, the deposit and withdrawal of securities |
| certificated or in certificated form | not in uncertificated form (that is, not in CREST) |
| City Code | the City Code on Takeovers and Mergers |
| Closing Price | the closing middle market quotation as derived from the Daily Official List of the London Stock Exchange on a particular day |
| Companies Act | Companies Act 2006 |
| Company or Telecom Plus PLC | Telecom Plus PLC with registered company number 3263464 |

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| Corporate Governance Code | the UK Corporate Governance Code published by the Financial Reporting Council in September 2012 |
| CREST | the relevant system, as defined in the CREST Regulations (in respect of which Euroclear is the operator as defined in the CREST Regulations) |
| CREST Manual | the CREST manual consisting of the CREST reference manual; CREST international manual; CREST central counterparty service manual; CREST rules; CCSS operations manual and CREST glossary of terms available at https://www.euroclear.com |
| CREST Member | a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations) |
| CREST Participant | a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations) |
| CREST Regulations | the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378) |
| 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 record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange |
| Disclosure and Transparency Rules | the rules relating to the disclosure of information made in accordance with section 73A(3) of FSMA |
| Distributor | independent, self-employed seller of the Group's services |
| Distributors Plan | the Telecom Plus PLC 2007 Networkers and Consultants Share Option Plan |
| EBITDA | earnings before interest, tax, depreciation and amortisation |
| EEA State | European Economic Area member states |
| Electricity Plus | Electricity Plus Supply Limited |
| Energy Companies | Electricity Plus and Gas Plus together |
| Enlarged Share Capital | the issued share capital of the Company immediately following completion of the Issue |
| Enlarged Group | together the Group and the Energy Companies, assuming completion of the Acquisition |
| ESOP | the Telecom Plus PLC 2007 Employee Share Option Plan |
| EU | the European Union |
| Euroclear | Euroclear UK & Ireland Limited, the operator of CREST |
| Excluded Territories | Australia, Canada, Japan, New Zealand, the Republic of South Africa and the US and any other jurisdiction where the availability of the Issue would breach any applicable laws or regulations, and "Excluded Territory" shall mean any of them |
| Existing Ordinary Shares | the 70,865,166 Ordinary Shares in issue at the date of this document |
| Facilities Agreement | the agreement dated 20 November 2013 between the Company and others and Barclays relating to the New Debt Facilities |
| Financial Conduct Authority or FCA | the Financial Conduct Authority of the United Kingdom |
| Firm Placee | any person that has agreed to subscribe for Firm Placing Shares |
| Firm Placing | the placing of the Firm Placing Shares by Peel Hunt, on behalf of the Company on the terms and subject to the conditions contained in the Placing Agreement |

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| Firm Placing Shares | the 6,788,843 New Ordinary Shares which are to be issued pursuant to the Firm Placing |
| Form of Proxy | the form of proxy for use in connection with the General Meeting |
| FSMA | the Financial Services and Markets Act 2000 |
| Gas Plus | Gas Plus Supply Limited |
| General Meeting | the general meeting of the Company to be held at the offices of the Company located at Network HQ, 333 Edgware Road, London NW9 6TD at 10.00 a.m. on 6 December 2013, notice of which is set out at the end of this document |
| Group or Telecom Plus PLC Group | Telecom Plus PLC and its subsidiaries from time to time |
| HMRC | HM Revenue & Customs |
| IFRS | International Financial Reporting Standards as issued by the International Accounting Standards Board and, for the purposes of this document, as adopted by the European Union |
| ISIN | International Securities Identification Number |
| Issue | the issue of New Ordinary Shares pursuant to the Firm Placing and the Placing and Open Offer |
| Issue Price | 1475 pence per New Ordinary Share |
| JSOP | the Telecom Plus PLC Joint Share Ownership Plan 2011 |
| LIBOR | London Interbank Offered Rate |
| Listing Rules | the Listing Rules made by the FCA under Part VI of FSMA |
| London Stock Exchange | London Stock Exchange plc |
| Main Market | London Stock Exchange's main market for listed securities |
| Member Account ID | the identification code or number attached to any member account in CREST |
| Member State | a sovereign state which is a member of the European Union |
| Money Laundering Regulations | the Money Laundering Regulations 2007 (Statutory Instrument 2007/2157) |
| Npower | Npower Limited |
| New Debt Facilities | the £70 million term loan A facility and the £30 million term loan B facility and £25 million revolving credit facility entered into by the Company and others and Barclays |
| Newco | Telecom Plus (Jersey) Limited |
| Newco Subscriber | Peel Hunt |
| New Ordinary Shares | the Ordinary Shares to be issued pursuant to the Issue comprising the Firm Placing Shares and the Open Offer Shares |
| Nomination Committee | the Company's nomination committee, further details of which are set out in paragraph 14 of Part XIX of this document |
| Notice of General Meeting | the notice of General Meeting which forms part of this document |
| Official List | the Official List of the FCA |
| Open Offer or Placing and Open Offer | the conditional invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form |

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| Open Offer Entitlement | the <i>pro rata</i> entitlement of Qualifying Shareholders to subscribe for 1 Open Offer Share for every 35 Existing Ordinary Shares registered in their name as at the Record Date, on and subject to the terms of the Open Offer |
| Open Offer Shares or Placing Shares | the 2,024,717 New Ordinary Shares which have been conditionally placed by Peel Hunt, on behalf of the Company, subject to clawback to satisfy valid applications by Qualifying Shareholders, and which are to be issued pursuant to the terms of the Open Offer |
| Options | options over Ordinary Shares |
| Ordinary Shares | ordinary shares of 5 pence each in the share capital of the Company |
| Overseas Shareholders | Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom |
| Panel | the Takeover Panel |
| Participant ID | the identification code or membership number used in CREST to identify a particular CREST Member or other CREST Participant |
| Peel Hunt | Peel Hunt LLP, in its capacity as sponsor, financial adviser, broker and bookrunner to the Company |
| Placee | any person who has agreed to subscribe for New Ordinary Shares pursuant to the Firm Placing and/or the Placing |
| Placing | the placing of the Open Offer Shares (subject to clawback by Qualifying Shareholders under the Open Offer) by Peel Hunt, on behalf of the Company, on the terms and subject to the conditions contained in the Placing Agreement |
| Placing Agreement | the firm placing and open offer agreement dated 20 November 2013 between the Company and Peel Hunt relating to the Firm Placing and the Placing and Open Offer and further described in paragraph 19 of Part XIX of this document |
| Plus Shipping | Plus Shipping Services Limited, the company which is a subsidiary of Npower which operates as the gas supplier in respect of the provision of gas to the Group's customers |
| Pounds Sterling or £ | the lawful currency of the United Kingdom |
| Prospectus Directive Regulation | the Prospectus Directive Regulation (809/2004/EC) |
| Prospectus Rules | the Prospectus Rules published by the FCA under section 73A of FSMA |
| Qualifying CREST Shareholders | Qualifying Shareholders holding Ordinary Shares in uncertificated form on the Record Date |
| Qualifying Non-CREST Shareholders | Qualifying Shareholders holding Ordinary Shares in certificated form on the Record Date |
| Qualifying Shareholders | holders of Ordinary Shares on the register of members of the Company at the Record Date with the exclusion of Overseas Shareholders with a registered address or resident in any Excluded Territory |
| Record Date | 5.30 p.m. on 18 November 2013 |
| Registrars or Receiving Agent | Capita Asset Services |
| Regulatory Information Service | one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies |
| Remuneration Committee | the Company's remuneration committee, further details of which are set out in Part XIX of this document |

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| Resolutions | the resolutions to be proposed at the General Meeting set out in the Notice of General Meeting (each a “Resolution”) |
| RMR | the Retail Market Review recently concluded by Ofgem |
| RWE AG | RWE AG, a company incorporated in Germany with registration number HRB14525 |
| RWE Npower Holdings plc | RWE Npower Holdings plc, a company incorporated in England and Wales with registration number 3987817 |
| RWE Npower plc | RWE Npower plc, a company incorporated in England and Wales with registration number 3892782 |
| SSA | the Supply and Services Agreement dated 20 November 2013 between the Company, Npower, the Energy Companies and Plus Shipping |
| Share Schemes | the ESOP, the Distributors Plan, the JSOP and the 1997 ESOP |
| Telecom Plus PLC Shareholder or Shareholder | a holder of Telecom Plus PLC Shares |
| TML | Telecommunications Management Limited, a wholly-owned subsidiary of the Company |
| UK Listing Authority or UKLA | the FCA in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of FSMA |
| uncertificated or in uncertificated form | recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST |
| United Kingdom or UK | the United Kingdom of Great Britain and Northern Ireland |
| United States or US | the United States of America |
| USD | the lawful currency of the United States of America |
| US Securities Act | the US Securities Act 1933, as amended |
| VAT | value added tax |

NOTICE OF GENERAL MEETING

Telecom Plus PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 3263464)

Notice is hereby given that a General Meeting of Telecom Plus PLC (the “Company”) will be held at the offices of Telecom Plus PLC located at Network HQ, 333 Edgware Road, London, NW9 6TD, at 10.00 a.m. on Friday 6 December 2013, for the purposes of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

1. THAT, the proposed acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited by the Company (“Acquisition”), as described in the Prospectus and Circular to which this Notice of General Meeting is attached (“Prospectus”), on the terms and subject to the conditions of the Acquisition Agreement (as defined in the Prospectus), be and is hereby approved for the purposes of Chapter 10 of the Listing Rules of the Financial Conduct Authority, subject to such amendments, variations or waivers (provided such amendments, variations or waivers are not of a material nature) of the terms and conditions thereof as the Directors (or a committee consisting of one or more Directors which is duly constituted under the Company’s Articles of Association (“Committee”)), shall, in their absolute discretion, think fit and subject to the foregoing, that the Directors (or the Committee as applicable) be and are hereby authorised to take all necessary steps and to execute all documents and deeds as they may consider to be necessary, desirable or expedient to conclude, implement and give effect to the Acquisition or in connection therewith.
2. THAT, subject to and conditional upon Resolution 1 set out in this Notice of General Meeting being duly passed, the authorised share capital of the Company referred to in article 3 of the articles of association of the Company be increased to £8,000,000 divided into 160,000,000 ordinary shares of 5 pence each and the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company in accordance with section 551 of the Companies Act 2006 (the “Act”) to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (all of which transactions are hereafter referred to as an allotment of “relevant securities”) up to an aggregate nominal amount of £440,678 pursuant to the Issue (as defined in the Prospectus to which this Notice is attached), which authority shall be in addition to the existing authority conferred on the Directors on 17 July 2013, which shall continue in full force and effect. The authority conferred by this Resolution shall expire on the conclusion of the Company’s next annual general meeting (unless previously revoked or varied by the Company in general meeting), save that the Company may, before such expiry, revocation or variation make an offer or agreement which would or might require relevant securities to be allotted after such expiry, revocation or variation and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired or been revoked or varied.

By order of the Board

David Baxter
Company Secretary

20 November 2013

Registered Office
Network HQ
333 Edgware Road
London
NW9 6TD

Notes:**Website address**

1. Information regarding the meeting (and other information required by Section 311A of the Act) is available from www.utilitywarehouse.co.uk.

Entitlement to attend and vote

2. Only those holders of Ordinary Shares registered on the Company's register of members at 6.00 p.m. on 4 December 2013; or, if this meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.

Appointment of Proxies

3. Members entitled to attend, speak and vote at the meeting (in accordance with Note 2 above) are entitled to appoint one or more proxies to attend, speak and vote in their place. If you wish to appoint a proxy please use the Form of Proxy enclosed with this document or follow the instructions at Notes 10 to 14 (inclusive) below if you wish to appoint a proxy through the CREST electronic proxy appointment service. In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding. The completion and return of the Form of Proxy will not stop you attending and voting in person at the meeting should you wish to do so. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. If you choose to appoint multiple proxies use a separate copy of this form (which you may photocopy) for each proxy, and indicate after the proxy's name the number of shares in relation to which they are authorised to act (which, in aggregate, should not exceed the number of ordinary shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned in the same envelope.
4. You can appoint the Chairman of the Meeting, or any other person, as your proxy. If you wish to appoint someone other than the Chairman, cross out the words "the Chairman of the Meeting" on the Form of Proxy and insert the full name of your appointee.
5. You can instruct your proxy how to vote on each resolution by ticking the "For" and "Against" boxes as appropriate (or entering the number of shares which you are entitled to vote). If you wish to abstain from voting on any resolution please tick the box which is marked "Vote Withheld". It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.
6. A company incorporated in England and Wales or Northern Ireland should execute the Form of Proxy under its common seal or otherwise in accordance with section 44 of the Act or by signature on its behalf by a duly authorised officer or attorney whose power of attorney or other authority (or notorally certified or office copy of such power or authority) should be enclosed with the Form of Proxy.

Appointment of Proxy using Hard Copy Form

7. The Form of Proxy and any power of attorney (or a notorally certified copy or office copy thereof) under which it is executed must be received by Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 10.00 a.m. on 4 December 2013 in respect of the meeting. Any Forms of Proxy received before such time will be deemed to have been received at such time. In the case of an adjournment, the Form of Proxy must be received by Capita no later than 48 hours before the rescheduled meeting. On completing the Form of Proxy, sign it and return it to Capita at the address shown on the reverse of the Form of Proxy. As postage has been pre-paid no stamp is required. You may, if you prefer, return the Form of Proxy in a sealed envelope to the address shown above.

Appointment of Proxy Online

8. As an alternative to completing your hard-copy proxy form, you can appoint a proxy electronically at www.capitashareportal.com. For an electronic proxy appointment to be valid, your appointment must be received by no later than 10.00 a.m. on 4 December 2013.
9. If you would like to submit your proxy vote electronically, you can do so by visiting www.capitashareportal.com. To vote online you will need to enter your surname, investor code printed on the Form of Proxy and postcode.

Appointment of Proxies through CREST

10. CREST Members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual (available at www.euroclear.com/CREST). CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST Sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointee through CREST should be communicated to the appointee through other means.

12. CREST Members and, where applicable, their CREST Sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST Sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST Members and, where applicable, their CREST Sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged by 10.00 a.m. on 4 December 2013 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time.

Termination of Proxy Appointments

15. In order to revoke a proxy instruction you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
16. In the case of a member which is a company, the revocation notice must be executed under its common seal or otherwise in accordance with section 44 of the Act or by signature on its behalf by an officer or attorney whose power of attorney or other authority should be included with the revocation notice.
17. If you attempt to revoke your proxy appointment but the revocation is received after the time specified in Note 7 or 8 above (as applicable) then, subject to the paragraph directly below, your proxy will remain valid.
18. If you submit more than one valid proxy appointment in respect of the same ordinary shares, the appointment received last before the latest time for receipt of proxies will take precedence. Completion of a Form of Proxy will not preclude a member from attending and voting in person. If you have appointed a proxy and vote at the meeting in person, your proxy appointment will be automatically terminated.

Issued Shares and Total Voting Rights

19. The total number of shares in issue in the Company is 70,865,116 ordinary shares of 5 pence each. The total number of ordinary shares with voting rights is 70,865,116. On a vote by a show of hands, every holder of ordinary shares who (being an individual) is present by a person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll every holder of ordinary shares who is present in person or by proxy shall have one vote for every ordinary share held by him.

Communication

20. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):
 - calling Capita Asset Services on 0871 664 0321 (from within the UK) or on +44 (0) 208 6393399 (if calling from outside the UK). Calls to the 0871 664 0321 number are charged at 10 pence per minute (excluding VAT) plus network extras. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Firm Placing, Placing and Open Offer and Acquisition nor give financial, tax, investment or legal advice; or
 - in writing to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
21. You may not use any electronic address provided either:
 - in this notice of meeting; or
 - any related documents (including the Form of Proxy for this meeting) to communicate with the Company for any purposes other than those expressly stated.

Shareholder Rights

22. Any person to whom this Notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member to exercise the voting rights. The statements of the rights of members in relation to the appointment of proxies in Notes 3 to 14 (inclusive) do not apply to Nominated Persons. The rights described in those Notes can only be exercised by members of the Company.
23. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
24. Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the general meeting. Please contact our Registrars if you need any further guidance on this.
25. Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

