THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or what action you should take, you should consult a person authorised for the purposes of the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on the acquisition of shares and other securities. The content of this promotion has not been approved by an authorised person within the meaning of FSMA for the purposes of section 21 of FSMA.

This document has been drawn up under the AIM Rules. As no offer of securities to the public within the meaning of section 102B of FSMA is being made, this document is not a prospectus for the purposes of section 85 of FSMA and accordingly does not require the approval of the Financial Services Authority.

Application has been made for the entire issued and to be issued Ordinary Share capital of the Company to be admitted to trading on AIM, the market operated by London Stock Exchange plc ("AIM"). It is expected that admission will become effective and that dealings will commence on 15 February 2006 in respect of the First Admission Shares and on 16 February 2006 in respect of the Second Admission Shares. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

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 ("Official List"). A prospective investor should be aware of the risks in 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 rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to listing on the Official List. London Stock Exchange plc has not itself examined or approved the contents of this document.

AdEPT Telecom plc

(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 4682431)

Placing of 5,857,143 Ordinary Shares at 140p per Share and Application for Admission to AIM of 21,067,443 Ordinary Shares

Nominated Adviser	*Broker*
STRAND PARTNERS LIMITED	**TEATHER & GREENWOOD LIMITED**

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING THE PLACING

Authorised			*Issued and fully paid*	
Number	*Amount*		*Number*	*Amount*
65,000,000	£6,500,000	Ordinary Shares of 10p	21,067,443	£2,106,744

The Placing Shares will, on Admission, rank equally in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

This document does not constitute or form part of any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for Ordinary Shares in any jurisdiction in which such offer, invitation or solicitation is unlawful. The Ordinary Shares have not been nor will they be registered under the United States Securities Act of 1933, as amended ("Securities Act"), or under the securities laws of any state of the United States or under the applicable securities laws of Australia, the Republic of South Africa, the Republic of Ireland, Japan or Canada. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered, sold, transferred, taken up or delivered, directly or indirectly, in the United States, Australia, the Republic of South Africa, the Republic of Ireland, Japan or Canada or for the benefit of any US person (as defined in Regulation S under the Securities Act). The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Strand Partners Limited, which is authorised and regulated by the Financial Services Authority, is acting as nominated adviser to the Company in connection with the proposed admission of the Enlarged Share Capital to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. Teather & Greenwood Limited, which is authorised and regulated by the Financial Services Authority, is acting as Broker to the Company in connection with the proposed admission of the Enlarged Share Capital to trading on AIM. No representation or warranty, express or implied, is made by Strand Partners Limited or Teather & Greenwood Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Neither Strand Partners Limited nor Teather & Greenwood Limited will be offering advice and nor will they otherwise be responsible for providing customer protections to recipients of this document or for advising them on the contents of this document or any other matter.

The whole of the text of this document should be read and in particular your attention is drawn to the section entitled "Risk Factors" set out in Part 2 of this document.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	14 February 2006
Completion of the Acquisition	14 February 2006
First Admission effective and dealings to commence in the First Admission Shares on AIM	15 February 2006
CREST accounts credited in respect of the First Admission Shares by	15 February 2006
Second Admission effective and dealings to commence in the Second Admission Shares on AIM	16 February 2006
CREST accounts credited in respect of the Second Admission Shares by	16 February 2006
Definitive share certificates for the Placing Shares expected to be despatched (where applicable) by	24 February 2006

PLACING STATISTICS

Placing Price	140p
Number of Placing Shares being issued pursuant to the Placing	5,857,143
Total number of Ordinary Shares in issue following the Placing	21,067,443
Market capitalisation of the Company following the Placing at the Placing Price	£29,494,420
Proportion of the Enlarged Share Capital the subject of the Placing	27.8 per cent.
Total estimated net proceeds of the Placing to be received by the Company	£7.4 million

DEFINITIONS

"Acquisition"	the acquisition by the Company of the entire issued share capital of Transglobal on 14 February 2006, being the date of this document. Further details of the Acquisition are set out in paragraph 6 of Part 1 and paragraph 13.17 of Part 7 of this document
"Act" or "CA"	the Companies Act 1985, as amended
"AdEPT" or the "Company"	AdEPT Telecom plc, registered in England and Wales under the Act with registered number 4682431
"Admission"	the admission of the Enlarged Share Capital of the Company to trading on AIM by way of the First Admission and the Second Admission and such admissions becoming effective in accordance with Rule 6 of the AIM Rules
"AIM"	the AIM market of the London Stock Exchange
"AIM Rules"	the rules applicable to companies whose shares are traded on AIM published by the London Stock Exchange, as amended
"Albion"	Albion Telecommunications plc
"Articles"	the articles of association of the Company adopted by the Company by resolution dated 28 November 2005, the material terms of which are summarised in paragraph 5 of Part 7 of this document
"Barclays Revolving Credit Facility"	the £5 million revolving credit facility provided to the Company by Barclays Bank PLC and summarised in paragraph 13.18 of Part 7 of this document
"Bittium"	Bittium Limited
"Board"	the directors of the Company from time to time
"Call Options"	Call Options UK Limited
"City Code"	the City Code on Takeovers and Mergers
"CNS"	Connectacom Network Solutions Limited
"Codium"	Codium Limited
"Concert Party"	Ian Fishwick and certain persons as listed in paragraph 9 of Part 7 of this document
"Connaught"	Connaught Telecommunications Limited
"CREST"	the relevant system (as defined in the CREST Regulations 2001) in respect of which CRESTCo Limited is the operator (as defined in those regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
"Croyde"	Croyde Limited
"CSS"	Communications Support Services Limited
"Directors"	the existing directors of the Company as at the date of this document, whose names are listed on page 8 of this document
"EDF Energy Assets"	assets acquired from Virgin Homephone Limited and London Energy plc, comprising the customer contract bases of Virgin Homephone Limited, and London Energy plc, and including the business carried out by London Energy plc under the name SWEB Energy Telephone

"EMI Option Scheme"	the Company's enterprise management incentive share option scheme, details of which are set out in paragraph 10.1 of Part 7 of this document
"Enlarged Share Capital"	the issued share capital of the Company immediately following completion of the Placing, comprising the Existing Ordinary Shares and the Placing Shares
"Eurobell"	Eurobell Holdings Limited
"Existing Ordinary Shares"	the 15,210,300 Ordinary Shares in issue immediately prior to the Placing
"First Admission"	the admission to trading on AIM of the First Admission Shares, which admission is expected to occur on 15 February 2006
"First Admission Shares"	the 3,571,427 Placing Shares and 15,210,300 Existing Ordinary Shares being admitted to trading on AIM pursuant to the First Admission
"Group"	the Company and its subsidiaries from time to time
"London Stock Exchange"	London Stock Exchange plc
"Oathall"	Oathall plc
"Official List"	the Official List of the UK Listing Authority
"Ordinary Shareholder" or "Shareholder"	a holder of Ordinary Shares
"Ordinary Shares"	ordinary shares of 10 pence each in the capital of the Company
"Panel"	the Panel on Takeovers and Mergers
"Pinnacle"	Pinnacle Telecommunications Limited
"Placees"	subscribers for Placing Shares
"Placing"	the placing of the Placing Shares at the Placing Price as described in this document
"Placing Agreement"	the conditional agreement dated 14 February 2006 between the Directors (1), the Company (2), Strand Partners (3) and Teather & Greenwood (4), details of which are set out in paragraph 13.1 of Part 7 of this document
"Placing Price"	140p per Placing Share
"Placing Shares"	5,857,143 new Ordinary Shares the subject of the Placing
"Preference Shares"	redeemable cumulative convertible preference shares of 10 pence each in the capital of the Company which will be converted into Ordinary Shares immediately prior to First Admission
"Recognised Investment Exchange"	an investment exchange as defined in section 285 of FSMA
"Registrars"	Computershare Investor Services PLC
"Savant Sage"	Savant Sage Telecommunications Limited
"Second Admission"	the admission to trading on AIM of the Second Admission Shares, which admission is expected to occur on 16 February 2006
"Second Admission Shares"	the 2,285,716 Placing Shares being admitted to trading on AIM pursuant to the Second Admission
"Senior Management Team"	Ian Fishwick, Tim Holland, Christopher Riggs and Amanda Woodruffe
"Strand Partners"	Strand Partners Limited, the Company's Nominated Adviser

"Strand Warrant"	the warrant instrument dated 14 February 2006 in favour of Strand Partners for the right to subscribe for new Ordinary Shares as described in paragraph 13.4 of Part 7 of this document
"Talk Direct"	Talk Direct Limited
"Teather & Greenwood"	Teather & Greenwood Limited, the Company's Broker
"Teather & Greenwood Warrant"	the warrant instrument dated 14 February 2006 in favour of Teather & Greenwood for the right to subscribe for new Ordinary Shares as described in paragraph 13.4 of Part 7 of this document
"Transglobal"	Transglobal Telecommunications Limited, registered in England and Wales under the Act with registered number 3682394
"Unapproved Option Scheme"	the Unapproved Share Option Scheme 2003 between (1) the Company and (2) Ian Fishwick dated 31 July 2003, details of which are set out in paragraph 10.2 of Part 7 of this document
"uncertificated" or "in uncertificated form"	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"US" or "United States"	the United States of America, its territories and possessions and any state of the United States of America

GLOSSARY

BT	BT Group plc and its subsidiary companies
EBITDA	earnings before interest, tax, depreciation and amortisation
EV	enterprise value
Network Operators	owners and operators of fixed line networks in the UK, including (but not limited to) BT, Energis, Thus and Cable & Wireless
Ofcom	the Office of Communications, being the UK's communications regulator
Ofcom Report 2005	the report published by Ofcom dated July 2005 and entitled "The Communications Market 2005"
SME	small and medium sized enterprises
telecom	transmission and reception of voice, data or other signals through electrical impulses, including all aspects of transmitting information
telecom reseller	a telecom company that provides voice and data services to either residential or business customers via lines leased from Network Operators
VoIP	voice over Internet protocol, a category of hardware and software that enables users to use the Internet as the transmission medium for telephone calls
WLR	wholesale line rental

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Roger Parmley Wilson *(Non-executive Chairman)* Ian Michael Fishwick *(Managing Director)* Timothy Mark Holland *(Finance Director)* Christopher Riggs *(Sales Director)* Amanda Woodruffe *(Operations Director)* Dusan Lukic *(Non-Executive Director)* All of 1st Floor, 77 Mount Ephraim, Tunbridge Wells, Kent TN4 8BS
Company Secretary and Registered Office:	Secretarial Solutions Limited One London Wall London EC2Y 5AB
Head Office:	1st Floor 77 Mount Ephraim Tunbridge Wells Kent TN4 8BS
Nominated Adviser:	Strand Partners Limited 26 Mount Row London W1K 3SQ
Broker:	Teather & Greenwood Limited Beaufort House 15 St. Botolph Street London EC3A 7QR
Solicitors to the Company:	Maclay Murray & Spens, London One London Wall London EC2Y 5AB
Solicitors to the Nominated Adviser and the Broker:	Mishcon de Reya Summit House 12 Red Lion Square London WC1R 4QD
Auditors and Reporting Accountants:	Horwath Clark Whitehill LLP Lonsdale House 7-9 Lonsdale Gardens Tunbridge Wells Kent TN1 1NU
Principal Bankers:	Barclays Bank PLC 1 Churchill Place London E14 5HP
Registrars:	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 1XZ
Financial Public Relations:	Cardew Group 12 Suffolk Street London SW1Y 4HG

KEY INFORMATION

The following information is derived from, and should be read in conjunction with, the full text of this document. In particular, recipients of this document should consider the Risk Factors set out in Part 2 of this document.

The Company

AdEPT is a non-network based UK telecom company that provides fixed line calls, line rental and broadband to business and residential customers in the UK.

In the 3 years since incorporation AdEPT has completed the acquisition and integration of 10 telecom businesses, excluding Transglobal, all of which have been successfully integrated and now trade under the AdEPT Telecom brand.

AdEPT completed the acquisition of Transglobal on the date of this document, 14 February 2006. Transglobal is a fixed line telecom reseller which reported audited turnover of £5.9 million in the year to 31 March 2005.

The Company reported EBITDA of £1.0 million on turnover of £8.7 million in the year to 31 March 2005, and for the 6 months to 30 September 2005 generated EBITDA of £0.8 million on turnover of £4.8 million.

The Business

AdEPT provides fixed line calls, line rental and broadband to approximately 4,500 business customers and 30,000 residential customers. AdEPT employs 22 members of staff at its office in Tunbridge Wells, Kent, and a further 3 members of staff will be employed as a result of the Acquisition.

The Company currently provides its services to both residential customers, under the Company's "HOMEtalk" brand, and business customers, under its "WORKwise" brand. The Company's primary focus, however, is on the UK SME market, which at 30 September 2005 comprised approximately 70 per cent of the Company's turnover, which is expected to rise to approximately 83 per cent. after the Acquisition.

Growth strategy and opportunities

The Directors intend to continue to grow the Company primarily by way of acquisition. The Directors believe the UK fixed line sector is ripe for consolidation; the market for supplying fixed line calls and line rental to business customers is fragmented, with over 600 fixed line resellers (most of which report turnover of less than £2 million per annum) with no dominant consolidator. Therefore, the Directors believe that the opportunity exists for a well-financed trade buyer such as AdEPT to act as the leading consolidator in the sector by offering an exit strategy to small operators.

The Directors additionally intend to grow the business organically through continued development of the Company's dealer channel.

Risk Factors

Investors' attention is drawn to the Risk Factors set out in Part 2 of this document.

The Placing

The Company is proposing to raise £8,200,000 (before expenses) through a placing of 5,857,143 new Ordinary Shares, representing 27.8 per cent. of the Enlarged Share Capital.

The Directors believe that admission to AIM will assist AdEPT in achieving its long-term growth aspirations. The Placing proceeds will be used as follows:

- £3 million to enable AdEPT to repay the portion of the Barclays Revolving Credit Facility used to finance the consideration payable pursuant to the Acquisition;
- £3.4 million to enable the Company to repay shareholder loans of £0.5 million and bank debt of up to £2.9 million; and
- the balance to provide working capital to enable the continued growth of AdEPT by way of acquisition, where appropriate.

PART 1

Information on the Company

1. Introduction

AdEPT is a non-network based UK telecom company that provides fixed line calls, line rental and broadband to business and residential customers in the UK. The Company was founded in 2003 by Ian Fishwick, Roger Wilson and Richard Blakesley, who between them have many years' expertise in the UK telecom sector and, in particular, in mergers and acquisitions in the sector. The Directors intend to leverage this experience to grow the business primarily by way of acquisition.

In the three years since incorporation AdEPT has completed the acquisition and integration of 10 telecom businesses, excluding Transglobal, all of which have been successfully integrated and now trade under the AdEPT Telecom brand.

AdEPT completed the acquisition of Transglobal on the date of this document, 14 February 2006. Transglobal is a fixed line telecom reseller which reported audited turnover of £5.9 million in the year to 31 March 2005.

The Company reported EBITDA of £1.0 million on turnover of £8.7 million in the year to 31 March 2005, and for the 6 months to 30 September 2005 generated EBITDA of £0.8 million on turnover of £4.8 million. The Company employs 22 staff at its office in Tunbridge Wells, Kent.

The Company is raising approximately £8.2 million in the Placing by the issue of 5,857,143 new Placing Shares at the Placing Price. The net proceeds receivable by the Company of approximately £7.4 million will be used to repay the portion of the Barclays Revolving Credit Facility used to fund the Acquisition, repay shareholder loans, reduce the Company's indebtedness, provide working capital for the Company and provide capital for further acquisitions.

2. History

AdEPT was established on 28 February 2003 and commenced trading following the acquisition of the assets of the indirect access division of Eurobell in June 2003. The founder shareholders were the Company's Managing Director, Ian Fishwick, non-executive Chairman Roger Wilson and Richard Blakesley. Amanda Woodruffe, Operations Director, and Chris Riggs, Sales Director, were recruited in mid-2003 and Tim Holland, the Company's Finance Director, joined in October 2005.

The Company's growth strategy has been focused on leveraging the extensive telecom acquisition and integration skills of its Senior Management Team, who between them have completed a significant number of mergers and acquisitions in the UK telecom industry. The Company completed a total of 10 acquisitions of the customer bases of the following companies in the 26 months from June 2003 to September 2005:

Completion	*Vendor/Target*	*Customer type*	*Acquisition type*
June 2003	Eurobell	Residential	Asset purchase
August 2003	CSS	SME	Asset purchase
October 2003	Albion	SME	Asset purchase
December 2003	Connaught	SME	Share purchase
April 2004	Savant Sage	SME	Asset purchase
April 2004	Pinnacle	SME	Asset purchase
September 2004	EDF Energy Assets	Residential	Asset purchase
January 2005	CNS	SME	Share purchase
July 2005	Call Options	SME	Share purchase
September 2005	Talk Direct	SME	Asset purchase

Seven of the transactions completed by the Company to date have been by way of the purchase of assets, predominantly fixed line contracts. In the case of share purchases, all activities have been transferred from the acquired companies into AdEPT immediately following the acquisitions, with the target companies becoming dormant.

The Company has been recognised for its achievements by winning the Best Customer Service Award 2005 (for any industry) and the Best New Business 2005 (for any industry) at the Kent Business Awards.

3. Key strengths

The Directors believe that AdEPT's key strengths include the following:

- **Proven business model**: the Directors' strategy is to continue to grow the Company through acquisition. The historical success of this strategy is evidenced by the growth of the Company from incorporation in February 2003 to turnover of £4.8 million for the 6 months to 30 September 2005, and 9 consecutive quarters of EBITDA growth in the period to 30 September 2005;
- **Experienced Senior Management Team**: the Directors believe that the Senior Management Team has the necessary experience and capability to establish AdEPT as a leading consolidator in the UK fixed line telecom industry;
- **Scale**: The Directors estimate that approximately 90 per cent. of the businesses operating in the UK telecom reseller market generate annual revenues of less than £2 million per annum, providing an opportunity for AdEPT to play a leading role in consolidating the sector as one of its largest players;
- **Lean cost structure**: the Directors manage the business with a personnel base of just 22, excluding the 3 additional employees acquired on completion of the Acquisition. This employee ratio compares favourably to other businesses in the telecom reseller market that generate similar EBITDA levels, several of which have more than four times the number of employees. The Directors estimate that AdEPT's annualised turnover-per-employee of more than £667,000 per annum (on completion of the Acquisition) will be more than four times the industry average;
- **Efficient and scalable back-office systems**: the Directors are able to maintain the Company's cost efficiency due to the automation of a number of the Company's back-office systems. In the opinion of the Directors, AdEPT's use of customised technology to undertake tasks that have traditionally been completed manually is a key point of differentiation. The Directors believe the Company's back-office processes to be scaleable, thus enabling the swift and successful integration of acquired businesses;
- **High margins**: As a result of the Company's lean cost structure and efficient back-office systems, AdEPT has been able to generate EBITDA margins on sales of approximately 20 per cent. from acquired assets which, so far as the Directors are aware, is considerably higher than the EBITDA of most telecom reseller businesses in the UK;
- **Efficient integration**: the Company has historically utilised the experience of its Senior Management Team to carry out commercial due diligence on the business and assets of potential target companies, and the Directors intend to continue to do so following Admission. The highly automated back-office systems thereafter enable the swift integration and re-branding of acquired customer contracts into the Company's systems within 6 weeks of the date of ownership;
- **Low capital expenditure**: as AdEPT does not own or service its own fixed line network and has established scaleable operational systems the Company's business model involves relatively low ongoing capital expenditure when compared with telecom companies that own or operate networks;
- **High cash generation**: the Company believes that it generates high levels of operating cash flow relative to its peers. In the year to 31 March 2005 the Company's recorded net cash inflow from operating activities was £1.7 million on turnover of £ 8.7 million;
- **Solid capital structure**: on completion of the Placing and the Acquisition, the Company will have net cash on its balance sheet, despite the Company having completed 11 acquisitions in the 3 years since incorporation. The Company will also be able to draw down funds under the Barclays Revolving Credit Facility. The Directors consider that an opportunity exists to leverage the Company's balance sheet to complete acquisitions where such leverage is deemed to be in the interests of the Company's shareholders; and

- **Award-winning customer service:** despite having less than a quarter of the staff of most similar-sized telecom companies, AdEPT was awarded Best Customer Service 2005 (for any industry) at the Kent Business Awards 2005.

The Directors believe that these key strengths will enable AdEPT to become a leading consolidator in the UK telecom reseller market.

4. The Business

AdEPT provides fixed line calls, line rental and broadband to approximately 4,500 business customers and approximately 30,000 residential customers. AdEPT employs 22 members of staff at its office in Tunbridge Wells, Kent, and a further 3 members of staff have been employed as a result of the Acquisition.

The Company is able to offer customers lower cost voice services than those provided by BT by being able to route customers' calls via lines leased from other Network Operators. 81 per cent. of the Company's network usage is currently supplied by one Network Operator, improving the supply terms offered to AdEPT and consequently improving the Company's margins. Network costs decreased from 66.3 per cent. of turnover in the year to 31 March 2004 to 58.3 per cent. in the 6 months to 30 September 2005. AdEPT's total number of supplier Network Operators is 12, and the Company is able to switch between suppliers should it become necessary to do so.

Historically, SME customers in the UK have been supplied by lower-cost fixed line resellers on rolling 30-day contracts, and therefore switching suppliers was relatively easy. The advent of WLR from March 2004, which enabled telecom companies other than BT to sell line-rental, enabled fixed line resellers to secure customers on contracts of between one and three years. In addition, customers benefit by being able to receive a single bill from a fixed line reseller rather than receive one bill from BT and another from the call provider. The Directors believe that the ability to offer WLR enhances the Company's service offering, and at 30 September 2005 approximately 55 per cent. of AdEPT's business revenues were from customers with WLR from the Company.

The Company currently provides its services to both residential customers, under the Company's "HOMEtalk" brand, and business customers, under its "WORKwise" brand. The Company's primary focus, however, is on the UK SME market, which at 30 September 2005 comprised approximately 70 per cent. of the Company's turnover, which is expected to rise to approximately 83 per cent. after the Acquisition. The Directors believe that the SME market is the least vulnerable to new technologies, such as VoIP, as the capital costs involved in switching to VoIP often outweigh the benefits for most SME customers, who on average spent approximately £146 per month on fixed line voice services with AdEPT in September 2005.

AdEPT acquired the residential customer base of Eurobell in June 2003 and the EDF Energy Assets in September 2004. The acquisitions provided a critical mass, thus facilitating considerable investment in the Company's automated back-office systems. However, the Company does not currently market its services directly to residential customers due to the highly competitive and fragmented nature of the residential sector and the higher churn rate of residential customers. The average revenue per user of AdEPT's residential customers is approximately £10.80 per month.

The Company's acquisition strategy is complemented by the development of the Company's dealer channel, established in July 2005. The dealer channel, which currently comprises some 15 to 20 active dealers, eliminates the need for the Company to employ a large direct sales force and provides organic growth to offset churn in the existing business. Dealers are paid on a success-only basis through a combination of connection bonuses and recurring commission payments. AdEPT currently advertises for new dealers in industry and trade magazines, in addition to acquiring dealer channels as part of acquired businesses.

5. Acquisition processes

The Directors believe that the experience of the Senior Management Team in completing UK telecom mergers and acquisitions is a key strength of the business. The Senior Management Team conducts thorough commercial due diligence on all potential acquisition targets, and their experience and skills alleviate the need to involve external commercial or financial advisors. During this due diligence period potential acquisition targets are evaluated for their compatibility with AdEPT's internal systems; where the Senior Management Team determines that customer contracts cannot be effectively integrated, the acquisition will not proceed. During the due diligence period, but prior to such contracts being acquired by AdEPT, the Company tests the integration of contracts to ensure an efficient handover.

The key features of the Company's integration process are:

- *Timing:* the integration of acquired assets has historically taken no more than six weeks to complete from the time of acquisition, largely due to the due diligence process described above. The Company typically only acquires the customer contracts of target businesses so that the integration process involves only assimilating the customer contracts into AdEPT's internal systems and the subsequent re-branding of the contracts.
- *Synergies:* the Company's back-office systems are scaleable, enabling acquired customer contracts to be integrated into the existing systems with little or no need for additional personnel or capital expenditure. In addition, the Company frequently has the opportunity to re-negotiate improved terms with Network Operators on completion of an acquisition due to its better buying power. As a result of these synergies, AdEPT believes that it has historically been able to generate significantly higher margins from acquired businesses following the integration process, with a resultant EV multiple of only 2-3 times the EBITDA contribution of acquired businesses or assets.

6. Transglobal

The Company acquired the entire issued share capital of Transglobal on 14 February 2006, being the date of this document, for a cash consideration of £3 million and a deferred consideration, payable on 31 July 2006, based on the average monthly revenue of acquired customers over the six months to 31 July 2006, less the initial consideration paid. Of the £3 million consideration, £1 million was retained pending delivery of certain documentation. Based on Transglobal's current revenue run-rate the Directors expect that the deferred consideration payable will amount to approximately £0.1 million.

Transglobal is a fixed line telecom reseller based in Maidstone, Kent, and provides voice telephone services to approximately 2,700 business customers. During the ten months ended 30 November 2005, 83 per cent. of Transglobal's revenues were generated from fixed line telephone calls, 14 per cent. from WLR and 3 per cent. from mobile services.

Pursuant to the terms of the Acquisition, AdEPT has only acquired certain contracts for fixed line calls, WLR, non-geographic numbers and any other recurring revenue items owned by Transglobal, and now employs three of Transglobal's existing employees. Transglobal's mobile contracts and a small number of fixed line contracts, generating annual turnover of approximately £0.23 million, were transferred out of Transglobal immediately prior to the Acquisition as the Directors did not consider these services to be compatible with those of AdEPT. On completion of the Acquisition the Company did not assume responsibility for the existing business operating systems, buildings or any other assets or liabilities currently under the control of Transglobal which were also transferred out prior to completion of the Acquisition. The Transglobal customer contracts will be integrated with that of AdEPT as with previous acquisitions.

On 14 September 2005 Transglobal agreed to maintain a minimum of 75 per cent. of carrier traffic on the network operated by Gamma Telecom Limited for a period of 12 months from the date of the contract. This contract will be honoured by the Company and reviewed on its expiry.

Further details of Transglobal are set out in Part 4 and Part 5 of this document. Further details of the Acquisition are set out in paragraph 13.17 of Part 7 of this document.

7. Growth strategy and opportunities

The Directors intend to continue to grow the Company primarily by way of acquisition. The Directors believe the UK fixed line sector presents an opportunity for consolidation; the market for supplying fixed line calls and line rental to business customers is fragmented, with an estimated over 600 fixed line resellers (most of which report turnover of less than £2 million per annum) with no dominant consolidator. Therefore, the Directors believe that the opportunity exists for a well-financed trade buyer such as AdEPT to act as the leading consolidator in the sector by offering an exit opportunity to small operators.

The Directors have identified as typical targets for future growth UK telecom resellers that have sales of between £2 million and £10 million per annum and whose customer contracts could be efficiently integrated using the Company's systems. The Directors will also, however, consider acquiring smaller or larger target companies, if appropriate, if such opportunities arise.

The Directors intend to fund these acquisitions using the Company's cash resources, debt funding and/or the proceeds of the Placing, as appropriate.

The Directors additionally intend to grow the business organically through continued development of the Company's dealer channel.

8. The UK telecom market

AdEPT operates within the fixed calls and line rental segment of the UK telecom market which, according to the Ofcom Report 2005, was estimated to be worth approximately £10.5 billion annually in 2004. The Directors estimate the number of business customers of fixed line telecom services in the UK to be approximately 2.4 million, of which some 90 per cent. have less than 50 employees, sales of less than £2 million per annum or a maximum 20 sites, and at least 75 per cent. spend less than £100,000 per annum on telecom services.

The Directors therefore believe that the majority of business customers in the UK are SME, being AdEPT's target market. Including the business customers of Transglobal, AdEPT will service approximately 7,200 business customers, representing only 0.3 per cent. of the market.

In relation to WLR, the Ofcom Report 2005 shows that at the end of 2004 there were approximately 9.9 million business lines in the UK of which 82.4 per cent. were rented from BT. As at 31 December 2005, customers rented approximately 2,000 fixed lines from AdEPT, representing a market share of only 0.02 per cent.

9. Principal Competitors

The Directors consider that the UK fixed line telecom market falls broadly into three categories, being BT and the alternative telecom networks (which own the physical infrastructure), residential service providers and business service providers (both of which pay Network Operators to handle their calls). AdEPT operates primarily within the business service provider sector, which the Directors believe to be highly fragmented, comprising approximately 600 fixed line resellers that represent both competitors to the Company and potential acquisition targets, where appropriate. The fixed line telecom reseller market is therefore highly competitive. These business service providers operate in competition with BT and predominantly have revenue streams of less than £2 million per annum.

The Directors believe that there are at least two key competitors to AdEPT's position as a leading consolidator in the telecom reseller market, being Opal Telecom (a wholly-owned subsidiary of Carphone Warehouse Group plc) and Gamma Telecom Limited. The Directors believe that AdEPT differentiates itself from its competitors through its proven acquisition and integration processes, which enable effective growth by acquisition.

10. Financial information on AdEPT

The table below sets out the audited turnover, gross profit and EBITDA of AdEPT for the 13 months ended 31 March 2004, the 12 months ended 31 March 2005 and the 6 months ended 30 September 2005. The turnover and gross profit figures have been extracted from the historical financial information contained in Part 3 of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

	13 months ended 31 March 2004 audited (£'000)	*12 months ended 31 March 2005 audited (£'000)*	*6 months ended 30 September 2005 audited (£'000)*
Turnover	4,780	8,676	4,810
Gross profit	1,567	3,018	1,999
Gross profit margin	32.8%	34.8%	41.6%
EBITDA	365	997	792
EBITDA margin	7.6%	11.5%	16.5%

The increase in turnover from the period ended 31 March 2004 to the year ended 31 March 2005 is attributable primarily to the acquisitions of Savant Sage, Pinnacle and the EDF Energy Assets during the period, with additional turnover growth arising from the full year effects of businesses acquired during the period ended 31 March 2004.

Gross margins remained relatively stable between the years ended 31 March 2004 and 31 March 2005, with a marked increase in gross margin in the 6 months to 30 September 2005 arising primarily due to increased call volumes and successful negotiation of margins with supplier Network Operators. The improvement in EBITDA is attributable to the ability of the Company to integrate customer contracts without a significant increase in overheads.

11. Financial information on Transglobal

The table below sets out the audited turnover and gross profit of Transglobal for the 3 years ended 31 March 2005. The financial information has been extracted from the historical financial information contained in Part 4 of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

As stated above, the Acquisition does not include the trade arising from mobile telephone services and certain fixed line contracts held by Transglobal, the turnover and gross profits of which appear in the table below. The Directors estimate that the trade from these services and contracts constituted only approximately 3 per cent. of Transglobal's turnover in the 6 months to 30 September 2005.

	Year ended 31 March 2003 audited (£'000)	*Year ended 31 March 2004 audited (£'000)*	*Year ended 31 March 2005 audited (£'000)*
Turnover	7,772	7,095	5,913
Gross profit	2,383	2,445	2,022

The unaudited turnover and gross profit for the 6 months to 30 September 2005 attributable specifically to the Transglobal assets being acquired are set out in the table below. The financial information has been extracted from the historical financial information contained in Part 5 of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

	Year ended 31 March 2005 unaudited (£'000)
	2,565
	828

12. Current trading and prospects

Since 30 September 2005, the Group has continued to trade in line with the Directors' expectations. The Directors are confident of the Group's financial and trading prospects for the current financial year. As Transglobal was acquired on 14 February 2006 its financial contribution to the Group in the year to 31 March 2006 will be limited, but the Directors expect Transglobal to contribute to the Group's trading more fully in the year to 31 March 2007. The Directors expect to grow turnover and profitability where possible through further acquisitions in the fixed line telecommunications sector.

13. Dividend policy

The declaration and payment of future dividends is subject to the Company's underlying profitability, cash requirements for acquisitions, future prospects and other factors deemed to be relevant by the Directors at the time.

14. Directors

Roger Wilson, BA Hons, DMS aged 54 (Non-executive Chairman)

Roger has worked in the telecom industry for the past 17 years. Roger was the first Managing Director for Telewest Communications' residential consumer business in the UK from January 1997 until March 1998. Roger spent 3 years between June 1998 and April 2001 in Poland establishing a telecom business for American investors. Roger was Managing Director of ECTA, the European Competitive Telecommunications Association until January 2006. Roger is a member of the Company's remuneration and audit committees.

Ian Fishwick, MBA, ACMA aged 45 (Managing Director)

Prior to founding AdEPT in February 2003, Ian spent 15 years as a Managing Director in the telecom industry. From 1983 to 1995 Ian rose through the ranks at Marconi Secure Systems including 2 years as Financial Controller and 5 years as Managing Director. From 1996 to 2000 Ian was a Managing Director at Telewest Communications, managing Telewest North West, Telewest London and South East, and Cable London. Ian was Managing Director of World Access Telecommunications Group Limited from 2000 to 2001.

Tim Holland,BSc, ACA aged 43 (Finance Director)

Tim has 11 years experience in both the telecom and energy industries, most recently as Finance Director of EDF Energy, Customer Division, which included the integration of London Electricity and SWEB customer supply business activities with Seeboard, following its acquisition in 2002. Tim joined AdEPT in October 2005. Tim has previously been Finance Director at Telewest Communications (London and South East Region) and before that he worked for BT Group plc. Tim qualified as an accountant with Price Waterhouse, which was followed by 4 years of corporate finance experience, including with First Independent Corporate Finance Limited and BT plc corporate finance.

Christopher Riggs, aged 44 (Sales Director)

Chris has 16 years experience in the telecom industry. He has held a variety of positions from direct sales through to director level positions within multi-national organisations, including NETnet, Primus and Cable & Wireless. Chris has had high level involvement in several projects, including the cabling and supply of telecom services to the Canary Wharf development. Chris has held directorships at two major telecom companies, (NETnet and Unitel) and was particularly successful in turning around a loss making sales organisations at NETnet creating annual sales exceeding £120 million.

Amanda Woodruffe, aged 42 (Operations Director)

Amanda has held a wide variety of Customer Operations roles for major companies. At BT she was a customer service trouble-shooter and was presented with a Chairman's Quality Award. Amanda worked with Ian Fishwick on the cable mergers of Kent, Essex & London before taking on a national role at Telewest. She was a key member of the team that set up the discount airlines GO and Hapag Lloyd Express. Her consultancy assignments have been worldwide for companies such as Sonera (mobile), and BoStream (broadband in Sweden). Amanda also worked as a general manager at EdExcel following the highly-publicised A-level fiasco in 2002.

Dusan Lukic, aged 44 (Non-executive Director)

Dusan Lukic (also known as Dusko Lukic) has worked for twenty years as an institutional stockbroker covering UK and Continental European equity markets with City firms such as Wood Mackenzie, Salomon Brothers, Schroder Securities and latterly, at Cazenove. During his tenure at Cazenove, Mr. Lukic was the director responsible for Pan European equity sales to German institutions. During 2004 Mr. Lukic augmented his stock market experience by working at Eurovestech PLC, an AIM-quoted private equity investment company and since April 2005 he has been employed by Millpath Limited which acts as investment adviser to Draganfly Investments Limited, an AIM quoted investment company. Mr. Lukic is a member of the Company's remuneration and audit committees.

15. City Code

Upon Admission, a Concert Party as defined by the City Code will exist, comprised of Ian Fishwick and certain Shareholders, being Bittium, Codium, Croyde and Oathall. Bittium, Codium and Croyde are companies incorporated in the Isle of Man which are each controlled by JF Worthytrust Limited which holds all of the shares in those companies under a nominee agreement to the order of Christopher Fishwick, Ian Fishwick's brother. Oathall is wholly-owned by Bittium.

Shareholders should be aware that following the Placing the Concert Party will, in aggregate, hold approximately 35.9 per cent. of the Enlarged Share Capital. Furthermore if Ian Fishwick were to exercise his options and no other option holder or warrant holder were to exercise their options or warrants the Concert Party would be interested in approximately 38.1 per cent. of the Company's issued share capital so enlarged. The Panel has confirmed that the exercise of these options will not oblige the Concert Party, either individually or collectively, to make an offer for the whole of the issued and to be issued share capital of the Company under Rule 9 of the City Code.

Consequently the Concert Party will have the ability to exert a very significant degree of control over the future conduct of the Company. Furthermore, under rule 9 of the City Code any person who acquires shares which, taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all its shareholders to acquire for cash the remaining shares in that company at not less than the highest price paid by him or persons acting in concert with him within the preceding twelve months.

Rule 9 of the City Code also provides, *inter alia,* that where any person, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company and such person, or any person acting in concert with him, acquires additional shares which increase his percentage of the voting rights, that person is normally required to make a general offer, in cash, to acquire the remaining equity shares in the company at the highest price paid by him or persons acting in concert with him within the preceding 12 months.

This provision will apply to the future acquisition of Ordinary Shares by any member of the Concert Party in these circumstances and hence further purchases of Ordinary Shares by any member of the Concert Party will be subject to the provisions of Rule 9 of the City Code.

Where any person, together with persons acting in concert with him, holds over 50 per cent. of a company's voting rights, then there are no further constraints on such person acquiring additional shares. However, Rule 9 of the City Code may apply to each member of the Concert Party separately and the Panel may regard any acquisition by any of them which raises their individual shareholdings to 30 per cent. or more of the Company's voting rights as giving rise to an obligation on that person under Rule 9 of the City Code. The Panel should therefore be consulted prior to any such increase.

16. Banking Arrangements

The Company entered into new banking arrangements with Barclays Bank PLC on 27 January 2006 whereby it was agreed that the Barclays Revolving Credit Facility of £5 million would be made available to provide working capital of £1.5 million and acquisition facilities of £3.5 million which will finance the Acquisition and be available for the purpose of funding future acquisitions. The amount drawn for the purpose of the Acquisition will be repaid from the proceeds of the

Placing. An overdraft facility of £1 million is also available to provide working capital for the Company. The Barclays Revolving Credit Facility will be available for three years from 27 January 2006. The Company entered into a debenture dated 14 January 2005 in favour of Barclays Bank PLC which created fixed and floating charges over all or substantially all of its assets and undertakings.

17. Reasons for Admission and use of Placing proceeds

The Directors believe that admission to AIM will assist AdEPT in achieving its long-term growth aspirations. The Placing proceeds will be used as follows:

- £3 million to enable AdEPT to repay the portion of the Barclays Revolving Credit Facility used to finance the consideration payable pursuant to the Acquisition;
- £3.4 million to enable the Company to repay shareholder loans of £0.5 million and bank debt of up to £2.9 million; and
- the balance to provide working capital to enable the continued growth of AdEPT by way of acquisition, where appropriate.

The Directors further believe that Admission will:

- provide the Company with the ability to use Ordinary Shares as full or part consideration for potential acquisitions;
- aid the raising, when necessary, of additional finance for the future development of the business;
- raise the profile of AdEPT amongst potential vendors of telecom reseller businesses in the UK; and
- enable the Group to recruit, motivate, reward and retain directors and employees through the use of performance-linked share options over publicly traded shares on AIM.

18. Details of the Placing

The Company is proposing to raise £8.2 million (before expenses) through a placing of 5,857,143 new Ordinary Shares, representing 27.8 per cent. of the Enlarged Share Capital. All of the Placing Shares being offered in the Placing have been conditionally placed by Teather & Greenwood with institutional and other investors at the Placing Price. The Placing is not underwritten.

The Placing Shares will, upon Admission, rank *pari passu* with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, paid or made after the date of their issue.

The Placing is conditional, *inter alia*, upon:

(a) the Placing Agreement becoming unconditional (save for Admission) and not having been terminated in accordance with its terms prior to Admission;

(b) First Admission taking place on 15 February 2006 in respect of the First Admission Shares, and Second Admission taking place on 16 February 2006 in respect of the Second Admission Shares or, in either case, on such later date as Strand Partners, Teather & Greenwood and the Company may agree, not being later than 1 March 2006.

Further details of the Placing Agreement are set out in paragraph 13.1 of Part 7 of this document.

19. Admission, settlement and dealings

Application has been made to the London Stock Exchange for the Existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. Admission is to take place in two tranches to enable the Placing Shares to qualify for VCT relief. Admission is expected to become effective and trading is expected to commence on 15 February 2006 in respect of the First Admission Shares and on 16 February 2006 in respect of the Second Admission Shares.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. In accordance with standard practice, the issued Ordinary Shares will be made eligible for settlement in CREST as contemplated by the CREST Regulations with effect from First Admission in respect of the First Admission Shares and from Second Admission in the case of the Second Admission Shares. The Company's articles of association permit the holdings of Ordinary Shares in CREST. Permission is anticipated to be given for trading through CREST to begin on Admission.

Accordingly, settlement of transactions in the Ordinary Shares may take place within the CREST system if the relevant holders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain certificates will be able to do so.

No temporary documents of title will be issued. All documents sent by or to a Placee, or at his direction, will be sent through the post at the Placee's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certificated against the register of members of the Company.

20. Lock-ins and orderly market arrangements

Certain Directors, being Ian Fishwick, Roger Wilson and Tim Holland, who directly or indirectly together will hold 2,567,600 Ordinary Shares on Admission (representing approximately 12.2 per cent. of the Enlarged Share Capital) and who will hold share options over 1,094,376 Ordinary Shares, have undertaken to the Company, Strand Partners and Teather & Greenwood that, save in certain limited circumstances, they will not dispose of any interest in Ordinary Shares held by them until the announcement of the Company's preliminary results for the financial year ending 31 March 2007 and thereafter until the announcement of the Company's preliminary results for the financial year ending 31 March 2008, only with the consent of Teather & Greenwood or other broker to the Company from time to time.

In addition, existing Shareholders of the Company prior to Admission, who together will hold 12,644,700 Ordinary Shares (representing 60.0 per cent. of the Enlarged Share Capital) and certain Directors who together will hold options over 684,432 Ordinary Shares, have undertaken to the Company, Strand Partners and Teather & Greenwood that they will, for a period of 12 months following Admission, only dispose of any interest in Ordinary Shares with the consent of Teather & Greenwood, save in certain limited circumstances.

21. Incentive arrangements

All employees, with the exception of Ian Fishwick, have a monthly performance related bonus scheme. Targets are re-set on a monthly basis as priorities change. The monthly bonus scheme allows employees to earn up to 11 per cent. of their salary as a bonus. Ian Fishwick is on an annual bonus scheme with performance targets set by the remuneration committee, which scheme allows him to earn up to one-third of his annual salary.

22. Corporate governance

The Board recognises the importance of sound corporate governance and intends to comply in so far as practicable with the Quoted Companies Alliance's Corporate Governance Guidelines for AIM Companies. The guidelines recommend that the AIM company should have at least two independent non-executive directors. The Board considers that one of the existing non-executive directors, Roger Wilson, is not independent for the purposes of these guidelines due to his level of shareholding in the Company, and that Dusko Lukic is the only independent non-executive director. The Directors intend to appoint an additional independent non-executive director to the Board in due course following Admission.

The Directors will hold regular Board meetings. The Directors will be responsible for formulating, reviewing and approving the Group's budget.

An audit committee, consisting of Roger Wilson and Dusko Lukic, has been established to operate with effect from Admission. The audit committee will determine the application of the financial reporting and internal control principles, including reviewing the effectiveness of the Company's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit.

A remuneration committee, consisting of Roger Wilson and Dusko Lukic, has also been established to operate with effect from Admission. It will review the performance of the executive directors and will set their remuneration, determine the payment of bonuses to executive directors and consider bonus and option schemes. None of the executive directors will take part in discussions concerning their remuneration.

The Company intends to adopt a share dealing code for Directors and employees after Admission and will take steps to ensure compliance by the Board and relevant employees with the provisions of the AIM Rules relating to dealings in the Company's securities.

23. Taxation

Information regarding certain taxation considerations in the United Kingdom is set out in paragraph 6 of Part 7 of this document. These details are, however, intended only as a general guide to the current position under UK taxation law. If you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.

24. Additional information

Your attention is drawn to Parts 2 to 7 of this document, in particular the risk factors set out in Part 2 of this document.

PART 2

Risk Factors

In addition to all other information set out in this document, investors should carefully consider the risk factors described below before making a decision to invest in the Company. If any of the following events actually occur, the Group's business, financial condition, results or future operations could be materially, adversely affected. In such circumstances, the price of the Company's shares could decline and investors could lose all or part of their investment.

The Directors believe the risk factors described below to be the most significant for potential investors, but they do not necessarily comprise all risks associated with investment in the Company. The Company's performance may be affected by changes in market or economic conditions and its legal, regulatory and tax requirements. This document contains forward-looking statements that involve risks and uncertainties. The Group's results could actually differ materially from those anticipated in the forward-looking statements as a result of many factors, including, without limitation, the risks faced by the Group, which are described below and elsewhere in this document. This summary of risk factors is not exhaustive and is not set out in any order of priority. There may be additional risks and uncertainties, which are not currently known to the Directors.

Making an investment in the Company may not be suitable for all recipients of this document.

An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. If you are in any doubt about the action you should take, you should consult a professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

Risks of potential future acquisitions

In line with the Group's growth strategy, the Directors intend in future to seek to acquire other companies or businesses. Such acquisitions by the Group may involve the issue of equity securities, the incurrence of debt or the use of significant cash sums, each of which could materially and adversely affect the Group's business, financial condition or the market price of Ordinary Shares.

In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations of any acquired business or company and the diversion of management attention from other business concerns. The Directors believe, however, that the extensive experience of the Senior Management Team in integrating acquired telecom businesses minimises such acquisition risks.

Competition

The fixed line telecom sector is highly competitive. The Company may face significant competition, including from competitors who may be larger and/or have greater capital resources. There is no assurance that the Company will be able to compete successfully in such a marketplace in the future. In addition, the Group cannot predict the pricing or promotional activities of its competitors or their effect on its ability to market and sell its services. In order to ensure that its services remain competitive, the Group may be required to reduce its prices as a result of price reductions or promotions by its competitors. This could adversely affect the Group's results.

Low barriers to entry

There are few barriers to entry into the telecom reseller market as result of relatively low start up costs and the deregulation of the telecom industry, which could increase the number of competitors in the UK fixed line telecom market. However, the Directors believe that the acquisition costs associated with creating a large telecom reseller business are significant, as indicated by the Ofcom Report 2005 more than 90 per cent. of UK telecom reseller business have turnover of less than £2 million.

Management of growth

The Group's plans to continue its growth will place additional demand on the Group's management, customer support, marketing, administrative and technological resources. If the Group is unable to manage its growth effectively, its business, operations or financial condition may deteriorate.

Technological change

There can be no guarantee that superior technology or superior product applications or services will not be offered to the Group's target markets which may render demand for the Group's products and services obsolete and/or otherwise uncompetitive. In particular, the introduction of VoIP may lead to increased competition or more aggressive pricing by competitors. Whilst the Directors are confident that the Group's competitive pricing structure mitigates the risk of competition from new technologies or applications, there can be no guarantee that this protection will be effective.

Product defects and network outage

AdEPT does not own a fixed line network and is therefore reliant on its suppliers, the network operators, for the provision of its services. Whilst every step is taken to ensure its suppliers maintain the highest possible level of services to the Company, there can be no guarantee that the security or quality of supply will be maintained. This may lead to increased customer churn and loss of turnover. If there is any interruption to the products or services provided by third parties, the Group may be unable to find adequate replacement products or services on a timely basis.

Litigation

Any litigation, by the Company or against it, is likely to be costly and there can be no assurance that the Company would prevail. Litigation could also involve a significant diversion of resources and management attention, which could have a significant adverse effect on the business. The Directors are not aware of any existing or pending litigation against the Company and do not foresee any litigation arising from the Group's day-to-day business activities.

Regulation

The UK telecom market is subject to periodic regulatory intervention by Ofcom. In particular, the pricing of fixed line to mobile calls has been the subject of a series of price reductions following regulatory scrutiny. There is likely to be further regulatory intervention by Ofcom in the future, which may have an unforeseen impact on some or all of the Group's products and tariffs.

International Financial Reporting Standards

The Company prepares its financial statements in accordance with UK GAAP. UK companies listed on AIM will have to comply with International Financial Reporting Standards ("IFRS") for each financial year beginning on or after 1 January 2007. Therefore, the Company will have to comply with IFRS from 1 April 2007 and will need to provide comparable data in accordance with IFRS for the financial year ending 31 March 2007. It is not possible at this time to accurately quantify the impact that the conversion from UK GAAP to IFRS will have on the Company's financial results, although it could adversely affect the capital position or reported profitability of the Company.

Margin pressures

There are currently about 20 network providers who can carry call traffic for AdEPT and the last 3 years have seen costs falling on a regular basis. To date this has more than mitigated any price drops to customers and margins have risen. However this cannot be guaranteed to continue, and any reduction in the number of network providers may reduce competition.

Churn

Churn (customers leaving) has been forecast based upon historical experience. However increased competitive activity may cause historical trends to be invalid in the future.

Borrowings

The borrowings by the Group under its overdraft facility are repayable on demand and any such demand may increase the volatility of the price of the Ordinary Shares. Should AdEPT breach any of the covenants contained in its borrowings, it may be required to repay such borrowings forthwith together with attendant costs including the costs of breaking any fixed interest payments.

Payment of dividends

While it is the intention of the Directors to continue to pay dividends to Shareholders, the ability of the Company to pay any dividends will depend on the level of the distributable reserves available and on the Group continuing to meet bank covenants. Accordingly, the amount of the dividends paid to Shareholders may fluctuate. Any change in the tax or accounting treatment of dividends or income received by the Company, as the case may be, may also reduce the level or yields received by Shareholders.

If a dividend on the Ordinary Shares is not declared, or is paid only in part, the holders of the Ordinary Shares shall have no claim in respect of such non-payment or non-payment in part, as applicable.

Share price volatility and liquidity

Although the Company is applying for the Enlarged Share Capital to be admitted to trading on AIM, no application is being made for admission of the Enlarged Share Capital to the Official List or to any other Recognised Investment Exchange. There can be no assurance that an active or liquid trading market for the Group's Ordinary Shares will develop or, if developed, that it will be maintained. AIM is the market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List or other stock exchanges. Additionally, the rules of AIM are less demanding than those of the Official List. The Ordinary Shares may therefore be difficult to sell compared to the shares of companies listed on the Official List and the share price may be subject to greater fluctuations than might otherwise be the case.

The share prices of publicly quoted companies can fluctuate and be volatile and it is possible that investors may realise less than their original investment. The price of shares is dependant on a number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Company. There can be no guarantee that the price of the Placing Shares will reflect their actual or potential market value.

General economic climate

Factors such as inflation, currency fluctuations, interest rates, supply and demand of capital and industrial disruption may have an impact on demand, business costs and stock market prices. The Group's operations, business and profitability can be affected by these factors, which are beyond the Group's control.

Certain shareholders will continue to have substantial control of the Company after the Placing

Upon completion of the Placing, the Concert Party will hold, in aggregate, 35.9 per cent. of the Enlarged Share Capital. As a result, the Concert Party may be able to exert significant control over all matters requiring shareholder approval, which could delay or prevent an outside party from acquiring or merging with the Company. The ability of such shareholders to prevent or delay these transactions could cause the price of the Ordinary Shares to decline.

Dependence on key personnel

The future performance of the Group will depend on its ability to retain the services of key executives and to recruit, motivate and retain further suitably skilled, qualified and experienced personnel. Although certain key executives have or will at the time of Admission have entered into service agreements with the Company, the loss of the services of any such individual may have an adverse effect on the business, operations, revenues, customer or supplier relationships and/or prospects of the Group. The Company has sought to mitigate any loss of the services of Ian Fishwick by putting in place a keyman insurance policy for him.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. Prior to Admission, there has been no public market for the Ordinary Shares and there is no guarantee that an active market will develop or be sustained after Admission. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List.

PART 3

Section A

Accountants' Report on the Financial Information on AdEPT Telecom plc

Horwath Clark Whitehill LLP
Chartered Accountants
Lonsdale House
7-9 Lonsdale Gardens
Tunbridge Wells
Kent TN1 1NU

The Directors
AdEPT Telecom plc
One London Wall
London EC2Y 5AB

The Directors
Strand Partners Limited
26 Mount Row
London W1K 3SQ

The Directors
Teather & Greenwood Limited
Beaufort House
15 St. Botolph Street
London EC3A 7QR

14 February 2006

Dear Sirs

AdEPT Telecom plc ("AdEPT" or the "Company")

We report on the financial information set out in Section B of Part 3 to the Admission Document. This financial information has been prepared for inclusion in the Admission Document dated 14 February 2006 of AdEPT on the basis of the accounting policies set out in Section B of Part 3 to the Admission Document. This report is required by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that regulation and no other purpose.

Responsibilities

The directors of AdEPT are responsible for preparing the financial information on the basis of preparation set out in Section B and in accordance with the applicable United Kingdom accounting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of Opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in Section B in Part 3 gives, for the purposes of the Admission Document dated 14 February 2006, a true and fair view of the state of affairs of AdEPT at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in Section B in Part 3 and in accordance with the applicable United Kingdom accounting standards.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this Section A of Part 3 of this report as part of the document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Horwath Clark Whitehill LLP
Chartered Accountants

Section B

Financial Information of AdEPT Telecom plc

Basis of Preparation

The financial information set out in this Section B of Part 3, which has been prepared in accordance with applicable United Kingdom generally accepted accounting principles, is based on the audited financial statements of AdEPT, for the periods ended 31 March 2004 and 31 March 2005 and the audited non-statutory accounts for the period ended 30 September 2005. The financial information does not constitute statutory accounts within the meaning of section 240 of the Act. Horwath Clark Whitehill LLP, Chartered Accountants and Registered Auditors, audited the financial statements of AdEPT for the periods ended 31 March 2004 and 31 March 2005. Each report was unqualified and did not contain a statement under 237(2) or (3) of the Act.

In accordance with FRS 25, the cumulative preference shares have been reclassified as debt falling due after more than one year. Dividends paid on the cumulative preference shares have been reclassified as interest payable.

Horwath Clark Whitehill LLP, Chartered Accountants and Registered Auditors, audited the interim financial information of AdEPT for the period ended 30 September 2005. Their report to the Directors was unqualified and did not contain a statement under 237(2) or (3) of the Act.

Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information of AdEPT.

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Turnover

Turnover comprises of both invoiced and uninvoiced amounts for services supplied by the Company during the year exclusive of Value Added Tax and trade discounts.

Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities acquired. It is amortised to the profit and loss account over its estimated economic life.

Tangible fixed assets

Fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life on the following bases:

Short term leasehold improvements	– 5 years straight line
Fixtures & fittings	– 3 years straight line
Office equipment	– 3 years straight line
Computer software	– 3 years straight line

Residual value is calculated on prices prevailing at the date of acquisition.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. Timing differences are differences between the Company's taxable profits and its results as stated in the financial information that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial information.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based upon tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Leases

Rentals under operating leases are charged on a straight line basis over the lease term, even if payments are not made on such a basis.

Pensions

The Company contributes to personal pension plans, the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year.

Profit and Loss Accounts

	Notes	*13 month period ended 31 March 2004 £'000*	*Year ended 31 March 2005 £'000*	*Six months ended 30 September 2005 £'000*
Turnover	1	4,780	8,676	4,810
Cost of sales		3,213	5,658	2,811
Gross profit		1,567	3,018	1,999
Administrative expenses		1,383	2,574	1,575
Operating profit	2	184	444	424
Interest receivable		36	16	2
Interest payable and similar charges	5	171	225	151
Profit on ordinary activities before taxation		49	235	275
Taxation on profit on ordinary activities	6	43	121	165
Profit for the financial period	14	6	114	110

There are no recognised gains and losses other than those reported in the profit and loss account.

Balance Sheets

	Notes	*31 March 2004 £'000*	*31 March 2005 £'000*	*30 September 2005 £'000*
Fixed assets				
Intangible fixed assets	7	2,392	4,585	6,916
Tangible assets	8	136	167	151
		2,528	4,752	7,067
Current assets				
Debtors	9	1,183	1,434	1,896
Cash		796	160	50
		1,979	1,594	1,946
Creditors: amounts falling due within one year	10	(1,494)	(3,304)	(5,861)
Net current assets/(liabilities)		485	(1,710)	(3,915)
Total assets less current liabilities		3,013	3,042	3,152
Creditors: amounts falling due after more than one year	11	(1,955)	(1,870)	(1,870)
Net assets		1,058	1,172	1,282
Capital and reserves				
Called up share capital	13	64	64	64
Share premium		988	988	988
Profit and loss account		6	120	230
Shareholders' funds	14	1,058	1,172	1,282

Consolidated Cash Flow Statements

	Notes	*13 month period ended 31 March 2004 £'000*	*Year ended 31 March 2005 £'000*	*Six months ended 30 September 2005 £'000*
Reconciliation of operating profit to net cash inflow from operating activities				
Operating profit		184	444	424
Depreciation of tangible fixed assets		43	74	50
Amortisation		135	479	338
Increase in debtors		(1,182)	(231)	(454)
Increase/(decrease) in creditors		1,227	925	(30)
Net cash inflow from operating activities		407	1,691	328
Cash Flow Statement				
Net cash inflow from operating activities		407	1,691	328
Returns on investments and servicing of finance	15	(136)	(208)	(149)
Taxation	15	—	(43)	5
Capital expenditure	15	(179)	(106)	(34)
Acquisitions and disposals	15	(2,219)	(2,524)	(1,724)
Cash outflow before financing		(2,127)	(1,190)	(1,574)
Financing	15	2,922	54	1,445
Increase/(decrease) in cash in the period		795	(1,136)	(129)
Reconciliation of net cash flow to movement in net debt				
Increase/(decrease) in cash in the period		795	(1,136)	(129)
Issue of cumulative redeemable preference shares		(1,870)	—	—
Invoice discounting		—	(55)	(945)
Shareholder loans		—	—	(500)
Deferred consideration outflow		—	252	223
Change in net debt resulting from cash flows		(1,075)	(939)	(1,351)
Deferred consideration		(306)	(400)	(1,170)
Change in net funds		(1,381)	(1,339)	(2,521)
Net debt at beginning of period		—	(1,381)	(2,720)
Net debt at end of period	16	(1,381)	(2,720)	(5,241)

NOTES TO THE FINANCIAL STATEMENTS

1. Turnover

Turnover comprises the value of sales both invoiced and uninvoiced (excluding VAT and similar taxes and trade discounts) of goods and services supplied in the year from the provision of voice telephone services to both domestic and business customers.

The Directors regard the Company as having a single business segment. All turnover arose in the United Kingdom.

2. Operating profit

Operating profit is stated after charging:

	13 month period ended 31 March 2004 £'000	*Year ended 31 March 2005 £'000*	*Six months ended 30 September 2005 £'000*
Amortisation of goodwill	135	479	338
Depreciation			
– Owned assets	43	74	50
Profit on disposal of fixed assets	—	—	—
Auditors remuneration – audit	11	17	7
– other services	2	—	—
Pension costs	4	10	5

3. Directors' emoluments

	13 month period ended 31 March 2004 £'000	*Year ended 31 March 2005 £'000*	*Six months ended 30 September 2005 £'000*
Emoluments	279	294	144
Pension contributions to money purchase schemes	2	10	5
Directors' emoluments	281	304	149

The remuneration of the highest paid director which is included in the above amounts is shown below:

Emoluments	219	229	110
Pension contributions to money purchase schemes	2	10	5
Directors' emoluments	221	239	115

The number of directors who are accruing benefits under AdEPT pension schemes were as follows:

Money purchase schemes	1	1	1

Directors' remuneration of the Company's directors was as follows:

	Fees £'000	*Salary £'000*	*Benefits £'000*	*Pension £'000*	*13 month period ended 31 March 2004 £'000*
Executive					
I Fishwick	—	219	—	2	221
Non-executive					
R Wilson	—	46	—	—	46
A Birchall	—	14	—	—	14
	—	279	—	2	281

	Fees £'000	*Salary £'000*	*Benefits £'000*	*Pension £'000*	*Year ended 31 March 2005 £'000*
Executive					
I Fishwick	—	229	—	10	239
Non-executive					
R Wilson	—	50	—	—	50
A Birchall	—	15	—	—	15
	—	294	—	10	304

	Fees £'000	*Salary £'000*	*Benefits £'000*	*Pension £'000*	*Six months ended 30 September 2005 £'000*
Executive					
I Fishwick	—	110	—	5	115
Non-executive					
R Wilson	—	25	—	—	25
A Birchall	—	9	—	—	9
	—	144	—	5	149

Directors' interests

The directors who held office at 30 September 2005 had the following interests in the shares and debentures of AdEPT all of which were beneficially held:

	31 March 2004		*31 March 2005*		*30 September 2005*	
	Ordinary shares	*Preference shares*	*Ordinary shares*	*Preference shares*	*Ordinary shares*	*Preference shares*
I Fishwick	94,500	—	94,500	—	94,500	—
R Wilson	96,000	23,300	96,000	23,300	96,000	23,300
A Birchall	—	—	—	—	—	—

Directors' share options

The directors who held office at 30 September 2005 had the following options over the shares of AdEPT.

	Date Granted	*Options Granted*	*Exercise price*	*Exercise period*
EMI option				
I Fishwick	28/12/03	25,000	£3.50	28/12/04 to 28/12/10
I Fishwick	28/12/03	25,000	£3.50	28/12/05 to 28/12/10
Unapproved share option				
I Fishwick	31/07/03	12,680	£3.50	31/07/06 to 31/07/13

4. Staff costs (including directors)

The aggregate payroll costs were:

	13 month period ended 31 March 2004 £'000	*Year ended 31 March 2005 £'000*	*Six months ended 30 September 2005 £'000*
Wages and salaries	534	788	477
Social security costs	47	87	57
Pension costs	4	10	5
	585	885	539

The weekly average number of staff during the period was:

Non executive directors	2	2	2
Administration	8	17	23
	10	19	25

5. Interest payable and similar charges

	13 month period ended 31 March 2004 £'000	*Year ended 31 March 2005 £'000*	*Six months ended 30 September 2005 £'000*
Bank overdrafts	5	—	19
Preference shares	166	225	112
	171	225	131

6. Taxation

	13 month period ended 31 March 2004 £'000	*Year ended 31 March 2005 £'000*	*Six months ended 30 September 2005 £'000*
Analysis of tax charge in period			
UK corporation tax based on the results for the period at 30%	43	142	172
Total current tax	43	142	172
Origination and reversal of timing differences in respect of the current period	—	(21)	(7)
Total deferred tax	—	(21)	(7)
Tax on profit on ordinary activities	43	121	165
The UK corporation tax is made up as follows:			
Profit on ordinary activities before tax	49	235	275
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	15	70	82
Expenses not deductible for tax	52	96	72
Depreciation in excess of capital allowances	(8)	2	5
Other short term timing differences	(8)	19	2
Adjustments in respect of prior periods	—	(22)	16
Other adjustments	14	—	—
Ineligible depreciation on fixed assets	—	1	1
Marginal relief	(22)	(24)	(6)
Total current tax	43	142	172

7. Intangible fixed assets

	Goodwill
	£'000
Cost:	
On incorporation	—
Additions	2,527
At 31 March 2004	2,527
Acquisition of business	2,636
Retrospective adjustment	36
At 31 March 2005	5,199
Additions	2,669
At 30 September 2005	7,868
Amortisation:	
At incorporation	—
Provision for the period	135
At 31 March 2004	135
Provision for the period	479
At 31 March 2005	614
Provision for the period	338
At 30 September 2005	952
Net book value:	
At 31 March 2004	2,392
At 31 March 2005	4,585
At 30 September 2005	6,916

A retrospective adjustment in accordance with FRS7 'Fair values in acquisition accounting' was made in relation to the fair value of the consideration paid for the acquisitions during the period ended 31 March 2004. An adjustment in respect of amortisation was made accordingly, as directed by FRS7, which was recognised in the profit and loss account for the year ended 31 March 2005.

8. Tangible fixed assets

	Short term leasehold improvements £'000	*Fixtures and fittings £'000*	*Office equipment £'000*	*Computer software £'000*	*Total £'000*
Cost:					
On incorporation	—	—	—	—	—
Additions	7	19	75	78	179
At 31 March 2004	7	19	75	78	179
Additions	—	13	44	48	105
At 31 March 2005	7	32	119	126	284
Additions	—	—	13	24	37
Disposals	—	—	(4)	—	(4)
At 30 September 2005	7	32	128	150	317
Depreciation:					
At incorporation	—	—	—	—	—
Provision for the period	1	5	21	16	43
At 31 March 2004	1	5	21	16	43
Provision for the period	2	8	31	33	74
At 31 March 2005	3	13	52	49	117
Provision for the period	1	5	19	25	50
Disposals	—	—	(1)	—	(1)
At 30 September 2005	4	18	70	74	166
Net book value:					
At 31 March 2004	6	14	54	62	136
At 31 March 2005	4	19	67	77	167
At 30 September 2005	3	14	58	76	151

9. Debtors

	31 March 2004 £'000	*31 March 2005 £'000*	*30 September 2005 £'000*
Due after more than one year			
Other debtors	60	92	128
Due within one year			
Trade debtors	997	1,245	1,603
Other debtors	126	26	20
Prepayments and accrued income	—	50	117
Deferred tax asset (Note 12)	—	21	28
	1,183	1,434	1,896

10. Creditors: amounts falling due within one year

	31 March 2004 £'000	*31 March 2005 £'000*	*30 September 2005 £'000*
Bank loans and overdraft	1	556	1,520
Trade creditors	1,064	1,704	1,702
Corporation tax	43	142	321
Other taxes and social security costs	19	68	75
Other creditors	367	3	505
Accruals and deferred income	—	831	1,738
	1,494	3,304	5,861

11. Creditors: amounts falling due after more than one year

	31 March 2004 £'000	*31 March 2005 £'000*	*30 September 2005 £'000*
Other creditors	85	—	—
Cumulative redeemable preference shares	1,870	1,870	1,870
	1,955	1,870	1,870

AdEPT has granted a fixed and floating charge over all its assets to secure the bank loans and overdrafts of £521,392 (March 2005: £501,580, 2004: £988).

Included in bank loans and overdrafts is an amount in respect of advances under an invoice discounting facility of £998,817 (March 2005: £54,040 2004: £Nil) which is secured on the trade debtors of AdEPT.

Borrowings are repayable as follows:

	31 March 2004 £'000	*31 March 2005 £'000*	*30 September 2005 £'000*
Deferred consideration			
Between one and two years	85	—	—
Cumulative redeemable preference shares			
After five years	1,870	1,870	1,870
	1,955	1,870	1,870
On demand or within one year			
Bank loans and overdrafts	1	502	521
Invoice discounting	—	54	999
Shareholder loan	—	—	500
Deferred consideration	221	454	1,401
	2,177	2,880	5,291

The bank overdraft is repayable on demand. Interest is charged at 1.75 per cent. above the bank's base rate.

In accordance with FRS 25, the cumulative redeemable preference shares have been reclassified as debt falling due after more than one year. The cumulative redeemable preference shares have an interest rate of 12 per cent. and are redeemable on 31 December 2010.

The company may, at any time after 31 March 2008 on not less than 25 business days' notice in writing to the holders of 12 per cent. cumulative redeemable preference shares, redeem, in multiples of not less than 1,000 12 per cent. cumulative redeemable preference shares.

There shall be paid on the redemption of each 12 per cent. cumulative redeemable preference share an amount equal to:

(i) the nominal value thereof:

(ii) the balance of the issue price thereof; and

(iii) all accruals and/or unpaid amounts of preference dividends in respect thereof, calculated down to and including the date of actual payment and such aggregate amount shall, subject to the company having available profits or other monies which may be lawfully applied for such redemption, at that time become a debt due from and immediately payable by the company to the holders of such cumulative redeemable preference shares. If and to the extent that the debt so constituted is not paid in full on the date due, the unpaid amount shall carry interest in respect of the period from and including the date down to and including the date of actual payment.

Each 12 per cent. cumulative redeemable preference shareholder has the right to convert all of any of his/her cumulative redeemable preference shares into fully paid ordinary shares ranking *pari passu* with the ordinary shares then in issue at the rate of one ordinary share for every one 12 per cent. cumulative redeemable preference share at any time by serving notice.

The shareholder loan is repayable in full together with any interest accrued to the lender on 31 July 2007. The borrower may repay all or part (in multiples of £50,000) of the loan prior to 31 July 2007 without penalty, subject to giving at least 14 days prior notice to the lender in writing of its intention to do so. Interest is charged at 10 per cent. per annum on a daily basis.

12. Deferred taxation

	Deferred Taxation £'000
Provision:	
At incorporation	—
Provision for the period	—
At 31 March 2004	—
Provision for the period	21
At 31 March 2005	21
Provision for the period	7
At 30 September 2005	28

The deferred tax asset is made up as follows:

	31 March 2004 £'000	*31 March 2005 £'000*	*30 September 2005 £'000*
Capital allowances in advance of depreciation	5	(6)	(1)
Other timing differences	(5)	27	29
	—	21	28

13. Share capital

	31 March 2004 £'000	31 March 2005 £'000	30 September 2005 £'000
Authorised:			
5,000,000 Ordinary shares of 10 pence each	500	500	500
Allotted, called up and fully paid ordinary shares:			
644,250 Ordinary shares of 10 pence each	64	64	64

623,275 12 per cent. Cumulative redeemable preference shares were issued during the period ended 31 March 2004. The nominal value and premium on these shares are disclosed within creditors due in more than one year in accordance with the requirements of FRS 25.

During the period from incorporation to 30 September 2005, AdEPT made the following issues of shares:

Date of issue	*Ordinary Shares Issued*	*Preference Shares issued*	*Nominal Value per share*	*Total Nominal Value £'000*	*Total Consideration £'000*
29/05/2003	243,000	—	10 pence	24	250
29/05/2003	30,000	46,600	10 pence	8	200
30/05/2003	210,000	326,200	10 pence	54	1,399
06/06/2003	95,250	147,958	10 pence	24	634
10/06/2003	37,500	58,250	10 pence	10	250
12/06/2003	22,500	34,950	10 pence	6	150
18/06/2003	6,000	9,320	10 pence	1	40

Share Options and Warrants

During the period from incorporation to 30 September 2005, AdEPT issued the following options over its ordinary share capital:

Beneficiary	*Number of options*	*Date granted*	*Exercisable from*	*Exercisable until*	*Option Price*
Share Options:					
Directors	12,680	31/07/2003	2006	2013	£3.50
Directors	25,000	28/12/2003	2004	2010	£3.50
Directors	25,000	28/12/2003	2005	2010	£3.50
Others	7,129	30/10/2003	2004	2010	£5.00
Others	7,129	30/10/2003	2004	2010	£5.00
Others	7,130	30/10/2003	2005	2010	£5.00
Others	7,130	30/10/2003	2005	2010	£5.00
Others	7,129	29/08/2004	2005	2011	£5.00
Others	7,129	29/08/2004	2005	2011	£5.00
Others	7,130	29/08/2004	2006	2011	£5.00
Others	7,130	29/08/2004	2006	2011	£5.00
Others	7,129	06/06/2005	2006	2012	£5.00
Others	7,129	06/06/2005	2006	2012	£5.00
Others	7,130	06/06/2005	2007	2012	£5.00
Others	7,130	06/06/2005	2007	2012	£5.00

Directors are defined for the purpose of the AdEPT historical financial information as directors as at 30 September 2005. Those defined as others have subsequently been appointed as directors.

Earnings per share

Earnings per share is calculated on the basis of profit of £109,821 (March 2005: £114,660, 2004: £5,371) divided by the weighted average number of shares in issue for the period of 15,210,300 (March 2005: 15,210,300, 2004: 15,210,300). The weighted average number of shares has been adjusted to reflect the conversion of the cumulative redeemable preference shares into ordinary shares and the bonus issue of 13,942,775 ordinary shares prior to Admission. The diluted earnings per share is calculated on the assumption all options are exercised, preference shares are converted and the bonus issue had taken place. This would give rise to a total weighted average number of ordinary shares in issue for the period of 16,247,296 (March 2005: 15,921,281, 2004: 15,335,858).

A more realistic measure for basic earnings per share is arrived at by using the profit after taxation before goodwill amortisation of £447,909 (March 2005: £593,732, 2004: £140,381) divided by the relevant weighted average number of shares.

	13 month period ended 31 March 2004 £'000		*Year ended 31 March 2005 £'000*		*Six months ended 30 September 2005 £'000*	
	Basic	*Diluted*	*Basic*	*Diluted*	*Basic*	*Diluted*
Profit for the financial year before goodwill amortisation	140	140	594	594	448	448
Profit for the financial year	5	5	115	115	110	110
	Basic earnings per share	*Diluted earnings per share*	*Basic earnings per share*	*Diluted earnings per share*	*Basic earnings per share*	*Diluted earnings per share*
Earnings per share before goodwill amortisation	£0.01	£0.01	£0.04	£0.04	£0.03	£0.03
Earnings per share	£0.00	£0.00	£0.01	£0.01	£0.01	£0.01
		Number of shares		*Number of shares*		*Number of shares*
Weighted average number of shares: For basic earnings per share		15,210,300		15,210,300		15,210,300
Exercise of share options		125,558		710,981		1,036,996
		15,335,858		15,921,281		16,247,296

14. Shareholders funds

		Equity Shareholders		
	Share Capital £'000	*Profit & Loss account £'000*	*Share Premium £'000*	*Shareholders Funds £'000*
At incorporation	—	—	—	—
Issue of shares	64	—	988	1,052
Profit for the financial period	—	6	—	6
At 31 March 2004	64	6	988	1,058
Profit for the financial period	—	114	—	114
At 31 March 2005	64	120	988	1,172
Profit for the financial period	—	110	—	110
At 30 September 2005	64	230	988	1,282

15. Gross cash flows

	13 month period ended 31 March 2004 £'000	Year ended 31 March 2005 £'000	Six months ended 30 September 2005 £'000
Returns on investments and servicing of finance			
Interest received	36	16	2
Interest paid	(172)	(224)	(151)
	(136)	(208)	(149)
Taxation			
Corporation tax (paid)/received	—	(43)	5
Capital expenditure			
Payments to acquire tangible fixed assets	(179)	(106)	(34)
Acquisitions and disposals			
Acquisition of business	(2,219)	(2,524)	(1,724)
Financing			
Issue of ordinary share capital	1,052	—	—
Issue of preference share capital	1,870	—	—
Shareholder loans	—	—	500
Invoice discounting	—	54	945
	2,922	54	1,445

16. Analysis of changes in net debt

	At incorporation £'000	Cash Flows £'000	Other Changes £'000	31 March 2004 £'000	Cash Flows £'000	Other Changes £'000	31 March 2005 £'000	Cash Flows £'000	Other Changes £'000	30 September 2005 £'000
Net cash:										
Cash at bank and in hand	—	796	—	796	(636)	—	160	(110)	—	50
Bank overdraft	—	(1)	—	(1)	(501)	—	(502)	(19)	—	(521)
	—	795	—	795	(1,137)	—	(342)	(129)	—	(471)
Debt:										
Invoice discounting	—	—	—	—	(54)	—	(54)	(945)	—	(999)
Deferred consideration	—	—	(306)	(306)	252	(400)	(454)	223	(1,170)	(1,401)
Preference shares	—	(1,870)	—	(1,870)	—	—	(1,870)	—	—	(1,870)
Shareholder loans	—	—	—	—	—	—	—	(500)	—	(500)
	—	(1,870)	(306)	(2,176)	198	(400)	(2,378)	(1,222)	(1,170)	(4,770)
Net debt	—	(1,075)	(306)	(1,381)	(939)	(400)	(2,720)	(1,351)	(1,170)	(5,241)

17. Capital commitments

At 30 September 2005 there were no capital commitments (March 2005: £Nil, 2004: £Nil).

18. Commitments under operating leases

Annual commitments under non-cancellable operating leases at each period end are as follows:

	31 March 2004			31 March 2005		
	Land and Buildings £'000	Other £'000	Total £'000	Land and Buildings £'000	Other £'000	Total £'000
Expiring within one year	—	—	—	—	—	—
Expiring in two to five years	105	—	105	105	—	105
Expiring after five years	—	—	—	—	—	—
	105	—	105	105	—	105

	30 September 2005		
	Land and Buildings £'000	*Other £'000*	*Total £'000*
Expiring within one year	—	—	—
Expiring in one to five years	105	—	105
Expiring after five years	—	—	—
	105	—	105

19. Derivatives and other financial instruments

AdEPT finances its operations through long term bank and shareholder loans and invoice discounting facilities. The main purpose of these instruments is to finance AdEPT's operations and acquisitions.

The numerical disclosures in this note deal with financial assets and liabilities as defined in FRS 25 'Financial instruments: disclosure and presentation'.

As permitted by FRS25, short term debtors and creditors have been excluded from the disclosures other than currency disclosures.

Maturity Profile

AdEPT's borrowing at the beginning and end of each period and details of the interest rate cost are detailed in Note 11.

As at 30 September 2005 AdEPT had financial assets which were part of its financing arrangements of £50,432 (March 2005: £160,089, 2004: £795,625).

Interest rate profile

The interest rate profile of AdEPT's financial liabilities was as follows:

	Total £'000	*Floating rate £'000*	*Fixed rate £'000*	*No interest £'000*
Currency				
Sterling				
Bank overdraft	1	1	—	—
Deferred consideration	306	—	—	306
Preference shares	1,870	—	1,870	—
At 31 March 2004	2,177	1	1,870	306
Sterling				
Bank overdraft	502	502	—	—
Invoice discounting	54	54	—	—
Deferred consideration	454	—	—	454
Preference shares	1,870	—	1,870	—
At 31 March 2005	2,880	556	1,870	454
Sterling				
Bank overdraft	521	521	—	—
Invoice discounting	999	999	—	—
Shareholder loans	500	—	500	—
Deferred consideration	1,401	—	—	1,401
Preference shares	1,870	—	1,870	—
At 30 September 2005	5,291	1,520	2,370	1,401

As at 30 September 2005 the weighted average interest rate on AdEPT's sterling fixed rate financial instruments was approximately 12 per cent. (March 2005: 12 per cent., 2004: 12 per cent.) and the weighted average period for which it was fixed was 54 months (March 2005: 75 months; 2004: 87 months).

Currency profile

AdEPT's operations are handled entirely in sterling.

Fair values

The directors believe that the carrying value of AdEPT's financial assets and liabilities at each period end is their fair value.

Gains and losses on hedges

There are no unrecognised gains and losses arising on hedges at either period end.

20. Acquisitions

During the AdEPT Review Period AdEPT made the following acquisitions:

Name	*Method*	*Date of acquisition*
Eurobell Holdings Limited	Trade and assets	June 2003
Communications Support Services Limited	Trade and assets	August 2003
Albion Telecommunications Plc	Trade and assets	October 2003
Connaught Telecommunications Limited	Share purchase	December 2003
Savant Sage Telecommunications Limited	Trade and assets	March 2004
Pinnacle Telecommunications Limited	Trade and assets	April 2004
Virgin Homephone Limited & London Energy Plc	Trade and assets	September 2004
Connectacom Network Solutions Limited	Share purchase	January 2005
Call Options UK Limited	Share purchase	July 2005
Talk Direct Limited	Trade and assets	August 2005

The fair value tables in respect of these acquisitions can be summarised as follows:

	Period ended 31 March 2004 £'000	*Year ended 31 March 2005 £'000*	*Six months ended 30 September 2005 £'000*
Satisfied by:			
Cash	1,336	1,838	1,338
Deferred consideration	1,191	798	1,331
Goodwill	2,527	2,636	2,669

No material net assets were acquired with any of the acquisitions.

21. Events after the balance sheet date

On 13 February 2006 share options were issued to certain employees under the EMI share option plan over 171,108 ordinary shares with an exercise period from 13 February 2006 to 12 February 2013 and an exercise price of £1.40.

On 13 February 2006 share options were issued to certain employees under the EMI share option plan over 171,108 ordinary shares with an exercise period from 1 February 2007 to 12 February 2013 and an exercise price of £1.40.

Preference shareholders have given notice of conversion of their preference shares into ordinary shares and accordingly 623,275 preference shares will, immediately prior to Admission, be converted into and re-designated as ordinary shares representing 49 per cent. of the existing ordinary shares, as detailed in paragraph 3 of Part 7 of this document.

13,942,775 ordinary shares were allotted by way of a bonus issue of 11 ordinary for each existing ordinary share immediately prior to Admission, as detailed in paragraph 3 of Part 7 of this document.

The exercise price of the share options in existence immediately prior to Admission has been re-based to reflect the conversion of the preference shares and the bonus issue referred to in paragraph 3 of Part 7 of this document.

A warrant instrument in favour of Strand Partners for the right to subscribe for new 316,012 Ordinary Shares as described in paragraph 13.4 of Part 7 of this document was issued on 14 February 2006.

A warrant instrument in favour of Teather & Greenwood for the right to subscribe for new 105,337 Ordinary Shares as described in paragraph 13.4 of Part 7 of this document was issued on 14 February 2006.

On 14 February 2006 the Company acquired the entire issued share capital of Transglobal for a cash consideration of £3 million and a deferred consideration, payable on 31 July 2006 on a multiple of the factor of eight times the average revenue of the acquired customers for those six months less the initial consideration paid.

On 13 February 2006 the Company declared a special dividend of £115,965, being 18 pence per Ordinary Share on the shareholders' register as at 10 February 2006. The special dividend was paid on 14 February 2006.

PART 4

Section A

Accountants' Report on the Financial Information on Transglobal

Horwath Clark Whitehill LLP
Chartered Accountants
Lonsdale House
7-9 Lonsdale Gardens
Tunbridge Wells
Kent TN1 1NU

The Directors
AdEPT Telecom plc
One London Wall
London EC2Y 5AB

The Directors
Strand Partners Limited
26 Mount Row
London W1K 3SQ

The Directors
Teather & Greenwood Limited
Beaufort House
15 St. Botolph Street
London EC3A 7QR

14 February 2006

Dear Sirs

Transglobal

We report on the financial information set out in Section B of this Part 4. This financial information has been prepared for inclusion in the Admission Document dated 14 February 2006 of AdEPT Telecom plc (the "Company") on the basis of the accounting policies set out in Section B of Part 4 of this Admission Document. This report is required by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that regulation and for no other purpose.

Responsibilities

The financial statements which form the basis of the financial information in this report are the responsibility of the directors of Transglobal who have approved their issue.

The directors of AdEPT Telecom plc are responsible for preparing the financial information on the basis of preparation set out in Section B of Part 4 of this Admission Document and in accordance with applicable United Kingdom accounting standards.

It is our responsibility to form an independent opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of Opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in Section B in Part 4 gives, for the purposes of the Admission Document dated 14 February 2006, a true and fair view of the total turnover, total gross margin and certain overheads of Transglobal for the three years ended 31 March 2005 in accordance with the basis of preparation set out in Section B in Part 4 and in accordance with United Kingdom accounting standards.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this Section A of Part 4 of this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Horwath Clark Whitehill LLP

Chartered Accountants

Section B

Financial Information on Transglobal

Basis of Preparation

The financial information set out in this Section B of Part 4, which has been prepared in accordance with applicable United Kingdom generally accepted accounting principles, is extracted directly from the audited financial statements of Transglobal, for the years ended 31 March 2003, 31 March 2004 and 31 March 2005. The financial information does not constitute statutory accounts within the meaning of section 240 of the Act. Sydney Parker & Co, Chartered Accountants and Registered Auditors, audited the financial statements of Transglobal for the three years ended 31 March 2005. Each report was unqualified and did not contain a statement under 237(2) or (3) of the Act.

Transglobal turnover is derived from two business segments, mobile and fixed line telephone services. Under the terms of the acquisition agreement the trade arising from mobile telephone services and a small number of fixed line contracts will not be transferred to AdEPT Telecom plc. Transglobal has insufficient management information to enable an analysis of turnover by business segment for the three years ended 31 March 2005. The financial information includes the turnover and cost of sales of all business segments of Transglobal, including those which will not form part of the transferred trade.

Employment costs and commissions have been extracted directly from the audited financial statements of Transglobal, for the years ended 31 March 2003, 31 March 2004 and 31 March 2005. The Company will be assuming the employment of three Transglobal staff under the terms of the acquisition. The financial information includes the employment cost and commissions of all Transglobal employees as disclosed in the audited financial statements, including the cost of employees whose services will not be transferred as part of the acquisition.

Profit and loss accounts

	Notes	*Year ended 31 March 2003 £'000*	*Year ended 31 March 2004 £'000*	*Year ended 31 March 2005 £'000*
Turnover	1	7,772	7,095	5,913
Cost of sales		(5,389)	(4,650)	(3,891)
Gross profit		2,383	2,445	2,022
Administrative expenses	1	(1,307)	(1,273)	(1,224)
Extracted contribution		1,076	1,172	798

Balance sheets

No balance sheets have been included as all Transglobal assets and liabilities are to be hived out prior to the acquisition by the Company. The only asset being acquired represents goodwill.

Cash flow statements

No cash flow statements have been included as those cash flows on which the cash flow statements have been prepared relate to Transglobal business as a whole which is not considered to represent a true and fair view of the assets and liabilities that are to be acquired.

Notes to the financial statements

1. Accounting policies

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes) of goods and services supplied in the year from the provision of voice and mobile telephone services to business customers.

The Directors regard Transglobal as having two business segments, mobile and fixed line telephone services. Under the terms of the acquisition agreement the trade arising from mobile telephone services and a small number of fixed line contracts will not be transferred to AdEPT Telecom plc. Transglobal has insufficient management information to enable an analysis of turnover by business segment for the three years ended 31 March 2005.

All turnover arose in the United Kingdom.

Administrative expenses

Administrative expenses represent the cost of employment and commissions payable to Transglobal staff.

Pensions

Transglobal operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

2. Staff costs

The aggregate payroll costs were:

	Year ended 31 March 2003 £'000	*Year ended 31 March 2004 £'000*	*Year ended 31 March 2005 £'000*
Wages and salaries	546	592	634
Social security costs	49	69	77
Pension costs	1	7	7
	596	668	718

PART 5

Unaudited Financial Information on Transglobal

Profit and loss accounts

	Notes	*Six months ended 30 September 2005 £'000*	*Six months ended 30 September 2004 £'000*
Turnover	1	2,565	3,081
Cost of sales		(1,737)	(2,105)
Gross profit		828	976
Administrative expenses	1	(538)	(656)
Extracted contribution		290	320

Balance sheets

No balance sheets have been included as all Transglobal assets and liabilities are to be hived out prior to the acquisition by AdEPT Telecom plc. The only assets being acquired are customer contracts which will be represented by goodwill.

Cash flow statements

No cash flow statements have been included as those cash flows on which the cash flow statements have been prepared relate to Transglobal business as a whole which is not considered to represent a true and fair view of the assets and liabilities that are to be acquired.

Notes to the unaudited financial information

1. Accounting policies

Basis of Preparation

The unaudited financial information included in this Admission Document has been extracted directly from the unaudited management accounts of Transglobal, for the six months ended 30 September 2004 and six months ended 30 September 2005. The unaudited financial information does not constitute accounts within the meaning of Section 240 of the Act.

The Directors regard Transglobal as having two business segments, mobile and fixed line telephone services. Under the terms of the acquisition agreement the trade arising from mobile telephone services will not be transferred to AdEPT Telecom plc. The revenues and costs associated with those services which are excluded from the acquisition agreement have been extracted for the purposes of the preparation of the unaudited financial information for the six months ended 30 September 2005. Transglobal has insufficient management information to enable an analysis of turnover by business segment for the six months ended 30 September 2004.

Employment costs and commissions have been extracted directly from the unaudited management accounts of Transglobal for the six months ended 30 September 2004 and the six months ended 30 September 2005. The Company will be assuming the employment of three Transglobal staff under the terms of the acquisition. The financial information includes the employment cost and commissions of all Transglobal employees, including the cost of employees whose services will not transferred as part of the acquisition.

Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes) of goods and services supplied in the period from the provision of voice telephone services to business customers.

All turnover arose in the United Kingdom.

Administrative expenses

Administrative expenses represent the cost of employment and commissions of Transglobal staff.

Pensions

Transglobal operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

2. Staff costs

The aggregate payroll costs were:

	Six months ended 30 September 2005 £'000	*Six months ended 30 September 2004 £'000*
Wages and salaries	334	336
Pension costs	12	12
	346	348

PART 6

Section A

Accountants' Report on the Pro Forma Statement of Net Assets of AdEPT Telecom plc as enlarged by the acquisition of Transglobal (the "Enlarged Group")

Horwath Clark Whitehill

Horwath Clark Whitehill LLP
Chartered Accountants
Lonsdale House
7-9 Lonsdale Gardens
Tunbridge Wells
Kent TN1 1NU

The Directors
AdEPT Telecom plc
One London Wall
London EC2Y 5AB

and

The Directors
Strand Partners Limited
26 Mount Row
London W1K 3SQ

and

The Directors
Teather & Greenwood Limited
Beaufort House
15 St. Botolph Street
London EC3A 7QR

14 February 2006

Dear Sirs

AdEPT Telecom plc (the "Company")

We report on the unaudited pro forma combined net asset statement ("the Pro forma financial information") set out in Section B of Part 6 of the Admission Document of AdEPT dated 14 February 2006 (the "Admission Document"), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the acquisition of Transglobal and the Placing of 5,857,143 new Ordinary Shares might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 September 2005.

Responsibilities

It is the responsibility of the directors of the Company to prepare the pro forma financial information set out in Section B of Part 6 of the Admission Document.

It is our responsibility to form an opinion, as as to the proper compilation of the pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of AdEPT.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of AdEPT.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this Section A of Part 6 of this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with item 1.2 of Annex I of the AIM Rules.

Yours faithfully

Horwath Clark Whitehill LLP
Chartered Accountants

Section B

Pro Forma Statement of Net Assets of the Enlarged Group

Set out below is an unaudited pro forma statement of the combined net assets of the Enlarged Group based on the net assets of the Company as at 30 September 2005 contained in the Financial Information set out in Section B of Part 3 of this document, which have been adjusted to show the effect of the acquisition of Transglobal together with the proposed Placing.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group.

	Note 1 *AdEPT as at 30 September 2005* *£'000*	*Note 3* *Placing* *£'000*	*Notes 4, 5, 6 and 7* *Proposed Pro forma adjustments* *£'000*	*Group adjusted Pro forma net assets* *£'000*
Fixed assets				
Intangible assets	6,916	—	3,161	10,078
Tangible assets	151	—	—	151
	7,067	—	3,161	10,229
Current assets				
Deferred tax assets	28	—	—	29
Debtors	1,868	—	—	1,867
Cash at bank	50	7,400	(3,166)	4,284
	1,946	7,400	(3,166)	6,180
Creditors: amounts falling due within one year	(5,861)	—	(111)	(5,973)
Net current assets/(liabilities)	(3,915)	7,400	(3,277)	207
Total assets less current liabilities	3,152	7,400	(116)	10,436
Creditors: amounts falling due in more than one year	(1,870)	—	1,870	—
Net assets	1,282	7,400	1,754	10,436

Notes:

1. The net assets of the Company at 30 September 2005 have been extracted without material adjustment from the balance sheet shown in the Financial Information set out in Section B of Part 3 of this document.

2. The net assets of Transglobal at 31 March 2005 have not been included in the pro forma net asset statement as all assets are to be hived out of Transglobal prior to acquisition by the Company.

3. Adjustments have been made to show the effect of the Placing.

	No of shares issued	*Placing Price*	*Equity raised £'000*
Shares issued	5,857,143	140p	8,200
Less issue expenses			(800)
Net Equity			7,400

4. Adjustments have been made to show the effect of the acquisition of Transglobal as follows:

(i) The maximum payable for the acquisition of Transglobal is made up as follows:

	£'000
Satisfied by Cash	3,000
Deferred consideration	111
	3,111
Professional fees	50
	3,161

(ii) The goodwill arising on the acquisition of Transglobal that has been assumed in the pro forma has been calculated as follows:

	£'000
Basic consideration	3,111
Acquisition cost expenses	50
Total consideration payable	3,161
Adjusted book value of assets to be acquired	—
Positive goodwill arising	3,161

5. The adjustments to pro forma cash can be summarised as follows:

	£'000
Cash consideration for Transglobal	(3,000)
Acquisition costs associated with Transglobal	(50)
Special dividend	(116)
	(3,166)

6. Adjustment has been made to reflect the conversion of the Preference Shares into ordinary shares which will occur immediately prior to Admission, as detailed in paragraph 3.4 of Part 7 of this document.

7. Adjustment has been made to reflect the special dividend of £115,965 which was paid on 14 February 2006.

8. No adjustments have been made to reflect the trading results of AdEPT since the date to which its Financial Information was made up.

9. No adjustments have been made to reflect the trading results of Transglobal since the date to which its Financial Information was made up.

PART 7

Additional Information

1. Responsibility

The Directors, whose names appear on page 8 of this document, and the Company accept responsibility for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge of the Directors and the Company, having taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and there is no omission likely to affect the import of such information.

2. The Company

2.1 The Company was incorporated in England and Wales on 28 February 2003 as a company limited by shares under the Act with the registered number 4682431 and with the name AdEPT (GB) Limited.

2.2 The Company re-registered as a public limited company and changed its name to AdEPT Telecom plc on 24 January 2006.

2.3 The Company's principal place of business is at 1st Floor, 77 Mount Ephraim, Tunbridge Wells, Kent TN4 8BS and its registered office is at One London Wall, London EC2Y 5AB. The telephone number of the Company's principal place of business is 0870 190 9100.

2.4 The liability of the members of the Company is limited.

2.5 The Company's principal subsidiaries are:

Company	*Country of incorporation and operation*	*% owned and voting rights*	*Class of share owned*	*Main activity*
Connaught Telecommunications Limited	England and Wales	100	Ordinary	Management
Connectacom Network Solutions Limited	England and Wales	100	Ordinary	Dormant
Call Options UK Limited	England and Wales	100	A Shares B Shares	Dormant

3. Share capital of the Company

3.1 On incorporation the authorised share capital of the Company was £100,000 divided into 1,000,000 ordinary shares of 10 pence each.

3.2 By an ordinary resolution passed on 30 May 2003, the capital of the Company was increased to £1,000,000 divided into 5,000,000 Ordinary Shares and 5,000,000 Preference Shares.

3.3 By ordinary and special resolutions passed on 28 November 2005:

3.3.1 with effect from and subject to Admission each of the Preference Shares in issue whose holder has, prior to 12.00 noon on the date prior to the date of Admission, given notice of conversion of all or any part of his holding of Preference Shares into Ordinary Shares, shall be converted and re-designated into Ordinary Shares to take effect immediately prior to Admission;

3.3.2 the authorised share capital of the Company was increased to £6,500,000 by the creation of 55,000,000 Ordinary Shares;

3.3.3 the Directors were authorised for the purpose of section 80 of the Act to allot relevant securities in the capital of the Company (i) up to an aggregate nominal amount of £3,795,523, being £2,795,523 in connection with a bonus issue to Ordinary Shareholders in proportion to their existing holdings and £1,000,000 in connection with the Placing and (ii) otherwise than pursuant to (i) up to an aggregate nominal amount of £1,306,118 such authority to expire at the conclusion of the next annual general meeting of the Company;

3.3.4 the sum of £2,795,523 being the amount standing to the credit of the share premium account of the Company is to be capitalised and applied in paying up in full at par the bonus issue of Ordinary Shares referred to in paragraph 3.3.3 above;

3.3.5 the Directors were empowered to allot shares as if section 89(1) of the Act did not apply, for issues of equity securities in connection with (i) the bonus issue up to an aggregate nominal amount of £2,795,523; (ii) the placing up to an aggregate nominal amount of £1,000,000; (iii) allotments for cash to Ordinary Shareholders in proportion to their existing holdings; and (iv) other allotments for cash up to an aggregate nominal amount of £392,228 being 18.6 per cent. of the Enlarged Share Capital such power to expire at the conclusion of the next annual general meeting of the Company.

3.4 Preference Shareholders holding all of the Preference Shares in issue at the date hereof have given notice of conversion of their Preference Shares into Ordinary Shares and accordingly 623,275 Preference Shares will, immediately prior to Admission, be converted into and re-designated as Ordinary Shares representing 49 per cent. of the Existing Ordinary Shares.

3.5 Immediately prior to Admission, an aggregate of 13,942,775 Ordinary Shares will be issued to the holders of Existing Ordinary Shares by way of a bonus issue pursuant to an ordinary resolution of the Company as described in paragraph 3.3.3 of this Part 7.

3.6 As at the date of this document, immediately prior to Admission and immediately following Admission and the Placing, the Company's authorised and issued share capital will be as follows:

	As of the Date of this document				*Immediately Prior to Admission**				*Following Admission***			
	Ordinary		*Preference*		*Ordinary*		*Preference*		*Ordinary*		*Preference*	
	Nominal Value (£)	*Number*	*Number*	*Nominal Value (£)*	*Nominal Value (£)*	*Number*	*Nominal Value (£)*	*Number*	*Nominal Value (£)*	*Number*	*Number*	*Nominal Value (£)*
Authorised	6,000,000	60,000,000	500,000	5,000,000	6,500,00	65,000,000	—	—	6,500,000	65,000,000	—	—
Issued and fully paid	64,425	644,250	62,328	623,275	1,521,030	15,210,300	—	—	2,106,744	21,067,443	—	—

* On the basis that the issued Preference Shares have converted to Ordinary Shares and also reflecting the issue of 13,942,775 Ordinary Shares by way of bonus issue (referred to in paragraph 3.5 of this Part 7).

** On the assumption that the Placing is fully subscribed and no options over Ordinary Shares are exercised (referred to in paragraph 3.7 of this Part 7).

3.7 Immediately prior to Admission the following options over the Ordinary Shares of the Company are outstanding:

Name	*Share Option Scheme*	*Number of Ordinary Shares subject to options*	*Date of grant*	*Exercise price per share*	*Exercise period*
Ian Fishwick	Unapproved Option Scheme	152,160	31/07/03	£0.30	31/07/06-31/07/13
Ian Fishwick	EMI Option Scheme	300,000	28/12/03	£0.30	28/12/04 – 27/12/10
		300,000	28/12/03	£0.30	28/12/05 – 27/12/10
Chris Riggs	EMI Option Scheme	85,548	29/08/04	£0.42	01/07/05 – 28/08/11
		85,560	29/08/04	£0.42	01/07/06 – 28/08/11
		85,548	06/06/05	£0.42	01/07/06 – 05/06/12
		85,560	06/06/05	£0.42	01/07/07 – 05/06/12
Amanda Woodruffe	EMI Option Scheme	85,548	29/08/04	£0.42	01/07/05 – 28/08/11
		85,560	29/08/04	£0.42	01/07/06 – 28/08/11
		85,548	06/06/05	£0.42	01/07/06 – 05/06/12
		85,560	06/06/05	£0.42	01/07/07 – 05/06/12
Tim Holland	EMI Option Scheme	71,428	13/12/06	£1.40	01/10/06 – 12/02/13
	Unapproved Options	99,680	13/02/06	£1.40	01/10/06 – 12/02/13
		171,108	13/02/06	£1.40	01/10/07 – 12/02/13

A summary of the terms of the EMI Option Scheme is set out in paragraph 10.1 of this Part 7 and a summary of the Unapproved Option Scheme is summarised in paragraph 10.2 of this Part 7.

3.8 The Company has granted each of Strand Partners and Teather & Greenwood the right to subscribe for 316,012 Ordinary Shares and 105,337 Ordinary Shares respectively at the Placing Price on the terms set out in the Strand Warrant and the Teather & Greenwood Warrant, as summarised in paragraph 13.4 of this Part 7. Also as referred to in paragraph 13.1 of this Part 7, Strand Partners is to receive part of its fee by way of issue of Ordinary Shares.

3.9 Save as is disclosed in sub-paragraphs 3.7 and 3.8 above, no share or loan capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

3.10 Except to the extent disapplied pursuant to Section 95 of the Act (as is referred to in sub-paragraph 3.3.5 above), the provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be paid up in, cash) will apply to the authorised but unissued share capital of the Company after Admission.

4. Memorandum of association

The memorandum of association of the Company provides that its principal object is to carry on the business of a general commercial company. Its objects are set out in full in Clause 4 of the memorandum of association.

5. Articles of association

The Articles, which were adopted by special resolution passed on 28 November 2005 (the "Articles"), contain provisions *inter alia* to the following effect:

5.1 *Variation of class rights and class meetings*

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class may be varied or abrogated either in such manner (if any) as may be provided by those rights or (in the absence of any such provision) either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise.

The provisions of the Articles relating to general meetings of the Company shall apply to every separate general meeting of the holders of a particular class of shares except that:

5.1.1 no member shall be entitled to receive notice of such meeting or to attend it unless he is a holder of shares of the class in question and no vote shall be given except in respect of a share of that class;

5.1.2 the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class (unless all the shares of the class are registered in the name of a single shareholder, in which case the quorum shall be that single shareholder);

5.1.3 if any such separate general meeting is adjourned, the quorum at the adjourned meeting shall be one person holding shares of that class present in person or by proxy;

5.1.4 any holder of shares of the class in question who is present in person or by proxy and entitled to vote may demand a poll; and

5.1.5 on a poll, every such holder shall have one vote for every share of the class held by him.

5.2 *Alteration of capital*

The Company may from time to time by ordinary resolution:

5.2.1 increase its share capital by such sum to be divided into shares of such amounts and currencies as the resolution prescribes; or

5.2.2 consolidate, or consolidate and divide, all or any of its share capital into shares of a larger amount than its existing shares; or

5.2.3 sub-divide all or any of its existing shares 9nto shares of a smaller nominal amount; or

5.2.4 cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the nominal amount of the shares so cancelled.

5.2.5 the Company may from time to time by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any other undistributable reserve.

5.3 *Preference Shares*

The Articles contain provisions setting out the rights attaching to the Preference Shares from time to time in issue. However, there will be no Preference Shares in issue upon Admission.

5.4 *Purchase of own shares*

The Company may purchase its own shares.

5.5 *Transfer of shares*

Shares may be held in uncertificated form and uncertificated shares may be transferred otherwise than by a written instrument in accordance with the rules, procedures and practices of the relevant system (CREST) and the CREST Regulations. The directors shall not refuse to register a transfer of any such share unless permitted or required to do so in accordance with the Uncertificated Securities Regulations 2001.

Transfers of shares in certificated form may be effected by an instrument of transfer in the usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

A transferor shall remain the holder of the share concerned (whether a certificated share or an uncertificated share) until the name of the transferee is entered in the register of members as the holder of that share.

The directors may refuse to register the transfer of a share held in certificated form unless the instrument of transfer:

5.5.1 is in respect of only one class of share;

5.5.2 is in favour of a single transferee or not more than four joint transferees; and

5.5.3 is duly stamped (if required), is delivered for registration to the registrar's office, or such other place as the directors may determine and is accompanied by the certificate(s) for the shares to which it relates and such other evidence as the directors may reasonably require to prove the title of the transferor to make the transfer.

In addition, the directors may refuse to register:

5.5.4 a transfer if a notice has been duly served in respect of shares (representing at least 0.25 per cent. of the issued shares of the class in question (excluding any shares of that class held as treasury shares)) pursuant to section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares and the notice has not been complied with within the period stipulated in the notice (which must not be less than fourteen days) and continues not to be complied with; or

5.5.5 The transfer of a share which is not fully paid or on which the Company has a lien provided that such refusal shall not be exercised so as to disturb the market in those shares.

Registration of transfers of shares may be suspended and the register of members closed by the directors provided (inter alia) that the register of members shall not be closed for more than thirty days in any year.

5.6 *General Meetings*

At least 21 clear days' notice of every annual general meeting and of every extraordinary general meeting at which it is proposed to pass a special resolution and at least 14 clear days' notice of every other extraordinary general meeting shall be given in manner hereinafter mentioned to the members and to the auditors of the Company. Every notice of meeting shall specify the place, day and hour of the meeting and, in the case of special business, the general nature of such business and shall also state with reasonable prominence that a member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a member. In the case of a meeting convened for passing a special or extraordinary resolution the notice shall specify the intention to propose the resolution as a special or extraordinary resolution (as the case may be). Shareholders, proxies of Shareholders and corporate representatives of Shareholders are entitled to attend such meetings.

5.7 *Voting*

Subject to any special rights or restrictions as to voting imposed by or pursuant to the Articles or attached to any shares, on a show of hands every member present in person or by proxy shall have one vote only and in the case of a poll every member present in person or by proxy shall have one vote for every share held by him.

If a member of any other person appearing to be interested in shares in the Company shall have been served with a notice under section 212 of the Act and is in default for the prescribed period in supplying to the Company the information required by such notice, then (unless the directors otherwise determine) in respect of the relevant shares, the member shall not (for so long as the default continues) be entitled to attend or vote, either personally or by proxy at a general meeting or to exercise any other right conferred by membership in relation to such meeting.

In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the general meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote, in addition any other vote he may have.

5.8 *Dividends*

The Company may, by ordinary resolution, declare dividends but no dividend shall be payable except out of the profits of the Company available for distribution in accordance with the provisions of the Act or in excess of the amount recommended by the directors. The directors may from time to time pay such interim dividends as appears to them to be justified by the profits of the Company.

Subject to the rights attached to any shares, the profits of the Company which it resolves to distribute by way of dividend shall be applied in payment of dividends upon the shares (otherwise than in advance of calls) in proportion to the amounts paid up on the shares and so that all dividends shall be apportioned and paid in proportion to the amounts paid up on the shares during any part(s) of the period in respect of which the dividend is paid. If any share is issued upon terms providing that it shall rank for dividend as from or after a particular date, such share shall rank for dividend accordingly. Subject to the rights attached to any shares, no dividend payable in respect of any share shall bear interest.

5.9 *Distribution in specie*

If sanctioned by an ordinary resolution of the Company, the directors shall direct payment of the whole or any part of any dividend by the distribution of specific assets and, in particular, of paid up shares.

5.10 *Retention of dividends*

The directors may retain any dividend payable on or in respect of a share on which the Company has a lien or (except in the circumstances specified in the Articles) if:

5.10.1 a notice has been duly served in respect of that share pursuant to section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares;

5.10.2 The shares which are the subject of that notice represent in aggregate not less than 0.25 per cent. of that class of share (excluding any shares of that class held as treasury shares); and

5.10.3 The notice has not been complied with within the period stipulated in the notice (which must not be less than fourteen days from the date of service of the notice) and the holder of the shares remains in default in complying with such notice.

In addition, the directors may retain any dividend in the circumstances where a person who has become entitled to a share as a consequence of a transmission event (such as death or bankruptcy) fails to comply within ninety days of receipt of a notice from the directors requiring that person to elect to be registered as the holder of the share concerned or to transfer that share.

All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of twelve years from the date on which such dividend became due for payment shall be forfeited and shall revert to the Company.

5.11 *Directors*

5.11.1 *Number of directors*

Unless otherwise determined by the Company by ordinary resolution, the number of directors shall not be less than 2.

5.11.2 *Age*

Any person who has attained the age of 70 years may be elected or re-elected to the office of director in like manner and (save for a requirement to give notice of the director's age in the notice of meeting) without further formalities than are required in the case of a person who has not attained that age and no director shall vacate his office or be required to retire on account of his having attained any particular age.

5.11.3 *Shareholding qualification*

A director shall not be required to hold any shares in the Company by way of qualification for office. A director who is not a member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at all general meetings and class meetings.

5.11.4 *Retirement by rotation*

At each annual general meeting of the Company, one-third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation, provided however that no Director shall continue to hold office as a director after the third annual general meeting following his election or re-election without submitting himself for re-election at the said third annual general meeting.

The directors to retire by rotation shall include any director who wishes to retire and those who have been the longest in office since their last re-election or appointment. Where two or more directors have been in office for an equal length of time, the director to retire shall (unless the directors agree otherwise among themselves) be determined by lot.

5.11.5 *Directors' remuneration and expenses*

The Company shall pay to the directors (but not alternate directors) for their services as directors such aggregate amount of fees as the directors shall decide, which fees shall accrue daily. Any such remuneration shall be distinct from any salary, remuneration or other amounts payable to the director pursuant to any other provision of the Articles or any service agreement between the Company and the relevant director.

Any director who performs services, which, in the opinion of the directors, go beyond the ordinary duties of a director, may be paid such additional remuneration and may receive such other benefits as the directors may determine.

The Company may also pay or repay to any director all reasonable travelling, hotel and other expenses properly incurred in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Company or otherwise incurred in connection with the business of the Company.

The directors may establish and/or contribute to any pension, retirement or superannuation scheme or fund and may pay or agree to pay pension, retirement, superannuation benefits, annuities and other emoluments to (or to any person in respect of) any person who is or was at the time a Director or officer or employee of the Company or any associated company, for his benefit or for the benefit of any member of his family. The directors may also establish and/or contribute to any death and/or disability scheme for the benefit of any person who is or was at the time a director or officer or employee of the Company or any associated company or for the benefit of any member of his family.

5.11.6 *Interests in contracts*

A director, notwithstanding his office:

(a) May enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is in any way interested, whether directly or indirectly;

(b) May hold another office or employment with the Company or any other associated company (other than the office of auditor) and may act in a professional capacity for the Company or any such other associated company;

(c) May be or become a director or other officer of, or otherwise be interested in, any associated company of the Company; and

(d) Shall not, unless otherwise agreed, be liable to account to the Company for any profit, remuneration or other benefit realised by him as a director or officer of or from his interest in such other associated company.

5.11.7 *Directors' interests*

Save as provided in the Articles, a director shall not vote at a meeting of the directors in respect of any contract, arrangement, transaction or any other proposal of any kind in which he has an interest which (together with any interest of any person connected with him within the meaning of section 346 of the Act) is, to his knowledge, a material interest otherwise than by virtue of his interests in shares, debentures or other securities of, or otherwise in or through, the Company. This prohibition does not apply to any resolution concerning any of the following matters:

(e) The giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;

(f) The giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(g) Any contract, arrangement, transaction or other proposal concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in an offer in which he is or may be entitled to participate;

(h) Any contract, arrangement, transaction or other proposal to which the Company is or is to be a party concerning any other body corporate in which he or any persons connected with him do not to his knowledge, directly or indirectly, hold an interest in shares (as that term is used in sections 198 to 211 (inclusive) of the Act) representing one per cent., or more of either any class of the equity share capital, or the voting rights, in such body corporate;

(i) Any contract, arrangement, transaction or other proposal concerning in any way a pension, retirement, superannuation, death and/or disability benefits scheme or fund or employees' share scheme under which he may benefit and which either has been approved, or is conditional upon approval, by the Inland Revenue for taxation purposes; or relates both to employees and directors of the Company (or any associated company) and does not award him any privilege or benefit not generally awarded to the employees to whom such scheme or fund relates; and

(j) Any contract or other proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any persons including directors.

A Director shall not be counted in the quorum present at a meeting in relation to any resolution on which he is not entitled to vote.

5.12 *Reserves*

The directors may from time to time set aside out of the profits of the Company and put in a reserve such sums as they think proper. Such sums may, at the direction of the directors, be used for any purpose for which the profits of the Company may properly be applied and, pending such use, may either be employed in the business of the Company or be invested.

5.13 *Untraced shareholders*

The Company shall be entitled to sell, at the best price reasonably obtainable at the time of sale, the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years at least three dividends (whether interim or final) in respect of those shares have become payable and no dividend in respect of those shares during that period has been claimed and within a further period of three months following the date of advertisements giving notice of its intention to sell such shares placed after the expiry of the period of twelve years, the Company, so far as the directors are aware, has not received any communication from such member or person (in his capacity as member or person entitled by transmission).

5.14 *Distribution of assets on a winding up*

If the Company is wound up, the liquidator may, with the authority of an extraordinary resolution of the Company and any other authority required by the Act, divide among the members in specie the whole or any part of the assets of the Company and may for such purposes set such value as he deems fair upon any property to be divided any may determine how such division shall be carried out as between the members or different classes of members. The liquidator may also vest the whole or any part of the assets of the Company in trustees upon such trusts for the benefit of the members as the liquidator thinks fit but so that no member shall be compelled to accept any shares in respect of which there is an actual or potential liability

6. United Kingdom Taxation

The comments set out below summarise certain aspects of the UK taxation treatment of the Placing. They are based on existing law and on what is understood to be current Inland Revenue practice.

They are intended as a general guide and apply to Shareholders resident or ordinarily resident for tax purposes in the UK (save where express reference is made to persons resident outside the UK) who hold Ordinary Shares as an investment and who are the absolute beneficial owners thereof. The comments below may not apply to certain classes of persons such as dealers or persons holding Ordinary Shares in a Personal Equity Plan or an Individual Savings Account. Shareholders who are in any doubt about their taxation position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers immediately.

6.1 *Taxation of chargeable gains*

A subsequent disposal of all or any of the Ordinary Shares may, depending on their individual circumstances, give rise to a liability to UK taxation of chargeable gains. Shareholders will normally be subject to UK taxation of chargeable gains, unless such holders are neither resident nor ordinarily resident in the UK.

6.2 *Dividends*

There is no withholding tax on dividends nor is the Company liable to account for any tax to the Inland Revenue on dividends.

A Shareholder who is an individual resident for tax purposes in the UK and who receives a dividend will be entitled to a tax credit equal (at current rates) to one ninth of the dividend. The individual will be taxable 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 will discharge in full the income tax liability of a starting rate, lower rate or basic rate tax payer, but a higher rate tax payer will have an additional liability. Currently, an individual subject to the higher rate of tax will pay tax on the gross dividend at the rate of 32.5 per cent. of the gross dividend less the tax credit.

It will not be possible for UK resident Shareholders to claim repayment of the tax credit in respect of dividends.

A Shareholder that is a company resident for tax purposes in the UK will not generally be taxable on any dividend it receives from the Company.

The right of a Shareholder who is not resident for tax purposes in the UK to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit will depend on the existing terms of any double taxation convention between the UK and country in which the holder is resident. Holders who are not solely resident in the UK should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim any part of that tax credit and, if so, the procedure for doing so. In general, only non-UK resident Shareholders with holdings of above 10 per cent. in the Company are likely to be able to claim repayment of any part of the tax credit under the terms of a relevant double tax treaty and, even in such circumstances, the amount of repayment available will be very small.

6.3 *Stamp Duty and Stamp Duty Reserve Tax*

The following comments are intended as a guide to the general position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons concerned with depository arrangements or clearance services to which special rules apply.

The issue of the Placing Shares by the Company will not give rise to a charge to stamp duty or stamp duty reserve tax ("SDRT").

An agreement to sell Ordinary Shares will usually give rise to a liability on the purchaser to pay SDRT normally at the rate of 0.5 per cent. of the amount or value of the consideration given. If an instrument of transfer of the Ordinary Shares is subsequently executed, it will generally be subject to stamp duty normally at the rate of 0.5 per cent. of the amount or value of the consideration given. When such stamp duty is paid within six years of the agreement to sell, the SDRT charge will be cancelled and any SDRT already paid will be refunded.

6.4 *Capital gains taper relief*

Taper relief is available to individual and trustee shareholders as well as, personal representatives, in respect of their shares in the Company. The relief reduces the capital gain that is taxable on the shareholder on a subsequent sale of the shares. The amount of relief depends on whether the shares are "business assets" for taper relief purposes and depends on how long the shares are held before their disposal.

If a "business asset" is sold more than two years after its acquisition then 75per cent. of the capital gain, before annual exemption, is exempt from capital gains tax. This reduces the effective capital gains tax rate on the sale for a higher rate individual taxpayer from 40 per cent. to 10 per cent. If an asset is not a "business asset" for taper relief purposes then the amount of exemption from capital gains tax is lower, with up to 40 per cent. of the capital gain being exempt from capital gains tax after a period of ten years.

The table below sets out the taper relief that is currently available on a disposal of a business asset and a non-business asset.

Number of complete years that asset is held before disposal	*BUSINESS ASSET % of capital gain exempt from capital gains tax*	*NON-BUSINESS ASSET % of capital gain exempt from capital gains tax*
0	0	0
1	50	0
2	75	0
3	75	5
4	75	10
5	75	15
6	75	20
7	75	25
8	75	30
9	75	35
10	75	40

A "business asset" for taper relief purposes includes unlisted shares in a holding company of a trading group. Shares traded on the Alternative Investment Market are treated as unlisted for these purposes. A trading group consists of a group of companies whose activities, taken together, do not include to a substantial extent activities other than trading activities.

The Company and its trading subsidiaries comprise a trading group and, as such, the Placing Shares should satisfy the definition of a business asset for taper relief purposes. Neither the Company nor the Directors, however, makes any warranty or gives any undertaking that business asset taper relief will be available in respect of any investment in the Placing Shares pursuant to this document, nor do they warrant or undertake that the Company Shares will continue to qualify as business assets for taper relief purposes.

6.5 *Inheritance Tax ("IHT") Business Property Relief*

Relief from inheritance tax is available on assets that qualify as "business property" as long as the asset has been owned for a minimum period of two years. 100 per cent. relief is available on all unquoted shares in a trading company or a holding company of a trading group. Shares traded on the Alternative Investment Market are treated as unquoted for these purposes.

Relief from IHT is restricted where the company or group's assets include assets that have not been used for the purpose of the business in the last two years nor required for the future use of the business.

The Company and its trading subsidiaries comprise a trading group and, as such, the Placing Shares should be eligible for IHT business property relief subject to the minimum ownership requirement. Neither the Company nor the Directors, however, makes any warranty or gives any undertaking that IHT business property relief will be available in respect of any investment in the Placing Shares pursuant to this document, nor do they warrant or undertake that the Company Shares will continue to qualify for IHT business property relief purposes.

6.6 *Enterprise Investment Scheme and Venutre Capital Trusts*

The Company has received provisional clearance from the Inland Revenue that the Company's shares will rank as a qualifying investment for the purposes of the Enterprise Investment Scheme ("EIS") and will be a qualifying company for the purposes of investment by Venture Capital Trusts ("VCTs").

The continuing availability of EIS relief and the status of the Placing Shares as a qualifying holding for VCT purposes will be conditional on the Company and trade continuing to satisfy the requirements of EIS and VCT throughout the three year period related to the shares.

The EIS allows the following tax relief for individual investors provided investments are held for three years:

- Initial income tax relief of 20 per cent.; and
- Exemption from capital gains tax ("CGT").

The EIS also allows CGT payable on chargeable gains realised by individuals and certain trustees to be deferred. To qualify for CGT deferral, a sum up to the amount of the chargeable gain must be subscribed (usually not more than one year before nor more than three years after the date on which the chargeable gain arises) in new ordinary shares of a qualifying trading company or an unquoted company which is the parent of a qualifying trading group. For this purpose, shares quoted on AIM are regarded as unquoted.

A claim for CGT deferral relief or income tax relief under EIS is made by the individual investors and/or trustees claiming the relief.

Although qualifying subscribers should obtain tax relief on their investments under EIS relief or VCT relief neither the Company nor the Directors can provide any warranty or guarantee in this regard. Investors considering taking advantage of any of the reliefs under the EIS or available to VCTs should seek their own professional advice in order that they may fully understand how the rules apply in their individual circumstances.

Neither the Company nor the Directors give any warranties that EIS relief or VCT relief if granted will not be withdrawn. Applicants must take their own advice and rely on it.

7. Substantial shareholders

In so far as is known to the Company, the holders of Ordinary Shares representing three per cent. or more of the nominal value of the Company's Enlarged Share Capital as at the date of this document, immediately prior to Admission and immediately following Admission are as follows:

	As of the Date of this document			*Immediately Prior to Admission**		*Following Admission***	
	Number of Ordinary Shares	*Number of Preference Shares*	*Percentage of total issued share capital*	*Number of Ordinary Shares*	*Percentage of total issued share capital*	*Number of Ordinary Shares*	*Percentage of total issued share capital*
Croyde Limited	93,750	145,625	18.89	2,872,500	18.89	2,872,500	13.63
Codium Limited	63,750	99,025	12.84	1,953,300	12.84	1,953,300	9.27
Mach II Limited Partnership	56,100	87,142	11.30	1,718,904	11.30	1,718,904	8.16
Roger Wilson	96,000	23,300	9.41	1,431,600	9.41	1,431,600	6.80
Richard Blakesley	80,250	19,805	7.89	1,200,660	7.89	1,200,660	5.70
Oathall Plc	37,500	58,250	7.55	1,149,000	7.55	1,149,000	5.45
Ian Fishwick	94,500	—	7.46	1,134,000	7.46	1,134,000	5.38
New Star Asset Management	—	—	—	—	—	1,071,429	5.09
Mach Capital Limited Partnership	33,900	52,658	6.83	1,038,696	6.83	1,038,696	4.93
Close Fund Management	—	—	—	—	—	1,000,000	4.75
Bobby Banks	22,500	34,950	4.53	689,400	4.53	689,400	3.27
Bittium Limited	15,000	23,300	3.02	459,600	3.02	459,600	2.18
Jim Downing	15,000	23,300	3.02	459,600	3.02	459,600	2.18

* On the basis that the issued Preference Shares have converted to Ordinary Shares and also reflecting the issue of 13,942,775 Ordinary Shares by way of bonus issue (referred to in paragraph 3.5 of this Part 7).

** On the assumption that the Placing is fully subscribed and no options over Ordinary Shares are exercised (referred to in paragraph 3.7 of this Part 7).

As described in paragraph 9 of this Part 7, Bittium, Codium and Croyde are all controlled by J F Worthytrust Limited which holds all of the shares in those companies under a nominee agreement to the order of Christopher Fishwick, Ian Fishwick's brother.

The general partner for each of Mach II Limited Partnership and Mach Capital Limited Partnership is Aureus Capital Partners Limited.

7.1 All shareholders will have the same voting rights as set out in paragraph 5 of this Part 7.

7.2 Save as referred to in paragraph 9 of this Part 7, the Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise control over the Company.

8. Directors' interests and other matters

8.1 The interests of the Directors, their immediate families and persons connected with them, within the meaning of section 346 of the Act, in the Enlarged Share Capital of the Company, all of which are beneficial, at the date of this document, immediately prior to Admission and immediately following Admission are as follows:

	As of the Date of this document			*Immediately Prior to Admission**		*Following Admission***	
	Number of Ordinary Shares	*Number of Preference Shares*	*Percentage of total issued share capital*	*Number of Ordinary Shares*	*Percentage of total issued share capital*	*Number of Ordinary Shares*	*Percentage of total issued share capital*
Roger Wilson	96,000	23,300	9.4	1,431,600	9.4	1,431,600	6.8
Ian Fishwick	94,500	—	7.5	1,134,000	7.5	1,134,000	5.4
Tim Holland	—	—	—	—	—	2,000	0.0
Chris Riggs	—	—	—	—	—	—	—
Amanda Woodruffe	—	—	—	—	—	—	—
Dusko Lukic	—	—	—	—	—	—	—

* On the basis that the issued Preference Shares have converted to Ordinary Shares and also reflecting the issue of 13,942,775 Ordinary Shares by way of bonus issue (referred to in paragraph 3.5 of this Part 7).

** On the assumption that the Placing is fully subscribed and no options over Ordinary Shares are exercised (referred to in paragraph 3.7 of this Part 7).

8.2 Except as disclosed in paragraph 8.1, none of the Directors, nor any member of their respective immediate families, nor any person connected with them within the meaning of section 346 of the Act, is interested in the share capital of the Company, or in any related financial products referenced to the Ordinary Shares.

8.3 The following contracts of service have been entered into between the Company and the members of the administrative, management or supervisory bodies:

8.3.1 a service agreement dated 1 March 2003 pursuant to which Ian Fishwick is employed as Managing Director. The agreement is terminable by the director on 6 months' notice to be given no earlier than 12 months after the date of Admission and otherwise by the Company on 12 months' written notice. The agreement is automatically terminated upon the director reaching the age of 65 years. The salary is £179,500 per annum and other benefits include pension and health insurance contributions, a company car and performance bonus of £60,000 per annum;

8.3.2 a service agreement dated 3 October 2005 pursuant to which Tim Holland is employed as Finance Director. The agreement is terminable by the employee on 6 months' notice to be given no earlier than 12 months after the date of Admission and otherwise by the Company on 12 months' written notice. The agreement is automatically terminated upon the employee reaching the age of 65 years. The salary is £104,450 per annum and other benefits include health insurance and performance bonus of £16,000 per annum;

8.3.3 a service agreement dated 4 October 2005 pursuant to which Chris Riggs is employed as Sales Director. The agreement commenced on 6 August 2003 and is terminable on 6 months' notice by the employee and 12 months' notice by the Company. The agreement is automatically terminated upon the employee reaching the age of 65 years. The salary is £104,450 per annum and other benefits include private health care and performance commission of £33,000 per annum; and

8.3.4 a service agreement dated 1 October 2005 pursuant to which Amanda Woodruffe is employed as Operations Director. The agreement commenced on 1 September 2003 and is terminable on 6 months' notice by the employee and 12 months' notice by the Company. The agreement is automatically terminated upon the employee reaching the age of 65 years. The salary is £104,450 per annum and other benefits include private health care and performance bonus of £16,000 per annum.

Save as disclosed above, there are no existing or proposed contracts of service between the Company and any Director or any subsidiary and any member of the administrative, management or supervisory bodies which provides for benefits on termination of employment other than payments in lieu of salary and benefits and any expenses owed.

8.4 Roger Wilson entered into a letter of appointment on 30 June 2003 pursuant to which he was appointed non-executive Chairman. He receives a fee of £60,000 per annum and his appointment can be terminated by either party on 12 months' notice.

8.5 Dusko Lukic entered into a letter of appointment on 25 January 2006 pursuant to which he was appointed a non-executive Director for a fee of £15,000 per annum. His appointment can be terminated by either party on 3 months' notice.

8.6 In addition to directorship of the Company, the Directors hold or have held the following directorships and partnerships within the five years prior to the date of this document:

	Current	*Past*
Roger Wilson	None	Cryosystems Limited
Ian Fishwick	AdEPT Advisers Limited Connaught Telecommunications Limited Connectacom Network Solutions Limited Call Options UK Limited	LDI Communications Limited (*dissolved*) Facilicom International (UK) Limited (*in liquidation*) Primetec (UK) Limited (*dissolved*) LDI Southern Europe Limited (*dissolved*)

	Current	*Past*
Ian Fishwick (continued)		Central Cellphones Limited (*dissolved*) Primetec International (UK) Limited (*dissolved*) Primetec International Europe Limited (*dissolved*) Long Distance International Limited (*in liquidation*) Newgate Communications Limited (*in liquidation*) Long Distance International (U.K.) Limited (*in liquidation*) World Access Telecommunications Group Limited (*in liquidation*)
Tim Holland	None	Aspect Internet Holdings Limited Aspect Internet Limited (*dissolved*) Aspect Recruitment Limited (*dissolved*)
Christopher Riggs	None	Oldtel Limited (*in liquidation*) Medneg Limited (*dissolved*)
Amanda Woodruffe	None	None
Dusko Lukic	Millpath Limited Eurovestech Asset Managers Limited	P.L. Property Development Company Limited (*dissolved*) Skyport Travel Limited (*dissolved*) Belgrade Hotel (Bollington) Limited (*dissolved*) Carminder Limited (*dissolved*) Draganfly Travel Limited (*dissolved*) Eleven Hornton Street Residents Limited Belgrade Hotels Holdings Limited (*in liquidation*)

8.6.1 Each of the companies of which Ian Fishwick was previously a director was a subsidiary company of World Access Telecommunications Group Limited ("World Access UK"), of which Ian Fishwick was managing director from 2000 to 2001. World Access UK was the primary UK subsidiary of World Access Inc. ("World Access"), a telecom company based in Atlanta in the US. Ian Fishwick was brought in to World Access UK to merge a number of the loss-making businesses acquired by World Access in the UK prior to 2000. As a result of these acquisitions of loss-making businesses, combined losses meant that a substantial debt had built up.

At the point of reaching break-even profitability in the UK, World Access filed for Chapter 11 bankruptcy relief in the US Bankruptcy Court, following which no further funds were provided to World Access UK to continue its operations. World Access UK was placed into administration by its creditors on 12 July 2001 and each of the subsidiary companies was subsequently either sold or liquidated. Ian Fishwick resigned from all of the directorships listed above on 13 June 2001.

8.6.2 Oldtel Limited ("Oldtel"), of which Chris Riggs resigned as a director in June 2003, was placed into voluntary creditors' liquidation in November 2003 following the cessation of funding by its majority shareholder, NTL Communications Corp. All of the creditors of Oldtel at the time of liquidation were repaid in full.

8.6.3 Dusko Lukic was a non-executive director of the following companies which were under the control of his late father up to 1995. After his father's death, Dusko was placed in sole charge of these companies which were all in financial difficulties. They were either dissolved or placed into liquidation during 1996 and 1997:

P.L. Property Development Company Limited
Belgrade Hotel Holdings Limited
Skyport Travel Limited
Belgrade Hotel (Bollington) Limited
Carminder Limited
Draganfly Travel Limited

8.7 Save as disclosed in paragraph 8.6, no Director has:

8.7.1 any unspent convictions in relation to indictable offences;

8.7.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;

8.7.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company, other than as described above;

8.7.4 been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such Director was a partner at the time of or within the 12 months preceding such event;

8.7.5 been subject to the receivership of any asset of such Director or of a partnership of which the Director was a partner at the time of or within 12 months preceding such event; or

8.7.6 received public criticisms by statutory or regulatory authorities (including recognised professional bodies) and no director has 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.

8.8 No Director has been interested in any transaction with the Company which was unusual in its nature or conditions or significant to the business of the Company during the current financial year which remains outstanding or unperformed.

9. City Code

The parties below form a concert party for the purposes of the City Code.

The Concert Party controls in aggregate 35.9 per cent. of the issued share capital of the Company as at Admission. For so long as the Panel considers the Concert Party exists and assuming that none of the members of the Concert Party disposes of any Ordinary Shares or that the Company issues any Ordinary Shares which in either case reduces or dilutes the Concert Party's existing shareholding, if Ian Fishwick were to exercise his options (assuming no other option holder or warrant holder were to exercise their holdings) the Concert Party would control up to 38.1 per cent. of the voting rights of the Company.

Concert Party

	Interest in Ordinary Shares following the Placing		
	Ordinary Shares	*%*	*Options granted*
Ian Fishwick	1,134,000	5.4	752,160
Bittium*	459,600	2.2	—
Codium*	1,953,300	9.3	—
Croyde*	2,872,500	13.6	—
Oathall**	1,149,000	5.5	—
	7,568,400	35.9	752,160

* Controlled by JF Worthytrust Limited which holds all of the shares in those companies under a nominee agreement to the order of Christopher Fishwick

** wholly owned by Bittium

10. Share Option Schemes

10.1 *Summary of the EMI Option Scheme*

The EMI Option Deed (referred to in this paragraph 10.1 as the "Deed") grants eligible employees an option to acquire shares in the Company subject to the terms and conditions set out in the Deed itself and schedule 14 of the Finance Act 2000 (referred to in this paragraph 10.1 as the "Act"). An eligible employee is an individual who is employed by AdEPT, or a subsidiary, who at a determined date does not have a material interest (i.e. holds 30 per cent. of the ordinary share capital) in the company and who works at least 25 hours a week or 75 per cent. of their working time.

The option may be exercised by personal legal representative on behalf of the option holder a year after the option holder's death. Where the option holder ceases to be an eligible employee on account of (i) ill health, (ii) disability, (iii) redundancy, the transfer of the option holder's employment to a third party, (iv) the company the option holder is employed by ceases to be under the control of AdEPT, the option holder must exercise their option within six months of any of these events.

The option will automatically lapse seven years after the date of the Deed if it remains unexercised. The option will also lapse on the date on which the option holder becomes bankrupt and where a resolution is passed for the compulsory winding up of the company, amongst others.

The market value of any option must not exceed £100,000. If there is any excess over £100,000 such shares are to be treated as being the subject of a separate option granted on the date of the Deed and subject to the same terms. There is no limit in the number of options that may be granted to an eligible employee. Any option must be exercised in whole or in part in multiples of 1,000 shares. On the exercise of an option, the Option holder must deliver to AdEPT payment for the shares and an executed deed of adherence.

The Company must also notify HM Revenue & Customs of the grant of the option with 30 days of it being granted or as otherwise required. They also have an obligation to notify the option holder of the occurrence of a disqualify event as set out in the Act.

The option holder must undertake to notify AdEPT within 10 days of ceasing to be an eligible employee and must also allow for the full recovery of any national insurance contribution to be paid by the Company should such liability arise.

Where the Company is subject to a takeover, the option holder must be notified on the proposal or event. They will be entitled to exercise their option in full within six months of the takeover. They have similar rights under the Deed where a court sanctions a compromise or arrangement under section 425 of the Companies Act 1985 (as amended). Where AdEPT enters into negotiations for the sale of the company, AdEPT must make representations to the option holder with a view to procuring the option holder be given the opportunity to join such sale.

Where a company reorganisation takes place (namely where another company takes control of the AdEPT or is bound to purchase shares under the under section 428-430 of the Companies Act), the option holder may release their option in consideration for the grant of a new option with equivalent rights provided that the new option is granted within six months of the acquiring company gaining control or the period in which the acquiring company must purchase the shares (as set out in the Deed).

Any option may not be transferred or assigned to a third party nor may it be used as a form of security. Disqualifying events under the Act apply to the options granted.

10.2 *Summary of the Unapproved Option Scheme*

Options under this scheme shall only be granted to eligible employees of the Group and no director of the Company shall be granted an option unless he spends substantially the whole of his working time in the service of the Group. Whilst the Unapproved Option Scheme provides that the exercise of an option under the scheme may be conditional upon the performance of the Group over a period and measured against objective criteria, no such performance criteria have been set in respect of those options granted under the scheme.

11. Employees

As at the date of this document, the Company has 25 employees (including the Transglobal employees), each of which are based at the Company's head office at 1st Floor, 77 Mount Ephraim, Tunbridge Wells, Kent TN4 8BS.

12. Litigation

The Company is not involved in any governmental, legal or arbitration proceedings which have or, since incorporation, may have had a significant effect on the Company's financial position or profitability nor, so far as the Directors are aware, are any such proceedings active, pending or threatened against the Company.

13. Material Contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company or its Subsidiaries within two years immediately preceding the date of this document and are, or may be material.

13.1 a placing agreement dated 14 February 2006 between (1) the Company; (2) the Directors (3) Strand Partners and (4) Teather & Greenwood pursuant to which upon, *inter alia*, First Admission taking place on or before 9:00 a.m. on 15 February 2006 and Second Admission taking place on or before 9:00 a.m. on 16 February 2006 (or, in either case, such later time and/or date as Strand Partners, Teather & Greenwood and the Company may agree, being not later than 1 March 2006), Teather & Greenwood has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

The Placing Agreement contains indemnities and warranties from the Company and warranties from Roger Wilson, Ian Fishwick, Tim Holland and Dusan Lukic in favour of Strand Partners and Teather & Greenwood together with provisions which enable Strand Partners and Teather & Greenwood to terminate the Placing Agreement in certain circumstances prior to First Admission or Second Admission, including, but not limited to, circumstances where any warranties are found not to be true or accurate in any material respects. If Admission takes place Strand Partners will receive a fee of £200,000 (half to be paid in cash and half to be satisfied by the issue of new Ordinary Shares at the Placing Price) and will also be granted the Strand Warrant. Teather & Greenwood will receive a fee of £10,000 and if Admission takes place a further fee of £40,000, a commission of 4 per cent. of the aggregate value up to £6 million of the Placing Shares at the Placing Price, a commission of 5 per cent. of the aggregate value in excess of £6 million of the Placing Shares at the Placing Price and will also be granted the Teather & Greenwood Warrant.

13.2 an agreement dated 14 February 2006 pursuant to which Strand Partners has agreed, with effect from Admission, to act as the Nominated Adviser to the Company for a fee of £30,000 per annum payable quarterly in advance. The agreement may be terminated by either party upon 90 days' written notice, or earlier in the event of material breach.

13.3 an agreement dated 14 February 2006 pursuant to which Teather & Greenwood has agreed, with effect from Admission, to act as the broker to the Company for a fee of £25,000 per annum payable bi-annually in advance. The agreement may be terminated by either party upon three months' written notice, or earlier in the event of material breach.

13.4 By resolution of the Board passed on 14 February 2006, the Company has granted the Strand Warrant and the Teather & Greenwood Warrant on the same terms save that the Strand Warrant entitles Strand Partners (or its personnel) to subscribe for 316,012 Ordinary Shares (being equal to one and a half per cent of the Enlarged Share Capital) at the Placing Price for a period of five years from Admission and the Teather & Greenwood Warrant entitles Teather & Greenwood (or its personnel) to subscribe for 105,337 Ordinary Shares (being equal to one half per cent of the Enlarged Share Capital) at the Placing Price for a period of three years from Admission.

Subscription Rights

Each warrant shall confer on the warrant holder the right to subscribe in cash for one Ordinary Share which shall be issued to the warrant holder or such person as the warrant holder may direct. No application will be made for the Warrants to be listed or dealt on any recognised investment exchange. Ordinary Shares issued on exercise of warrants will qualify for all dividends and distributions.

Exercise of the Warrant

The Warrants shall be exercisable at any time from the date of Admission until the earlier of the date that no further subscription rights are exercisable or the date which is either fives years (for Strand Partners) or three years (for Teather & Greenwood) from the anniversary of the Admission. The Warrants may be exercised in whole, in part or in parts. The exercise price of the Warrants must be paid at the time the rights are exercised. Any rights not exercised prior to the expiry date will lapse immediately on such expiry.

Variation of Capital

Upon any sub-division or consolidation of the Ordinary Shares the nominal amount of the Ordinary Shares to be subscribed on any exercise of the Warrant shall be adjusted in due proportion so that they carry, as nearly as possible, the same proportion of voting rights and rights to participate in profits and assets of the Company as they did before the sub-division or consolidation of the Ordinary Shares. On any such sub-division or consolidation, the auditors for the time being of the Company shall report that in their opinion the appropriate adjustments have been made. If, on any date at which the subscription rights are valid, the Company makes an offer or invitation, or any offer or invitation is made to the holders of Ordinary Shares otherwise than by the Company, then the Company shall, so far as it is able procure that each Warrant holder be entitled to exercise their remaining subscription rights so as to take effect as if they had exercised the subscription rights immediately prior to the record date of such offer. If the Company is not able to procure the participation of the Warrant holder in such an offer or invitation, then any discount to market price offered will be applied to the subscription price of the warrants.

Takeovers

If at any time an offer or invitation is made by the Company to the holders of Ordinary Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice to each Warrant holder that the subscription rights may be exercised as if they had been exercised immediately prior to the date of such an offer. If at any time an offer is made to all holders of Ordinary Shares to acquire the whole or part of the issued share capital of the Company and the Company becomes aware that as a result of such an offer the right to cast a majority of votes has or will become vested in the offeror, the Company shall give notice to each Warrant holder that it shall be entitled to exercise its subscription rights under the Warrant so as to take effect as if they had been exercised immediately prior to the offer.

Winding Up

If, prior to the end of the expiry of the subscription period an order is made or an effective resolution is passed for winding up the Company, the holders of Warrants shall participate in any surplus to be distributed to Ordinary Shareholders as if they already held Ordinary Shares pursuant to the exercise of the Warrants but after taking into account the exercise price which would otherwise be required to have been paid in respect of the Ordinary Shares.

Supplementary Protection

The Company shall, at all times prior to the end of the subscription period, keep available for issue sufficient authorised but unissued share capital to satisfy, in full, the remaining subscription rights. The Company shall not without the sanction of an extraordinary resolution modify rights attaching to any of its Ordinary Shares. All or any of the rights attaching to the Warrants may be altered or abrogated with the prior sanction of an extraordinary resolution of the Warrant holders.

Transfer And Transmission of Warrants

The Warrants may be transferred in whole or in part to, in the case of Strand Partners or Teather & Greenwood, any holding company, or any shareholders of such holding company or any of their employees. The provisions of the Articles regarding transfers or transmission of Ordinary Shares shall apply mutatis mutandis to the transfers of Warrants to those authorised to receive them.

13.5 Certain Directors, being Ian Fishwick, Tim Holland and Roger Wilson, who directly or indirectly together will hold 2,567,600 Ordinary Shares at Admission (representing approximately 12.2 per cent. of the Enlarged Share Capital) and will hold share options over 1,094,376 Ordinary Shares, have undertaken to the Company, Strand Partners and Teather & Greenwood that, save in certain limited circumstances, they will not dispose of any interest in Ordinary Shares held by them for a period from Admission to the announcement of the Company's preliminary results for the financial year ending 31 March 2007 and thereafter until the announcement of the Company's preliminary results for the financial year ending 31 March 2008, only with the consent of Teather & Greenwood or other broker to the Company from time to time.

In addition, existing Shareholders of the Company prior to Admission, who together will hold 12,644,700 Ordinary Shares (representing 60.0 per cent. of the Enlarged Share Capital) and certain Directors who together will hold options over 684,432 Ordinary Shares, have undertaken to the Company, Strand Partners and Teather & Greenwood that they will, for a period of 12 months following Admission, only dispose of any interest in Ordinary Shares with the consent of Teather & Greenwood.

13.6 a sale and purchase agreement between the Company and Eurobell dated 30 May 2003, but with effect from 30 June 2003, whereby the Company acquired the business and assets of Eurobell Indirect Access Division. The agreement provides that Eurobell are subject to restrictive covenants for a period of five years from 30 June 2003. The agreement provided for general warranties for a limited period which has now expired, and tax warranties which still binding on the vendor;

13.7 a share purchase agreement between the Company and Alan Milton and Christopher Harris dated 16 December 2003 whereby the Company acquired the entire issued share capital of Connaught. Deferred consideration of no more than £40,000 remains to be paid.

13.8 a sale and purchase agreement between the Company, Savant Sage and Etoile Blake dated 1 April 2004 whereby the Company acquired the customer base and certain equipment of Savant Sage Fixed Line Division;

13.9 a sale and purchase agreement between the Company, Pinnacle and Allan Walker and Alan Bonner dated 30 April 2004 whereby the Company acquired certain assets of Pinnacle Telecommunications Fixed Line Division;

13.10 a transfer agreement between Virgin Homephone Limited, London Energy PLC and the Company dated 7 September 2004 whereby the Company acquired the EDF Energy Assets;

13.11 a share purchase agreement between Daniel Freeman, Hilary Freeman and the Company dated 31 January 2004 whereby the Company purchased the entire issued share capital of CNS. A further amount of deferred consideration calculated by reference to call revenue, estimated to be approximately £200,000, remains to be paid for the period to January 2006. This agreement contains warranties which are binding on the vendors for a period of two years from the date of the agreement;

13.12 a share purchase agreement between Mark Colquhuon, Katherine Colquhoun, Robert Matthews and the Company dated 31 July 2005 whereby the Company purchased the entire issued share capital of Call Options. Deferred consideration estimated at £1,000,000 remains to be paid for the period to 31 July 2006. This agreement contains a provision whereby in the event of a change of control of the Company (being a sale of more than 50 per cent. of the issued share capital to a person other than an existing shareholder or transfer of 75 per cent. of business of the Company) all sums payable shall immediately become due and payable. The warranties contained in this agreement and binding on the vendors will expire

2 years from 31 July 2005. Tax warranties are binding for a period of 7 years from 31 October 2005;

13.13 a sale and purchase agreement between the Company, Talk Direct and Marc Jones dated 5 September 2005 whereby the Company purchased certain assets of Talk Direct. An amount of deferred consideration, estimated to be approximately £170,000 remains to be paid for period up to 31 August 2006. This agreement contains warranties which are binding on the Vendors until 5 September 2006;

13.14 a business partner agreement between the Company and CSS dated 1 August 2003. Pursuant to this agreement the Company provides fixed line telecommunication services to both business and residential customers and CSS acquires customers for the Company in exchange for connection bonuses and commission payments. This agreement can be terminated on 1 month's notice by either party in writing. CSS receives an ongoing-commission payment on a monthly basis of 1.5 months revenue spread over a 12 month period;

13.15 a business partner and option agreement between the Company, Talk Direct and Marc Jones dated 5 September 2005 whereby Talk Direct shall seek to obtain customers for the Service upon similar terms and conditions as those currently employed by the Company. The agreement provides that Talk Direct has the right to require the Company to purchase, and Talk Direct grants to the Company the right to require, Talk Direct to sell new customer contracts entered into by Talk Direct for the gross margin for those customers for the Billing Period ended during the calendar month in which notice of exercise is given multiplied by a factor of 6 subject to adjustment. The Company shall pay to the business partner by way of further consideration a sum equal to the gross margin for the customers transferred for the following 12 month period divided by 12 and multiplied by a factor of 18. The options granted shall only be exercisable so long as the average monthly gross margin for the customers set out in the option statement exceeds £20,000 per month during the three month period. If the average monthly gross margin during such period is less than £20,000 per month, then the Company shall not be required to purchase and Talk Direct shall not be entitled to exercise the option;

13.16 a business partner and option agreement between the Company, Drumbeat Communications Limited ("Drumbeat") and Mark Colquhoun and Katherine Colquhoun dated 31 July 2005 whereby Drumbeat shall seek to obtain customers for the service upon similar terms and conditions to those acquired pursuant to the purchase of Call Options UK. The agreement provides that the Company grants the right to Drumbeat to require the Company to purchase, and Drumbeat grants the Company the right to require Drumbeat to sell, new customer contracts entered into by Drumbeat for the gross margin for those customers for the billing period ended during the calendar month in which notice of exercise is given, multiplied by a factor of 12, subject to adjustment. The Company shall pay to Drumbeat, by way further consideration, a sum equal to the gross margin for the transfer customers for the following 12 month period divided by 12 and multiplied by 24. These options shall only be exercisable so long as the average monthly gross margin for the customers set out in the option statement exceeds £10,000 per month during the three month period. If the average monthly gross margin during such period is less than £10,000 per month, the payment to be made shall be reduced by 20 per cent. The agreement contains a change of control provision, requiring repayment of all outstanding monies upon a change of control of the Company;

13.17 by way of a share purchase agreement between the Company, Phillip Williams, Norman Schuman and Eric Keane dated 14 February 2006 the Directors acquired the entire issued share capital of Transglobal for a cash consideration of £3 million and a deferred consideration, payable on 31 July 2006, based on the average monthly revenue of the acquired customers over those six months, less the initial consideration paid. Of the £3 million consideration, £1 million was retained pending delivery of certain documentation. Based on Transglobal's current revenue run-rate, the Directors expect that the deferred consideration payable will amount to approximately £0.1 million. The agreement contains warranties which are binding on the vendors for a period of 2 years from completion, save for tax covenants and warranties which will expire on 31 March 2012; and

13.18 The Company entered into new banking arrangements with Barclays Bank PLC on 27 January 2006 whereby pursuant to the terms of a credit agreement it was agreed that a £5 million committed revolving credit facility would be made available to provide working capital of £1.5 million and acquisition facilities of £3.5 million which financed the Acquisition and following which it will be available for the purpose of funding future acquisitions. An overdraft facility of £1 million is also available to provide working capital for the Company. The Barclays Revolving Credit Facility will be available for three years from 27 January 2006. The Company entered into a debenture dated 14 January 2005 in favour of Barclays Bank PLC which created fixed and floating charges over all or substantially all of the Company's assets and undertakings.

14. Working Capital

It is the Directors' opinion, having made due and careful enquiry, that the working capital available to the Group, taking into account the net proceeds of the Placing receivable by the Company, will be sufficient for its present requirements, that is for at least 12 months from Admission.

15. General

15.1 The cash expenses of the Placing (excluding the corporate finance fee of £0.1 million payable to Strand Partners through the issue of new Ordinary Shares, the Strand Warrant and the Teather and Greenwood Warrant) are estimated at £0.8 million (exclusive of VAT) and are payable by the Company.

15.2 The net proceeds of the Placing receivable by the Company are estimated at £7.4 million.

15.3 The Company's accounting reference date is 31 March.

15.4 On 13 February 2006 the Directors declared a special dividend of £115,965, being 18 pence per Ordinary Share on the shareholders register as at 10 February 2006. The special dividend was paid on 14 February 2006.

15.5 Except as stated in this document, there are no patents, or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.

15.6 Except as stated in this document, there are no significant investments in progress by the Company.

15.7 No exceptional factors have influenced the Company's activities.

15.8 Except as stated in this document and for the advisers named on page 8 of this document and trade suppliers, no person has received, directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission to trading on AIM or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price or any other benefit with a value of £10,000 or more at the date of Admission.

15.9 Except as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 30 September 2005, being the date to which the accountants' report in Part 3 of this document was prepared.

15.10 Other than the current application for Admission, neither the Existing Ordinary Shares nor the Placing Shares have been admitted to dealings on any recognised investment exchange nor has any application for such admission been made or are there intended to be any other arrangements for dealings in the Ordinary Shares or the Placing Shares.

15.11 Strand Partners has given and not withdrawn its written consent to the issue of this document with references to its name in the form and context in which they appear.

15.12 Teather & Greenwood has given and not withdrawn its written consent to the issue of this document with references to its name in the form and context in which they appear.

15.13 The reporting accountants, Horwath Clark Whitehill LLP, have given and not withdrawn their written consent to the inclusion in this document of their report and references to it and to their name in the form and context in which they respectively appear.

15.14 The financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of section 240 of the Act.

15.15 Information and statements in Part 1 of this document that have been sourced from third parties have been accurately reproduced in so far as the Company is aware and is able to ascertain from information published by those third parties, no facts have been omitted which would render the information inaccurate or misleading.

15.16 The Placing Price of 140 pence represents a premium of 130 pence above the nominal value of an Ordinary Share, which is 10 pence.

15.17 It is expected that CREST accounts will be credited in respect of entitlements to Ordinary Shares, as applicable, on the date of Admission. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first-class post within 14 days of the date of Admission.

15.18 The Ordinary shares have been allocated the International Securities Identification Number GB00B0WY3Y47, which will be enabled on Admission.

16. Availability of this document

Copies of this document will be available to the public free of charge at the offices of Maclay Murray & Spens at One London Wall, London EC2Y 5AB during normal business hours on any weekday (other than Saturdays, Sundays, and public holidays), and shall remain available for at least one month following the date of Admission.

Dated: 14 February 2006