

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A copy of this document, which comprises a prospectus drawn up in accordance with the POS Regulations, has been delivered to the Registrar of Companies in England and Wales in accordance with regulation 4(2) of the POS Regulations.

If you have sold or transferred all of your Ordinary Shares in TTG Europe PLC prior to the Record Date, please send this document, together with the accompanying forms and documents, immediately to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. Such documents should not, however, be forwarded or transmitted in or into the United States of America, Canada, Australia, Japan, the Republic of Ireland or their respective territories or possessions or any other territory outside the United Kingdom unless the Open Offer can lawfully be made to such person in such territory. If you have sold or transferred some of your Ordinary Shares in TTG Europe PLC prior to the Record Date, you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions set out in the section headed "Instructions for transfer and splitting" in the Application Form.

Application will be made for the Offer Shares to be admitted to trading on AIM. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority.**

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

The London Stock Exchange plc has not itself examined or approved the contents of this document.

TTG Europe PLC

Open Offer of 378,262,622 New Ordinary Shares

at 0.5p per share

by

KBC Peel Hunt Ltd



Overseas Shareholders and any other persons not resident in nor a citizen of, or who are outside, the UK are referred to the paragraph headed "Overseas Shareholders" in Part II of this document.

KBC Peel Hunt, which is regulated by the Financial Services Authority, is acting for the Company in relation to the Open Offer and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of KBC Peel Hunt or for advising them on the contents of this document or any other matter in relation to the Open Offer.

The latest time and date for acceptance and payment in full under the Open Offer is 3.00 p.m. on 27 July 2004 and the procedure for acceptance and payment is set out Part II of this document and in the accompanying Application Form. Applications under the Open Offer may only be made on the enclosed Application Form which is personal to the person(s) named thereon and may not be assigned or transferred except to satisfy bona fide market claims as set out in this document.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for the Open Offer	Close of business on 16 June 2004
Extraordinary General Meeting	10.00 a.m., 13 July 2004
Admission effective and dealings commence in the Placing Shares	14 July 2004
Latest time and date for splitting Application Forms (to satisfy bona fide market claims only)	3.00 p.m., 23 July 2004
Latest time and date for receipt of completed Application Forms and payment in full	3.00 p.m., 27 July 2004
Admission effective and dealings commence in the Offer Shares	2 August 2004
Crediting of CREST accounts	2 August 2004
Share certificates in respect of certificated shares despatched by	9 August 2004

DEFINITIONS

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

“Act”	the Companies Act 1985
“Admission”	admission of the Offer Shares to trading on AIM
“AIM”	a market operated by the London Stock Exchange plc
“AIM Rules”	the rules published by the London Stock Exchange relating to AIM
“Anglia Telecom”	Anglia Telecom Centres Limited, a wholly owned subsidiary of the Company
“Application Form”	the application form in respect of the Open Offer which accompanies this document and which forms part of the terms and conditions of the Open Offer
“BETEC Settlement”	the settlement of the litigation between the Company and the trustees of the BETEC Retirements Benefits Plan details of which are set out in paragraph 9.2 of Part III of this document
“Capital Reorganisation”	the sub-division of the existing issued Deferred Shares and Ordinary Shares, the sub-division of the authorised but unissued Ordinary Shares and the increase in authorised share capital in each case to become effective upon the passing of the Resolution and as more fully explained in this document
“Company” or “TTG Europe”	TTG Europe PLC
“CREST”	the system operated by CRESTCo for the paperless settlement of trades in certain securities
“CRESTCo”	CRESTCo Limited, the Operator (as defined in The Uncertificated Securities Regulations 2001) of CREST
“Deferred Shares”	the non-voting deferred shares of 9p each in the capital of the Company and, following the Capital Reorganisation, of 0.9p each
“Directors” or “Board”	the directors of the Company, whose names are set out on page 5
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at 10.00 a.m. on 13 July 2004 pursuant to the notice of EGM sent to Shareholders on 18 June 2004
“Issue Price”	0.5p per New Ordinary Share
“Group”	the Company and its subsidiary undertakings
“KBC Peel Hunt”	KBC Peel Hunt Ltd
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the new ordinary shares of 0.1p each in the capital of the Company, following the Capital Reorganisation
“Offer Shares”	the 378,262,622 New Ordinary Shares the subject of the Open Offer
“Open Offer”	the conditional offer being made by KBC Peel Hunt on behalf of the Company to Qualifying Shareholders to subscribe for the Offer Shares at the Issue Price on the terms and conditions set out in this document and in the Application Form

“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Overseas Shareholders”	holders of Ordinary Shares with registered addresses outside the UK or who are citizens of, incorporated in, registered in or otherwise resident in, countries outside the UK
“Placing”	the conditional placing by KBC Peel Hunt of the Placing Shares, pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 18 June 2004, between the Company and KBC Peel Hunt relating to the Placing, a summary of which is set out in paragraph 9.1 of Part III of this document
“Placing Shares”	1,200,000,000 New Ordinary Shares to be placed pursuant to the Placing
“POS Regulations”	the Public Offers of Securities Regulations 1995
“Qualifying Shareholders”	holders of Ordinary Shares on the register of members of the Company on the Record Date to whom the Open Offer is made
“Record Date”	close of business on 16 June 2004
“Resolution”	the resolution to be proposed at the EGM which proposes, <i>inter alia</i> , that conditionally on the Placing Agreement becoming unconditional in all respects, the Capital Reorganisation be approved
“Shareholders”	holders of Ordinary Shares or, following the Capital Reorganisation, New Ordinary Shares
“TTG Belgium”	Ventelo Belgium NV, a wholly owned subsidiary of the Company
“TTG Netherlands”	Ventelo Nederland BV, a wholly owned subsidiary of the Company
“UK”	the United Kingdom of Great Britain and Northern Ireland

PART I

LETTER FROM THE CHAIRMAN

TTG EUROPE PLC

(Incorporated in England and Wales with Registered No. 1665606)

Directors

Geoff Spink, *Non-executive Chairman*
Michael Hanna, *Group Chief Executive*
Julian Synett, *Group Finance Director*
Graham Pollard, *Group Sales and Commercial Director*
Ross Sampson, *Group Marketing Director*
Andrew Smith, *Group Director Mobile Distribution*
Julia Henderson, *Non-executive Director*

Head Office and Registered Office

Unit 1
Clifton Court
Corner Hall
Hemel Hempstead
HP3 9XY

6 July 2004

To Qualifying Shareholders and, for information only, to participants in TTG Europe PLC share option schemes

Dear Shareholder

OPEN OFFER OF UP TO A MAXIMUM OF 378,262,622 NEW ORDINARY SHARES AT THE ISSUE PRICE OF 0.5p PER SHARE

Introduction

It was announced on 18 June 2004 that the Company had conditionally raised £6.0 million (before expenses) by the placing of 1,200,000,000 New Ordinary Shares at the Issue Price of 0.5p per New Ordinary Share and that the Company intended to make an open offer of New Ordinary Shares to Qualifying Shareholders on similar terms.

Today it was announced that the Company is making the Open Offer to Qualifying Shareholders who will, accordingly, have the opportunity to subscribe up to a maximum of 378,262,622 New Ordinary Shares at the Issue Price of 0.5p per New Ordinary Share raising for the Company a maximum of £1.89 million (£1.73 million net of expenses).

Background

At the end of March the Company released its interim financial results and commented that uncertain conditions caused by the concerted attack by HM Customs and Excise on the bulk trading market in mobile phones had made progress more difficult in this area of the business. Since then trading conditions for the Group have deteriorated further. With most of the bulk trading now taking place outside of the UK, margins have been materially reduced and the trading cycle both in terms of movement of goods and funds has become increasingly stretched leaving the business short of funds and unable to trade in this area of its business at meaningful levels.

The ongoing dispute with HM Customs and Excise in respect of the outstanding VAT repayment of £2.4 million has still not been resolved. This, together with the BETEC Settlement (as previously announced on 4 March 2004), giving rise to a £1 million payment in the current year (and a further £3 million over the next five years) has put a further strain on working capital.

Having carefully considered the impact of these constraints and current market conditions in the bulk trading market the Company issued a statement on 26 May 2004 indicating that the Group's profits for the year to 31 March 2005 would be substantially below market expectations. The statement also announced that the Board was exploring ways of raising additional working capital.

Reasons for the fundraising

It remains the Board's strategy to continue trading in the bulk mobile phone market in order to generate profit and cash in the short to medium term to support the growth and development of the other core business activities of the Group. Ultimately, the Board believes this will lead to reduced dependence on bulk trading, more sustainable earnings streams and increased shareholder value. However, in order to resume bulk trading at meaningful levels the Company needs to raise a significant sum of capital that can be dedicated to this area of business without impacting on the rest of the Group's working capital requirements.

Given the much reduced level of profit and cash generated from the bulk trading business the Board has also considered the impact on the Group's balance sheet of the BETEC Settlement and the ongoing dispute with HM Customs and Excise, which together have now placed unsustainable pressures on the Group's resources and resulted in unacceptably high gearing levels.

In the light of these factors the Board has determined that it is necessary to refinance the Group without delay in order to stabilise the Group's financial position, maintain existing banking arrangements and facilitate an early return to bulk trading activities at meaningful levels which, the Board hopes, will enable this business to make a significant contribution to the Group's profitability.

The Board together with its advisers has considered various alternatives for the Group. The Group is currently in breach of its banking covenants, and while the Group's bank has been fully supportive, further borrowings would not be available, and without a fresh injection of cash, the Board strongly believes that the bank would review its ongoing support for the Group.

In order to bring fresh capital into the Group as quickly as possible the Board, in consultation with its advisers, agreed that this would be achieved most effectively by means of an immediate placing and, accordingly, the Placing was announced on 18 June 2004 and a circular setting out the details of the Placing and convening an EGM was sent to Shareholders on the same date.

The Placing is conditional on the passing of the Resolution at the Extraordinary General Meeting, on admission of the Placing Shares to trading on AIM becoming effective and on the Placing Agreement having become unconditional in all other respects on or before 14 July 2004 (or such later time or date being not later than 28 July 2004, as KBC Peel Hunt may determine).

Due to the size of the Placing and the price at which the Placing Shares have been placed, the Directors consider it appropriate that Shareholders be offered the right to subscribe New Ordinary Shares at the same price as under the Placing by means of the Open Offer. The Open Offer is not being made for the purposes of raising additional working capital although the Open Offer proceeds will be used for general working capital purposes.

Details of the Open Offer

Subject to the Placing Agreement becoming unconditional in all respects, Qualifying Shareholders are being given the opportunity to subscribe for the Offer Shares under the terms of the Open Offer at the Issue Price of 0.5p per New Ordinary Share, payable in full on application on the basis of:

1 Offer Share for every 1 existing Ordinary Share

held on the Record Date. Qualifying Shareholders may apply for Offer Shares in excess of their pro rata entitlement and Offer Shares will be allocated in response to such excess applications at the Company's absolute discretion. Excess applications will only be satisfied to the extent that other Qualifying Shareholders do not apply for their *pro rata* entitlements in full. Alan Dugard (being the largest Shareholder of the Company) has given an irrevocable undertaking not to subscribe his *pro rata* entitlement under the Open Offer being 173,932,513 Offer Shares (representing approximately 45.98 per cent. of the Offer Shares). The Open Offer is not being underwritten.

The Open Offer is not a rights issue. Applications under the Open Offer may only be made on the Application Form which is not a document of title and cannot be traded. The Application Form is personal to the Qualifying Shareholder named therein and may not be assigned, transferred or split except to satisfy

bona fide market claims. Qualifying Shareholders should be aware that in an open offer, unlike in a rights issue, the Offer Shares not applied for will not be sold in the market or placed for the benefit of the Qualifying Shareholders.

Although the Directors are participating in the Placing (as more fully set out in paragraph 4.1.2 of Part III of this document), none of the Directors held Ordinary Shares prior to the Record Date and so do not have any entitlement to participate in the Open Offer.

The Offer Shares will be issued credited as fully paid and will rank *pari passu* in all respects with existing Ordinary Shares and the New Ordinary Shares to be issued pursuant to the Placing, including the right to receive all dividends and other distributions declared or made after the date of their issue.

The Open Offer is conditional, *inter alia*, on the passing of the Resolution at the Extraordinary General Meeting to be held on 13 July 2004 and on the Placing Agreement becoming unconditional in all respects which is expected to be on 14 July 2004 when it is anticipated that the Placing Shares will be admitted to trading on AIM. It is expected that Admission will take place in respect of the Offer Shares on 2 August 2004.

The Open Offer is not being made to certain Overseas Shareholders (including those resident in the United States, Canada, Australia, Japan and The Republic of Ireland) and, accordingly, Application Forms are not being sent to such Shareholders. Overseas Shareholders are referred to paragraph 7 of Part II of this document.

Further information on the Open Offer, including the detailed procedure for application and payment is set out in the letter from KBC Peel Hunt in Part II of this document and the accompanying Application Form. To be valid, Application Forms must be received by Capita IRG Plc by no later than 3.00 p.m. on 27 July 2004.

Capital reorganisation

Under the Act, a company may not offer shares for subscription at a price which is less than the nominal value of such shares. The Issue Price is less than the nominal value of an Ordinary Share and, accordingly, in order to complete the Placing and Open Offer, the Company is obliged to reduce the nominal value of its Ordinary Shares to an amount which is at least the same as the Issue Price.

The proposed Capital Reorganisation, which is subject to the approval of Shareholders at the forthcoming EGM, is as follows:

- (i) each of the existing issued Deferred Shares of 9p each in the capital of the Company will be divided into 10 Deferred Shares of 0.9p each;
- (ii) each existing issued Ordinary Share of 1p will be sub-divided into 1 New Ordinary Share of 0.1p and 1 Deferred Share of 0.9p;
- (iii) each authorised but unissued Ordinary Share of 1p will be divided into 10 New Ordinary Shares of 0.1p each; and
- (iv) the authorised share capital will be increased from £10,000,000 to £11,000,254.46.

The proportionate interests of Shareholders in the Company prior to the Placing and Open Offer will not be affected by the Capital Reorganisation. The rights and restrictions attaching to the Deferred Shares are set out in article 3.2 of the articles of association of the Company (as amended by special resolution dated 23 October 2003) and are also set out in paragraph 7.6 of Part III of this document.

Current trading and prospects

As reported in our interim results statement on 29 March 2004, and the subsequent trading statement of 26 May 2004, conditions in the bulk mobile market have been difficult, compounded more recently by insufficient working capital to allow us to trade at meaningful levels. Since the trading statement of 26 May

2004 was made, very little bulk trading has been undertaken. However, with the injection of fresh capital to be raised in the Placing, the Board expects to resume trading in the bulk mobile market at more meaningful levels and is hopeful that this business will make a significant contribution to the Group results.

Our subsidiary company in Belgium continues to trade at a loss but the Board has recently put into effect a restructuring plan which it is hoped will return this company to at least a break even position by the year end. Both TTG Netherlands and Anglia Telecom performed well and produced good results in the last financial period and whilst it is still early in the year, your Board anticipates that these businesses will trade in line with budget for the current financial year.

The interim unaudited results for the period ended 31 December 2003 showed an operating profit before goodwill and exceptionals of £505,000. The audit for the period ended 31 March 2004 is due to commence shortly and preliminary results are expected to be announced during the week beginning 23 August 2004. Following a full 'fair value' review, the results for this period are likely to reflect further exceptional charges and adjustments relating to assets acquired in the reverse takeover last year.

Overall, for the current financial year, your Board remains positive that with the injection of fresh capital from the Placing it will be possible to resume its original strategy of building its core businesses in fixed line and mobile connections and distribution supported in the short to medium term from a return to bulk mobile phone trading.

Working capital

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Group, after taking into account the facilities available to it and the net proceeds of the Placing, will be sufficient for its present requirements, that is for at least twelve months following admission of the Offer Shares to trading on AIM.

Extraordinary General Meeting

Shareholders should have already received the circular dated 18 June 2004 which contained a notice of an Extraordinary General Meeting to be held at the offices of Mishcon de Reya at 10.00 a.m. on 13 July 2004 at which the Resolution will be proposed.

Action to be taken

In respect of the Extraordinary General Meeting - Form of Proxy

Shareholders should have received a form of proxy with the circular dated 18 June 2004 which was sent to Shareholders on the same date. Whether or not Shareholders intend to be present at the meeting on 13 July 2004 you are requested to complete the form of proxy and return it to Capita Registrars in accordance with the instructions printed thereon as soon as possible and in any event so as to be received by Capita Registrars by 10.00 a.m. on 11 July 2004.

In respect of the Open Offer - Application Form

Qualifying Shareholders who wish to apply for Offer Shares under the Open Offer should follow the procedure for application set out in the letter from KBC Peel Hunt contained in Part II of this document and the accompanying Application Form.

If a Qualifying Shareholder wishes to apply for Offer Shares, he should complete the accompanying Application Form in accordance with the instructions thereon and return it, together with the remittance for the full amount payable for the Offer Shares applied for, rounded up to the nearest whole penny, by post or (during normal business hours only) by hand to Capita IRG Plc, Corporate Actions Department, PO Box 166, 34 Beckenham Road, Beckenham, Kent BR3 4TH so as to arrive no later than 3.00 p.m. on 27 July 2004.

Qualifying Shareholders who do not wish to apply for Offer Shares under the Open Offer need take no further action.

Taxation

Information on current United Kingdom taxation with regard to the Capital Reorganisation, Placing and Open Offer is set out in paragraph 8 of Part III of this document. This information is intended only as a general guide to the current law and should not be relied on. **If you are in any doubt as to your taxation position you should consult your own independent professional adviser without delay.**

Further information

Your attention is drawn to the additional information set out in Parts II and III of this document. Shareholders are advised to read the whole document and not to rely on the summary information presented in this letter.

Directors' recommendation

The Directors consider that the Placing and Open Offer, and the Capital Reorganisation, are in the best interests of the Company and the Shareholders as a whole and unanimously recommend that you vote in favour of the Resolution being proposed at the forthcoming EGM.

Yours sincerely
Geoff Spink
Non-executive Chairman

PART II
LETTER FROM KBC PEEL HUNT



6 July 2004

To Qualifying Shareholders and, for information only, to participants in TTG Europe PLC share option schemes

Dear Sir/Madam

**OPEN OFFER OF 378,262,622 NEW ORDINARY SHARES AT THE ISSUE PRICE OF
0.5p PER SHARE**

1. Introduction

As the letter from the Chairman set out in Part I explains, the Company is making an open offer to Qualifying Shareholders at 0.5p per Offer Share under the terms of the Open Offer. The Open Offer will raise up to a maximum of £1.89 million (£1.73 million net of expenses). The Open Offer is not being underwritten.

2. The Open Offer

KBC Peel Hunt, as agent for and on behalf of the Company, hereby invites Qualifying Shareholders, subject to the terms and conditions set out below and in the Application Form, to apply for Offer Shares at a price of 0.5p per share payable in full on application. The *pro rata* entitlements of Qualifying Shareholders under the Open Offer is calculated on the basis of:

1 Offer Share for every 1 existing Ordinary Share

and so in proportion for any other number of Ordinary Shares registered in the names of Qualifying Shareholders on the Record Date.

Qualifying Shareholders may apply for any whole number of Offer Shares, either less than or in excess of their *pro rata* entitlement. However, in the case of applications for Offer Shares in excess of the *pro rata* entitlement, the total number of Offer Shares will not be increased in response to such excess applications.

Excess applications will only be satisfied to the extent that other Qualifying Shareholders do not apply for their *pro rata* entitlements in full. An irrevocable undertaking has been received from Alan Dugard not to subscribe his *pro rata* entitlement under the Open Offer of 173,932,513 Offer Shares, representing approximately 45.98 per cent. of the Offer Shares. Offer Shares will be allocated in response to excess applications in the absolute discretion of the Company. Payments due in respect of any Offer Shares applied for will be rounded up to the nearest whole number in pence.

KBC Peel Hunt Ltd
CORPORATE FINANCE DEPARTMENT
111 Old Broad Street London EC2N 1PH

A Member Of The KBC Group and the London Stock Exchange. Regulated by the Financial Services Authority.
Registered in England and Wales No: 2320252. Registered office as above.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up Offer Shares will have no rights under the Open Offer.

3. Conditions and further terms of the Open Offer

The Open Offer is subject to the satisfaction of the following conditions:

- (i) the passing of the Resolution at the Extraordinary General Meeting;
- (ii) the Placing Agreement becoming unconditional in all respects on or before 28 July 2004; and
- (iii) Admission becoming effective.

Application will be made for the Offer Shares to be admitted to AIM. It is expected that Admission will become effective and that dealings will commence in the Offer Shares on 2 August 2004. The Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with existing Ordinary Shares and the New Ordinary Shares to be created pursuant to the Capital Reorganisation and issued pursuant to the Placing, including the right to receive all dividends and other distributions declared or made after the date of their issue.

Further details of the rights attaching to the Offer Shares are set out in paragraph 7 of Part III of this document. Further terms of the Open Offer are set out in this Part II and on the Application Form.

4 Procedure for application and payment

The Application Form shows the number of Offer Shares in a Qualifying Shareholder's name at the Record Date and the *pro rata* number of Offer Shares for which he is entitled to apply under the Open Offer. A Qualifying Shareholder may apply for more or less than his *pro rata* entitlement should he so wish.

Application may only be made on the enclosed Application Form, which is personal to the Qualifying Shareholder(s) named therein and may not be assigned, transferred or split except to satisfy *bona fide* market claims. Qualifying Shareholders who have sold or transferred all or part of their registered holdings are advised to consult their stockbroker, bank or other agent through or by whom the sale or transfer was effected as soon as possible since the benefits arising under the Open Offer may be claimed from them by purchasers under the rules of the London Stock Exchange.

If a Qualifying Shareholder wishes to apply for Offer Shares, he should complete the accompanying Application Form in accordance with the instructions thereon and return it, together with the remittance for the full amount payable for the Offer Shares applied for, rounded up to the nearest whole penny, by post or (during normal business hours only) by hand to Capita IRG Plc, Corporate Actions Department, PO Box 166, 34 Beckenham Road, Beckenham, Kent BR3 4TH so as to arrive no later than 3.00 p.m. on 27 July 2004. Application Forms will only be accepted at the above address. Applications once made will be irrevocable and will not be acknowledged. A reply-paid envelope is enclosed. The Company may (in its sole discretion) treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions or not accompanied by a power of attorney as required.

All payments must be in pounds sterling and must be made by cheque or banker's draft, made payable to "Capita IRG Plc - a/c TTG Europe PLC", and crossed "Account Payee Only". Cheques and banker's drafts must be drawn on a bank or a building society in the UK, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Company Limited or a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of those companies or committees and must bear the appropriate sorting code in the top right hand corner. Any application which does not comply with these requirements may be rejected.

The Company reserves the right to have cheques and banker's drafts presented on receipt and to instruct Capita IRG Plc to seek special clearance of cheques to obtain value for remittances at the earliest opportunity. If they are presented for payment before the conditions of the Open Offer have been fulfilled, the application moneys will be held in a separate bank account pending the fulfilment of those conditions. Any interest on such moneys will be retained for the Company's benefit. If the conditions of the Open Offer are not fulfilled by 2 August 2004 (or such later date as KBC Peel Hunt and the Company may agree but, in any event, not later than 16 August 2004), the application moneys will be returned without interest as soon as possible thereafter by crossed cheque in favour of any Qualifying Shareholder who has lodged an Application Form (an "Applicant") or by returning the Applicant's cheque or banker's draft, in either case through the post at his risk. Return of the Application Form with the appropriate remittance will constitute a warranty that the Applicant's cheque or banker's draft will be honoured on first presentation. Such warranty will constitute a term of the application. If this term is not met, the application may be rejected. The Company may require an Applicant to pay interest and any other resulting costs if the cheque accompanying his application is not honoured on first presentation.

If any application is rejected or not met in full, the Applicant's cheque or banker's draft or a crossed cheque for the relevant amount (without interest) (as appropriate) will be returned to the Applicant as soon as possible thereafter by post at the Applicant's risk.

The Company reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 3.00 p.m. on 27 July 2004 from an authorised person (as defined in the Financial Services and Markets Act 2000) specifying the Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

If a Qualifying Shareholder does not wish to apply for any Offer Shares he should not complete the enclosed Application Form.

All enquiries in relation to the Application Form should be addressed to Capita IRG Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH, telephone number 0870 162 3100.

5. Settlement and dealings in the Offer Shares

In the case of holders of shares in uncertificated form who wish to receive their Offer Shares in uncertificated form, it is expected that, subject to the provision of the relevant information requested on the Application Form, such shares will be issued in uncertificated form on 2 August 2004. The Company's registrars will instruct CRESTCo to credit the appropriate stock accounts of such persons with their entitlements to Offer Shares with effect from the date of issue.

In the case of holders of shares in certificated form, definitive certificates for such shares are expected to be despatched by post by 9 August 2004. All documents or remittances sent by or to an applicant (or his agent, as appropriate) will be sent through the post at the risk of the person entitled thereto.

The Company reserves the right to allot or issue Offer Shares in certificated form notwithstanding any other provisions set out in this Part II or elsewhere in this document.

6. Money laundering regulations

It is a term of the Open Offer that in order to ensure compliance with the Money Laundering Regulations 2003, Capita IRG Plc may, at its absolute discretion, require verification of identity from any person lodging an Application Form (the "Applicant") including, without limitation, any Applicant who (i) tenders payment by way of cheque or banker's draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to Capita IRG Plc to be acting on behalf of some other person. In the former case, evidence satisfactory to Capita IRG Plc of the identity of the Applicant may be required. In the latter case, verification of the identity of any person on whose behalf the Applicant appears to be acting may be required. The verification of identity requirements will not usually apply where (i) the Applicant is also a credit institution or financial institution covered by the Money Laundering Directive (91/308/EEC as amended by Council Directive 2001/9/EC); (ii) the Applicant makes payment for the relevant Offer Shares by post or any

electronic means from an account held by the Applicant alone or jointly at institutions authorised by the Financial Services Authority, a European authorised institution or any other authorised credit institution; (iii) the aggregate subscription price for the relevant Offer Shares has a value of less than €15,000 (unless there is a series of linked applications the aggregate value of which exceeds that amount) or (iv) the Applicant acts as agent for a principal and the Applicant is a person who is regulated by a relevant overseas regulatory authority with legislation at least equivalent to that required by the Money Laundering Directive and a written assurance of the obtaining and recording of identification evidence in relation to the identity of the principal has been given by the Applicant. Return of an Application Form with the appropriate remittance will constitute a warranty from the Applicant that the Money Laundering Regulations 2003 will not be breached by the acceptance of the remittance and an undertaking to the Company from the Applicant to provide verification of identity reasonably satisfactory to Capita IRG Plc, if so requested. Failure to provide satisfactory evidence of identity, if requested, may result in the application being treated as invalid or in a delay in it being accepted. If, within a reasonable period of time following a request for verification of identity, but in any event not later than the latest time for acceptance and payment in full, Capita IRG Plc has not received such evidence, the Company and Capita IRG Plc reserve the right, at their absolute discretion, to terminate any contract constituted by an Application Form in which event the application moneys will be returned without interest to the account at the drawee bank from which such moneys were originally debited, and neither Capita IRG Plc, KBC Peel Hunt nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of such discretion.

7. Overseas Shareholders

It is the responsibility of any Overseas Shareholder wishing to apply for Offer Shares under the Open Offer to satisfy himself as to full observance of the laws of any relevant territory in connection with such application, including obtaining any requisite governmental or other consent or approval, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory. **Shareholders who are in any doubt as to their position should consult a professional adviser.**

No person receiving this document and/or an Application Form in any territory other than the UK may treat it as constituting an invitation or offer to him to subscribe, apply for or purchase any Offer Shares, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Application Form could lawfully be used by him without contravention of any registration or other regulatory or legal requirement. In such circumstances, the document and/or the Application Form are sent for information only, are confidential and should not be copied or distributed.

The Company (acting in its absolute discretion) reserves the right to reject any application for Offer Shares under the Open Offer made by or on behalf of a person outside the UK or if the Company is not given the relevant warranty set out in the Application Form or if it appears that the application may constitute a breach of such warranty or any relevant securities legislation.

This document has not been submitted to the clearance procedures of any authorities and Overseas Shareholders should note the following in particular:

(i) Republic of Ireland

The Offer Shares have not been and will not be registered under the European Communities (Transferable Securities and Stock Exchange) Regulations 1992 of the Republic of Ireland and the Open Offer is not being made in the Republic of Ireland. The Offer Shares may not be offered or sold, directly or indirectly, within the Republic of Ireland. This document does not constitute an offer to sell or the solicitation of an offer to acquire Offer Shares in the Republic of Ireland and no document in relation to the Offer Shares has been or will be lodged for registration with the Registrar of Companies in the Republic of Ireland.

(ii) United States and Canada

The Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and the relevant exemptions are not being obtained from the Securities Commission of any province of Canada. The Offer Shares are not being offered for sale and

may not be, directly or indirectly, offered, sold, transferred or delivered in or into the United States or Canada or to or for the benefit of any US persons or residents of Canada. Application Forms will therefore not be sent to Qualifying Shareholders who have registered addresses in the United States or Canada, nor will applications be accepted from anyone who does not, *inter alia*, represent and warrant as to non-United States and non-Canadian beneficial ownership in the Application Form. For the purposes of this document "US person" has the meaning given in Regulation S promulgated under the Securities Act; and "resident of Canada" means a citizen, national or resident of Canada, the estate of any such person, a partnership, corporation or other entity created or organised in or under the laws of Canada, or any estate or trust, the income of which is liable to Canadian tax regardless of its source.

(iii) *Australia*

No prospectus in relation to the Open Offer or the Offer Shares has been lodged with, or registered by, the Australian Securities and Investments Commission. The Open Offer is not being made in the Commonwealth of Australia, its states, territories or possessions ("Australia") nor will this document or any advertisement or other offering material in relation to the Offer Shares be distributed directly or indirectly in or into Australia. The Offer Shares have not been nor will be available for subscription or purchase by any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of any such corporation or entity located outside Australia). Application Forms will therefore not be sent to Qualifying Shareholders who have registered addresses in Australia, nor will applications be accepted from anyone who does not, *inter alia*, represent and warrant as to non-Australian beneficial ownership in the Application Form.

(iv) *Japan and other territories*

Qualifying Shareholders resident in Japan and other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for Offer Shares pursuant to the Open Offer and should note the representations and warranties in the Application Form.

Notwithstanding any other statement in this document, the Company reserves the right to permit a Qualifying Shareholder to take up Offer Shares under the Open Offer if the Company is satisfied (acting in its absolute discretion) that such action would not result in contravention of any applicable legal or regulatory requirements.

8. Taxation

Your attention is drawn to paragraph 8 of Part III of this document which contains information regarding UK taxation in relation to the Capital Reorganisation and the Placing and Open Offer.

If you are in any doubt as to your taxation position you should consult your own professional adviser.

9. Further information

The attention of Qualifying Shareholders is drawn to the information set out in Parts I and III and also to the terms, conditions and other information included in the accompanying Application Form.

Yours faithfully

Simon Hayes
Director

PART III

GENERAL INFORMATION

1. Responsibility

The Directors, whose names appear on page 5, accept responsibility for the information contained in this document. To the best of the knowledge and belief of 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.

2. The Company

- 2.1 The Company was incorporated and registered in England and Wales on 20 September 1982 as a private company with limited liability under the Companies Acts 1948 to 1981 with the name Levercrest Limited with registered number 1665606. On 1 June 1990, the Company was re-registered as a public limited company under the Act.
- 2.2 The liability of the members of the Company is limited.
- 2.3 On 19 November 1992 the Company's name was changed to Roxspur Plc, on 24 October 2003 the Company's name was changed to The Telecommunications Group Plc and on 25 March 2004 the Company's name was changed to TTG Europe PLC.
- 2.4 The Company's registered office and the principal place of business of the Company and the directors is Unit 1, Clifton Court, Corner Hall, Hemel Hempstead HP3 9XY.
- 2.5 The Group is a provider of mobile and fixed line telecommunications solutions to the corporate market. The Company is the ultimate holding company of the Group. The main trading subsidiaries of the Company are Anglia Telecom (mobile connections and distribution), Phone Direct Limited (bulk sales), TTG Netherlands (fixed line carrier and re-seller) and TTG Belgium (fixed line carrier and re-seller).

3. Share Capital

- 3.1 The authorised and issued share capital of the Company as at the date of this document is as follows:

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
(Ordinary Shares)		(Ordinary Shares)	
5,404,109.14	540,410,914	3,782,626.22	378,262,622
(Deferred Shares)		(Deferred Shares)	
4,595,890.86	51,065,454	4,595,890.86	51,065,454

- 3.2 Immediately following the Placing and the Capital Reorganisation becoming effective the authorised and issued share capital of the Company will be as follows:

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
(New Ordinary Shares)		(New Ordinary Shares)	
3,000,000.00	3,000,000,000	1,578,262.62	1,578,262,622
(Deferred Shares)		(Deferred Shares)	
8,000,254.46	888,917,162	8,000,254.46	888,917,162

- 3.3 Immediately following the Open Offer (assuming that the Open Offer is taken up in full) the authorised and issued share capital of the Company will be as follows:

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
(New Ordinary Shares)		(New Ordinary Shares)	
3,000,000.00	3,000,000,000	1,956,525.24	1,956,525,244
(Deferred Shares)		(Deferred Shares)	
8,000,254.46	888,917,162	8,000,254.46	888,917,162

- 3.4 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of allotments of equity securities which are, or are to be, paid up in cash other than by way of an allotment to employees under an employees' share scheme as defined in Section 743 of the Act) will apply to the authorised but unissued Ordinary Share capital of the Company as set out in paragraph 3.1 above except to the extent that such pre-emption rights have been dis-applied by the resolution passed by Shareholders on 23 October 2003, such dis-application of pre-emption rights being stated to expire on 23 October 2008. At the forthcoming EGM the proposed Resolution, if passed, will replace the aforementioned dis-application of pre-emption rights with a new dis-application which is stated to expire at the next annual general meeting of the Company.
- 3.5 Pursuant to stand-alone share options agreements there are options outstanding to employees and former directors of the Group in respect of 6,335,898 Ordinary Shares exercisable at a price of 3.125p. The Board has not granted any options to Directors or employees under the Company's Enterprise Management Incentive Scheme (the "EMI Scheme") and under The Telecommunications Group PLC 2003 Share Option Scheme (the "2003 Scheme"). Following the announcement of the Company's preliminary results for the year ended 31 March 2004, the Board intends to consider the granting of options under either or both of the EMI Scheme and the 2003 Scheme to certain of the Directors and employees.
- 3.6 The maximum number of Ordinary Shares that may be granted pursuant to the EMI Scheme and the 2003 Scheme is, in each case, such number of Ordinary Shares as is equal to 5 per cent. of the issued share capital at the date of the relevant grant. Assuming the Placing and the Capital Reorganisation become effective, the number of Ordinary Shares the subject of the stand-alone options, the EMI Scheme and the 2003 Scheme and/or the relevant exercise price may be adjusted to the extent that the auditors of the Company consider it fair and reasonable to do so.

4. Directors

4.1 *Interests in the share capital of the Company*

The interests of the Directors, their immediate families, related trusts and persons connected with the Directors for the purposes of section 346 of the Act in the share capital of the Company, all of which are beneficial, which have been notified to the Company pursuant to section 324 or 328 of the Act or entered in the register of Directors' interests maintained under section 325 of the Act:

4.1.1 as at 5 July 2004 (being the latest practicable date prior to the publication of this document):

	<i>Number of Ordinary Shares</i>	<i>% of issued Ordinary Shares</i>
Geoff Spink	—	—
Michael Hanna ⁽¹⁾	53,264,655	14.08
Julian Synett	—	—
Graham Pollard	—	—
Ross Sampson	—	—
Andrew Smith	—	—
Julia Henderson	—	—

Notes:

(1) Held by British Meditran (Holdings) SA indirectly for M&M Trust, of which Michael Hanna is a potential beneficiary.

4.1.2 following the Placing and Open Offer and the Capital Reorganisation becoming effective and assuming that the Open Offer is taken up in full:

	<i>Number of New Ordinary Shares</i>	<i>% New Ordinary Shares</i>	<i>Number of Deferred Shares</i>
Geoff Spink	2,000,000	0.10	—
Michael Hanna ⁽¹⁾	153,264,655	7.83	53,264,655
Julian Synett	10,000,000	0.51	—
Graham Pollard	8,000,000	0.41	—
Ross Sampson	2,000,000	0.10	—
Andrew Smith	4,000,000	0.20	—
Julia Henderson	3,000,000	0.15	—

Notes:

(1) This includes 53,264,655 New Ordinary Shares already held by British Meditran (Holdings) SA indirectly for M&M Trust, of which Michael Hanna is a potential beneficiary.

4.1.3 Graham Pollard has been granted options over 3,782,626 Ordinary Shares at an exercise price of 3.125p per share.

4.2 Directorships

The full names and ages of the Directors, together with the names of all companies and partnerships of which each Director is now, or has at any time in the five years prior to the publication of this document been, a director or partner, are as follows:

<i>Director</i>	<i>Current</i>	<i>Previous</i>
Geoffrey Spink (aged 55)	G Cussons Holdings Limited [*] G Cussons Limited [*] GTMS Services Limited Hartest Holdings Plc Trident Analytical Limited [*] Trident Ventures Limited [*] Trident Overseas Holdings Limited [*] TTG Europe PLC (*: in administrative receivership)	Optim Electronics Limited [*] Trident Optim Limited Ward Patents Limited
Michael Benedict Hanna (aged 56)	Anglia Telecom Centres Limited British European Investments SA British Meditran (Holdings) SA Cellular Holdings Limited Cityphone International Limited Cityphone Wholesale Limited Clayhithe Holdings Limited Clayhithe Investments Limited Commercial Transocean Group Limited CT Composites Europe Limited CT (International) Limited CT Platon Holdings Limited GMC (Holdings) Limited (In Administrative Receivership) Global Cellhire Limited Hawkes Wills Limited Interguide Limited Interguide Management Limited PD Investments SA PD Telecom Limited Phone Direct International Limited Phone Direct Holdings Limited Phone Direct Limited Roxspur Management Services Limited SCL (2002) Limited Varin Limited Ventelo Belgium NV Ventelo Holding BV Ventelo Nederland BV VAL 2004 Limited. TTG Europe PLC	Cellfone Distribution Limited

Director
Jacob Julian Synett
(aged 54)

Current
Anglia Telecom Centres Limited
Cellular Holdings Limited
Levy Gee
Levy Gee Insurance Services Limited
Roxspur Management Services
Limited
TTG Europe PLC

Previous
Acraman (283) Limited
Acraman (301) Limited
AGN International Limited
Burnett Swayne Systems Consulting
Limited
Centralia Developments Limited
Form-It-Online Limited
Going For Gold Limited
Intrust Limited, Jayson Newman
(NA) Limited
JN Accounting Systems Limited
JN Financial Services Limited
Levy Gee Employment Benefit
Consultants Limited
Levy Gee Espana Limited
Levy Gee Urban Regeneration
Limited
Mecona Limited
NMGW Limited
NMGW Money Management
Limited
Numerica Assurance Services
Limited
Numerica Business Recovery
Limited
Numerica Business Services Limited
Numerica Capital Limited
Numerica Consulting Limited
Numerica Corporate Finance Limited
Numerica Directors Limited
Numerica East Midlands Limited
Numerica Financial Services
Holdings Limited
Numerica Financial Services Limited
Numerica Forensic Accounting &
Dispute Resolution Limited
Numerica Group Plc
Numerica Group Services Limited
Numerica Holdings Limited
Numerica London Limited
Numerica Money Management
Limited
Numerica North East Limited
Numerica North West Limited
Numerica Operations Limited
Numerica Outsourcing Limited
Numerica Recovery Limited
Numerica Risk and Assurance
Services Limited
Numerica Sales and Marketing
Limited
Numerica Secretaries Limited
Numerica Services Limited
Numerica South East Limited
Numerica South West Limited
Numerica Southern Limited
Numerica Spain Limited
Numerica Tax Limited

<i>Director</i>	<i>Current</i>	<i>Previous</i>
Jacob Julian Synett (aged 54) (continued)		Numerica Thames Valley Limited Numerica Trustee Services Limited Numerica Trustees Limited Numerica West Midlands Limited Pass Training Limited Pitcomp 283 Limited Pole Arnold (NA) Limited Practice Track Limited Primestall Limited Property Managers Limited R3 Turnaround Management Association Limited Taxpro Direct Limited Taxpro Limited Turnaround Management Association Limited Turnaround Management International Association Limited
Graham John Pollard (aged 40)	Bruin Communications Limited Ventelo Belgium NV TTG Europe PLC	Oxtalk Limited Research Telecommunications Limited Research Telecommunications Services Limited Tarryparry Limited Telecom Direct Limited
Ross Alexander Sampson (aged 44)	TTG Europe PLC	None
Andrew Paul Smith (aged 47)	TTG Europe PLC	None
Julia Ann Henderson (aged 43)	Mackendrick Limited TTG Europe PLC	Beeson Gregory Limited

4.3 *Save as disclosed in sub-paragraph (4.4) below, no Director has:*

- 4.3.1 any unspent convictions in relation to indictable offences;
- 4.3.2 had any bankruptcy order made against him or entered into any individual voluntary arrangements;
- 4.3.3 been a director of a company which has been placed into receivership, compulsory liquidation or creditors' voluntary liquidation or administration or which has entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, nor have they been a director of any such company within the twelve months preceding such an event;
- 4.3.4 been a partner of any partnership which has been put into compulsory liquidation or administration or entered into partnership voluntary arrangements, nor have they been a partner of any such partnership within the twelve months preceding such an event;
- 4.3.5 had a receivership of any asset of such director or of a partnership where he was a partner at the time of or within the twelve months preceding such event;
- 4.3.6 been publicly criticised by statutory or regulatory authorities (including recognised professional bodies), nor has such director ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

- 4.4 Between 1994 and 2001, Michael Hanna was the financial director of GMC (Holdings) Ltd, the parent company of a group which operated a chain of retail mobile phone stores in England. The business traded as MPC Telecom and was subsequently re-branded as The WAP Store. The main trading company of this group was The WAP Store Ltd. During late 2000 and 2001, The WAP Store Ltd saw a deterioration in performance. The directors implemented a number of measures during 2001 in an attempt to address the deteriorating performance. In late 2001, they sought to attract new investment into the business or to achieve a trade sale. These negotiations were unsuccessful and by December 2001 it was clear that the company could not continue to trade without substantial additional funds. These funds were not available and as a result the directors requested the bank to appoint administrative receivers. On 9 January 2002, GMC (Holdings) Ltd and The WAP Store Ltd were placed into administrative receivership by Barclays Bank Plc. The Statement of Affairs dated 9 January 2002 estimated that the deficiency as regards creditors was £3,788,082.

Between 1999 and 2001 Geoffrey Spink was Chief Executive of Trident Analytical Limited. Trident Ventures Limited, G Cussons Holdings Limited, G Cussons Limited, Trident Overseas Holdings Limited and Optim Electronics Limited are all subsidiaries of Trident Analytical Limited (the "Trident Group"). The Trident Group was a private equity backed operation and as such the Trident Group was very heavily leveraged from the outset, and when two of the Trident Group subsidiaries experienced trading difficulties, the Trident Group's financing bank took the decision to appoint receivers.

Geoffrey Spink remains as a director of these companies as it is not felt appropriate for him to resign from a company in receivership. Geoffrey Spink has been informed by the receiver's staff that the mandatory report to the Department of Trade and Industry stated that there were no grounds or recommendations for any actions against any of the directors for their conduct.

In January 1995, Julian Synett entered into an individual voluntary arrangement which was completed in July 1997.

4.5 *Service Agreements*

4.5.1 Geoff Spink

Geoff Spink was appointed as Non-executive Chairman of the Company with effect from 29 March 2004 pursuant to a letter of engagement dated 6 May 2004. Mr Spink receives an annual director's fee of £40,000. The Company can terminate the appointment on six months notice in writing.

4.5.2 Michael Hanna

Michael Hanna entered into a service agreement with the Company on 26 September 2003 the principal terms of which are that he receives an annual salary of £200,000 and that his service agreement is terminable on six months notice in the first year and thereafter by twelve months notice. The service agreement can be terminated at any time by the Company by making a payment in lieu of notice. Mr Hanna has the right to be considered for a discretionary bonus on the Company successfully meeting its annual targets and he is entitled to a total of 25 days annual holiday and 13 weeks full pay and 13 weeks half-pay in the event of illness. Basic private medical insurance cover is provided. Mr Hanna is subject to a six month post-termination non-compete obligation, along with twelve months non-solicitation and non-dealing restrictions relating to customers, suppliers and employees. In addition Mr Hanna, can be made subject to garden leave.

4.5.3 Julian Synett

Julian Synett entered into a service agreement with the Company on 22 March 2004 the principal terms of which are that he receives an annual salary of £150,000 and that his service agreement is terminable on six months notice. The service agreement can be terminated at any time by the Company by making a payment in lieu of notice. Mr Synett has the opportunity to earn a bonus of up to 33.33 per cent. of salary for each business units in the Group that reaches its annual

targets. The relevant business units are (i) the fixed line re-seller in Holland and Belgium, (ii) the UK based bulk sales business and (iii) the UK based airtime distribution business. Mr Synett is entitled to a total of 25 days annual holiday and 13 weeks full pay and 13 weeks half-pay in the event of illness as well as receiving a car allowance of £4,800 per annum. Basic private medical insurance cover is provided. Mr Synett is subject to a six month post-termination non-compete obligation, along with twelve months non-solicitation and non-dealing restrictions relating to customers, suppliers and employees. In addition Mr Synett, can be made subject to garden leave.

4.5.4 Graham Pollard

Graham Pollard entered into a service agreement with the Company on 26 September 2003 the principal terms of which are that he receives an annual salary of £130,000 and that his service agreement is terminable on six months notice to terminate in the first year and thereafter by twelve months notice. The service agreement can be terminated at any time by the Company by making a payment in lieu of notice. Mr Pollard has the opportunity to earn a bonus of up to 100 per cent. of salary on the Company successfully meeting its annual targets and he is entitled to a total of 25 days annual holiday and 13 weeks full pay and 13 weeks half-pay in the event of illness and he receives a travel allowance of €12,000 per annum to meet the costs of all routine business travel in Belgium and the Netherlands, including use of his own car, petrol, maintenance of the car and flights. Basic private medical insurance cover is provided. Mr Pollard is subject to six month post-termination non-compete obligations, along with twelve months non-solicitation and non-dealing restrictions relating to customers, suppliers and employees. In addition he can be made subject to garden leave.

4.5.5 Ross Sampson

Ross Sampson entered into a service agreement with the Company on 26 September 2003 the principal terms of which are that he receives an annual salary of £27,000. Mr Sampson is also a party to a service agreement with Ventelo Nederland BV, the commercial terms of which are identical to his service agreement with the Company save that his salary is £63,000 (converted to euros at the average conversion rate for August in each year of the contract). Either his service agreement is terminable on six months notice to terminate in the first year and thereafter by twelve months notice. Either the service agreement can be terminated at any time by the relevant company by making a payment in lieu of notice. Mr Sampson has the opportunity to earn a bonus of up to 100 per cent. of salary on the Company successfully meeting its annual targets and he is entitled to a total of 25 days annual holiday and 13 weeks full pay and 13 weeks half-pay in the event of illness. Mr Sampson receives a travel allowance of €9,600 per annum to meet the costs of all routine business travel in Belgium and the Netherlands, including use of his own car, petrol, maintenance of the car and flights, such sums to be paid under the terms of his service agreement with Ventelo Nederland BV. Basic private medical insurance cover is provided. Mr Sampson is subject to six month post-termination non-compete obligations, along with twelve months non-solicitation and non-dealing restrictions relating to customers, suppliers and employees. In addition he can be made subject to garden leave.

4.5.6 Andrew Smith

The Company is finalising a service agreement with Andrew Smith, the principal terms of which have already been agreed. Mr Smith receives an annual salary of £130,000 and his service agreement is to be terminable on six months notice. The service agreement will be capable of termination at any time by the Company by making a payment in lieu of notice. Mr Smith has the opportunity to claim a bonus of up to (i) 35 per cent. of salary, on the Group successfully meeting its annual targets and (ii) 65 per cent. of salary, based on the profits generated by the Group from the UK mobile phone business, excluding the bulk sales business. Mr Smith is entitled to a total of 25 days annual holiday and 13 weeks full pay and 13 weeks half-pay in the event of illness. Basic private medical insurance cover is provided. Mr Smith is subject to a six month post-termination non-compete obligation, non-solicitation and non-dealing restrictions relating to customers and suppliers along with twelve months non-solicitation relating to employees. In addition Mr Smith, can be made subject to garden leave.

4.5.7 Julia Henderson

Julia Henderson was appointed as a Non-executive director of the Company with effect from 5 February 2004 pursuant to a letter of engagement dated 29 April 2004. Ms Henderson receives an annual director's fee of £25,000. The Company can terminate the appointment on six months notice in writing.

4.6 Estimate of remuneration

The aggregate of the remuneration paid and benefits in kind granted to the Directors (including salaries, bonuses, fees, pension contributions and benefits in kind) by the Company, during the nine month financial period ending 31 March 2004 was £282,000 and for the year ending 31 March 2005 is estimated to be approximately £800,000. The estimate for 2005 reflects a full year of the complete board which now comprises five executives and two non-executive directors. The amount for the nine month period to 31 March 2004 only relates to four executive directors for five of the nine months and only one non-executive director.

5. Substantial and other shareholders

- 5.1 Other than the holdings of the Directors, which are set out in paragraph 4 above, the Directors are aware of the following who, on 2 July 2004 (being the last practicable date prior to the publication of this document), were interested, directly or indirectly, in 3 per cent. or more of the Company's issued Ordinary Shares:

	<i>Number of Ordinary Shares</i>	<i>% of issued Ordinary Shares</i>
Alan Dugard	173,932,513	45.98
British Meditrean (Holdings) SA	53,264,655	14.08
Phildrew Nominees Limited	17,589,072	4.65
HSBC Global Custody Nominee (UK) Limited	11,696,560	3.09

- 5.2 In the Company's circular and admission document relating to the acquisition of Cellular Holdings Limited dated 26 September 2003 (the "Cellular Admission Document") the persons set out below were regarded as acting in concert for the purposes of Rule 9 of the City Code on Takeovers and Mergers. These persons, if acting together, could exercise control over the Company. Immediately before and following the Placing and Open Offer their interests in New Ordinary Shares will be as follows:

	<i>Number of Ordinary Shares (before the Placing and Open Offer)</i>	<i>% of issued Ordinary Shares (before the Placing and Open Offer)</i>	<i>Number of New Ordinary Shares post the Placing and Open Offer'</i>	<i>% of New Ordinary Shares post the Placing and Open Offer (excluding options)</i>	<i>No. of options over existing Ordinary Shares</i>
Alan Dugard	173,932,513	45.98	313,932,513	16.05	—
Michael Hanna	—	—	100,000,000	5.11	—
British Meditrean (Holdings) SA	53,264,655	14.10	53,264,655	2.72	—
Graham Pollard	—	—	8,000,000	0.41	3,782,626
Ross Sampson	—	—	2,000,000	0.10	—
Total	227,197,168	60.06	477,197,168	24.39	—

Note:

- Only Alan Dugard and British Meditrean (Holdings) SA are Qualifying Shareholders who have an entitlement under the Open Offer. Alan Dugard has given an irrevocable undertaking not to take up his entitlement and the above table assumes that British Meditrean (Holdings) SA does not take up its entitlement.

- 5.3 On 26 September 2003 the Company entered into a relationship agreement with Alan Dugard (the "Relationship Agreement") pursuant to which, *inter alia*, Alan Dugard agreed to use his reasonable endeavours to deal with the Company on an arm's length basis, to allow the Company to operate independently of him and to give the Company priority in respect of business opportunities. Under clause 9 of the Relationship Agreement, if Alan Dugard's interest falls to below 30 per cent. (as will be the case immediately following the Placing) the Relationship Agreement between Company and Alan Dugard automatically lapses.

6. Memorandum of Association

The objects of the Company are set out in clause 4 of the Company's memorandum of association and its principal objects are, among others, to carry on all or any of the business of suppliers, designers, manufacturers, distributors and agents for the sale and distribution of engineering equipment, appliances, plant, machinery, electronics, computer and civil engineering.

7. Articles of Association

The articles of association of the Company ("Articles") contain provisions, among others, to the following effect:

7.1 Voting rights

Subject to any special terms as to voting upon which any Ordinary Share may be issued, or may be held, and subject to the provisions of the Articles, on a show of hands every member of the Company ("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 Ordinary Share of which he is the holder.

No Member is entitled to be present or to 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 all calls or other moneys due and payable in respect of the share have been paid.

Where a notice is served by the Company under section 212 of the Act (a "section 212 notice") on a Member, or another person whom the Company knows or has reasonable cause to believe to be interested in Ordinary Shares held by that Member, and the Member or other person has failed in relation to any shares (the "default shares" which expression includes any shares issued after the date of the section 212 notice in right of those shares) to give the Company the information required within 14 days from the date of service of the section 212 notice then, unless the Board otherwise decides, the Member is not entitled in respect of the default shares to be present or to vote (either in person or by proxy) at a general meeting or at a 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.

7.2 Dividends

Except as otherwise provided by the rights attached to Ordinary Shares, all dividends shall be declared and paid according to the amounts paid up on the Ordinary 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 Ordinary Shares during any portion or portions of the period in respect of which the dividend is paid.

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 and reverts to the Company.

Where a section 212 notice is served on a Member, or another person whom the Company knows or has reasonable cause to believe to be interested in Ordinary Shares held by that Member, and the Member or other person has failed in relation to any default shares to give the Company the information required within 14 days of the service of the section 212 notice, and the default shares represent at least 0.25 per cent. in nominal value of the issued Ordinary Shares then, unless the Board otherwise decides, any dividend (or any part of a dividend) or other amount payable in respect of the default shares shall

be withheld by the Company, which has no obligation to pay interest on it and the Member is not entitled to elect to receive any shares instead of a dividend.

7.3 *Distribution of assets on a winding up*

If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may, with the authority of an extraordinary 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. The liquidator may, with the same authority, vest any part of the assets in the trustees upon such trust for the benefit of Members as the liquidator may think fit but so that no member shall be compelled to accept any asset in respect of which there is a liability or potential liability.

7.4 *Transfer of shares*

Any Member may transfer all or any of his certificated shares (being shares in the Company that are not uncertificated shares) by instrument of transfer in writing in any usual form or in such other form as the Board may approve and the instrument must be signed 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.

Subject to the provisions of the Uncertificated Securities Regulations 1995 ("Uncertificated Securities 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.

Subject to the following paragraph, the Board may, in its absolute discretion and without assigning any reason, refuse to register a transfer of any certificated share unless it is (a) in respect of only one class of shares, (b) in favour of not more than 4 joint transferees, (c) duly stamped (if required) and (d) delivered for registration to the registered office of the Company from time to time or such other place as the Board may decide accompanied by the certificate of the shares to be transferred (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.

The Board may impose restrictions on the transfer of a certificated share which is not fully paid, provided that the restrictions are not such as to prevent dealings in the shares from taking place on an open and proper basis.

The Board may, in exceptional circumstances, approved by the London Stock Exchange, disapprove the transfer of a certificated share, provided the exercise of such powers does not disturb the market.

The Board may refuse to register the transfer of an uncertificated share (being a share in the capital of the Company which is recorded on the register of Members as being held in uncertificated form and title to which may, by virtue of the Uncertificated Securities Regulations be transferred by means of a relevant system) in any circumstances permitted by the London Stock Exchange, the Uncertificated Securities Regulations and the rules and practices of the operator of the relevant system.

Where a section 212 notice is served on a Member, or another person whom the Company knows or has reasonable cause to believe to be interested in shares held by that Member, and the Member or other person has failed in relation to any default shares to give the Company the information required within 14 days from the date of service of the section 212 notice and such shares represent at least 0.25 per cent. in nominal value of the issued shares of their class, then, unless the Board otherwise decides, no transfer of any of the default shares shall be registered unless the transfer is an "excepted transfer" (as

defined in the Articles) or the Member is not himself in default in supplying the information required and the Member proves to the satisfaction of the Board that no person in default in supplying the information required is interested in any of the shares the subject of the transfer or registration of the transfer is required by the Uncertificated Securities Regulations.

Other than as set out above, the Articles contain no restrictions as to the free transferability of fully paid shares.

7.5 *Variation of class rights*

Subject to the Act, the Companies Act 1989 and the Uncertificated Securities Regulations, the rights attached to any class of shares may be modified, varied or abrogated (a) in such manner (if any) as may be provided by those rights or (b) in the absence of 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 an extraordinary resolution passed at a separate meeting of the holders of that class and then only subject to the provisions of section 127 of the Act.

7.6 *Deferred Shares*

Deferred Shares have the following rights:

7.6.1 *Voting Rights*

The Deferred Shares do not confer on the holder any right to receive notice of or to attend or vote at any general meeting of the Company.

7.6.2 *Dividends*

The holders of Deferred Shares will not be entitled to any dividend or other distribution.

7.6.3 *Return of Capital*

Whether on a winding-up or otherwise, the holders of Deferred Shares will be entitled to receive only the amount paid up or credited as paid up on each such share, but only after the holders of each new Ordinary Share have received the amount paid up or credited as paid up on each New Ordinary Share, but the holders of Deferred Shares will not be entitled to participate further.

7.6.4 *Transfers by the Company*

The Company shall have the irrevocable authority at any time after the creation or issue of Deferred Shares to appoint any person to execute on behalf of the holders of such shares a transfer thereof and/or agreement to transfer the same without making any payment to the holders thereof to such person or persons as the Company may determine and, in accordance with the provisions of the Act, to purchase or cancel such shares without making any payment to or obtaining the sanction of the holders thereof and pending such transfer and/or purchase or cancellation to retain the certificate (if any) in respect thereof provided also that the Company may, in accordance with the provisions of the Act, purchase all but not some only of the Deferred Shares then in issue at a price not exceeding 1p for all the Deferred Shares so purchased;

7.6.5 *Variation to Class Rights attaching to the Deferred Shares*

The rights attaching to the Deferred Shares shall not be, or be deemed to be, varied, modified or abrogated by the creation, allotment or issue of any shares in the capital of the Company of any class (whether ranking *pari passu* with or in priority to them) or the passing of any resolution to cancel all or any of such Deferred Shares or any thing done pursuant to or any other act, matter or thing whatsoever save for any proposal to vary (otherwise than to the advantage of the holders of the Deferred Shares) the rights of the holders of the Deferred Shares to participate in a return of capital; and

7.6.6 Certificates of Title

Notwithstanding any provision of the articles of association of the Company, the Company shall not be required to issue any share certificates in respect of the Deferred Shares.

8. Taxation

The comments set out below are intended only as a general guide to the position under current UK law and Inland Revenue practice. These comments are of a general nature only and are not a full description of all relevant tax considerations. They apply to Shareholders who are the absolute and beneficial owners of their shares and who are resident or ordinarily resident in the UK for tax purposes and who hold their ordinary shares as investments and not as securities to be realised in the course of a trade. If a Shareholder is not resident for tax purposes in the UK or is in any doubt as to his tax position he should consult an appropriate professional adviser without delay.

8.1 Taxation on chargeable gains

8.1.1 *Consequences of the Capital Reorganisation*

The sub-division of existing Ordinary Shares into New Ordinary Shares and Deferred Shares will be treated as a reorganisation of the share capital of the Company. Accordingly, a Shareholder will not be treated as making a disposal of all or part of his holding of existing Ordinary Shares as result of the Capital Reorganisation.

The New Ordinary Shares and the Deferred Shares received in respect of the existing Ordinary Shares as a result of the sub-division of the existing Ordinary Shares will be treated as the same asset acquired at the same time as the existing Ordinary Shares were acquired and at the same acquisition cost.

On the basis that the Deferred Shares will be effectively valueless, it is considered that a Shareholder's existing acquisition cost for his holding of existing Ordinary Shares held prior to the Capital Reorganisation will become the acquisition cost for his holding of New Ordinary Shares.

An application has been submitted to the Inland Revenue for the purpose of receiving assurances regarding the restructuring of the share capital. It should be noted that the Inland Revenue can still question the base cost apportionment between the Deferred Shares and the New Ordinary Shares but it is believed that the whole of the base cost should be attributable to the Ordinary shares on the basis that the Deferred Shares are effectively valueless.

8.1.2 *New Ordinary Shares acquired pursuant to the Placing and Open Offer*

On the basis of current law and Inland Revenue practice, the issue of Offer Shares to Qualifying Shareholders up to and including their *pro rata* entitlement should be treated by the Inland Revenue as amounting to a reorganisation of the share capital of the Company for the purposes of UK taxation of chargeable gains. Accordingly, a Qualifying Shareholder should not be treated as making a disposal of all or part of his holding of existing Ordinary Shares by reason of the issue of Offer Shares.

On the above basis, to the extent that a Qualifying Shareholder takes up Offer Shares up to and including his *pro rata* entitlement, the Offer Shares allotted to him together with his holding of Reorganisation Shares will be treated as the same asset acquired (other than for computing indexation allowance where relevant) at the same time as the Reorganisation Shares are deemed to be acquired.

The price paid by that Shareholder for such Offer Shares will be added to the acquisition cost of his existing Ordinary Shares.

To the extent that a Qualifying Shareholder subscribes for, and is allotted, Offer Shares in excess of his *pro rata* entitlement this will not be treated as a reorganisation of share capital for the

purposes of tax on chargeable gains. Instead such Offer Shares will be treated as acquired as part of a separate acquisition. Additionally, Qualifying Shareholders may receive New Ordinary Shares pursuant to the Placing, in addition to those which they subscribe pursuant to the Open Offer. Any New Ordinary Shares acquired in this way will be treated as acquired as a separate acquisition.

8.1.3 *Indexation*

Qualifying Shareholders within the charge to United Kingdom corporation tax will, for the purposes of computing gains and not losses, be allowed to claim an indexation allowance in respect of the amounts they have paid for Offer Shares.

8.1.4 *Taper Relief*

For Qualifying Shareholders within the charge to United Kingdom capital gains tax, indexation allowance has been frozen as at April 1998 (although indexation relief for holding periods up to April 1998 has been preserved for ordinary shares acquired prior to 1 April 1998) and so such Qualifying Shareholders will not be able to claim an indexation allowance in respect of the amounts they have paid for the Offer Shares.

Taper relief now applies to reduce the amount of the gain realised on the disposal of an asset (after taking into account indexation relief, if applicable) by a percentage dependent on the period of ownership of that asset since 6 April 1998 and on whether the asset qualifies as a business or non-business asset. The period of ownership (since 6 April 1998) of the existing holding of ordinary shares of the Company is taken into account when assessing the availability of taper relief. Open Offer shares issued up to and including a Shareholder's *pro rata* entitlement will be treated for this purpose as having been acquired at the same time as the original holding of existing Ordinary Shares to which they relate.

8.2 *Stamp duty and stamp duty, reserve tax*

The allotment of the Placing Shares and the Offer Shares will not be subject to any stamp duty or stamp duty reserve tax.

8.3 *Taxation of dividends*

The Company is not required to withhold tax at source from dividend payments it makes.

An individual shareholder who is resident (for tax purposes) in the United Kingdom and who receives a dividend paid by the Company will be entitled to receive a tax credit equal to one ninth of the amount of the dividend. The individual will be taxed on the total of the dividend and the related tax credit (the "Gross Dividend") which will be regarded as the top slice of the individual's income. The tax credit (which equals 10 per cent. of the Gross Dividend) will be available to offset an individual shareholder's liability (if any) to income tax on the Gross Dividend.

An individual who is liable to income tax at a rate not exceeding the basic rate (currently 22 per cent.) will pay tax on the Gross Dividend at the Schedule F ordinary rate (currently 10 per cent.). The tax credit will be taken to satisfy the individual's liability to income tax in respect of the dividend received.

If the Gross Dividend (taken together with other taxable income) exceeds the individual's threshold for the higher rate of income tax the individual will, to that extent, pay tax on the Gross Dividend at the Schedule F upper rate (currently 32.5 per cent.). Accordingly, after taking into account the 10 per cent. tax credit, an individual who is a higher rate taxpayer will have further income tax to pay at the rate of 22.5 per cent. on the Gross Dividend (equivalent to 25 per cent. of the cash dividend received). So, for example, a higher rate taxpayer receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10, will have a further tax liability of £22.50. Tax credits are generally no longer repayable to shareholders with no tax liability.

Subject to exceptions for certain insurance companies and companies which hold shares as trading stock, a shareholder which is a company resident (for tax purposes) in the United Kingdom and which receives a dividend paid by the Company will not be liable to corporation tax or income tax on the dividend.

Any person who may be resident (for tax purposes) outside the UK should note that since 6 April 1999 most non-UK resident shareholders who had previously been able to claim repayment of any part of the tax credit on UK dividends have either ceased to be able to obtain such repayment or have seen the amounts repayable fall to less than 1 percent. of the dividend. Shareholders who are not resident in the United Kingdom for tax purposes should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so. Non-United Kingdom resident shareholders may also be subject to taxation on dividends in their country of tax residence.

9. Material contracts

No contracts (not being contracts entered into in the ordinary course of business) which are, or may be, material have been entered into by any member of the Group within the two years immediately preceding the date of this Document other than as follows:

9.1 Pursuant to an agreement dated 18 June 2004 between the Company and KBC Peel Hunt Ltd (the "Placing Agreement"), KBC Peel Hunt has agreed to act as agent for the Company in relation to the Placing and Open Offer and in particular to use its reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price. In consideration of their services under the Placing Agreement and provided that the Placing Agreement becomes unconditional in all respects KBC Peel Hunt will be paid a fee of £100,000 and commission equal to:

9.1.1 1 per cent. of the aggregate value at the Issue Price of the 269,000,000 Placing Shares which are in aggregate to be subscribed by the Directors and Mr Alan Dugard; and

9.1.2 4 per cent. of the aggregate value at the Issue Price of all the other Placing Shares subscribed under the Placing.

The Company will pay all other costs and expenses of or incidental to *inter alia* the Placing Agreement, obtaining admission to trading on AIM, the allotment and issue of the Placing Shares and each other aspect of the Placing.

The Placing Agreement contains certain representations, warranties and indemnities given by the Company in favour of KBC Peel Hunt. The obligations of KBC Peel Hunt are conditional *inter alia* on the aggregate gross Placing proceeds actually received by KBC Peel Hunt in cleared funds prior to admission to trading on AIM being at least £5,000,000, the passing of the Resolution at the EGM and admission to trading on AIM of the Placing Shares occurring by 9.00 a.m. on 14 July 2004 (or such later date as KBC Peel Hunt may agree not being later than 28 July 2004). KBC Peel Hunt may terminate the Placing Agreement at any time before admission of the Placing Shares to trading on AIM in certain *force majeure* circumstances.

9.2 On 3 March 2004, the Company settled the claim by the trustees (the "Trustees") of the BETEC Retirements Benefits Plan (the "Plan") and the Company agreed to pay the Trustees:

An initial payment of £400,000 by 1 April 2004 (already paid) and a subsequent payment of £600,000 by 1 July 2004. Further payments of £1,500,000 are to be paid over five years in equal annual instalments. By a Deed of Variation dated 17 June 2004 entered into by the Trustees and the Company it has been agreed that date for payment of the £600,000 be extended from 1 July 2004 to 30 July 2004. If the Company fails to make payment of £600,000 by 30 July 2004 then all of the subsequent instalments become due and payable.

A further £1,500,000 is payable in equal annual instalments over five years subject to the Company achieving minimum profit targets. If any contingent instalment is not paid as a result of the Company

not reaching a minimum profit target, then that instalment will be rolled into the next year and paid if the Company reaches the minimum profit target in that year.

If by 1 July 2009 any contingent instalment remains unpaid the Trustees have the right to either extend the payment term for a further three years or to require the company to issue them with up to £1,000,000 worth of ordinary shares in the capital of the Company at a price of 9p per share. In respect of these shares the Company has agreed certain anti-dilutive protections for the Trustees in the event of a capital re-organisation or analogous event.

The Company also agreed to pay and has paid £80,000 in legal expenses of the Trustees.

- 9.3 The Company entered into an agreement dated 26 September 2003 (the "Cellular Agreement") with (1) Alan Dugard and British Meditran (Holdings) SA (for the purposes of this paragraph 9.2 the "Vendors") and (2) Michael Hanna for the sale and purchase of the entire issued share capital of Cellular Holdings Limited. In consideration of the acquisition, the Company allotted and issued 327,197,168 Ordinary Shares credited as fully paid to the Vendors divisible among the Vendors in proportion to their shareholdings in Cellular Holdings Limited.

Under the Cellular Agreement, Alan Dugard and Michael Hanna (for the purposes of this paragraph 9.2 "Warrantors") gave on a several basis usual warranties for this type of transaction in relation to the trading and financial position of Cellular Holdings Limited, and Ventelo Holdings BV and its subsidiaries and indemnities in relation to tax and certain other limited indemnities which would be considered usual for this type of transaction in relation to certain historical liabilities. The Cellular Agreement did not contain any warranties or indemnities in relation to Anglia Telecom however the agreement for the acquisition of Anglia Telecom by Cellular Holdings Limited contained warranties and indemnities which are typical for such an acquisition, and the benefit of these warranties may be assigned to the Company. The maximum liability under the warranties and indemnities is £2,000,000 and any such claim must be made by the Company within eighteen months of completion of (other than in respect of any claims relating to tax which may be enforced at any time within six years from the end of the current accounting period of Cellular Holdings Limited at that time save in respect of taxation claims relating to Ventelo Holdings BV and its subsidiaries which had to be made within 18 months from the date of completion of the acquisition of Cellular Holdings Limited). Completion of the Cellular Agreement took place on 29 October 2003.

The Company also gave limited warranties and also certain limited indemnities which would be considered usual for this type of transaction in relation to certain historic liabilities in respect of the Group to the Vendors, which are subject to a maximum liability of £2,000,000 and which may be enforced by the Vendors within eighteen months of completion of the acquisition of Cellular Holdings Limited (other than in respect of claims relating to tax which may be enforced at any time within six years from the end of the current accounting period of the Company at that time). Claims against the Company are to be satisfied by the issue to the Vendors of additional Ordinary Shares based on a value of 4.125p per share. Individual claims under the warranties and indemnities once aggregated with any other claim of a similar class or relating to the same warranty or indemnity may only be made once the claim exceeds £200,000 in the case of a claim against the Company and £100,000 in the case of a claim against the Warrantors. In each case, once the threshold has been reached, the Warrantors and the Company (as the case may be) shall be liable for the whole amount and not simply the excess.

- 9.4 An agreement (the "Ventelo Agreement") dated 26 September 2003 made between (1) Cellular Holdings Limited and (2) British Meditran (Holdings) SA whereby Cellular Holdings Limited acquired 50 per cent. of the entire issued share capital of Ventelo Holdings BV from British Meditran (Holdings) SA (the other 50 per cent. of the entire issued share capital of Ventelo Holdings BV being previously acquired by Phone Direct Holdings Limited, which is a subsidiary of Cellular Holdings Limited).

In consideration for the acquisition of 50 per cent. of the issued share capital of Ventelo Holding BV, Cellular Holdings Limited allotted and issued 175,000 new ordinary shares (representing approximately 16.3 per cent. of the issued share capital of Cellular Holdings Limited) credited as fully

paid to British Meditran (Holdings) SA. The Ventelo Agreement does not contain any warranties or indemnities from British Meditran (Holdings) SA, other than a warranty that British Meditran (Holdings) SA is able to transfer good title to shares. There is no monetary cap on this warranty and it is subject to a time limit of twelve years.

- 9.5 An agreement (the "Anglia Agreement") dated 26 September 2003 between (1) Aidan Thomas Coughlan ("Mr Coughlan"), (2) Trevor John Pearson ("Mr Pearson"), (3) David Raymond McGinn ("Mr McGinn"); (4) Cellular Holdings Limited and (5) Phone Direct Limited whereby Cellular Holdings acquired the entire issued share capital of Anglia Telecom. Completion of the Anglia Agreement took place on 29 October 2003. The Anglia Agreement provides for Cellular Holdings Limited to pay up to £5,800,000 in the following manner: (i) £4 million was payable and was paid in cash at completion, (ii) £200,000 was to be paid into a retention account at completion (and was to be released from the retention account six months from completion) and (iii) the remainder is deferred cash consideration which will be paid in tranches at six months, twelve months and 18 months from completion. The first tranche of the deferred consideration which included the £200,000 held in the retention account has now been paid in accordance with the terms of the Anglia Agreement. The second and third tranche payments are subject to adjustments such that (i) if the gross profit for the twelve months following completion is less than 90 per cent. of the gross profit of Anglia Telecom as set out in the audited accounts of Anglia Telecom for the accounting period ending on 31 March 2003 (the "Relevant Accounts"), then the consideration for the shares of Anglia Telecom will be reduced by 1 per cent. for each percentage point by which the said gross profit falls below 90 per cent. of the gross profit as set out in the Relevant Accounts, and (ii) if the gross profit for the next six months (i.e. the period from 12 to 18 months following completion) is less than 90 per cent. of the gross profit of Anglia Telecom as set out in the Relevant Accounts (pro rated to take account of the shortened period then the consideration payable to the shares of Anglia Telecom will be reduced by 1 per cent. for each percentage point by which the said gross profit falls below 90 per cent. of the gross profit as set out in the Relevant Accounts. Any deductions made from the consideration in respect of a short fall in gross profit shall be taken respectively from the second or third tranches of the deferred consideration. Payment of the second and third tranches are also subject to Mr Coughlan's continuing employment by Anglia Telecom.

There is a 'rise and fall' payment provision based on net assets determined by reference to completion accounts. The rise and fall payment provisions have been determined and resulted in a further payment by Cellular Holdings Limited to Mr Coughlan of £504,000. The Anglia Agreement contains normal warranties by Mr Coughlan to Cellular Holdings Limited and subject to certain vendor safeguards allows set-off against retention account monies (now released) and deferred consideration in the event of a claim under the warranties or the tax deed. Mr Pearson and Mr McGinn do not give any warranties, and are not parties to the tax deed. Claims under the tax deed or in respect of tax warranties must be brought within seven years, and any other claim under the warranties must be brought within 18 months (in each case of completion). The minimum threshold for any one claim is £5,000 and there must be a cumulative total of over £30,000 for any claim to be brought. The maximum total liability of Mr Coughlan under the agreement in respect of claims under the warranties and the tax deed is £3,000,000.

- 9.6 An agreement (the "First Phone Direct Acquisition Agreement") dated 15 July 2003 made between (1) Cellular Holdings and (2) Barry Donaghey and Paul Williams ("BD & PW") whereby Cellular Holdings Limited acquired 100 A shares (the entire issued class of A shares) in Phone Direct Holdings Limited from BD & PW in consideration of the sum of £1,800,000, such sum to be satisfied by the issue by Cellular Holdings Limited to BD & PW of loan notes (the "Loan Notes") with an aggregate value of £1,800,000. The First Phone Direct Acquisition Agreement did not contain any warranties from BD & PW, other than a warranty that BD & PW are able to transfer good title to the 100 A shares. The Loan Notes have been repaid in full.
- 9.7 An agreement (the "Second Phone Direct Acquisition Agreement") dated 15 July 2003 made between (1) Cellular Holdings Limited and (2) Alan Dugard whereby Cellular Holdings Limited acquired 50 B shares (the entire issued class of B shares) in Phone Direct Holdings Limited in consideration for the payment of £899,999, such payment to be satisfied by the issue to Alan Dugard of 899,999 new

ordinary shares of £1 each in the share capital of Cellular Holdings Limited. The Second Phone Direct Acquisition Agreement did not contain any warranties from Alan Dugard, other than a warranty that Alan Dugard is able to transfer good title to the 50 B shares.

- 9.8 The Company currently has facilities totalling £7,850,000 from the Bank of Scotland pursuant to facility agreements dated 26 September 2003 and 20 February 2004 ("Bank of Scotland Facility"). Such facilities are made up as follows: (i) a term loan of £1,800,000 to be repaid in 12 quarterly instalments until October 2006 (of which £1,500,000 remains outstanding) (ii) an "on-demand" loan of £2,350,000 to be repaid on receipt of the repayment of VAT from HM Customs and Excise (see paragraph 10.1 below) and (iii) a working capital facility of £4,000,000 of which £1,000,000 is repayable immediately following the Placing becoming effective. The interest rate in respect of the term loan is (at the option of the Company) either 2 per cent. per annum above Bank of Scotland's base rate or 2 per cent. above LIBOR plus associated costs of the Bank of Scotland for such period not exceeding six months as the Company may choose. The interest rate on the "on-demand" loan is 4 per cent. per annum above Bank of Scotland's base rate. The interest rate for the working capital facility is 1.75 per cent. above Bank of Scotland's base rate. If the Company or any of its subsidiaries breaks the terms of the finance agreements, the Bank of Scotland is entitled to, amongst other things, charge penalty interest. As security, each non-dormant UK subsidiary of the Company has granted a debenture (including fixed and floating charges) in favour of the Bank of Scotland. The security in favour of the Bank of Scotland also includes cross guarantees from all UK holding and trading companies within the Group, and an assignment of keyman life cover to the value of £500,000 in respect of each of Michael Hanna and Graham Pollard.

In a letter dated 16 June 2004 the Bank of Scotland confirmed to the Company that subject to the Placing going ahead and the Company raising not less than £5,000,000 from the Placing, then the Bank of Scotland confirms that the Bank of Scotland Facility will remain in place for further period of twelve months from the date the Placing becomes unconditional.

- 9.9 Pursuant to loans made by Phone Direct Limited on and since November 2002 to British Meditrean (Holdings) SA (the "BMed Loan"), the sum of £1,357,503 has been advanced for the purpose of assisting British Meditrean (Holdings) SA in financing the acquisition of Ventelo Holding BV and TTG Belgium. The BMed Loan was not documented but is referred to in the accounts of Phone Direct Limited. £357,503 of the BMed Loan currently remains outstanding.
- 9.10 An agreement dated 5 March 2003 made between (1) Servo Computer Services Plc ("Servo") and (2) Anglia Telecom whereby Anglia Telecom made a loan to Servo of £1,250,000, which was repayable in full on 31 July 2004. Interest is to be paid monthly in arrears at Lloyds TSB Plc's base rate plus £2,500 per month, with a penalty of £5,000 per month or part thereof in the event of late payment of the principal sum. In satisfaction of a condition of the Anglia Agreement (as detailed in paragraph 9.5) above) this loan was repaid in full upon completion of the acquisition of Anglia Telecom.
- 9.11 A five year fixed term loan arrangement which has been in place since 10 November 2002 under which TTG Belgium borrowed the sum of €88,000 from British Meditrean (Holdings) SA.
- 9.12 An agreement dated 23 July 2003 made between (1) Ventelo Holding BV and (2) British Meditrean (Holdings) SA whereby Ventelo Holding BV agreed to acquire 100 per cent. of the entire issued share capital of TTG Belgium from British Meditrean (Holdings) SA for a consideration of €1 with effect from 1 June 2003.
- 9.13 TTG Netherlands has an existing working capital facility with ABN Amro Bank up to a maximum of 50 per cent. of the debtors pledged in favour of ABN Amro Bank from time to time (for the purposes of calculating the limit of this overdraft facility, receivables over three months old or in respect of which a provision has been made and intra-group receivables are excluded) up to a maximum of €1,100,000. The interest rate in respect of the working capital facility is one per cent. over the base rate of ABN Amro Bank (with a minimum of 4.5 per cent. per annum) together with a facility fee of 0.25 per cent. per annum. As security in favour of ABN Amro Bank, TTG Netherlands has pledged all its present and

future receivables, goods, documents of title, and securities. Unless otherwise agreed, the facility will cease on 1 October 2004. ("ABN Amro Facility".)

- 9.14 Cellfone Distribution Limited receives stock and mobile phone connection services from the Phone Direct Limited. Alan Dugard is a director of Cellular Holdings Limited, the parent company of the Phone Direct Limited and is also indirectly interested in the shares of Cellfone Distribution Limited and this trading relationship therefore constitutes a related party transaction. Phone Direct Limited generated sales of £353,000 and paid commissions of £155,000 in the year ended 31 March 2003 in respect to this trading relationship. The Group no longer trades with Cellfone Distribution Limited and there remains an outstanding debt of £218,000 to Phone Direct Limited.
- 9.15 Phone Point Communication Limited receives supplies of mobile phones and also mobile phone connection packages from Phone Direct Limited. Alan Dugard is a director of Cellular Holdings Limited which is the parent company of Phone Direct Limited and is also a shareholder in Phone Point Communication Limited and this trading relationship therefore constitutes a related party transaction. Phone Direct Limited generated sales of approximately £1.33 million and paid commissions of approximately £1.03 million in the year ended 31 March 2003 in respect to this trading relationship. Phone Direct Limited is owed £214,000 by Phone Point Communications Limited.

10. Litigation

Save as disclosed in this paragraph 10, there are no legal or arbitration proceedings (including any such proceedings which are pending or threatened against or being brought by any member of the Group) which are having, or may have, a significant effect on the financial position of the Company or the Group.

- 10.1 One of the Company's subsidiaries, Cityphone International Limited exports mobile phones to traders in other EU countries. In the ordinary course these supplies are zero-rated for VAT purposes and Cityphone International Limited is able to reclaim the input tax which it paid when it acquired the handsets. Cityphone International submits its VAT return on a monthly basis to its local Custom and Excise office. Following submission of its monthly VAT returns, Cityphone International Limited is ordinarily inspected on a monthly basis by the local Customs & Excise office to confirm the claim for repayment of input VAT. Cityphone International Limited, is appealing a decision of HM Customs and Excise to withhold repayment of payments made in respect of input VAT on the basis that the transactions were devoid of economic activity. No wrongdoing is alleged against Cityphone International Limited or any other company within the Group. The repayments in dispute total approximately £2,750,000. An appeal hearing was set for 19 July 2004, but at HM Customs & Excise's request, this has been adjourned to a date to be confirmed.
- 10.2 Please see paragraph 9.2 for details of the settlement of the claim by the Trustees of the BETEC Retirements Benefits Plan.

11. Other information

- 11.1 KBC Peel Hunt, of 111 Old Broad Street, London EC2N 1PH, is the Company's nominated adviser and broker. KBC Peel Hunt is regulated in the UK by the Financial Services Authority.
- 11.2 It is estimated that the expenses of the Open Offer will amount to approximately £158,000 (excluding VAT). The expenses are payable by the Company.
- 11.3 There is no minimum amount which, in the opinion of the Directors, must be raised under the Open Offer to provide the sums required in respect of the matters specified in paragraph 21 of Schedule 1 of the POS Regulations.
- 11.4 The existing Ordinary Shares are currently admitted to trading on AIM. They are not dealt on any other recognised investment exchange and no other such applications have been made.
- 11.5 KBC Peel Hunt has given, and has not withdrawn, its consent to the inclusion of its name in this document and to the references thereto.

- 11.6 The following advisers were involved in the reverse takeover of the Company and in its admission to AIM in October 2003: Deloitte and Touche Corporate Finance, KBC Peel Hunt Ltd, Nabarro Nathanson, BDO Stoy Hayward, HLB AV Audit plc, Numerica Business Services Limited, Mishcon de Reya, Numerica Corporate Finance Limited, PricewaterhouseCoopers LLP, Beaumont Cornish and Capita IRG Plc.
- 11.7 The following advisers are and have been involved in the Placing and Open Offer: KBC Peel Hunt Ltd, HLB AV Audit plc, Numerica LLP, Mishcon de Reya and Capita IRG Plc.
- 11.8 Save for the Company's professional advisers, the material contracts and the options over Ordinary Shares otherwise disclosed in this document, and save for trade suppliers, no person has received directly or indirectly in the last twelve months or is contractually entitled to receive, directly or indirectly, from the Company fees of £10,000 or more or any other benefit with a value of £10,000 or more at the date of Admission or securities in the Company of £10,000 or more (calculated by reference to the Issue Price).
- 11.9 Save as set out in paragraph 9 of this Part III, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business.
- 11.10 There are no investments in progress which are significant to the Group.

12. Availability of this document

Copies of this document will be available to the public free of charge from the offices of KBC Peel Hunt, at 111 Old Broad Street, London EC2N 1PH, during normal office hours, Saturdays and Sundays excepted, from the date of this document until a date which is one month following Admission.

6 July 2004