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If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document, together with the accompanying documents, at once to the purchaser or transferee or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

KBC Peel Hunt, which is regulated by The Financial Services Authority, is acting as sponsor and financial adviser to Telecom Plus. KBC Peel Hunt is not acting for any person other than Telecom Plus and will not be responsible to anyone other than Telecom Plus for providing the protections afforded to customers of KBC Peel Hunt or for providing advice in relation to the contents of this document or the Transaction.

Telecom Plus plc

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

Proposed arrangements with Npower Limited and Notice of Extraordinary General Meeting

Your attention is drawn to the letter from Peter Nutting, the Chairman of Telecom Plus, which is set out in this document and which recommends that you vote in favour of the resolution to be proposed at the Extraordinary General Meeting referred to below.

Notice of an Extraordinary General Meeting of the Company to be held at the offices of Telecom Plus at 11.00 a.m. on Thursday, 23 March 2006, is set out at the end of this document. A Form of Proxy for use at the Extraordinary General Meeting is enclosed.

To be valid, Forms of Proxy should be completed in accordance with the instructions printed thereon and returned so as to be received by the Company's registrars, not later than 11.00 a.m. on Tuesday, 21 March 2006. Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | |
|--|---------------------------------------|
| Latest time and date for receipt of Forms of Proxy | 11.00 a.m. on Tuesday, 21 March 2006 |
| Extraordinary General Meeting | 11.00 a.m. on Thursday, 23 March 2006 |

DEFINITIONS

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

| | |
|--|--|
| “Act” or “Companies Act” | the Companies Act 1985 (as amended) |
| “Board” or “Directors” | the directors of Telecom Plus, whose names are set out on page 5 of this document, or any duly authorised committee thereof |
| “Call Options” | the options granted by certain Directors, senior employees and their connected persons, enabling npower to acquire all or part of their shareholdings in the Company pursuant to the Call Option Agreement |
| “Call Option Agreement” | the call option agreements between npower and certain Shareholders, details of which are set out in Part I of this document |
| “Company” or “Telecom Plus” | Telecom Plus plc |
| “Completion” | completion of the Transaction |
| “Consumer Services” | the provision to customers of any (or more than one of) electricity, gas, internet, fixed telephony and mobile telephony services |
| “Continuing Group” | the Group following Completion |
| “CREST” | the system for paperless settlement of trades and holdings of uncertificated shares administered and operated by CRESTCo Limited |
| “Distributor” | a person engaged by the Company who, among other things, promotes the Consumer Services to potential customers |
| “Distribution Network” | all Distributors |
| “EBITDA” | earnings before interest, tax, depreciation and amortisation |
| “Electricity Plus” | Electricity Plus Supply Limited |
| “Energy Companies” | Gas Plus, Electricity Plus and Plus Shipping |
| “Extraordinary General Meeting” or “EGM” | the extraordinary general meeting of the Company to be held at 11.00 a.m on 23 March 2006, notice of which is set out at the end of this document |
| “Form of Proxy” | the form of proxy for use at the Extraordinary General Meeting, which accompanies this document |
| “Gas Plus” | Gas Plus Supply Limited |
| “Group” | the Company, its subsidiaries and its subsidiary undertakings |
| “KBC Peel Hunt” | KBC Peel Hunt Ltd, the Company’s sponsor and joint broker |
| “London Stock Exchange” | The London Stock Exchange Plc |

| | |
|--|---|
| “Management Services Agreement” | the management services agreement to be entered into between the Company, the Energy Companies and npower on Completion, details of which are set out in paragraph B of Part III of this document |
| “npower” | Npower Limited |
| “Official List” | the Official List of the UK Listing Authority |
| “Options” | the options granted by the Company over Ordinary Shares pursuant to the rules of the Telecom Plus Executive Share Option Scheme |
| “Ordinary Shares” | the ordinary shares of 5 pence each in the share capital of Telecom Plus |
| “Plus Shipping” | Plus Shipping Services Limited |
| “Put Option” | the put option granted by the Company to npower requiring the Company to acquire the Energy Companies in certain circumstances in accordance with the terms of the Put Option Agreement |
| “Put Option Agreement” | the put option agreement between the Company and npower to be entered into on Completion, details of which are set out in paragraph C of Part III of this document |
| “Resolution” | the resolution to be proposed at the EGM |
| “Sale Agreement” | the sale and purchase agreement dated 16 February 2006 between the Company and npower relating to the sale of the entire issued share capital of the Energy Companies, details of which are set out in paragraph A of Part III of this document |
| “Telecom Plus Shareholders” or “Shareholders” | the holders of Ordinary Shares |
| “Transaction” | the proposed disposal by the Company of the Energy Companies to npower pursuant to the Sale Agreement and the entry into the Management Services Agreement by the Company and the granting of the Put Option and the Call Options |
| “UK” or “United Kingdom” | United Kingdom of Great Britain and Northern Ireland |
| “UK Listing Authority” | the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) |

LETTER FROM THE CHAIRMAN

TELECOM PLUS PLC

(Registered in England and Wales under the Companies Act 1985 with Registered No. 3263464)

Directors:

Peter Nutting *(Non-executive Chairman)*
Charles Wigoder *(Chief Executive)*
Stephen Davis *(Finance Director)*
John Levin *(Non-executive Director)*
Richard Michell *(Non-executive Director)*
Keith Stella *(Non-executive Director)*

Registered Office:

Dryden House
The Edge Business Centre
Humber Road
London
NW2 6EW

7 March 2006

To Telecom Plus Shareholders and, for information only, to the holders of Options

Dear Shareholder

Introduction

On 16 February 2006, the Company announced it had agreed to sell the Energy Companies to npower for a nominal cash consideration of £4 and simultaneously to enter into the Management Services Agreement with npower and the Energy Companies. This transaction, if approved, will take effect retrospectively from 1 January 2006.

The Company is also entering into the Put Option Agreement which, together with the sale of the Energy Companies, is deemed to be a Class 1 transaction for the purposes of the Listing Rules and as such requires Shareholders' approval. This document therefore sets out the reasons why your Board believes that the Transaction is in the best interests of the Company and its Shareholders.

You will find, set out at the end of this document, a Notice of Extraordinary General Meeting which has been convened for 11.00 a.m. on Thursday, 23 March 2006.

Details of the Transaction

The Transaction involves npower assuming the obligation to supply gas and electricity to the customers of the Group.

It comprises the following principal elements:

- sale of the Energy Companies to npower for nominal consideration, which will mean that npower will thereby become responsible for the supply of gas and electricity (as applicable) to the customers of those companies.
- provision of management services by the Company to the energy customers on behalf of npower and the Energy Companies. The Company will remain responsible for managing all aspects of the customer relationship with the energy customers on behalf of npower and the Energy Companies, including billing (as part of its multi-utility proposition), customer service, metering, debt collection and administration, in return for a commission on energy used by the customers.
- grant of the put option by the Company – in the event of a change of majority control of the Company prior to six months after the call options set out below lapsing, the Company can be required to repurchase the Energy Companies or to take an assignment of the contracts with the customers of the Energy Companies. The amount payable to npower in the event that the Put Option is exercised is £50 per energy service supplied together with a commission of 10 per cent. of the revenues generated from such customers over the succeeding five years.

In addition, certain Directors, senior employees and connected persons have granted or intend, prior to Completion, to grant npower an option to acquire part or all of their shareholdings in the Company amounting in aggregate to 19,817,711 Ordinary Shares, representing approximately 29 per cent. of the existing issued share capital of the Company. This option is exercisable in the six months following publication of the Company's results for the year ending 31 March 2009. The price per Ordinary Share payable by npower on exercise of the Call Option is equal to four times EBITDA for the year ending 31 March 2008 plus eight times the EBITDA for the year ending 31 March 2009 (net of cash and debt) divided by the number of Ordinary Shares in issue at the time of exercise of the Call Option, or market value if higher (based on the average closing price for the preceding 20 dealing days).

Background to and reasons for the Transaction

On 23 November 2005, the Company issued a trading statement informing shareholders that the record prices and increasing volatility in the wholesale energy markets were resulting in substantial losses being incurred on its gas business. On 13 December 2005, the Company updated shareholders further when it published interim results for the period to 30 September 2005, which stated that the Directors were actively exploring strategic options with a view to finding ways of controlling these losses.

Since that date, the wholesale cost of gas has remained substantially higher than the price the Company has been able to charge its customers in a competitive market. If these losses had been allowed to continue, the future viability of the Group would have been placed at risk.

In practice, the Company had two options:

The first option was the immediate sale or closure of the energy businesses. Although this would have achieved the short term objective of capping these losses, enabling the Company to survive and avoid an insolvent liquidation, the Directors considered such closure would have been extremely damaging to the remaining business in the longer term: it would have destroyed the Company's current unique market position as the UK's only fully integrated multi-utility supplier; it would have led to an immediate and significant loss of customers; it could have been expected to put pressure on future telephony margins as the Company competed with other alternative telephony suppliers primarily on price; it would have seriously damaged morale within the Distribution Network, many of whom would have lost a substantial proportion of their income. Overall, the Directors' assessment was that by pursuing this option, although the business would have survived the current crisis, the prospects for future growth and profitability would have been seriously impaired.

The second option was to try and identify a partner who would take over responsibility for the physical supply of gas and electricity to the energy customers, whilst leaving responsibility for managing all other aspects of the customer relationship with the Company. Under the proposed transaction, the Company will enter into a management contract with npower under which the Company will continue to promote an integrated multi-utility proposition to the customers. All responsibility for purchasing and hedging energy will reside with npower, whilst the Company will receive an ongoing commission (share of revenue) on energy used by the customers in the future. This preserves the current business model and should boost morale within the Distribution Network as Distributors will continue to receive a share of the revenues generated by the energy customers and be able to continue offering prospective new customers a wide range of competitively priced utility services, including gas and electricity.

In the event that the Resolution is not approved by Shareholders, and in the absence of additional bank facilities which are not currently in place, the Board would have to consider appointing an administrator immediately as the Company would be responsible for paying the full cost incurred by npower since 1 January 2006 in supplying energy (which would amount to an additional cost of approximately £9.8 million) and up to £500,000 of their legal costs. Shareholders should note, however, that the Directors and certain other shareholders have irrevocably undertaken to vote in favour of the Resolution, in respect of 37,570,536 Ordinary Shares, equivalent to approximately 55 per cent of the share capital of the Company.

The Directors believe that investors perception of the Company has been adversely affected over the last two years by the risks associated with the increasingly volatile wholesale energy markets. This

transaction eliminates those risks, and should enable the Company to earn a small positive contribution from its energy business in future.

Information on the Energy Companies

The Energy Companies were acquired by the Company during December 2005 from Oxford Power Holdings Limited for an aggregate cash consideration of £575,000. The rationale for the acquisition was to ensure that the contracts with the energy customers were held in separate licensed subsidiaries so that a purchaser of the energy business did not need to transfer the customer contracts to their own licences.

Gas Plus was incorporated on 6 August 2004. It had contracts to supply gas to 83,403 customers as at 1 January 2006. Until then, it was dormant and it had not traded, carried on any business or incurred any liabilities. Accordingly, the financial information available in relation to it is of minor importance only and there is no financial information available which would influence any assessment of the assets and liabilities, financial position, profits and losses and prospects of the Company.

Electricity Plus was incorporated on 6 August 2004. It had contracts to supply electricity to 97,989 customers as at 1 January 2006. Until then, it was dormant and, save for the holding of such contracts, it had not traded, carried on any business or incurred any liabilities. Accordingly, the financial information available in relation to it is of minor importance only and there is no financial information available which would influence any assessment of the assets and liabilities, financial position, profits and losses and prospects of the Company.

Plus Shipping operates as the licensed gas shipper for Gas Plus. All costs incurred by Plus Shipping are passed directly through to Gas Plus (previously to the Company) on a no profit/no loss basis, and consequently the turnover of Plus Shipping is included in the results for Gas Plus (previously the results of the Company) as cost of sales. Financial information in relation to Plus Shipping is set out in Part III of this document.

Principal terms and conditions of the Transaction Agreements

A summary of the principal terms and conditions of the Transaction Agreements is included in Part III of this document. Completion of the Transaction remains subject to various conditions precedent (set out in paragraph A of Part III of this Circular) including approval of the shareholders of the Company.

Financial effects of the Transaction

The principal financial effect of the Transaction will be to remove the Group's exposure to volatile wholesale energy prices and enable the Company to earn a positive contribution towards its earnings from managing all aspects of the customer relationship in respect of supplying gas and electricity.

The Continuing Group

Notwithstanding the disposal of these subsidiaries, the Company will continue to offer customers a substantially identical marketing proposition for their utilities as currently. Customers will continue to receive a single integrated monthly bill from the Company covering all their services, and the Company will remain responsible for managing all aspects of the customer relationship including billing, administration, account management, customer service and debt collection.

Current trading and prospects

As anticipated in the interim statement, gas prices have remained high and the Company has incurred significant losses so far this winter. In addition, there have been substantial exceptional costs incurred in restructuring the Group in order to enter into the proposed Transaction, and further, in relation to the proposed Transaction itself. The Directors previously stated that profits before tax were expected to be significantly lower than last year and also subject to considerable uncertainty. Overall, it is therefore expected that the outcome for the full year to 31 March 2006 will be a loss before tax of approximately £1.6 million.

This loss forecast is based upon the following facts and assumptions under the control of the Board:

- there being no material change to the margins within the Group's telephony businesses or the Group's overhead structure;
- the effect of the exceptional restructuring costs referred to above; and
- the retail energy tariffs charged by the Company during the period.

In addition, this loss forecast is based on the actual energy costs incurred by the Company prior to 31 December 2005, together with the contractual energy costs which will be payable should the Transaction proceed in respect of energy supplied after that date under the terms of the Transaction.

This loss forecast has been properly compiled on the basis of facts and assumptions stated above and the basis of accounting is consistent with the accounting policies of the Company. It has been prepared from the management accounts of the Company for the 10 months ended 31 January 2006 and the Directors' forecasts for the two months ending 31 March 2006.

The Directors believe that the Transaction will leave the Group strongly positioned as the UK's only integrated multi-utility supplier, clearly focused on marketing and promoting our services, with no exposure to either future volatility in the wholesale energy markets or working capital issues relating to an energy hedge book which would have needed to expand rapidly in line with rising wholesale energy prices and the steady growth of our customer base.

The Company will not be in a position to pay a dividend for the current financial year. However, the Directors anticipate being in a position to resume dividend payments in respect of the forthcoming financial year, although these will of course be dependant on growth, working capital and the level of profitability achieved.

Risk Factors

The Transaction will give rise to certain risks which, if they occur, may have a material adverse effect on the Group's business, financial condition, results or future prospects. In addition to the information set out in this Circular, the following risk factors should be considered carefully in evaluating whether to approve the Transaction. The following risk factors are not set out in any order of priority. There may be other risks of which the Board is not aware or which it believes to be immaterial which may, in the future, arise in connection with the Transaction and have an adverse effect on the Group's business, financial condition, results or future prospects:

- **Insolvency of npower:** in the event that npower were to become insolvent, the Company would have the opportunity to acquire the Energy Companies under the terms of the Management Services Agreement but would then be exposed to wholesale energy prices. If it did not exercise the right to acquire the Energy Companies, it would lose the revenue derived from the Management Services Agreement and the ability to offer a multi-utility brand.
- **Failure to approve the Resolution:** in the event that Shareholders chose not to pass the Resolution, the Company would have to consider appointing an administrator immediately as the Company would be responsible for paying the full cost incurred by npower since 1 January 2006 in supplying energy to the Energy Customers (which would amount to an additional cost of approximately £9.8 million), together with, subject to a maximum of £500,000, npower's legal costs. The Directors do not believe that the Company would be able to fund these costs in the absence of additional banking facilities which are not currently in place.

The Directors are not aware of any other material risk factors arising in connection with the Transaction.

Extraordinary General Meeting

The terms of the Put Option are such that the consideration payable by the Company could exceed the amounts permitted by the Listing Rules without the approval of shareholders. Accordingly, you will

find set out at the end of this document a notice convening an extraordinary general meeting of the Company to be held at 11.00 a.m. on Thursday, 23 March 2006 at the Company's offices at Dryden House, The Edge Business Centre, Humber Road, London, NW2 6EW. At this meeting the Resolution will be proposed.

Action to be taken

Shareholders will find enclosed a form of proxy for use at the Extraordinary General Meeting. It is important that you complete and sign the Form of Proxy in accordance with the instructions printed thereon and return it to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, as soon as possible and in any event so as to arrive no later than 11.00 a.m. on Tuesday, 21 March 2006. Completion and return of the Form of Proxy will not preclude you from attending and voting at the Extraordinary General Meeting, should you wish to do so.

In the event that the Resolution is not approved by Shareholders, and in the absence of additional bank facilities which are not currently in place, the Board would have to consider appointing an administrator immediately as the Company would be responsible for paying the full cost incurred by npower since 1 January 2006 in supplying energy (which would amount to an additional cost of approximately £9.8 million) and up to £500,000 of their legal costs. Shareholders should note, however, that the Directors and certain other shareholders have irrevocably undertaken to vote in favour of the Resolution, in respect of 37,570,536 Ordinary Shares, equivalent to approximately 55 per cent of the share capital of the Company.

The Board's Intentions and Recommendation

The Board, which has been advised by KBC Peel Hunt, considers the Transaction to be in the best interests of the Company and its shareholders as a whole. In giving its advice, KBC Peel Hunt has relied on the Board's commercial assessment of the Transaction.

Accordingly, the Board unanimously recommends Shareholders to vote in favour of the Resolution and, collectively, the Directors have irrevocably undertaken to do so in respect of their own beneficial holdings of Ordinary Shares amounting, in aggregate, to 17,816,881 Ordinary Shares, equivalent to approximately 26 per cent. of the existing issued share capital of the Company. In addition, Shareholders holding a further 19,753,655 Ordinary Shares, equivalent to approximately 29 per cent. of the existing issued share capital of the Company have also irrevocably undertaken to vote in favour of the Resolution.

Yours sincerely,

Peter Nutting
Chairman

Part II

Financial Information of Plus Shipping

1 Nature of Financial Information

The following financial information has been extracted without material adjustment from the financial statements of Plus Shipping from incorporation on 9 August 2002 to 30 April 2003, and for the years ended 30 April 2004 and 2005 which were prepared in accordance with UK Accounting Standards. Investors should read the whole of this document and not just rely on the information contained in this section.

The financial information contained in this Part II does not constitute statutory accounts for any UK company within the meaning of Section 240 of the Act. The statutory accounts for Plus Shipping in respect of each of the financial year ending on 30 April 2005, being the only financial statements which have been required to be audited and have been audited, have been delivered to the Registrar of Companies in England and Wales. The auditors' report in respect of the period to 30 April 2005 was unqualified and did not contain statements under Section 237(2) or (3) of the Act. Plus Shipping was a dormant company prior to the audited period and therefore, no statutory accounts were prepared prior to those submitted in respect of the financial year ending on 30 April 2005.

2 Profit and Loss Accounts

| | <i>Year ended 30 April 2005 £</i> | <i>Year ended 30 April 2004 £</i> | <i>Period ended 30 April 2003 £</i> |
|--|---|---|---|
| Turnover | 19,463,308 | – | – |
| Cost of sales | 19,463,308 | – | – |
| Gross profit | – | – | – |
| Management fees | 65,000 | – | – |
| Administrative expenses | (65,729) | – | – |
| Operating loss | (729) | – | – |
| Interest receivable and similar income | 6,756 | – | – |
| Profit on ordinary activities before taxation | 6,027 | – | – |
| Tax on profit on ordinary activities | – | – | – |
| Profit on ordinary activities after taxation | 6,027 | – | – |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains or losses other than those passing through the profit and loss account.

3 Balance Sheet

| | <i>As at 30 April 2005 £</i> |
|---|--|
| CURRENT ASSETS | |
| Debtors | 128,641 |
| Cash at bank and in hand | 127,224 |
| | <hr/> 255,865 |
| CREDITORS: amounts falling due within one year | 249,837 |
| | <hr/> 6,028 |
| | <hr/> <hr/> |
| CAPITAL AND RESERVES | |
| Called up share capital | 1 |
| Profit and loss account | 6,027 |
| | <hr/> 6,028 |
| SHAREHOLDERS' FUNDS | <hr/> <hr/> 6,028 |

Part III

Summary of the terms and conditions of the agreements with npower

The Transaction Agreements comprise the Sale Agreement, the Management Services Agreement and the Put Option Agreement.

The following is a summary of the material terms of the Transaction Agreements. The full text of each of the Sale Agreement and the Put Option Agreement is available for inspection as described in paragraph 10 of Part IV of this document.

A. Sale Agreement

1. Sale and purchase

Under the Sale Agreement, the Company has agreed to sell the entire share capital of the Energy Companies to npower.

2. Consideration

The aggregate consideration pursuant to the Sale Agreement is £4.

3. Conditions

Completion of the Sale Agreement remains conditional on the satisfaction of the following material conditions:

- approval of the Resolution by the Company's shareholders;
- the entry into call options by shareholders of the Company in respect of an aggregate of 19,817,711 Ordinary Shares, representing approximately 29 per cent. of the existing issued share capital of the Company.

It is a further condition to completion of the Sale Agreement that the Management Services Agreement and the Put Option Agreement are entered into by the respective parties thereto.

In the event that any of the conditions set out above is not satisfied by 27 March 2006, the Sale Agreement shall lapse, the Company would be responsible for paying all costs incurred by npower since 1 January 2006 in supplying energy (which would amount to an additional cost of approximately £9.8 million) together with, subject to a maximum of £500,000, npower's legal costs.

4. Warranties and breach

The Sale Agreement contains certain warranties and indemnities given by the Company in relation to the Energy Companies, such companies' share capital, members, dividends, liabilities and regulatory consents, the shares being sold, litigation involving such companies and the conduct of such companies' business between the date of the agreement and the date of Completion. The warranties are of a type and extent which is normal for a transaction of this nature. The warranties are given at the date of the Sale Agreement and also at Completion.

There is a limit on the Company's liability in respect of the warranties in the Sale Agreement of £10,000,000. There is an 18 month time limit for bringing claims in respect of the warranties under the Sale Agreement after Completion save in respect of tax claims where the time limit is seven years.

In the event of a material breach of warranty or a failure by the Company to pay for gas or electricity supplied by npower for consumption by the customers of the Energy Companies since 1 January 2006 ("**Energy Supplies**"), npower is entitled to rescind the Sale Agreement. In that event, the Company would be responsible for paying all costs incurred by npower since 1 January 2006 in supplying energy (which would amount to an additional cost of approximately £9.8 million) together with, subject to a maximum of £500,000, their legal costs.

B. Management Services Agreement

Upon Completion, the Company will enter into the Management Services Agreement with npower and the Energy Companies. Pursuant to this agreement, the Company will be responsible for managing all aspects of the customer relationship on behalf of npower and the Energy Companies, including billing (as part of the multi-utility proposition), customer service, metering, debt collection and administration and will receive a commission on the energy used by the customers.

The Management Services Agreement is subject to termination by either party on two years' notice, given no earlier than 30 September 2009. It is also subject to early termination by either party in certain circumstances, such as material breach of the agreement and the occurrence of insolvency events.

In the event the Management Services Agreement is terminated on two years' notice by npower or as a result of a force majeure event affecting the Company or npower, the Company will be entitled to receive a commission on all subsequent energy provided by npower (or the Energy Companies) to the energy customers in perpetuity, which would provide the Company with sufficient income to continue paying residual income to the Distributors and provide a contribution to the Company's future profits.

C. Put Option Agreement

In the event of a change of majority control of the Company prior to six months after the Call Options lapsing, the Company has agreed, pursuant to the Put Option Agreement, that npower may require it to either repurchase the Energy Companies or to take an assignment of the contracts with customers of the Energy Companies. As consideration for this transfer to the Company, the Company would be required to pay:

- an amount equal to £50 per energy service provided to each customer; and
- a commission of ten per cent. of the revenues generated from those customers in the five years from the date of transfer.

Part IV

Additional Information

1. Responsibility Statement

The Directors, whose names appear in paragraph 2 below, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Directors

| | |
|-----------------|---------------------------------|
| Peter Nutting | <i>(Non-executive Chairman)</i> |
| Charles Wigoder | <i>(Chief Executive)</i> |
| Stephen Davis | <i>(Finance Director)</i> |
| Richard Michell | <i>(Non-Executive Director)</i> |
| John Levin | <i>(Non-Executive Director)</i> |
| Keith Stella | <i>(Non-Executive Director)</i> |

The business address of each of the Directors is Dryden House, The Edge Business Centre, Humber Road, London NW2 6EW.

3. Directors' interests and other interests

Equity Interests

As at 6 March 2006 (being the last practicable date prior to the publication of this document) the interests in the share capital of the Company (all of which, unless otherwise stated, are beneficial) of the Directors and their immediate families (which (i) have been notified to the Company pursuant to Sections 324 to 328 of the Act, or (ii) are required pursuant to Section 325 of the Act to be entered in the register kept in accordance with that section, or (iii) are interests of persons connected (within the meaning of Section 346 of the Act) with a Director which would, if the connected person were a Director, be required to be disclosed under (i) or (ii) above and the existence of which is known to or could with reasonable diligence be ascertained by that Directors) were as set out below:

| <i>Name</i> | <i>No. of Ordinary Shares</i> | <i>Percentage of issued ordinary share capital</i> |
|-----------------|-------------------------------|--|
| Peter Nutting | 1,026,750 ¹ | 1.50 |
| Charles Wigoder | 15,898,541 ² | 23.24 |
| Stephen Davis | 54,730 | 0.08 |
| Richard Michell | 382,686 | 0.56 |
| John Levin | 2,254,028 | 3.29 |
| Keith Stella | 1,855,960 ² | 2.71 |

¹Peter Nutting's interest includes a non-beneficial interest in 20,000 Ordinary Shares by reason of being a trustee of the Peter Nutting Charitable Trust.

²These interests each include a non-beneficial interest in 1,800,000 Ordinary Shares by reason of each of Charles Wigoder and Keith Stella being trustees of the Wigoder Family Foundation.

Directors' options over Ordinary Shares

Details of the number of Ordinary Shares reserved under options held by Directors are shown in the table below:

| | <i>No. of Ordinary Shares</i> | <i>Exercise price (per Ordinary Share)</i> | <i>Which Date of grant</i> | <i>Date on options become exercisable</i> | <i>Date on which options lapse</i> |
|---------------|---------------------------------------|--|------------------------------------|---|--|
| Stephen Davis | 100,000 | 168p | 13 July 2005 | 13 July 2008 | 13 July 2012 |

Service Contracts

Charles Wigoder has a service contract with the Company, which commenced on 31 March 1998. Either party may terminate the contract by giving not less than 12 months' written notice, and Mr Wigoder's service contract provides for no additional termination payments. Mr Wigoder's current annual salary is £180,000 plus benefits in kind and a pension contribution of 10 per cent. of his basic salary, and is reviewable annually on 1 April. Mr Wigoder is entitled to an annual bonus of 1 per cent. of the Group's net profit before tax, but he does not participate in any other commission or profit share arrangements.

Stephen Davis has a service contract with the Company, which commenced on 11 April 2005. Either party may terminate the contract by giving not less than 3 months' written notice, and Mr Davis's service contract provides for no additional termination payments. Mr Davis's current annual salary is £200,000 plus benefits in kind and a pension contribution of 10 per cent. of his basic salary, and is reviewable annually on 1 April. At the discretion of the Company's remuneration committee, Mr Davis is awarded an annual performance-related bonus up to a maximum of 100 per cent. of his basic salary, but only if the pre-tax profits of the Company exceed those for the year ended 31 March 2005, payable 50 per cent. in cash and 50 per cent. in shares.

The non-executive directors have no formal service contracts, but have letters of engagement that do not provide for notice periods or for compensation payable on termination. Brief details of these engagements are set out below:

- Pursuant to a letter dated 4 April 1997 issued by the Company, John Levin was appointed a non-executive Director of the Company with immediate effect. He is not entitled to any director's fees.
- Pursuant to a letter dated 4 April 1997 issued by the Company, Peter Nutting was appointed as non-executive Chairman. He is entitled to annual director's fees of £15,000.
- Pursuant to a letter dated 17 July 2000 issued by the Company, Keith Stella was appointed a non-executive Director with immediate effect. He is entitled to annual director's fees of £12,000 together with Ordinary Shares to the value of £10,000 per annum.
- Pursuant to a letter dated 1 September 2005 issued by the Company, Richard Michell was appointed a non-executive Director with immediate effect. He is entitled to annual director's fees of £12,000.

Directors' interests in transactions

No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by any member of the Group during the current or preceding financial year or during an earlier financial year and which remains in any respect outstanding or unperformed.

²These interests include a non-beneficial interest in 1,800,000 Ordinary Shares by reason of being trustees of the Wigoder Family Foundation.

4. Significant shareholdings

So far as the Company is aware, as at 6 March 2006 (being the latest practicable date prior to the publication of this document), the following persons, except the Directors, were interested, directly or indirectly, in three per cent. or more of the issued ordinary share capital of the Company:

| | <i>No. of Ordinary Shares</i> | <i>% of issued ordinary share capital</i> |
|----------------------|-------------------------------|---|
| Fidelity Investments | 9,883,019 | 14.4 |
| Barclays Plc | 3,093,055 | 4.5 |

5. Material contracts

The Continuing Group

The following are all the material contracts, not being contracts entered into in the ordinary course of business, which have been entered into by members of the Continuing Group within the two years immediately preceding the publication of this document, or which have otherwise been entered into by members of the Continuing Group and contain provisions under which members of the Continuing Group have obligations or entitlements which are, or may be, material to the Continuing Group as at the date of this document:

5.1 The Sale Agreement and the Put Option Agreement described in Part III of this document;

5.2 A sale and purchase agreement made between (1) Oxford Power Holdings Limited and (2) the Company dated 12 December 2005, pursuant to which the company purchased the entire issued capital of Gas Plus for a cash consideration of £425,000 payable at completion. Oxford Power Holdings Limited gave standard warranties including warranties in relation to the ownership of the share capital of Gas Plus, tax liabilities and regulatory compliance in relation to the gas supply licence, subject to a maximum liability cap of £425,000, save that claims in relation to liabilities under third party arrangements and arising from regulatory requirements shall be subject to a maximum of £1,000,000. The warranties are subject to a two year limitation period from completion;

5.3 A sale and purchase agreement made between (1) Oxford Power Holdings Limited and (2) the Company dated 12 December 2005, pursuant to which the Company purchased the entire issued capital of Electricity Plus and Plus Shipping for a cash consideration of £150,000 payable at completion. Oxford Power Holdings Limited gave standard warranties including warranties in relation to the ownership of share capital of the Company, tax liabilities and regulatory compliance in relation to the respective electricity licence and gas shipping licence, subject to a maximum liability cap of £150,000 save that, claims in relation to liabilities under third party arrangements and arising from regulatory compliance shall be subject to a maximum of £1,000,000. The warranties are subject to a two year limitation period from completion.

The Energy Companies

There are no material contracts (excluding contracts entered into in the ordinary course of business), which have been entered into by any of the Energy Companies within the two years immediately preceding the publication of this document, or which have been entered into at any other time by any such company and which contain any provision under which such company has any obligation or entitlement which is, or may be, material to the Energy Companies as at the date of this Circular.

6. Litigation

The Continuing Group

No member of the Continuing Group is or has been involved in any governmental, legal or arbitration proceedings (including any proceedings of which the Group is aware which are pending or threatened) during the period covering the 12 months preceding the date of this document, which may have, or have had in such 12 month period, a significant effect on the Continuing Group's financial position or profitability.

The Energy Companies

None of the Energy Companies is or has been involved in any governmental, legal or arbitration proceedings (including any proceedings of which the Group is aware which are pending or threatened) during the period covering the 12 months preceding the date of this document, which may have, or have had in such 12 month period, a significant effect on the financial position or profitability of the Energy Companies.

7. Working Capital

The Company is of the opinion that, on the assumption that the Transaction completes and the Put Option is exercised the Continuing Group does not have sufficient working capital for its present requirements, that is, for at least 12 months from the date of this document.

If the Put Option is exercised (which is not subject to the Company's control), the Company would (in the absence of additional banking facilities which are not currently in place) have insufficient funds to satisfy the cash consideration due on exercise of the Put Option.

However, as the Put Option can only be exercised on a change of control, in the event that there is no change of control of the Company, or following a change of control of the Company the Put Option is not exercised, the Company is of the opinion that it would have sufficient working capital for its present requirements.

8. Consent

KBC Peel Hunt has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are included.

9. Significant changes

The Continuing Group

The Company has incurred significant losses due to high market gas prices, together with the exceptional costs incurred in relation to the restructuring of the Group for the purpose of the Transaction (as set out on pages 7 and 8 under the heading "Current trading and prospects"). However, other than as stated herein, there has been no significant change in the financial or trading position of the Group since 30 September 2005, the date to which the latest unaudited consolidated interim results of the Company, published on 13 December 2005, were drawn up.

The Energy Companies

Save for Gas Plus and Electricity Plus commencing the supply of gas and electricity to customers of the Group on 1 January 2006, there have been no significant changes in the financial or trading position of Gas Plus or Electricity Plus since their acquisition by the Group in December 2005 or of Plus Shipping since 30 April 2005, the date to which its last audited accounts were drawn up and which are summarised in Part II of this document and which have been extracted without material adjustment from the financial statements of Plus Shipping.

10. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Nabarro Nathanson, Lacon House, Theobald's Road, London WC1X 9RW during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 23 March 2006:

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the Directors' service contracts referred to in paragraph 3 of this Part IV;
- (iii) the Put Option Agreement and the Sale Agreement summarised in Part III;
- (iv) the material contracts summarised in paragraph 5.2 of this Part IV;
- (v) the consent letter referred to in paragraph 8 of this Part IV;
- (vi) the consolidated audited accounts of the Group for the financial years ended 31 March 2003, 31 March 2004 and 31 March 2005;
- (vii) the announcement of the Transaction dated 16 February 2006; and
- (viii) this Circular.

7 March 2006

TELECOM PLUS PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of Telecom Plus plc (the "Company") will be held at 11.00 a.m. on Thursday, 23 March 2006 at the Company's offices at Dryden House, The Edge Business Centre, Humber Road, London, NW2 6EW for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

THAT the entry into a put option agreement with npower Limited ("Put Option Agreement") and the sale and purchase agreement for the sale of Electricity Plus Supply Limited, Gas Plus Supply Limited and Plus Shipping Services Limited to npower Limited ("Sale Agreement") (copies of which agreements are produced to this meeting and signed for the purpose of identification by the Chairman) as defined and more particularly described in the circular to shareholders of Telecom Plus plc dated 7 March 2006 (the "Circular"), of which this Notice forms part, be and are hereby approved, subject to such variations, amendments or waivers to the Put Option Agreement and the Sale Agreement or the terms and conditions thereof as the Directors of Telecom Plus plc, or a duly authorised committee thereof, in their absolute discretion, think fit (being variations, amendments or waivers which are not of a material nature in the context of the transaction as a whole) and that they be and that they are hereby authorised to do all such things, attend to all such matters and effect all such acts (including, but not limited to, the signing and/or execution of any documents whether by deed or otherwise and the approval of the terms of, or any amendments, variations or waivers in respect of, any agreements incidental to or forming part of the Put Option Agreement and/or the Sale Agreement provided such amendments, variations or waivers are not sufficiently material, in the context of the transaction as a whole, to require further approval from shareholders of Telecom Plus plc) as they may consider necessary, expedient or desirable to complete or give effect to, or otherwise in connection with, the transaction and/or any agreement executed to give effect thereto and any matters incidental to any of them.

Registered Office:
Dryden House
The Edge Business Centre
Humber Road
London, NW2 6EW

By Order of the Board
Company Secretary
Brian Korel

7 March 2006

Notes:

- (i) A member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice. Instructions for use are shown on the form. Forms of proxy must be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, no later than 11.00 a.m. on 21 March 2006. Completion and return of a form of proxy does not preclude a member from attending and voting in person.
- (ii) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company by no later than 6.00 p.m. on 21 March 2006, being not more than 48 hours before the time fixed for the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

