THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or about what action you should take, you should consult your stockbroker, accountant or other independent professional advisor authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all your ordinary shares in Alternative Networks plc, please forward this document (together with the accompanying form of proxy) as soon as possible to the stockbroker or other agent through whom you made the sale or transfer for transmission to the purchaser or transferee. **However, those documents should not be forwarded to or sent into the United States, Canada, New Zealand, South Africa or Japan.** Any person (including without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this document to any jurisdiction outside the UK, should seek appropriate advice before taking any action.

ALTERNATIVE NETWORKS PLC

(Incorporated and registered in England & Wales with registered number 2888250)

GENERAL MEETING

To be held in relation to

FULL IMPLEMENTATION OF THE ALTERNATIVE NETWORKS PLC 2010 VALUE CREATION PLAN

and

THE PURCHASE BY ALTERNATIVE NETWORKS PLC OF ITS OWN SHARES

and

WAIVERS OF RULE 9 OF THE CITY CODE ON TAKEOVERS AND MERGERS

Investec Investment Banking, a division of Investec Bank plc, which is regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Alternative Networks plc in connection with the proposals in this document, and will not be responsible to anyone other than Alternative Networks plc for providing the protections afforded to customers of Investec Investment Banking or for providing advice in relation to the proposals in this document or any other matter in relation to the contents of this document.

You will find enclosed with this document a form of proxy for use in connection with the General Meeting (the "GM"). Whether or not you intend to be present at the GM, you are asked to complete the form of proxy in accordance with the instructions printed on it so as to be received by Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event not later than 10.00 a.m. on Monday, 29th of March 2010. Completion of the form of proxy will not preclude you from attending and voting at the GM should you so wish.

The Directors, whose names appear on page 5, accept responsibility for the information contained in this document (save that James Murray and Edward Spurrier do not accept responsibility for the recommendations set out on page 11 of this document). To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. James Murray accepts responsibility for the information on himself and his intentions and for the information on certain of the other members of the James Murray Concert Party (George Murray, Susan Murray, Victoria Bilborough, Anthony Forrest-Hay, Kate Forrest-Hay, Edward Spurrier, Lucinda Spurrier, Nicholas Spurrier and Didi Spurrier) and their intentions, contained in this document. To the best of the knowledge and belief of James Murray (who has taken all reasonable care to ensure that such is the case) the information contained in this document pertaining to the James Murray Concert Party is in accordance with the facts and does not omit anything likely to affect the import of such information. RBC cees Trustee Limited, as trustee of the Company's Employee Benefit Trust, accepts responsibility for the information on the Company's Employee Benefit Trust and its intentions contained in this document. To the best of the knowledge and belief of RBC cees Trustee Limited (who has taken all reasonable care to ensure that such is the case) the information contained in this document pertaining to the Employee Benefit Trust is in accordance with the facts and does not omit anything likely to affect the import of such information.

CONTENTS

DEFINITIONS

"Articles"	the current Articles of Association of the Company
"Capita Registrars"	a trading name of Capita Registrars Limited
"City Code"	the City Code on Takeovers and Mergers
"Company" or "Alternative Networks"	Alternative Networks plc
"Directors" or the "Board"	the directors of the Company whose names are set out on page 5 of this document
"EBT"	the Employee Benefit Trust established by the Company during the year ended 30 September 2005 and which holds 638,400 Ordinary Shares on trust for each of Jim Sewell, Edward Spurrier and Ben Marnham
"EBT Subscription"	the proposed subscription by the EBT for new Ordinary Shares
"EBT Subscription Shares"	new Ordinary Shares subscribed for by the EBT pursuant to the EBT Subscription
"ES Interests"	Edward Spurrier's interests in Ordinary Shares in addition to the 1,532,185 Ordinary Shares registered in his name, namely: (i) nil-cost options over up to a maximum of 462,973 Ordinary Shares pursuant to the LTIP; (ii) his options over 64,500 Ordinary Shares; and (iii) 638,400 Ordinary Shares held on trust for him under the EBT
"Form of Proxy"	the form of proxy accompanying this document for use at the GM
"General Buy Back Authority"	the proposal which will, if approved by Shareholders, empower the Company to make market purchases of up to approximately 10 per cent. of the issued share capital of the Company
"General Buy Back Waiver"	the waiver by the Panel of any requirement under Rule 9 of the City Code for the James Murray Concert Party to make a general offer to Shareholders that would otherwise arise as a result of any market purchases of Ordinary Shares by the Company pursuant to the authority sought in Resolution 2 set out in the Notice of GM
"GM" or "General Meeting"	the General Meeting of the Company convened for 10.00 a.m. on 29 March 2010 by the Notice of GM and any adjournment thereof
"Group"	the Company and its subsidiaries
"Independent Directors"	all the executive and non-executive Directors other than James Murray and Edward Spurrier
"Independent Shareholders"	shareholders of the Company other than the James Murray Concert Party
"Investec Investment Banking"	Investec Investment Banking, a division of Investec Bank plc
"James Murray"	James Murray of 50 Paulton's Square, London SW3 5DT

"James Murray Concert Party"	the following shareholders who, for the purposes of the City Code, are deemed to be acting in concert: James Murray, George Murray (the father of James Murray), Susan Murray (the mother of James Murray), Victoria Bilborough (the sister of James Murray), Anthony Forrest-Hay (the father-in-law of James Murray), Kate Forrest-Hay (the mother-in-law of James Murray) Edward Spurrier (the brother-in-law of James Murray, who is married to Lucinda Spurrier and who is also a Director), Lucinda Spurrier (the sister of James Murray), Nicholas Spurrier (the father of Edward Spurrier), Didi Spurrier (the wife of Nicholas Spurrier) and the trustees of the EBT
"LTIP"	the Company's Long Term Incentive Plan for Edward Spurrier, Ben Marnham and James Sewell which was introduced on 25 April 2008
"Notice of GM" or "Notice of General Meeting"	the notice of the GM set out at the end of this document
"Ordinary Shares"	ordinary shares of 0.125p each in the capital of the Company
"Overseas Shareholders"	a Shareholder whose address in the Company's register of members is outside the UK
"Panel"	the Panel on Takeovers and Mergers
"Participants"	participants in the VCP
"Proposals"	the proposed VCP, the proposed EBT Subscription and the proposed General Buy Back Authority taken together
"Remuneration Committee"	the Independent Directors appointed to determine, on behalf of the Board, the framework of executive remuneration, comprising Tony Caplin (Chairman) and Timothy Holland-Bosworth
"Shareholders"	holders of Ordinary Shares in the Company
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"VCP"	the Alternative Networks plc 2010 Value Creation Plan
"VCP Waiver"	the waiver by the Panel of any requirement under Rule 9 of the City Code for the James Murray Concert Party to make a general offer to Shareholders that would otherwise arise as a result of the granting of interests in Ordinary Shares to James Murray and Edward Spurrier pursuant to the Rules of the VCP
"Waivers"	the General Buy Back Waiver and the VCP Waiver

PART I

LETTER FROM NON-EXECUTIVE CHAIRMAN OF ALTERNATIVE NETWORKS PLC

(incorporated and registered in England and Wales with Company Number 2888250)

Directors:	*Registered Office:*
James Murray (*Chief Executive Officer*)	Chatfield Court
Edward Spurrier (*Chief Financial Officer*)	56 Chatfield Road
Jim Sewell (*Group Sales and Marketing Director*)	London
Ben Marnham (*Chief Operating Officer*)	SW11 3UL
Tony Caplin (*Non-executive Chairman*)	
Timothy Holland-Bosworth (*Non-executive Director*)	

12 March 2010

Dear Shareholder,

1. Introduction

On 24 February 2010, the Company announced the introduction of the Alternative Networks plc 2010 Value Creation Plan (the "VCP"), a share incentive scheme designed to encourage shareholder value creation in the medium and long term by providing incentives for the Company's senior management. As James Murray, Chief Executive Officer and Edward Spurrier, Chief Financial Officer, are members of the James Murray Concert Party, they are unable to obtain any interests in Ordinary Shares under the VCP unless the Panel has agreed to waive the obligation of the James Murray Concert Party to make a general offer under Rule 9 of the Code. The Panel has indicated that it will agree to a waiver being granted subject to approval by the Independent Shareholders on a poll.

As part of the VCP structure it is proposed that the EBT will subscribe for new Ordinary Shares to be held jointly with the Participants as described in paragraph 2 below. As the EBT is a member of the James Murray Concert Party, the EBT Subscription will not proceed unless the Panel has agreed to the VCP Waiver, such waiver being approved on a poll by the Independent Shareholders.

This letter sets out details of the VCP and why the Board believes that the implementation of the VCP is in the best interests of Shareholders as a whole.

The Directors also consider that it would be in the best interests of all Shareholders for the Company to be granted the General Buyback Authority.

This circular sets out details of the VCP, the EBT Subscription and the proposed General Buy Back Authority and why the Board believes that they are in the best interests of Shareholders as a whole. The circular also contains a notice of the General Meeting to be held at 10.00 a.m. on Monday 29 March 2010 to consider the resolutions necessary to implement the VCP in full and to approve the General Buy Back Authority.

2. VCP

The Remuneration Committee recently carried out a review of share-based incentive schemes in order to ensure that appropriate incentives are in place to encourage shareholder value creation in the medium and long term. After seeking professional advice and consulting major shareholders the Board adopted the Alternative Networks plc 2010 Value Creation Plan on 24 February 2010. Awards under the VCP have no value at grant but give Participants the opportunity to be awarded nil-cost options and acquire interests in shares (see subscription details below) which deliver value via Ordinary Shares proportionate to a percentage of the value created for Shareholders over and above a threshold value over a three year period.

The following directors of the Group are Participants:

James Murray – *Chief Executive Officer*
Edward Spurrier – *Chief Financial Officer*
Ben Marnham – *Chief Operating Officer*
Jim Sewell – *Group Sales and Marketing Director*

At the inception of the VCP the Participants are granted units from a total pot. These units have no value on grant but share in a proportion of the total value created for shareholders depending on the achievement of two hurdles at a series of measurement points (the "Measurement Dates"). The Measurement Dates will be 31 December 2010, 31 December 2011 and 31 December 2012. At each Measurement Date participants will be granted nil-cost options over Ordinary Shares equivalent to a proportion of the excess value created above the hurdles using a prevailing share price at the relevant Measurement Date. Any share options granted will not become exercisable until 31 December 2012 and therefore ultimately value obtained by Participants will be subject to the share price at that time.

The level of value created for Shareholders at the first Measurement Date will be determined by reference to the appreciation in the Company's share price from a base level of 125 pence per share, being the weighted average price of the Company's shares in the period since the beginning of the current financial year to the Board meeting approving the VCP in principle on 28 January 2010. The base level for measuring the share price growth for subsequent Measurement Dates will be reset at each Measurement Date based on the prevailing share price. The calculation will include the amount of dividends paid to shareholders and other returns of funds to shareholders, such as share repurchases (absolute total shareholder return). The shareholder value at each Measurement Date will be calculated using the average share price over the 30 day period prior to the relevant Measurement Date.

The table below sets out the proportion of the total value created for shareholders allocated to the Participants depending on the achievement of the thresholds, as described below:

Annual Threshold Price Return	*% of increase in shareholder value allocated to Participants*
<5%	0%
5% – 15%	5% of increase above 5%
>15%	15% of increase above 15%

A parallel long term incentive award under the VCP has been set up so that it is only relevant and provides value to the Participants when the core VCP has delivered a total value of less than £250,000 per Participant at the end of the overall performance period (the "Parallel Plan"). Under this Parallel Plan, there is a maximum of £250,000 payable per Participant when the Company's share price has in the three years prior to 31 December 2012 performed to be in the upper quartile of a peer comparator group comprising at least 12 relevant quoted peers, being quoted telecom and technology companies. It is intended that the performance period for the Parallel Plan are the same as for the core VCP as set out above. The purpose of this Parallel Plan is to provide a continuing incentive in the event that the generality of share prices fall, due to economic or other global conditions, but the Company itself has performed very well in relative terms, as under the terms of the VCP, no other awards can be made to the VCP. The Remuneration Committee retains discretion over its payment, by consideration of other Group key performance indicators.

Should, in the opinion of the Panel, at the time when interests in shares are first allocated to the Participants (under either the main VCP or the Parallel Plan), the James Murray Concert Party:

(i) have interests in Alternative Network's shares which in aggregate carry more than 30 per cent. of the voting rights but does not hold shares carrying more than 50 per cent. of such voting rights or;

(ii) hold interests in Alternative Network's shares which, in aggregate, carry less than 30 per cent. of the voting rights but any allotment of interests in shares pursuant to the VCP would increase that aggregate interest to more than 30 per cent. of the voting rights in the Company;

then the VCP will be unable to allocate any interest in shares to any member of the James Murray Concert Party unless the Panel has agreed to waive the obligation of any member of the James Murray Concert Party to make a general offer under Rule 9 of the Code and the VCP Waiver has been approved on a poll by the Independent Shareholders.

Any award under the Parallel Plan will be made in the form of nil-cost options over Ordinary Shares, the grant of which will be contingent on the VCP Waiver.

As set out above, the Participants will be granted of nil-cost options over Ordinary Shares equivalent in value to a proportion of the excess value created above the thresholds described above using a prevailing share price at the relevant Measurement Dates. The maximum number of Ordinary Shares that can be issued pursuant to the VCP is 10 per cent. of the Company's issued share capital as enlarged by the issue of shares pursuant to the VCP.

The illustrative table below shows the maximum number of shares that would be issued to the Participants at differing share prices on the third Measurement Date. This analysis assumes that growth in the Company is constant over the three year period prior to the third Measurement Date and ignores the effect of dividends, other returns to Shareholders and the issue of new Ordinary Shares by the Company.

Indicative growth rate (straight line, per annum)	*Company share price on third Measurement Date under the VCP (£)*	*Market capitalisation (£m)*	*Increase in market capitalisation from base level (£m)*	*Value due to VCP Participants (based on third Measurement Date share price) (£m)*	*Number of Ordinary Shares to be awarded to VCP Participants*	*% of enlarged share capital to be issued pursuant to the VCP*
5%	1.45	64.2	8.7	0	0	0.0%
15%	1.91	84.3	28.9	1.1	578,318	1.3%
25%	2.44	108.2	52.8	5.2	2,128,209	4.6%
35%	3.08	136.4	80.9	10.6	3,448,448	7.2%
45%	3.81	169.0	113.5	17.5	4,586,658	9.4%
48.3%	4.08	180.7	125.3	20.1	4,926,411	10.0%
>48.3%	n/a	n/a	n/a	n/a	n/a	10.0%

As explained above, at the inception of the VCP, Participants are granted units from a total pot. These units have no value on grant but share in a proportion of the total value created for shareholders. In the unlikely event that only members of the James Murray Concert Party were allocated units at the Measurement Dates, the maximum number of Ordinary Shares issued to the James Murray Concert Party pursuant to the VCP (including the EBT Subscription) would be 10 per cent. of the then issued share capital of the Company.

Subscription for new Ordinary Shares by the EBT

Immediately following, and conditional on the Waivers being granted, the EBT will subscribe for new Ordinary Shares at nominal value. The EBT will immediately thereafter grant interests in these Ordinary Shares to the participants of the VCP. Although the EBT Subscription does not increase the value that would be obtained by Participants, it enables the Participants to invest in part-interests in shares for which the growth in value would be a capital gain. Any value obtained under the interests in Ordinary Shares awarded by the EBT will form part of the total value obtainable under the VCP. The maximum number of shares to be issued pursuant to the VCP rules includes the EBT Subscription.

Potential buy-back of EBT shares

Should, at the end of the VCP, the Ordinary Shares comprising the EBT subscription not be required for the satisfaction of VCP awards it is intended that the Company will re-purchase any excess Ordinary Shares at nominal value and cancel such Ordinary Shares. As the EBT is a member of the James Murray Concert Party, any repurchase of the EBT Subscription Shares will reduce the interests of the James Murray Concert Party in the share capital of the Company.

3. General Buy Back Authority

The Board proposes to seek Shareholder approval to empower the Company to make market purchases of up to approximately 10 per cent. of the issued share capital of the Company in the future. If approved by Shareholders, such authority would be exercisable until 3 years after the date of the GM. The maximum price payable for the purchase by the Company of Ordinary Shares will be limited to the higher of 5 per cent. above the average of the middle market quotations of such shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days prior to the purchase, and the value of an Ordinary Share calculated on the basis of the higher of the price quoted for the last independent trade of, and the highest current independent bid for, any number of the Company's Ordinary Shares on the trading venue where the purchase is carried out. The minimum price payable by the Company for the purchase of Ordinary Shares will be 0.125p per share (being the amount equal to the nominal value of an Ordinary Share).

The Directors would use the General Buy Back Authority with discretion and purchases would only be made from the Company's distributable reserves not required for other purposes and in the light of market conditions prevailing at the time. In reaching a decision to purchase Ordinary Shares, the Directors would take account of the Company's cash resources and capital and the effect of such purchases on the Company's business and would only make market purchases if satisfied that they would increase earnings per Ordinary Share and be in the interests of Shareholders generally. No announcement will be made by the Company in advance of market purchases, but any purchases made by the Company would be announced by 7.30 a.m. on the next business day following the transaction.

Pursuant to section 724 of the Companies Act 2006 and Article 5.2 of the Company's Articles, the Company is entitled, on buying back its own shares, to hold such shares in treasury for subsequent sale, transfer for the purposes of or pursuant to employee share schemes, or cancellation as an alternative to cancelling them immediately. The Directors currently intend to hold any shares purchased under the General Buy Back Authority in treasury pursuant to such powers.

4. City Code on Takeovers and Mergers

Under Rule 9 of the City Code, any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the City Code) in shares which (taken together with shares in which he is already interested and in which persons acting in concert with him are interested) 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 the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if a further interest in shares is acquired by any such person or any person acting in concert with him.

An offer under Rule 9 must be in cash and at the highest price paid for any interest in shares of the Company by the person required to make the offer or any person acting in concert with him within the 12 months prior to the announcement of the offer.

If the authority to be granted by Resolutions 2 and 3 was exercised in full and assuming no disposals of Ordinary Shares by members of the James Murray Concert Party, the members of the James Murray Concert Party Members will between them hold more than 50 per cent. of the Company's voting share capital and, for so long as they continue to be treated as acting in concert, may accordingly increase interests in the Company's shares without incurring any further obligation under Rule 9 to make a general offer, although individual members of the James Murray Concert Party would not be able to increase their percentage interests in Ordinary Shares through or between a Rule 9 threshold without the Takeover Panel's prior consent.

If the James Murray Concert Party's holding in the Company is reduced at any point in the future to less than 50 per cent., whilst it retains interests in shares carrying 30 per cent. or more of the Company's voting rights, any subsequent increase in the James Murray Concert Party's interest in the Company's shares would be subject to Rule 9 of the City Code.

Under Rule 37 of the City Code, when a company purchases its own voting shares, any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9 (although a shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make an offer under Rule 9 of the City Code).

The Panel has agreed, however, to waive the obligation to make a general offer that would otherwise arise on the James Murray Concert Party as a result of the repurchase by the Company of its shares pursuant to the General Buy Back Authority subject to approval on a poll by the Independent Shareholders of Resolutions 2 and 3 in the Notice of GM.

The Company last requested approval for a waiver of Rule 9 in a circular to shareholders dated 1 July 2008. It should have been disclosed in this Circular that Didi Spurrier was acting in concert with James Murray.

Waivers

The General Buy Back Waiver described in Resolution 2 in the Notice of GM applies only in respect of increases in the percentage interest of the James Murray Concert Party resulting from purchases by the Company of its own shares pursuant to the General Buy Back Authority and not in respect of other increases in the James Murray Concert Party's interests in Ordinary Shares.

If the General Buy Back Authority set out in Resolution 1 in the Notice of GM is exercised in full, and assuming no disposals of Ordinary Shares by any member of the James Murray Concert Party and no issues of Ordinary Shares by the Company in the meantime, the interests in Ordinary Shares of the James Murray Concert Party and the percentage of the voting rights in the Company attributable to such interests would be as set out in the table below.

The VCP Waiver described in Resolution 3 in the Notice of GM applies only in respect of increases in the percentage interest of the James Murray Concert Party resulting from the granting of interests in Ordinary Shares to James Murray and Edward Spurrier pursuant to the rules of the VCP and not in respect of other increases in the James Murray Concert Party's interests in Ordinary Shares.

The current and potential interests in Ordinary Shares of the James Murray Concert Party following the exercise of the General Buy Back Authority in full and the maximum possible grant of interests in Ordinary Shares to members of the James Murray Concert Party pursuant to the VCP are set out in the table below:

	Current interest in Ordinary Shares of the James Murray Concert Party		*Percentage following exercise of General Buyback Authority in full*		*Percentage following maximum number of Shares Issued pursuant to the VCP*		*Percentage following maximum possible grant of interests pursuant to the VCP and exercise of the General Buy Back Authority in full*	
Person	*No. of Ordinary Shares*	*%*	*No. of Ordinary Shares*	*%*	*No. of Ordinary Shares*	*%*	*No. of Ordinary Shares*	*%*
James Murray	14,808,105	33.40	14,808,105	37.11	15,763,387	32.00	15,943,387	35.16
George Murray	8,500	0.02	8,500	0.02	8,500	0.02	8,500	0.02
Susan Murray	22,800	0.05	22,800	0.06	22,800	0.05	22,800	0.05
Victoria Bilborough	11,550	0.03	11,550	0.03	11,550	0.02	11,550	0.03
Anthony Forrest-Hay	850	0.00	850	0.00	850	0.00	850	0.00
Kate Forrest-Hay	1,700	0.00	1,700	0.00	1,700	0.00	1,700	0.00
Edward Spurrier	1,532,185	3.46	1,532,185	3.84	2,487,467	5.05	2,517,467	5.62
ES Interests	527,473	1.19	527,473	1.32	527,473	1.07	527,473	1.18
Lucinda Spurrier	966,092	2.18	966,092	2.42	966,092	1.96	966,092	2.15
Nicholas Spurrier	50,000	0.11	50,000	0.13	50,000	0.10	50,000	0.11
Didi Spurrier	0	0.0	0	0.0	0	0.0	0	0.0
EBT*	1,915,200	4.32	1,915,200	4.80	4,781,046	9.70	4,886,718	10.66
Total	19,844,455	44.76	19,844,455	49.73	24,770.865	50.28	24,770,865	55.25

* In the event that all Participants of the VCP who are not members of the James Murray Concert Party cease to become Participants, the value allocated to the VCP may be subscribed for by the EBT. Accordingly, the aggregate interest in the interests in Ordinary Shares of the James Murray Concert Party following the maximum possible grant of interests to members of the James Murray Concert Party pursuant to the VCP and exercise of the General Buy Back Authority in full would increase from a current aggregate

interest of 44.8 per cent. to an aggregate interest of 54.94 per cent.. The increase in interests of the James Murray Concert Party in relation to the issue of shares pursuant to the VCP would be as a result of an increase in the interests of the EBT and/or James Murray and/or Edward Spurrier only.

Should the maximum number of shares to be issued pursuant to the VCP be issued only to members of the James Murray Concert Party, the interests of the James Murray Concert Party would increase from a aggregate current interest of 44.8 per cent. to an aggregate interest of 49.99 per cent. The increase in interests of the James Murray Concert Party would be as a result of an increase in the interests of the EBT and/or James Murray and/or Edward Spurrier only.

The intentions of the James Murray Concert Party

The members of the James Murray Concert Party have each confirmed to the Company that they are not proposing, following any increase in their percentage interests in Ordinary Shares or voting rights as a result of (i) a repurchase of Ordinary Shares by the Company pursuant to the General Buy Back Authority, or (ii) the grant of interests in Ordinary Shares pursuant to the rules of the VCP to seek any change in the composition of the Board or the general nature of the Company's business.

The members of the James Murray Concert Party have also each confirmed that their intentions regarding the future of the Company's business, their intentions regarding the locations of the Company's places of business or assets and their intentions regarding the continued employment of its employees and management (and those of its subsidiaries) will not be altered as a result of any increase in their percentage interests in Ordinary Shares or voting rights as a result of a repurchase of (i) Ordinary Shares by the Company pursuant to the General Buy Back Authority, or (ii) grant of interests in Ordinary Shares pursuant to the rules of the VCP nor will there be any redeployment of the fixed assets of the Company as a result of such an increase.

Details of the James Murray Concert party

James Murray

James Murray, aged 40, co-founded the Company in 1994, following several sales and engineering positions within London based telecoms dealers. He held the position of Joint Managing Director from 1994 until 2000, when he moved to the position of Managing Director. In 2003 he became Chief Executive Officer. James was awarded the title of Ernst & Young's "Young Entrepreneur of the Year" Award in 2005.

George Murray

George Murray is the father of James Murray.

Susan Murray

Susan Murray is the mother of James Murray.

Victoria Bilborough

Victoria Bilborough is the sister of James Murray.

Anthony Forrest-Hay

Anthony Forrest-Hay is the father-in-law of James Murray.

Kate Forrest-Hay

Kate Forrest-Hay is the mother-in-law of James Murray.

Edward Spurrier

Edward Spurrier, aged 44, is the brother-in-law of James Murray and is married to James Murray's sister, Lucinda Spurrier. Edward Spurrier joined the Company as Finance Director in 1999. A member of the Institute of Chartered Accountants in England and Wales, he trained and qualified at Coopers and Lybrand (now PricewaterhouseCoopers LLP) in London. Prior to joining the Company, he had over 12 years' prior experience in private practice, with a focus on advising entrepreneurs on managing growth. He led the establishment of the billing, finance, legal and business development departments within the Company. His current responsibilities include business development, IT operations and development, and legal, as well as the finance functions. He is also the Group Company Secretary.

Lucinda Spurrier

Lucinda Spurrier is the sister of James Murray.

Nicholas Spurrier

Nicholas Spurrier is the father of Edward Spurrier.

Didi Spurrier

Didi Spurrier is the wife of Nicholas Spurrier.

EBT

The EBT was established during the year ended 30 September 2005 and Jim Sewell, Edward Spurrier and Ben Marnham have each been awarded interests in 638,400 Ordinary Shares held by the EBT. It is intended that the EBT makes the EBT Subscription following the grant of the VCP Waiver.

5. Action to be taken

A Form of Proxy for use in connection with the GM is also enclosed. Whether or not you intend to be present at the GM, you are asked to complete and return the Form of Proxy in accordance with the instructions thereon as soon as possible and, in any event, so that it is received not later than 48 hours before the time of the GM. The completion and return of the Form of Proxy will not preclude you from attending the GM and voting in person if you so wish. Please return the Proxy to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

6. Recommendation

Neither James Murray nor Edward Spurrier have taken part in any decision of the Board relating to any proposal to seek the Waivers since it is, *inter alia*, their potential interest in Ordinary Shares which are the subject of the Waivers, nor will any of the James Murray Concert Party vote on Resolution 2 or Resolution 3. Additionally, James Murray and Edward Spurrier have confirmed that they will not participate in any decision to repurchase shares while the General Buy Back Authority is in place.

The Independent Directors, who have been so advised by Investec Investment Banking, believe that the Proposals are fair and reasonable and are in the best interests of Independent Shareholders as a whole. In providing advice to the Independent Directors, Investec Investment Banking has taken into account the Independent Directors' commercial assessments.

The Independent Directors therefore unanimously recommend that you vote in favour of Resolutions 1, 2 and 3 in the Notice of General Meeting as they intend to do in respect of their own interests in 3,303,382 Ordinary Shares in aggregate, representing approximately 7.45 per cent. of the Ordinary Shares currently in issue.

Yours faithfully

Tony Caplin
Non-executive Chairman

PART II

HISTORICAL FINANCIAL INFORMATION

Introduction

The financial information included in Section A of this Part V does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 (as amended) and has been extracted without material adjustment from the audited historical financial information for the financial years ended 30 September 2007, 30 September 2008 and 30 September 2009 which have been prepared under IFRS.

The Company's auditors have issued unqualified audit opinions in respect of the financial statements for the Company for the financial years ended 30 September 2007, 30 September 2008 and 30 September 2009.

Copies of the full accounts have been included in the Annual Report and Accounts for each of the years and these have been filed at Companies House.

Profit and Loss Account

	Year ended 30 September 2007 £'000	*Year ended 30 September 2008 £'000*	*Year ended 30 September 2009 £'000*
Revenue	72,083	93,707	89,676
Cost of sales	(46,853)	(60,913)	(58,852)
Gross profit	25,230	32,794	30,824
Other operating costs	(17,635)	(24,039)	(23,793)
Operating profit	7,595	8,755	7,031
Operating profit – analysed			
– Adjusted operating profit	7,952	10,433	8,986
– Profit on part disposal of subsidiary operations	120	–	–
– Share based payments	(220)	(303)	(565)
– Restructuring charges	–	–	–
– Amortisation of purchased customer contracts and other intangibles (excluding computer software)	(257)	(1,375)	(1,220)
– Impairment of freehold property	–	–	(170)
Total operating profit	7,595	8,755	7,031
Interest receivable and similar income	418	223	105
Interest payable and similar charges	(60)	(77)	(21)
Profit on ordinary activities before taxation	7,953	8,901	7,115
Taxation on profit on ordinary activities	(1,763)	(2,402)	(2,024)
Profit on ordinary activities after taxation	6,190	6,499	5,091
Minority interests	(7)	(2)	–
Retained profit for the financial year	6,183	6,497	5,091
Profit per ordinary share			
– basic	13.9p	14.3p	12.0p
– diluted	13.3p	13.7p	11.6p

There is no difference between the profit on ordinary activities before taxation and the retained profit for the years stated above and the historical cost equivalents.

Group Balance Sheet

	Year ended 30 September 2007 £'000	Year ended 30 September 2008 £'000	Year ended 30 September 2009 £'000
ASSETS			
Non-current assets			
Intangible assets	19,983	19,416	17,755
Property, plant and equipment	3,241	2,204	2,708
Investments	–	–	–
Deferred tax asset	679	675	428
Assets held for resale	–	887	–
Property deposits	63	14	14
	23,966	23,196	20,905
Current assets			
Inventories	251	382	168
Trade and other receivables	14,136	14,450	12,535
Cash and cash equivalents	3,422	4,227	9,015
	17,809	19,059	21,718
Total assets	41,775	42,255	42,623
EQUITY AND LIABILITIES			
Equity			
Called up share capital	60	57	56
Share premium	4,577	4,721	4,855
Capital redemption reserve	–	3	4
Merger reserve	1,905	1,905	1,905
Treasury shares held	–	(1,422)	(1,422)
Retained earnings	12,217	14,791	16,607
	18,759	20,055	22,005
Current liabilities			
Borrowings	33	35	50
Contingent consideration	–	97	–
Current tax liabilities	878	1,380	1,335
Trade and other payables	18,462	18,391	17,269
	19,373	19,903	18,654
Non-current liabilities			
Borrowings	1,546	960	874
Contingent consideration	447	–	–
Deferred tax liabilities	1,643	1,337	1,090
	3,636	2,297	1,964
Total liabilities	23,009	22,200	20,618
Total equity and liabilities	41,775	42,255	42,623

Consolidated Statement of changes in equity

	Share Capital £'000	*Share Premium £'000*	*Capital redemption Reserve £'000*	*Merger reserve £'000*	*Shares held in treasury £'000*	*Retained earnings £'000*	*Total £'000*	*Minority interest £'000*	*Total equity £'000*
Balance at 1 October 2006	57	4,116	–	934	–	7,508	12,615	–	12,615
Shares issued	3	461	–	971	–	–	1,435	–	1,435
IFRS2 share based payments	–	–	–	–	–	220	220	–	220
Deferred tax on share options	–	–	–	–	–	(372)	(372)	–	(372)
Profit for the year	–	–	–	–	–	6,183	6,183	7	6,190
Dividends paid	–	–	–	–	–	(1,322)	(1,322)	–	(1,322)
Balance at 1 October 2007	60	4,577	–	1,905	–	12,217	18,759	7	18,766
Shares issued	–	19	–	–	–	–	19	–	19
IFRS2 share based payments	–	–	–	–	–	303	303	–	303
Share buy-back	(3)	–	3	–	(1,422)	(2,681)	(4,103)	–	(4,103)
Shares issued to purchase minority interest	–	188	–	–	–	–	188	(9)	179
Share expenses	–	(63)	–	–	–	–	(63)	–	(63)
Deferred tax on share options	–	–	–	–	–	266	266	–	266
Profit for the year	–	–	–	–	–	6,497	6,497	2	6,499
Dividends paid	–	–	–	–	–	(1,811)	(1,811)	–	(1,811)
Balance at 30 September 2008	57	4,721	3	1,905	(1,422)	14,791	20,055	–	20,055
Shares issued	–	134	–	–	–	–	134	–	134
IFRS2 share based payments	–	–	–	–	–	565	565	–	565
Share buy-back	(1)		1			(1,356)	(1,356)	–	(1,356)
Deferred tax on share options	–	–	–	–	–	(396)	(396)	–	(396)
Profit for the year	–	–	–	–	–	5,091	5,091	–	5,091
Dividends paid	–	–	–	–	–	(2,088)	(2,088)	–	(2,088)
Balance at 30 September 2009	56	4,855	4	1,905	(1,422)	16,607	22,005	–	22,005

Consolidated Cash Flow Statement

	Year ended 30 September 2007 £'000	*Year ended 30 September 2008 £'000*	*Year ended 30 September 2009 £'000*
Cash flows from operating activities			
Cash generated from operations	8,784	10,335	10,605
Income tax paid	(2,066)	(1,940)	(2,458)
Interest paid	(60)	(77)	(21)
Net cash inflow from operating activities	6,658	8,318	8,216
Cash inflows from investing activities			
Purchase of property, plant and equipment	(133)	(510)	(170)
Purchase of intangible assets (software)	(433)	(409)	(172)
Proceeds from sale of property, plant and equipment	7	–	45
Interest received	418	223	98
Cash acquired with acquisitions	732	–	–
Purchase of subsidiary undertaking	(11,548)	(276)	(58)
Proceeds from vendors under sale and purchase agreement agreement	–	–	300
Proceeds of sale of subsidiary	120	–	–
Net cash generated/(used) in investing activities	(10,837)	(972)	43
Cash flows from financing activities			
Dividends paid	(1,322)	(1,811)	(2,088)
Proceeds from issue of share capital	462	19	134
Payments made for share buy-backs	–	(4,102)	(1,356)
Share expenses	–	(63)	–
Repayments of borrowings	(27)	(584)	(71)
Net cash used in financing activities	(887)	(6,541)	(3,381)
(Decrease)/increase in cash and cash equivalents	(5,066)	805	4,788
Cash and cash equivalents at start of period	8,488	3,422	4,227
Cash and cash equivalents at end of period	3,422	4,227	9,015

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

Alternative Networks plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is Chatfield Court, 56 Chatfield Road, London SW11 3UL.

These financial statements have been prepared in accordance with IFRS as adopted by the EU and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

2. Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Amendments to published standards effective in 2009

Amendment to IAS 39 and IFRS 7 "Reclassification of financial assets". This standard does not have any impact on the Group's financial statements.

IFRIC 12, "Service Concession arrangements". This standard does not have any impact on the Group's or Company's financial statements.

IFRIC 13, "Customer loyalty programmes". This standard does not have any impact on the Group's or Company's financial statements.

IFRIC 14, IAS 19 "The limit on a defined benefit asset, minimum funding requirements and their interaction". This standard does not have any impact on the Group's or Company's financial statements.

IFRIC 16 "Hedges of a net investment in a foreign operation". This standard does not have any impact on the Group's or Company's financial statements.

Standards, interpretations and amendments which are not yet effective and have not been early adopted by the Group or Company

The following standards and amendments to current standards have been published and are mandatory for accounting periods beginning on or after 1 October 2009, but have not been early adopted by the Group or Company:

IAS 1 (revised) "Presentation of financial statements". This standard requires the Group to choose whether to rename the primary statements and whether to present the new statement of comprehensive income as a single statement, replacing the income statement, or as two statements.

IAS 23 (Amendment) "Borrowing costs" (effective from 1 January 2009). This is not expected to have a material effect on the results of the Group.

IFRS 8 "Operating segments" (effective from 1 January 2009) uses a "management approach" under which segment information is presented on the basis as that used for internal reporting purposes. This standard will require additional disclosures to be added into the financial statements when it comes into effect.

IFRS 3 (revised) "Business combinations" (effective from 1 July 2009) has been amended in relation to the accounting for business combinations. This standard will have an impact on the Group's accounting for acquisitions and disposals.

Standards, interpretations and amendments which are not yet effective and not relevant to the Group's operations

The following interpretations to current standards have been published and are mandatory for accounting periods beginning on or after 1 October 2009, but are not relevant to the Group's operations:

IFRS 2 (amendment) "Share-based payments"

IAS 27 (revised) "Consolidated and separate financial statements"

IAS 32 (amendment) "Financial instruments, presentation"

IFRIC 15 "Agreements for the construction of real estate"

IAS 23 (amendment) "Annual Improvements to IFRS"

Basis of consolidation

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from calls, which excludes value added tax and trade discounts, is recognised in the income statement at the time the call is made with the exception of international roamed calls which are recognised when the data is supplied by the UK networks. Calls made in the year, but not billed by year end are accrued within receivables as accrued income with the exception of international roamed calls as noted above.

Revenue from line rentals is recognised in the month that the charge relates to, commencing with a full month's charge in the month of connection. Revenue and related costs from the sale of handsets are recognised on the date of connection.

Connection commissions received by mobile network operators are recognised when the customer is connected to the mobile network after providing for expected future clawbacks. Mobile commissions in respect of average revenue per user are recognised at the end of the relevant performance period.

Revenue and related costs from the sale of accessories are recognised when despatched.

Revenue arising from the provision of internet and other services is recognised evenly over the periods in which the service is provided to the customer.

Income and related expenditure is recognised upon completion of work for systems installations, and maintenance income in respect of systems is recognised evenly over the period to which it relates.

Interest income is recognised on an accruals basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation, down to residual value, is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

Building element of long leaseholds	2% per annum
Leasehold improvements	over the lease term
Equipment, fixtures and fittings	20% – 33% per annum
Motor vehicles	25% per annum

The useful economic lives attributable to each class of asset are reviewed and adjusted if appropriate at each balance sheet date.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

An item of property, plant and equipment is removed upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Land is not depreciated and is held at historical cost.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Intangible assets

Goodwill is accounted for by recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Goodwill is initially measured at cost, being the excess of the fair value of payments made, assets transferred and future payments, over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The results of the acquired entities are included in the Group's results from the date when control of the company passes to the Group.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill assigned to a cash generating unit may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. In the event that management forecasts do not facilitate accurate impairment testing at divisional level goodwill will be held centrally and reflected as such in the segment reporting.

Purchased customer contracts are capitalised at cost and amortised on a straight line basis over their estimated useful economic life, from the date of acquisition, as considered reasonable by the Directors.

Software and software licences includes computer software that is not integral to a related item of hardware. These assets are stated at cost less accumulated amortisation and any impairment in value. Amortisation is calculated on straight-line basis over the estimated useful life of the asset.

Intangible assets – other includes the fair value of customer relationships, supplier relationships and trade names (acquired after 1 October 2006) determined by the net present value of the future cash flow benefits anticipated to arise from the intangible assets less accumulated amortisation and impairment losses.

Amortisation of other intangibles is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets. Goodwill is tested systematically for impairment at each annual balance sheet date. Other intangible assets are amortised from the date that they are available for use. The estimated useful lives are as follows:

- Customer relationships 7 years
- Trade name 1.5 years
- Purchased customer contracts 3 – 5 years
- Software 3 – 5 years

Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Investments are tested for impairment at each reporting date or if events indicate that the carrying value has been diminished.

Inventories

Inventories are valued at the lower of cost and net realisable value after making allowance for any obsolete or slow moving items. Net realisable value is reviewed regularly to ensure accurate carrying values. Cost is determined on a first-in-first-out basis and includes transportation and handling costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Work in progress is valued at the lower of cost and net realisable value less any payments received on account. Costs include materials and other expenses incurred on the contract at the date of the balance sheet.

Trade and other receivables

Trade receivables, which generally have 14 – 60 day terms, are recognised and carried at original invoice amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The provision is the difference between the asset's carrying amount and the original invoice amount less bad debts written-off. The carrying amount of the asset is reduced through the use of the provision and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits.

Non-current assets held for re-sale

Non-current assets are classified as held for re-sale if their carrying amount will be recovered through sale rather than continuing use. The condition is regarded as not in use only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should be expected to be complete within one year of the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and their value less cost to sell.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Trade payables

Trade payables are stated at their nominal value, recognised initially at fair value and subsequently valued at amortised cost.

Share capital

Equity instruments issued by the Group are recorded at proceeds received, net of direct issue costs.

Current taxation

Current income tax expense is recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year.

Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and rewards that are different from those of segments operating in other economic environments.

Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Pensions and other post-employment benefits

The Group operates a defined contribution scheme and contributes to an independent stakeholder pension. Contributions are recognised as an expense in the income statement as they become payable in accordance with the rules of the scheme.

Employee benefits

In accordance with IAS 19, the Group provides for accrued holiday benefit. The cost is measured as the additional amount that the Group expects to pay as a result of the unused holiday entitlement that has accumulated at the balance sheet date.

Share-based payment transactions

The Group's management awards certain employees bonuses in the form of equity-settled, share- based compensation plans on a discretionary basis. These options are subject to between two and three-year vesting conditions.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The group has applied IFRS2 'Share based payments' and has adopted the Black-Scholes model for the purposes of computing 'fair value' for the EMI schemes. The LTIP scheme has been valued using the Monte Carlo model (note 29).

Deferred tax is also provided based upon the expected future tax deductions relating to share based payment transactions and is recognised over the vesting period of the scheme concerned.

Significant accounting judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets. Deferred tax assets are recognised for timing differences to the extent that it is more likely than not that taxable profit will be available against which the timing differences can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Share based payment. The estimation of the fair value of share options and other equity instruments at the date of their grant requires management to make estimates concerning the number of employees likely to exercise together with the expected volatility of, and dividends payable on the underlying shares and the time at which employees are likely to exercise vested options.

Receivables. Debts are recognised to the extent that they are judged recoverable. Management reviews are performed to estimate the level of provision required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

3. Financial risk management

The Group's operations expose it to a variety of financial risks. The Group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Group by using a mix of financial instruments.

(a) ***Foreign exchange risk*** – The Group is not exposed to foreign exchange risk as the Group operates almost wholly within the United Kingdom. The Group has no exposure to foreign currencies as no billing is carried out in foreign currencies. In addition, all of the company assets and liabilities are held in Pounds Sterling so sensitivity analysis is deemed unnecessary regarding foreign exchange risk.

(b) ***Interest rate risk*** – Although the Group has interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates, due to the nature of the underlying business.

If interest rates had been 0.5 per cent. higher/lower and all other variables were held constant, the Group's profit for the period would increase/decrease by £45,000 (2008: £20,000, 2007: £17,110). This is attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits.

(c) ***Credit rate risk*** – Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and this policy has been implemented by requiring staff to carry out appropriate credit checks on customers before sales commence. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed at least annually. The Group also insures all debts greater than £3,000 (2008: £7,500) where accepted, with a leading credit insurance company.

Trade receivables consist of a large number of customers, spread across diverse industries across the United Kingdom. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities.

Credit risk may also arise from deposits with banks. It is the Group's policy that deposits are only made with banks that have high credit scores and deposits are split between multiple banks.

(d) ***Liquidity risk*** – Ultimate responsibility for liquidity risk management rests with the Board of Directors. They have built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity risk management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities through cash flow forecasting, acquisition planning and monitoring working capital and capital expenditure requirements on an ongoing basis.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance to the contractual maturity date. These amounts disclosed in the table are the contracted undiscounted cash flows. Discounting is not required as this has no material effect on the financial statements.

Group *Year ended 30 September 2009*	*Within 1 year £'000*	*1 – 2 years £'000*	*2 – 5 years £'000*	*More than 5 years £'000*
Borrowings	50	51	156	667
Trade and other payables	17,269	–	–	–
Current tax liabilities	1,335	–	–	–

Year ended 30 September 2008	*Within 1 year £'000*	*1 – 2 years £'000*	*2 – 5 years £'000*	*More than 5 years £'000*
Borrowings	35	43	127	790
Trade and other payables	18,391	–	–	–
Current tax liabilities	1,380	–	–	–
Contingent consideration	97	–	–	–

Year ended 30 September 2007	*Within 1 year £'000*	*1 – 2 years £'000*	*2 – 5 years £'000*	*More than 5 years £'000*
Borrowings	33	87	213	1,246
Trade and other payables	18,462	–	–	–
Current tax liabilities	1,332	–	–	–
Contingent consideration	–	447	–	–

(e) ***Capital risk management*** – The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders. The Group defines capital as share capital plus reserves. The Group is not subject to any externally imposed capital requirements.

4. Segmental information

In accordance with IAS 14 "Segment Reporting" and the entity's risks and returns, which are reflected within the internal financial reporting structures of the Group, the Board considers that the primary reporting format is business segment. There are two business segments, being the network services division and the advanced solutions division. Disclosures are given for each of the business segments below.

Risks and rewards associated with revenue streams within these two segments are deemed to be materially consistent, hence further breakdown of the individual components is not given. Since all sales are made within the United Kingdom, the Group does not consider any secondary segmental reporting to be appropriate.

For the year ended 30 September 2009	*Network Services £'000*	*Advanced Solutions £'000*	*Total £'000*
Total segment revenue	75,390	14,286	89,676
Adjusted operating profit	8,252	734	8,986
Allocated group charges			
Amortisation of intangibles excluding computer software (note 14)	(957)	(263)	(1,220)
Impairment of freehold property (note 15)	(143)	(27)	(170)
Share based payments	(565)	–	(565)
Operating profit	6,587	445	7,031
Finance income	95	10	105
Finance costs	(21)	–	(21)
Taxation	(1,882)	(142)	(2,024)
Profit for the year	4,779	313	5,091
EBITDA	8,080	828	8,907
Other information			
Segment assets	37,755	4,868	42,623
Segment liabilities	16,053	4,565	20,618
Capital expenditure (including intangibles)	328	15	343
Depreciation and amortisation	1,493	383	1,876

For the year ended 30 September 2008	Network Services £'000	Advanced Solutions £'000	Total £'000
Total segment revenue	78,519	15,188	93,707
Adjusted operating profit	9,001	1,432	10,433
Allocated group charges			
Amortisation of intangibles excluding computer software (note 14)	(1,037)	(338)	(1,375)
Share based payments	(303)	–	(303)
Operating profit	7,661	1,094	8,755
Finance income	161	62	223
Finance costs	(22)	(54)	(77)
Taxation	(2,258)	(145)	(2,402)
Profit for the year	5,542	957	6,499
EBITDA	9,167	1,583	10,750
Other information			
Segment assets	34,634	7,621	42,255
Segment liabilities	14,899	7,300	22,199
Capital expenditure (including intangibles)	851	68	919
Depreciation and amortisation	1,505	490	1,995

For the year ended 30 September 2007	Network Services £'000	Advanced Solutions £'000	Total £'000
Total segment revenue	67,637	4,446	72,083
Adjusted operating profit	7,640	432	8,072
Allocated group charges			
Amortisation of intangibles excluding computer software (note 14)	(257)	–	(257)
Share based payments	(220)	–	(220)
Operating profit	7,163	432	7,595
Finance income	417	1	418
Finance costs	(52)	(8)	(60)
Taxation	(1,689)	(74)	(1,763)
Profit for the year	5,839	351	6,190
EBITDA	7,811	442	8,253
Other information			
Segment assets	32,118	9,657	41,775
Segment liabilities	16,283	6,726	23,009
Capital expenditure (including intangibles)	587	7	594
Depreciation and amortisation	541	118	659

5. Analysis of cost of sales, gross profit and administrative expenses

	30 September 2007 £'000	*30 September 2008 £'000*	*30 September 2009 £'000*
Total turnover	72,083	93,707	89,676
Cost of sales	(46,853)	(60,913)	(58,852)
Gross profit	25,230	32,794	30,824
Selling and distribution costs	(7,139)	(9,225)	(9,319)
Administrative expenses	(10,496)	(14,814)	(14,474)
Operating profit	7,595	8,755	7,031

6. Operating profit

Operating profit is stated after charging/(crediting)

	30 September 2007 £'000	*30 September 2008 £'000*	*30 September 2009 £'000*
Depreciation of property plant and equipment	243	358	375
Amortisation of intangible assets	416	1,637	1,501
(Profit) / loss on disposal of fixed assets	(7)	3	(45)
Operating lease charges – land and buildings	439	532	581
Operating lease charges – motor vehicles	–	–	34
Auditors' remuneration			
– fees payable to the company's auditors for the audit of parent company and consolidated accounts	73	76	68
– fees payable to the company's auditors for the audit of the Company's subsidiaries pursuant to legislation	13	13	20
Fees payable to the company's auditors and associates for other services:			
– services relating to taxation	–	60	–
– all other services	7	31	5

7. Key management costs and employee information

Key management is defined as members of the Group's Operational Board as well as Executive Board members.

	30 September 2007 £'000	*30 September 2008 £'000*	*30 September 2009 £'000*
Key management compensation			
Salaries and short-term employee benefits	1,730	2,375	2,145
Post-employment benefits	53	60	61
Share based payments	60	209	461
	1,843	2,644	2,667

	30 September 2007 £'000	30 September 2008 £'000	30 September 2009 £'000
Directors aggregate emoluments			
Salaries and bonuses	1,138	1,331	1,071
Contributions to money purchase pension scheme	34	36	38
	1,172	1,367	1,109

The amounts set out above include remuneration in respect of the highest paid director of £304,000 (2008: £366,000, 2007: £311,00).

The average monthly number of persons (including executive Directors) employed by the Group and Company during the year was:

	Group 30 September 2007	Group 30 September 2008	Group 30 September 2009
By activity			
Selling and distribution	157	235	216
Administration	167	195	184
	324	430	400

8. Finance income

	30 September 2007 £'000	30 September 2008 £'000	30 September 2009 £'000
Interest receivable on bank deposits	418	223	105

9. Finance costs

	30 September 2007 £'000	30 September 2008 £'000	30 September 2009 £'000
Interest payable on bank loans	60	77	21

10. Taxation on profit on ordinary activities

	30 September 2007 £'000	30 September 2008 £'000	30 September 2009 £'000
Current tax:			
Tax on profit in the year	1,693	2,595	2,413
Adjustments in respect of prior years	–	(158)	7
Total current tax	1,693	2,437	2,420
Deferred tax:			
Origination and reversal of timing differences	70	(407)	(396)
Utilisation of tax losses	–	372	–
Total deferred tax credit	70	(35)	(396)
Total tax charge	1,763	2,402	2,024

The current tax assessed for the period is higher (2008: lower) than the average rate of corporation tax in the UK of 28 per cent. (2008: 29 per cent., 2007: 30 per cent.) applied to the profits before tax for the year. The differences are explained below:

	30 September 2007 £'000	*30 September 2008 £'000*	*30 September 2009 £'000*
Profit on ordinary activities before tax	7,953	8,901	7,115
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 29%, 2007: 30%)	2,386	2,581	1,992
Effects of:			
Expenses not deductible for tax purposes	8	12	14
Schedule 23 deduction in respect of share options	(713)	(27)	(26)
Impairment of freehold property	–	–	48
Other timing differences	82	(6)	(11)
Adjustments in respect of prior years	–	(158)	7
Total tax charge	1,763	2,402	2,024

11. Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the Parent Company's income statement has not been shown separately in these financial statements. The Parent Company's profit after taxation for the financial year was £5,597,000 (2008: £8,440,000, 2007: £3,783,000). Last year's result includes an inter-company dividend of £3,008,000.

12. Dividends

	30 September 2007 £'000	*30 September 2008 £'000*	*30 September 2009 £'000*
2008 Final Paid – 3.10p (2007: 2.30p) per 0.125p ordinary share	852	1,096	1,383
2009 Interim Paid – 1.60p (2008: 1.50p) per 0.125p ordinary share	470	715	705
	1,322	1,811	2,088

The 2008 proposed final dividend of 3.10 pence per 0.125p ordinary share was paid on 29 January 2009. The amount of dividend paid was £1,383,000 (2007: £1,096,000, 2006: £852,000).

The directors also paid a 2009 interim dividend of 1.60 pence per 0.125p ordinary share, with a total payment value of £705,000 (2008: £715,000, 2007: £470,000). This was paid on 17 July 2009 to shareholders on the register on 3 July 2009.

13. Earnings per share

The calculation of basic and fully diluted earnings per ordinary share is based on the profit attributable to equity holders of the company divided by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one category of potential ordinary shares: those share options granted to employees where the exercise price is less than the average price of the Company's ordinary share during the year.

The profit and weighted average number of shares used in the calculations are set out below:

Basic and fully diluted earnings per share	*Profit attributable to shareholders £'000*	*Weighted average of £0.00125 ordinary shares Number*	*Per share amount Pence*
2009 Earnings per share – basic	5,091	42,541,495	12.0
Potentially dilutive shares	–	1,292,806	(0.4)
2009 Earnings per share – diluted	5,091	43,834,301	11.6
2008 Earnings per share – basic	6,497	45,337,790	14.3
Potentially dilutive shares	–	1,955,157	(0.6)
2008 Earnings per share – diluted	6,497	47,292,947	13.7
2007 Earnings per share – basic	6,183	44,609,537	13.9
Potentially dilutive shares	–	2,009,920	(0.6)
2007 Earnings per share – diluted	6,183	46,619,457	13.3

The adjusted EPS is based on the adjusted profit before tax as set out in note 32, and the weighted average number of shares as described above.

Basic and fully diluted earnings per share	*Adjusted profit £'000*	*Weighted average of £0.00125 ordinary shares Number*	*Per share amount Pence*
2009 Earnings per share – basic	6,113	42,541,495	14.4
Potentially dilutive shares	–	1,292,806	(0.5)
2009 Earnings per share – diluted	6,113	43,834,301	13.9
2008 Earnings per share – basic	7,462	45,337,790	16.5
Potentially dilutive shares	–	1,955,157	(0.7)
2008 Earnings per share – diluted	7,462	47,292,947	15.8
2007 Earnings per share – basic	5,576	44,609,537	12.5
Potentially dilutive shares	–	2,009,920	(0.5)
2007 Earnings per share – diluted	5,576	46,619,457	12.0

Share option costs included within adjusted profit attributable to shareholders are reducing the earnings per share in 2009 by 0.9p (2008: 0.4p).

As in prior periods, the calculation of the weighted average number of shares in issue excludes the shares held by the Alternative Networks Employee Benefit Trust of 1,915,200. These shares are then added to the total of extant options when calculating the fully diluted weighted average number of shares.

There were 44,950,621 shares in issue at 30 September 2009 including 1,000,000 shares held in treasury. On 30 September 2008 there were 45,963,355 shares (inclusive of 1,000,000 shares held in treasury). The weighted average number of shares during the year was 42,541,495 (2008: 45,337,790, 2007: £44,609,557).

The potentially dilutive shares figure does not include shares relating to the LTIP (note 29) as these options include a total shareholder return test which is not being met as at 30 September 2009.

14. Intangible assets

Group	*Purchased customer contracts £'000*	*Computer software £'000*	*Other intangibles £'000*	*Goodwill £'000*	*Total £'000*
Cost					
At 1 October 2006	759	627	–	6,018	7,404
Acquisitions	–	–	5,865	6,240	12,105
Additions	903	433	–	55	1,391
At 1 October 2007	1,662	1,060	5,865	12,313	20,900
Fair value adjustments	–	–	–	345	345
Additions	–	409	–	316	725
At 1 October 2008	1,662	1,469	5,865	12,974	21,970
Additions	–	172	–	–	172
Adjustment to contingent consideration	–	–	–	(339)	(339)
Transfers from tangibles (note 15)	–	26	–	–	26
At 30 September 2009	1,662	1,667	5,865	12,635	21,829
Amortisation					
At 1 October 2006	283	218	–	–	501
Charge for period	171	159	86	–	416
At 1 October 2007	454	377	86	–	917
Charge for period	341	262	1,034	–	1,637
At 1 October 2008	795	639	1,120	–	2,554
Charge for period	339	281	881	–	1,501
Charges on transfer from tangibles	–	19	–	–	19
At 30 September 2009	1,134	939	2,001	–	4,074
Net book amount					
At 30 September 2009	528	728	3,864	12,635	17,755
At 30 September 2008	867	830	4,745	12,974	19,416
At 30 September 2007	1,208	683	5,779	12,313	19,983

Amortisation has been charged through the income statement within operating costs. Transfers of £26,000 relate to computer software transferred to intangibles from property, plant and equipment during the year to 30 September 2009. The Group has also made an adjustment of £339,000 to goodwill as a result of the finalisation of the contingent consideration relating to the Echo Communications Limited acquisition (note 16).

The carrying amounts of goodwill by acquisition are as follows:

	Group 30 September 2007 £'000	*Group 30 September 2008 £'000*	*Group 30 September 2009 £'000*
ICB (UK)	5,686	5,685	5,685
Echo Communications	6,627	6,973	6,634
AN Technical Services	–	316	316
	12,313	12,974	12,635

During the year the goodwill in respect of each of the cash generating units which include the above were tested for impairment in accordance with IAS36. All were assessed to have a value in use in excess of their respective carrying values, and hence no other adjustments to goodwill were considered necessary.

The key assumptions in the value in use calculations were:

The forecasts were based on pre-tax cash flows derived from approved budgets for the 2009-2010 financial year. Management believes the forecasts are reasonably achievable.

Subsequent cash flows were increased over the next two years in line with management forecasts and thereafter at 1 per cent. in perpetuity.

The pre-tax discount rate used to assess the carrying value of goodwill is 10.3 per cent. (2008 and 2007: 10.0 per cent.) which approximates the Group's weighted average cost of capital. This discount rate is consistent with prior year and has been calculated to take into account specific factors of the Group.

The review performed at the year end did not result in the impairment of goodwill for any cash generating unit as the estimated recoverable amount exceeded the carrying amount in all cases.

15. Property, plant and equipment

Group	*Land and buildings £'000*	*Leasehold improvements £'000*	*Plant and equipment £'000*	*Motor vehicles £'000*	*Total £'000*
Costs					
At 1 October 2006	1,646	355	1,590	30	3,621
Acquisitions	1,200	–	58	120	1,378
Additions	–	39	122	–	161
Disposals	–	–	(2)	(11)	(13)
At 1 October 2007	2,846	394	1,768	139	5,147
Fair value adjustment	(300)	–	–	–	(300)
Additions	–	112	378	20	510
Disposals	–	(25)	(15)	(8)	(48)
Transfer to assets held for sale	(900)	–	–	–	(900)
At 1 October 2008	1,646	481	2,131	151	4,409
Additions	–	70	100	–	170
Disposals	–	–	(72)	(62)	(134)
Transfer to intangibles (note 14)	–	–	(26)	–	(26)
Transfer from assets held for sale	900	–	–	–	900
At 30 September 2009	2,546	551	2,133	89	5,319

Group	*Land and buildings £'000*	*Leasehold improvements £'000*	*Plant and equipment £'000*	*Motor vehicles £'000*	*Total £'000*
Depreciation					
At 1 October 2006	101	262	1,285	28	1,676
Charges for year	19	32	185	7	243
Disposals	–	–	(2)	(11)	(13)
At 1 October 2007	120	294	1,468	24	1,906
Charge for year	31	57	207	63	358
Disposals	–	(25)	(12)	(8)	(45)
Transfer to assets held for sale	(14)	–	–	–	(14)
At 1 October 2008	137	326	1,663	79	2,205
Charge for year	24	69	235	47	375
Disposals	–	–	(72)	(62)	(134)
Transfers to intangibles (note 14)	–	–	(19)	–	(19)
Transfer from assets held for sale	14	–	–	–	14
Impairment	170	–	–	–	170
At 30 September 2009	345	395	1,807	64	2,611
Net book amount					
At 30 September 2009	2,201	156	326	25	2,708
At 30 September 2008	1,509	155	468	72	2,204
At 30 September 2007	2,726	100	300	115	3,241

Post year end (note 31) an unsolicited offer was received for the Burr Road freehold property which was below the carrying value. As a result a £170,000 impairment charge has been recognised to reflect the fair value of the property.

16. Investments in subsidiary undertakings

During the year contingent consideration relating to the Echo Communications Limited acquisition was finalised after the completion of the earn-out period.

	Company £'000
1 October 2006	5,253
Acquisitions	11,940
Transfers to goodwill following hive-up	(1,436)
1 October 2007	15,757
Fair value adjustment to contingent consideration	(105)
Write-off following hive-up	(3,818)
1 October 2008	11,834
Finalisation of contingent consideration	(339)
30 September 2009	11,495

The finalisation of deferred consideration relating to the acquisition of Echo Communications Limited has resulted in a £339,000 reduction in goodwill. This is due to earn-out targets not being achieved.

The following are the principal subsidiary undertakings of the Group:

Subsidiary undertakings	*Country of incorporation*	*Class of holdings*	*Principal activities*	*Holding Co. %*	*Subsidiary Co. %*
Echo Communication Limited	England & Wales	Ordinary	Telephone Systems	–	100%
Telecom Technology Maintenance Limited	England & Wales	Ordinary	Dormant	–	100%
Telecoms Centre Limited	England & Wales	Ordinary	Non-trading	100%	–

The Director's believe that the carrying value of the investments is supported by their underlying net assets.

17. Deferred taxation

Deferred taxation provided for in the financial statements is set out below. There were no un-provided amounts of deferred tax at 30 September 2009 (2008: £nil, 2007: £nil).

The movement in the deferred tax during the period was as follows.

Asset	*Accelerated tax depreciation £'000*	*Share based payments £'000*	*Tax losses £'000*	*Other £'000*	*Total £'000*
Group					
1 October 2006	112	556	–	(28)	640
Credited / (charged) to income statement	34	(15)	372	20	411
Credited to equity	–	(372)	–	–	(372)
1 October 2007	146	169	372	(8)	679
Credited / (charged) to income statement	10	84	(372)	8	(270)
Credited to equity	–	266	–	–	266
1 October 2008	156	519	–	–	675
Credited to income statement	12	137	–	–	149
Debited to equity	–	(396)	–	–	(396)
30 September 2009	168	260	–	–	428

Liability	*Intangible assets £'000*	*Total £'000*
Group		
1 October 2006	–	–
Credited to income statement	(1,643)	(1,643)
1 October 2007	(1,643)	(1,643)
Credited to income statement	306	306
1 October 2008	(1,337)	(1,337)
Credited to income statement	247	247
30 September 2009	(1,090)	(1,090)

There is no deferred tax liability (2008: £nil, 2007: £nil) recognised in the Company.

Deferred tax assets and liabilities are analysed as follows:

	Group 30 September 2007 £'000	*Group 30 September 2008 £'000*	*Group 30 September 2009 £'000*
Deferred tax assets			
Deferred tax assets to be recovered after more than 12 months	184	544	90
Deferred tax assets to be recovered within 12 months	495	131	338
Asset at 30 September	679	675	428
Deferred tax liabilities			
Deferred tax liabilities to be recovered after more than 12 months	(1,337)	(1,085)	(868)
Deferred tax liabilities to be recovered within 12 months	(306)	(252)	(222)
Liability at 30 September	(1,643)	(1,337)	(1,090)
Net deferred tax (liability)/asset	(964)	(662)	(662)

18. Assets held for resale

As at 31 March 2009, the Group ceased marketing the Echo Communications freehold property. As a result the Directors believe it is no longer an asset held for resale and therefore it has been reclassified as property, plant & equipment. The property was sold for £725,000 on 17 December 2009.

	Group 30 September 2007 £'000	*Group 30 September 2008 £'000*	*Group 30 September 2009 £'000*
Property	–	887	–

19. Inventories

	Group 30 September 2007 £'000	*Group 30 September 2008 £'000*	*Group 30 September 2009 £'000*
Finished goods	251	382	168

20. Trade and other receivables

	Group 30 September 2007 £'000	*Group 30 September 2008 £'000*	*Group 30 September 2009 £'000*
Trade receivables	7,303	5,522	5,024
Prepayments	1,359	2,584	1,532
Accrued income	5,445	6,297	5,937
Other receivables	29	47	42
	14,136	14,450	12,535

As at 30 September 2009, trade receivables of £997,000 (2008: £1,767,000, 2007: £926,000) were impaired and fully provided for. The Group is satisfied that the majority of its clients are of sound creditworthiness. This view is supported by the willingness of our credit insurers to provide cover in the majority of cases. Management noted, however, that during the year there was a growing trend by the underwriters to reduce or remove cover on certain clients. The aging of the trade receivables which are past due and not impaired is as follows:

	Group 30 September 2007 £'000	*Group 30 September 2008 £'000*	*Group 30 September 2009 £'000*
31 – 60 days	2,036	566	1,031
61 – 90 days	565	430	506
Over 90 days	1,671	532	434
	4,272	1,528	1,971

Movement of the Group and Company provisions for impairment of trade receivables are as follows:

	Group £'000
At 1 October 2006	1,210
Receivable written off during the year as uncollectible	(633)
Unused amounts reversed	(148)
Provision for receivables impairment	497
At 1 October 2007	926
Receivable written off during the year as uncollectible	(188)
Unused amounts reversed	(165)
Provision for receivables impairment	1,194
At 1 October 2008	1,767
Receivable written off during the year as uncollectible	(1,097)
Unused amounts reversed	(180)
Provision for receivables impairment	507
At 30 September 2009	997

The creation and release of a provision for impaired receivables has been included in 'administration expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Management regularly reviews the outstanding receivables and do not consider that any further impairment is required.

The other asset classes within trade and other receivables do not contain impaired assets.

21. Cash and cash equivalents

	Group 30 September 2007 £'000	*Group 30 September 2008 £'000*	*Group 30 September 2009 £'000*
Cash	3,422	4,227	9,015

22. Called up share capital

	Group and Company 30 September 2007 £'000	Group and Company 30 September 2008 £'000	Group and Company 30 September 2009 £'000
Authorised			
80,000,000 (2008: 80,000,000, 2007: 80,000,000) ordinary shares of 0.125p (2008: 0.125p) each.	100	100	100
Alloted and fully paid up			
44,950,621 (2008: 45,963,355, 2007: 47,633,220) ordinary shares of 0.125p (2008: 0.125p, 2007: 0.125p) each.	60	57	56

Movement in shares in issue

	2007 Shares	2008 Shares	2009 Shares
Ordinary shares of 0.125p each			
At 1 October	45,216,738	47,633,220	45,963,355
Allotted under share option schemes	1,825,600	78,400	154,069
Re-purchased and cancelled under buy-back scheme	–	(1,888,419)	(1,166,803)
Acquisition of Telecom Centre Limited	590,882	–	–
Acquisition of 10% of AN Technical Services Limited	–	140,154	–
At 30 September	47,633,220	45,963,355	44,950,621

During the year to 30 September 2009 1,166,803 shares (representing approximately 3 per cent. of the issued share capital) were purchased by the Company for £1,356,202 at an average cost per share of £1.16p.

The effect of the buyback programme is to enhance earnings per share in the current and future years.

During the year 154,069 shares were allotted under share option schemes as follows;

30,800 issued at 25p resulting in a share premium of £7,662.

123,269 issued at 102.5p resulting in a share premium of £126,197.

23. Trade and other payables

	Group 30 September 2007 £'000	Group 30 September 2008 £'000	Group 30 September 2009 £'000
Trade payables	9,430	8,289	7,627
Other taxation and social security costs	1,771	1,489	947
Other payables	359	278	388
Accruals and deferred income	6,902	8,335	8,307
	18,462	18,391	17,269

Secured payables

Included in trade payables are the following secured balances:

	Group 30 September 2007 £'000	*Group 30 September 2008 £'000*	*Group 30 September 2009 £'000*
O2 UK Limited	3,376	2,781	2,834
Vodafone Limited	1,719	2,168	1,460

On 27 May 2002, the Group granted legal charges to each of the above companies in respect of the balances owing to them under the terms of the service provider agreements both dated 27 May 2002.

The legal charges are secured on the subscriber bases of the Group on each network, and the book debts arising thereon, together with any amount standing to the credit of the companies in any designated account.

In addition, on 27 May 2009 the Group gave a guarantee to Barclays Bank plc in favour of O_2 (UK) Limited, in respect of £100,000 which replaces the previous guarantee, in respect of £225,000. The guarantee is secured on the bank's existing first charge over the freehold of Chatfield Court, 56 Chatfield Road, London SW11 3UL, together with a fixed and floating charge on the assets of the company, registered on 19 December 2002.

24. Non current liabilities

	Group 30 September 2007 £'000	*Group 30 September 2008 £'000*	*Group 30 September 2009 £'000*
Echo contingent consideration	447	–	–
Bank loans - secured	1,546	960	874
	1,993	960	874

25. Contingent Consideration

The contingent consideration of £97,000 was payable upon the achievement of certain minimum targets which were not fully met during the year. This has been released against goodwill.

	Group £'000
1 October 2006	–
Acquisitions	447
1 October 2007	447
Fair value adjustments	(350)
1 October 2008	97
Release of consideration	(97)
30 September 2009	–

26. Financial instruments

The Group's financial instruments comprise cash, bank loans, contingent consideration, and various items such as trade receivables and trade payables that arise directly from its operations. All financial instruments are denominated in sterling. The main purpose of holding cash is to finance the Group's future growth and operations.

It is (and has been throughout the periods under review) the Group's policy that no trading in financial instruments shall be undertaken. The fair value of financial assets and liabilities is approximately equal to their book values.

Financial risk management is disclosed within note 3.

Group at 30 September	*2007 Loans and receivables £'000*	*2007 Total £'000*	*2008 Loans and receivables £'000*	*2008 Total £'000*	*2009 Loans and receivables £'000*	*2009 Total £'000*
Financial assets per balance sheet						
Trade and other receivables (less prepayments)	12,777	12,777	11,866	11,866	11,003	11,003
Cash	3,422	3,422	4,227	4,227	9,015	9,015
	16,199	16,199	16,093	16,093	20,018	20,018

The Group's financial assets comprise cash at bank and deposits at the year end. Interest is received on cash deposits at variable rates primarily based on the relevant bank rate. All cash at bank and cash deposits are held in Pounds sterling.

Group at 30 September	*2007 Other financial liabilities £'000*	*2007 Total £'000*	*2008 Other financial liabilities £'000*	*2008 Total £'000*	*2009 Other financial liabilities £'000*	*2009 Total £'000*
Financial liabilities per balance sheet						
Echo contingent consideration (note 25)	447	447	97	97	–	–
Trade and other payables (less deferred income)	16,222	16,222	15,696	15,696	14,906	14,906
Secured bank loans	1,579	1,579	995	995	924	924
Current tax liabilities	878	878	1,380	1,380	1,333	1,333
	19,126	19,126	18,168	18,168	17,163	17,163

Secured bank loans are secured by fixed charges over the long leasehold property at Chatfield Court. Interest is payable at a variable rate of 1.0 per cent. per annum over the Bank of England base rate.

The Chatfield Road loan is repayable in quarterly instalments over a 25 year period commencing February 2001.

	Group 30 September 2007 £'000	*Group 30 September 2008 £'000*	*Group 30 September 2009 £'000*
In one year or less	17,133	17,208	16,288
In more than one year but not more than two years	534	43	51
In more than two years but not more than five years	213	127	156
In more than five years	1,246	790	667
	19,126	18,168	17,162

During the year ended 30 September 2009, £62,000 (2008: £584,000, 2007: £27,000) of capital repayments were made on the loans above.

	Group 30 September 2007 £'000	*Group 30 September 2008 £'000*	*Group 30 September 2009 £'000*
Undrawn facilities			
Secured bank overdraft	3,000	6,000	6,000
Secured bank drawdown facility	3,000	6,000	6,000
	6,000	12,000	12,000

These are both part of a multi-option facility which is due for renewal on 17 January 2011.

27. Cash generated from operations

Group	*Year ended 30 September 2007 £'000*	*Year ended 30 September 2008 £'000*	*Year ended 30 September 2009 £'000*
Operating profit	7,595	8,755	7,031
Adjustments for;			
Depreciation of property, plant and equipment	243	358	375
Impairment of freehold property	–	–	170
Amortisation of intangible assets	416	1,637	1,501
Employee share scheme charges	220	303	565
(Profit)/loss on sale of tangible assets	(7)	3	(44)
Profit on sale of investment	(120)		
Movements in working capital;			
Decrease in property deposits	–	51	–
Decrease/(increase) in inventories	9	(113)	214
Decrease/(increase) in trade and other receivables	(352)	(201)	1,915
(Decrease) in trade and other payables	780	(458)	(1,122)
Cash generated from operations	8,784	10,335	10,605

28. Other commitments

At 30 September 2009 the Group and Company had minimum future lease commitments under non-cancellable operating leases as follows:

	Group 30 September 2007 £'000	*Group 30 September 2008 £'000*	*Group 30 September 2009 £'000*
Land and buildings			
Expiry date:			
Within one year	403	463	532
Between one and two years	250	430	467
Between two and five years	162	792	471
	815	1,685	1,470
Motor vehicles			
Expiry date:			
Within one year	–	–	37
Between one and two years	–	–	37
Between two and five years	–	–	6
	–	–	80

29. Share based payments

Share option scheme

The Group's EMI scheme was adopted on the 22 December 2004. Under the Group's EMI Scheme, options which are qualifying options under the Enterprise Management Incentive regime and also unapproved options may be granted. There were 2,167,200 granted at this date. As at the 30 September 2009 there were no options outstanding (2008: 30,400, 2007: 109,200).

On 18 January 2006, the Group granted a further series of 429,307 EMI scheme options (EMI 2006). The options can be exercised from December 2008 if the option holder is still an employee of the Group and subject to certain performance criteria all of which were met. There were 165,305 EMI 2006 options outstanding as at 30 September 2009 (2008: 288,574, 2007: 328,527).

On 17 January 2007, the Group granted a further series of 1,147,907 EMI scheme options (EMI 2007). The options can be exercised in December 2009 if the option holder is still an employee of the Group and certain performance criteria have been met. There were 913,067 EMI 2007 options outstanding as at 30 September 2009 (2008: 962,385, 2007: 1,065,987).

On 3 July 2008, the Group granted a further series of 243,018 EMI scheme options (EMI 2008). The options can be exercised in July 2011 if the option holder is still an employee of the Group and certain performance criteria have been met. All 243,018 EMI 2008 options were outstanding as at 30 September 2009 (2008: 243,018).

On 25 April 2008, the Group granted a series of 1,388,919 LTIP options (LTIP 2008). The options can be exercised in April 2010 if the option holder is still an employee of the Group and certain performance criteria have been met. 55 per cent. of the options are subject to a 20 per cent. increase in total shareholder return, with the remaining 45 per cent. being subject to a 4 per cent. increase in total shareholder return. All 1,388,919 LTIP 2008 options were outstanding as at 30 September 2009. The Remuneration Committee determined on 28 January 2010 to amend the scheme so as to allow a *pro rata* award of 55 per cent. LTIP options for total shareholder returns between 4 per cent. and 20 per cent. before 25 April 2010, on the basis that it would be in the shareholders' best interests that management were provided with an ongoing incentive, and bearing in mind the cost of the scheme has been fully provided in the accounts of the Company.

Date of Grant	*Scheme*	*Exercise price (pence)*	*Exercise period*	*30 September 2007*	*30 September 2008*	*30 September 2009*
22 December 2004	EMI	25.0	2006-2014	109,200	30,800	–
18 January 2006	EMI	102.5	2008-2016	328,527	288,574	165,305
17 January 2007	EMI	150.5	2009-2017	1,065,987	962,385	913,067
3 July 2008	EMI	135.5	2011-2018	–	243,018	243,018
25 April 2008	LTIP	0.125	2010-2018	–	1,388,919	1,388,919
				1,503,714	2,913,696	2,710,309

Share option charge	*30 September 2007 £'000*	*30 September 2008 £'000*	*30 September 2009 £'000*
Share option charge	220	303	565

Details of the Group's EBT and EMI schemes are contained in the Remuneration Report in the Company's accounts.

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of option movements over the year to 30 September 2009 is shown below:

	2007 Number	*2007 Weighted average exercise price*	*2008 Number*	*2008 Weighted average exercise price*	*2009 Number*	*2009 Weighted average exercise price*
Outstanding at 1 October	2,329,319	37.8p	1,503,714	130.9p	2,913,696	71.3p
Granted	1,147,907	150.5p	1,631,937	20.1p	–	–
Forfeited	(147,912)	124.7p	(143,555)	136.5p	49,318	150.5p
Exercised	(1,825,600)	25.0p	(78,400)	25.0p	(154,069)	87.0p
Outstanding at 30 September	1,503,714	130.9p	2,913,696	71.3p	2,710,309	69.2p
Exercisable at 30 September	109,200	25.0p	30,800	25.0p	165,305	102.5p

As no share options were granted in the year the weighted average fair value of options granted in the year was nil (2008: £862,000, 2007: 456,000).

30. Related party transactions

Tony Caplin was a director of Hand Picked Hotels Ltd until 30 September 2008. The Group's turnover from Hand Picked Hotels during the year was £56,000 (2008: £113,000, 2007: £133,000) (Company: 2009: £56,000, 2008: £112,000). The Group and Company receivable was £nil (2008: £7,000, 2007: £12,000).

On 7 July 2008, the Group purchased 10 per cent. of AN Technical Services Limited from Hugo Holland-Bosworth, son of Timothy Holland-Bosworth, a Non-executive Director, for £135,000 cash consideration and 140,154 ordinary shares.

All transactions were made at an arms length basis and at full market value.

In the opinion of the Board, key management is defined as members of the Group's Operational Board as well as Executive Board members. For further disclosure see note 7.

31. Post balance sheet events

Subsequent to the year end the Company carried out three further share repurchases for cancellation. These took place on the 2, 6 and 8 October 2009. On these dates 320,000 shares were bought back by the Company for an aggregate sum of £359,100. These shares were purchased as a means of returning excess levels of cash to shareholders.

On 30 October 2009 the Group acquired 100 per cent. ordinary shares of Aurora Kendrick James Ltd (AKJ) and obtained control of the company. AKJ is a provider of software and consultancy specialising in the telecommunications industry and was purchased for a maximum of £5.5 million and an initial consideration of £3.75 million cash and £0.8 million through the issue of 707,076 ordinary shares. Deferred consideration of £0.75 million payable in cash and £0.2 million payable in shares will be payable in 2010 subject to certain revenue and profit targets being achieved.

The Group has also won by tender, a 3 year contract from October 2009 onwards, to bill and service 50 business clients with an annual turnover of £2.5 million.

32. Reconciliation to adjusted performance

Reconciliation of adjusted EBITDA

	30 September 2007 £'000	*30 September 2008 £'000*	*30 September 2009 £'000*
Profit before tax	7,953	8,901	7,115
Adjustments			
Amortisation of purchased customer contracts and other intangibles (excluding computer software)	257	1,375	1,220
Share based payments	220	303	565
Add back impairment of freehold property	–	–	170
Profit on sale of investment	(120)	–	–
Adjusted profit before tax	8,310	10,579	9,070
Finance income	(418)	(223)	(105)
Finance costs	60	77	21
Adjusted operating profit	7,952	10,433	8,986
Add: Depreciation of property, plant and equipment	243	358	375
Add: Amortisation of software (intangibles)	159	262	281
Adjusted EBITDA	8,354	11,053	9,642

Reconciliation of adjusted profits for earnings per share

	30 September 2007 £'000	*30 September 2008 £'000*	*30 September 2009 £'000*
Adjusted profit before tax (see above)	8,310	10,579	9,070
Less: Share based payments	(220)	(303)	(565)
Less: Taxation per profit and loss accounts	(1,763)	(2,402)	(2,024)
Less: Taxation on amortisation of purchased customer contracts and other intangibles (excluding computer software)	(38)	(385)	(342)
Less: Exceptional deduction on exercise of AN share options	(713)	(27)	(26)
Adjusted profit after tax	5,576	7,462	6,113

Adjusted EPS is calculated on adjusted earnings after deduction of share option costs.

This analysis is provided as the Group considers it provides a truer reflection of the underlying performance of the business, and is common practice in the investment analyst community.

PART III

ADDITIONAL INFORMATION

1. Principal Activities of the Group

The principal activity of the Group continues to be the provision of business communications services, including fixed line, mobile, voice, data and systems solutions.

2. Interests and Dealings

2.1 *Directors*

(a) At the close of business on 11 March 2010 (being the latest practicable date prior to the publication of this document) the interests of the Directors and their families and the interests of persons connected with them (within the meaning of section 252 of the Companies Act 2006) in the issued ordinary share capital of the Company are as follows:

Director	*No. of Ordinary Shares*	*Percentage of issued share capital*
James Murray and family/family trusts	14,853,505	33.50
Edward Spurrier and family/family trusts	2,498,277	5.63
Jim Sewell and family trusts	1,689,191	3.81
Ben Marnham and family trusts	1,614,191	3.81
Total	20,834,764	47.09

Included in the percentage interest in Ordinary Shares of James Murray are the 8,500 shares held by G Murray, such shares contributing 0.02 per cent. to James Murray's interest, the 22,800 shares held by S Murray, such shares contributing 0.05 per cent. to James Murray's interest, the 11,550 shares held by V Bilborough, such shares contributing 0.03 per cent. to James Murray's interest, the 850 shares held by A Forrest-Hay, such shares contributing 0.00 per cent. to James Murray's interest and the 1,700 shares held by K Forrest-Hay, such shares contributing 0.00 per cent. to James Murray's interest.

Included in the percentage interest in Ordinary Shares of Edward Spurrier are the 966,092 shares held by L Spurrier, such shares contributing 2.18 per cent. to Edward Spurrier's interest.

(b) At the close of business on 11 March 2010 (being the latest practicable date prior to the publication of this document) the outstanding options over Ordinary Shares in which the Directors are interested are as follows:

Name	*Number of Options*	*Exercise Price (£)*	*Exercise Date*
Ben Marnham	64,500	150.5	31.12.2009
Edward Spurrier	64,500	150.5	31.12.2009
Jim Sewell	64,500	150.5	31.12.2009

Options can be exercised from 31 December 2009 based on the conditions that the option holder is still an employee of Alternative Networks plc and the Group has achieved certain performance criteria in the period 1 October 2006 to 30 September 2009. The exercise price is the higher of £150.5 per share and the market value at the date of the grant.

(c) At the close of business on 11 March 2010 (being the latest practicable date prior to the publication of this document) the interests of the Directors in Ordinary Shares held on trust for them under the EBT are as follows:

Name of Director	*Number of Ordinary Shares held under EBT*
Ben Marnham	638,400
Edward Spurrier	638,400
Jim Sewell	638,400

These shares are held on trust absolutely subject to the trustees retaining a lien on the shares. The lien is in respect of the trustees' obligation to settle the loan from the Company used to acquire the shares (which is the equivalent to £277,000 each, £831,000 being the total loan) plus any premium. The premium arises in the event that the lien is settled within the initial two year period and is equal to the increase in the value of the shares at that time.

(d) The LTIP awards granted to Edward Spurrier, Ben Marnham and James Sewell on 25 April 2008 will provide them each with nil-cost options over up to a maximum of 462,973 Ordinary Shares after two years, providing that certain performance targets are met. The 1,388,919 LTIP options can be exercised in April 2010 if the option holder is still an employee of the Company and certain performance criteria have been met. 45 per cent. of the LTIP options are subject to a 4 per cent. increase in total shareholder return, with the remaining 55 per cent. of the options subject to a 20 per cent. increase in shareholder return. The threshold share price required to give a total shareholder return ('TSR') of 20 per cent. is estimated to be approximately 175 pence, and the threshold for 4 per cent. TSR is estimated at 135 pence. The Remuneration Committee determined on 28 January 2010 to amend the scheme so as to allow a *pro rata* award of 55 per cent. LTIP options for total shareholder returns between 4 per cent. and 20 per cent. before 25 April 2010, on the basis that it would be in the shareholders' best interests that management were provided with an ongoing incentive, and bearing in mind the cost of the scheme has been fully provided in the accounts of the Company.

(e) There has been no dealings for value in relevant securities by the Directors during the period of 12 months preceding the date of this document.

(f) On 25 September 2009, Nicholas Spurrier acquired 50,000 Ordinary Shares at a price of 108.5 pence per Ordinary Share, on 22 January 2010, Didi Spurrier acquired 3,675 Ordinary Shares at a price of 135.75 pence per Ordinary Share and on 11 March 2010, Didi Spurrier disposed of her entire holding of 4,300 Ordinary Shares at 151.0 pence per Ordinary Share, but there have otherwise during the period of 12 months preceding the date of this document been no dealings for value in relevant securities by the James Murray Concert Party.

2.2 ***General***

Save as disclosed above in this paragraph 2:

(a) none of the James Murray Concert Party, nor any person acting in concert with the James Murray Concert Party is interested in any relevant securities, has a right to subscribe for relevant securities, has borrowed or lent relevant securities or has dealt for value in relevant securities during the period of 12 months preceding the date of this document; and

(b) none of the following has an interest in any relevant securities nor has a right to subscribe for relevant securities:

(i) any Director;

(ii) any Associated Company;

(iii) any pension fund of the Company or of any Associated Company;

(iv) any employee benefit trust of the Company or of any Associated Company;

(v) any Connected Adviser to the Company or to any Associated Company or to any person acting in concert with the Company; and

(vi) any persons controlling, controlled by or under the same control as any such Connected Adviser (except for an exempt principal trader or an exempt fund manager);

(c) no person referred to in paragraphs (a) or (b) above has any short position in relation to Ordinary Shares (whether conditional or absolute and whether in the money or otherwise and including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery); and

(d) neither the Company nor any person acting in concert with the Company has borrowed or lent relevant securities.

In this paragraph 2.2, references to:

(a) "Associated Company" mean the parent, subsidiaries and fellow subsidiaries of the Company, and any associated companies of any of them and companies of which such companies are associates (and for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of "associate" status);

(b) "pension fund" excludes a pension fund which is managed under an agreement or arrangement with an independent third party which gives such third party absolute discretion regarding dealing, voting and offer acceptance decisions relating to the fund;

(c) "Connected Adviser" means an organisation advising the Company in relation to the Transaction described in this document or a corporate broker to the Company;

(d) "control" means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights (as defined in the City Code) of a company, irrespective of whether such interest or interests give *de facto* control; and

(e) "relevant securities" mean Ordinary Shares and securities convertible into, rights to subscribe for, derivatives referenced to and options (including traded options) in respect of, Ordinary Shares.

3. Directors' Service Agreements and Remuneration

3.1 Details of the terms and notice periods of the Directors' service agreements with the Company are as follows:

Name	*Term of Contract*	*Notice Period*
James Murray	Rolling agreement dated 14.02.2005	6 months
Edward Spurrier	Rolling agreement dated 14.02.2005	6 months
Jim Sewell	Rolling agreement dated 14.02.2005	6 months
Ben Marnham	Rolling agreement dated 14.02.2005	6 months
Tony Caplin	19.01.2005 – 19.01.2009	3 months
Timothy Holland-Bosworth	19.01.2005 – 19.01.2009	3 months

3.2 Details of the Directors' remuneration for the financial year ended 30 September 2009 is set out below:

	Salary and fees paid or receivable £	*Bonus paid or receivable* £	*Pension contributions* £	*Other benefits* £	*Total 2007* £
Kenneth McGeorge	34,320	–	–	–	34,320
James Murray	267,713	22,350	14,400	22,962	327,425
Edward Spurrier	253,347	22,350	11,956	19,123	306,776
Ben Marnham	190,455	22,350	5,714	18,291	236,810
Jim Sewell	190,455	22,350	5,714	18,570	237,089
Tony Caplin	32,000	–	–	–	32,000
Timothy Holland-Bosworth	22,880	–	–	–	22,880
Totals	982,050	89,400	37,784	78,946	1,188,180

Benefits in kind for executive directors consist of private medical and health insurance, employer pension contributions and health club membership.

3.3 The service agreement of Kenneth McGeorge expired and was not renewed on 18 January 2010. The service agreements of Tony Caplin and Timothy Holland-Bosworth have been extended by one year to end on 19 January 2010, but there have otherwise been no new agreements or amendments to existing directors' service agreements within the period of six months preceding the date of this document.

4. Material changes

There has been no material change in the financial or trading position of the Company subsequent to the publication of the last audited financial statements of the Company for the year ended 30 September 2009.

5. Middle Market Quotations

The following table sets out the middle market quotations for an Ordinary Share, as derived from the Daily Official List of London Stock Exchange plc, for the first business day of each of the six months immediately preceding the date of this document and for 11 March 2010 (being the latest practicable date prior to the posting of this document):

Date	*Price Per Ordinary Share*
1 October 2009	108.0p
2 November 2009	117.5p
1 December 2009	130.0p
4 January 2010	130.0p
1 February 2010	134.5p
1 March 2010	152.5p
11 March 2010	149.0p

6. Material Contracts

On 2 November 2009 the Company entered a sale and purchase agreement with Aurora Kendrick James Group (the "AKJ Agreement"). Pursuant to the AKJ Agreement, the Company acquired the entire issued share capital of Aurora Kendrick James Group, a provider of billing and customer service software for a maximum consideration of £5.5 million. The initial consideration was £3.75 million in cash and £800,000 payable in Company shares. An additional £750,000 in cash and £200,000 in Company shares becomes payable 12 months from completion.

7. General

7.1 Investec Investment Banking has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name and its advice to the Independent Directors in the form and context in which they are included.

7.2 No agreement, arrangement or understanding (including any compensation arrangement) exists between any of the James Murray Concert Party or any person acting in concert with any of them and any of the Directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the proposals set out in this document.

7.3 No agreement, arrangement or understanding exists whereby the Ordinary Shares to be issued to the James Murray Concert Party pursuant to the VCP will be transferred to any other party.

7.4 The Directors' intentions regarding the continuance of the Company's business and its intentions regarding the continued employment of its employees and those of its subsidiaries will not be altered on completion of any proposed purchase by the Company of its Ordinary Shares.

8. Documents Available for Inspection

Copies of the following documents will be made available for inspection on the Company's website and at the offices of Alternative Networks plc, Chatfield Court, 56 Chatfield Road, London, SW11 3UL during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of posting of this document up to the date of the GM and at the place of meeting for 15 minutes prior to the meeting and during the meeting:

(a) the Memorandum and Articles of Association of the Company;

(b) the audited consolidated accounts of the Company for the years ended 30 September 2007, 30 September 2008 and 30 September 2009;

(c) Directors' service contracts with the Company;

(d) the consent letter from Investec Investment Banking referred to in paragraph 7.1 above;

(e) the material contract referred to in paragraph 6; and

(f) this document.

ALTERNATIVE NETWORKS PLC

(incorporated and registered in England and Wales with Company Number 2888250)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Alternative Networks plc (the "Company") will be held at Chatfield Court, 56 Chatfield Road, London SW11 3UL at 10.00 a.m. on Monday 29 March 2010 when the following business will be proposed:

To consider and, if thought fit, to pass the following resolutions which, in the case of Resolution 1 will be proposed as a special resolution and in the case of Resolutions 2 and 3 as ordinary resolutions:

Special Resolution

1. That the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 0.125p each in the capital of the Company ("Ordinary Shares") provided that:

   (i) the maximum aggregate number of Ordinary Shares which may be purchased is 4,436,085, representing approximately 10 per cent. of the issued share capital of the Company (excluding for this purpose any Ordinary Shares held as treasury shares);

   (ii) the maximum price (excluding expenses) at which each Ordinary Share may be purchased shall be the higher of:

      (a) 5 per cent. above the average of the middle market quotations for the Ordinary Shares as taken from the Daily Official List of the London Stock Exchange for the five business days preceding the date of purchase; and

      (b) the value of an Ordinary Share calculated on the basis of the higher of the price quoted for the last independent trade of, and the highest current independent bid for, any number of the Company's Ordinary Shares on the trading venue where the purchase is carried out;

   (iii) the minimum price (excluding expenses) at which each Ordinary Share may be purchased shall be 0.125p, being the nominal value of each Ordinary Share; and

   (iv) the authority to purchase conferred by this resolution shall expire 3 years after the date of this resolution, save that the Company may, before such expiry, enter into a contract to purchase Ordinary Shares under which such purchase may be completed or executed wholly or partly after the expiration of this authority.

Ordinary Resolution

2. That the waiver granted by the Panel on Takeovers and Mergers, described in the circular accompanying this notice, of any obligation under Rule 9 of the City Code on Takeovers and Mergers on James Murray, George Murray, Susan Murray, Victoria Bilborough, Anthony Forrest-Hay, Kate Forrest-Hay, Edward Spurrier, Lucinda Spurrier, Nicholas Spurrier or the Company's Employee Benefit Trust ("EBT") established during the year ended 30 September 2005 (together, the "James Murray Concert Party") to make a general offer to shareholders of the Company as a result of any market purchases of Ordinary Shares by the Company pursuant to the authority sought in Resolution 1 above, be and is hereby approved, such that if the authority to be granted by Resolution 1 were exercised in full, no disposals of Ordinary Shares by any member of the James Murray Concert Party took place and no other options or rights to subscribe for Ordinary Shares were exercised or taken up and no issues of Ordinary Shares made, the aggregate holding of the James Murray Concert Party would represent 50.11 per cent. of the issued Ordinary Shares (excluding for this purpose any Ordinary Shares held as treasury shares).

Ordinary Resolution

3. That the waiver granted by the Panel on Takeovers and Mergers, described in the circular accompanying this notice, of any obligation under Rule 9 of the City Code on Takeovers and Mergers on the James Murray Concert Party to make a general offer to shareholders of the Company as a result of any grant of interests in Ordinary Shares to any member or members of the James Murray Concert Party pursuant to the rules of the Alternative Networks plc 2010 Value Creation Plan ("VCP"), be and is hereby approved, such that if the maximum possible number of Ordinary Shares which can be issued pursuant to the VCP were issued only to members of the James Murray Concert Party, no disposals of Ordinary Shares by any member of the James Murray Concert Party took place and no other options or rights to subscribe for Ordinary Shares were exercised or taken up and no issues of Ordinary Shares made, the aggregate holding of the James Murray Concert Party would represent 50.59 per cent. of the issued Ordinary Shares (excluding for this purpose any Ordinary Shares held as treasury shares).

11 March 2010

Registered office:	*By order of the Board*
Chatfield Court	**Edward Spurrier**
56 Chatfield Road	*Company Secretary*
London	
SW11 3UL	

Notes:

1. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only holders of Ordinary Shares entered in the register of members of the Company as at 5.00 p.m. on 27 March 2010 or, if the meeting is adjourned, at 5.00 p.m. on the second day prior to the date of the adjourned meeting (hereafter referred to as a "member"), shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 5.00 p.m. on 27 March 2010 or, if the meeting is adjourned, in the register of members after 5.00 p.m. on the second day prior to the day of the adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting or at any such adjournment.

2. Any member who is entitled to vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him. A proxy need not be a member of the Company. You may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares, and you specify the number of shares in respect of which each proxy is entitled to exercise the related votes (ensuring that no proxy is appointed to exercise the votes which any other proxy has been appointed by you to exercise). Please refer to the notes on the form of proxy for guidance.

3. The completion and return of a form of proxy does not preclude a member from attending and voting in person at the meeting convened by this notice or any adjournment of it.

4. To be valid, such form of proxy and any power of attorney or other authority (if any) under which it is signed or a notary certified copy of such power or authority or a copy certified in accordance with the Powers of Attorney Act 1971 must be deposited with the registrars of the Company, Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham BR3 4TU in accordance with the instructions printed thereon, so as to be received no later than 48 hours before the time appointed for holding the meeting.

5. Copies of the directors' service contracts and terms of appointment for the non-executive directors are available for inspection during normal business hours at the registered office of the Company from the date of this notice and at the place of the meeting from 15 minutes prior to the commencement of the meeting and until the close of the meeting.

6. In order to comply with the City Code on Takeovers and Mergers, Resolutions 2 and 3 will be taken on a poll and none of the James Murray Concert Party will participate.

7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Capita (ID RA10) not later than 48 hours before the time fixed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. The statement of the rights of shareholders in relation to the appointment of proxies does not apply to persons nominated under section 146 of the Companies Act 2006 to enjoy information rights. The rights described can only be exercised by shareholders of the Company.