

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action to take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your ordinary shares in Tangent Communications plc, you should pass this document and the accompanying Form of Proxy to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

TANGENT COMMUNICATIONS PLC

(Registered in England No. 3967805)

Proposed Cancellation of Share Premium Account Capitalisation of reserves and Reduction of Capital

Notice of General Meeting of the Company

Your attention is drawn to the letter from the Chairman of Tangent Communications plc which is set out on pages 4-6 of this document and which contains the recommendation of the Directors to vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

Notice of a General Meeting of Tangent Communications plc to be held at 10.00 am on 17 January 2008 at the offices of Collins Stewart Europe Limited, 88 Wood Street, London EC2V 7QR is set out on pages 7-8 of this document. A Form of Proxy for use at the General Meeting is included within this document and should be returned to the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and in any event so as to be received not less than 48 hours before the time appointed for the holding of the meeting.

Copies of this document, which is dated 17 December 2007, will be available free of charge to the public during normal working hours on any weekday (except Saturdays and public holidays) from the registered office of the Company from the date of this document until the expiry of one month after the General Meeting.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Circular and Forms of Proxy posted to Shareholders	17 December 2007
Latest time for receipt of completed Forms of Proxy for GM	10.00 a.m. on 15 January 2008
General Meeting of the Company	10.00 a.m. on 17 January 2008
Court hearing ¹	6 February 2008
Expected Effective Date ²	8 February 2008

1 The Court hearing date is subject to change by the Court and, in certain circumstances, the Company.

2 The Effective Date is dependent on, amongst other things, the date upon which the Court confirms the cancellation of the Share Premium Account and reduction of capital.

DEFINITIONS

In this document and in the accompanying Form of Proxy, the following expressions shall (unless the context requires otherwise) have the following meanings:

“Capitalisation”	The proposed capitalisation of the Merger Reserve the subject of the Proposals as set out in this document
“Companies Acts”	Together the Companies Act 1985 and the Companies 2006 to the extent the same are in force at the date of this document
“Company”	Tangent Communications plc
“Court”	The High Court of Justice in England and Wales
“Deferred Shares”	The Deferred Shares of 1p each in the capital of the Company proposed to be created by capitalising the Merger Reserve
“Directors” or “Board”	The directors of the Company as listed on page 4 of this document
“General Meeting” or “GM”	The General Meeting of the Company to be held at Collins Stewart Europe Limited, 88 Wood Street, London EC2V 7QR at 10.00 a.m. on 17 January 2008 notice of which is set out in this document
“Form of Proxy”	The form of proxy included within this document for use by Shareholders of the Company in connection with the GM
“Ordinary Shares”	The Ordinary Shares of 1p each in the capital of the Company
“Proposals”	The proposals set out in this document including the cancellation of Share Premium Account, the capitalisation of the Merger Reserve, creating the Deferred Shares, and the cancellation of the Deferred Shares
“Reduction of Capital”	The proposed cancellation of the company’s Share Premium Account and cancellation of the Deferred Shares
“Resolutions”	The resolutions to be proposed as ordinary resolutions or special resolutions as the case may be at the GM as detailed in the notice on pages 7-8 of this document
“Shareholder(s)”	Holder(s) of Ordinary Shares

Letter from the Chairman

Directors:

Piers Caldecote – Non-Executive Chairman
Nicholas Green – Joint Chief Executive
Timothy Green – Joint Chief Executive
Graeme Harris – Finance Director
Paul Murray – Non-Executive Director

Registered Office:

Truscott House
32-42 East Road
London
N1 6AD

17 December 2007

To the holders of Ordinary Shares

Dear Shareholder

Cancellation of Share Premium Account, capitalisation of Merger Reserve and creation of Deferred Shares, cancellation of Deferred Shares and General Meeting

Introduction

The Company's audited accounts for the year ended 28 February 2007 showed it to have a deficit on its Profit and Loss Account of £8,581,000 which has arisen as a result of past losses incurred. This deficit precludes the payment by the Company of any dividends out of future profits until the deficit is eliminated.

The Directors propose to effect a capital reorganisation in order to eliminate the deficit on the Profit and Loss Account. The Proposals involve three steps: (i) the cancellation of the Company's Share Premium Account; (ii) the capitalisation of the Company's Merger Reserve, creating a new class of Deferred Shares, and (iii) the cancellation of the Deferred Shares so created by way of a reduction of capital. The result of the cancellation of Share Premium Account, capitalisation and cancellation of the Deferred Shares, if approved by Shareholders and confirmed by the Court, will be to eliminate the current deficit on the Company's Profit and Loss Account and to create a distributable reserve which the Company may use in due course to pay dividends to Shareholders and for other corporate purposes.

The purpose of this document is to explain the background to the Proposals, to set out the detailed steps necessary to implement them and to seek Shareholder approval for the Resolutions which are being proposed at the General Meeting to be held at 10.00 a.m. on 17 January 2008 at the offices of Collins Stewart Europe Limited, 88 Wood Street, London EC2V 7QR.

Background to and reasons for the Proposals

Whilst the Company's audited accounts for the year ended 28 February 2007 show a deficit on the Profit and Loss Account, the same accounts showed a sum of £7,860,000 standing to the credit of the Company's Share Premium Account and £7,022,000 on its Merger Reserve.

The Share Premium Account is an undistributable reserve and, accordingly, the purposes for which a company can use any sums credited to that reserve are very limited. However, with the approval of its shareholders and the consent of the Court, a company may reduce or cancel its Share Premium Account and move the sum which results upon such a reduction or cancellation to its Profit and Loss Account where it may be set against any existing deficit.

The Merger Reserve is also an undistributable reserve. It is not possible to reduce or cancel a Merger Reserve. However, it is possible, again with the approval of its shareholders and the consent of the Court, for a company to reduce or cancel the whole or any part of its capital. The Company's Articles of Association permit it to capitalise any sum standing to the credit of the Company's reserve accounts. Once the reserve has been capitalised in this way, that capital may then be reduced or cancelled and, subject to the Court being satisfied that no creditor of the Company is prejudiced thereby, applied in writing off any remaining deficiency on the Company's Profit and Loss Account and in creating distributable reserves. Accordingly, the Company proposes to capitalise its Merger Reserve and to apply the capitalised sum in paying up a new class of Deferred Shares. Those Deferred Shares will then be cancelled and the sum set free on that cancellation will, again subject to the

approval of Shareholders and to satisfying the Court that no creditor is prejudiced thereby, be moved to the Company's Profit and Loss Account.

The Proposals require the approval of Shareholders by a special resolution. The proposed cancellation of the Share Premium Account and of the Deferred Shares also require the confirmation of the Court.

Cancellation of Share Premium Account

The amount standing to the credit of the Share Premium Account of the Company at 31 August 2007 was £13,165,000. This sum has arisen by the Company having issued shares at a premium to their nominal value from time to time. By law, the Share Premium Account can be applied for limited purposes. However, with the sanction of a special resolution of Shareholders and the confirmation of the High Court, the Share Premium Account may be cancelled and set against the deficit on the Company's Profit and Loss Account, which, at 28 February 2007, stood at £8,581,000 thus reducing the deficit and creating a distributable reserve. This is what the Board now proposes to effect by means of the cancellation of Share Premium Account. The balance on the Share Premium Account has increased by £5,305,000 over the amount disclosed in the Company's last audited accounts, attributable to issuing shares for cash at a premium to their nominal value in March 2007.

This is the subject of Resolution 6 set out in the Notice of General Meeting on page 7 of this document. Resolution 6 is proposed as a Special Resolution.

Capitalisation of the Merger Reserve

The Company's Merger Reserve has arisen by the Company having issued shares at a premium to their nominal value as consideration for a shareholding of no less than 90 per cent. of the equity in another company from time to time. At 31 August 2007 the Company's Merger Reserve was £7,430,156, an increase of £408,156 above the amount disclosed in the Company's last audited accounts; the increase is attributable to issuing shares at a premium to their nominal value in exchange for an equity holding where the Company's resulting shareholding was 100 per cent, in March 2007. It is not possible for the Company to cancel its Merger Reserve in the way that it proposes to cancel its Share Premium Account. However, Article 31 of the Company's Articles of Association permits the Board, with the sanction of an ordinary resolution of the Company, to capitalise any sum standing to the credit of any of the Company's reserve accounts by appropriating the relevant sum to the holders of Ordinary Shares on the register on the date of the Resolution (or such other date as may be specified in the resolution or determined as provided in the resolution) and applying the sum in paying up new shares of any class credited as fully paid for allotment to Shareholders in proportion to Shareholders' existing holdings. By this route, the Company can therefore turn its Merger Reserve into share capital, and share capital can be cancelled in the same way as the Share Premium Account can be cancelled as described above.

The Board proposes to capitalise the Merger Reserve by applying the sum in paying up new Deferred Shares, credited as fully paid. The Deferred Shares will have no income or voting rights, the only rights attaching to the Deferred Shares will be to receive the amount paid up thereon on a winding-up of the Company once the holders of the Ordinary Shares have received £1,000,000 per Ordinary Share held. The Deferred Shares will not be transferable and will be held by the secretary of the Company on trust for the holders. No certificates will be issued in respect of the Deferred Shares. The Deferred Shares will therefore be of negligible value. They are being brought into existence for the purpose of being cancelled.

The Capitalisation is the subject of Resolutions 3 and 4 set out in the Notice of General Meeting on page 7 of this document. As a precursor to those Resolutions, it is necessary for the Company's capital to be increased, and that is the subject of Resolution 1, and for the rights which will attach to the deferred Shares to be defined and that is the subject of Resolution 2.

Resolutions 1 to 4 are proposed as Ordinary Resolutions.

Cancellation of Deferred Shares

The Deferred Shares, once they have been created, will represent issued share capital in the Company's books of £7,430,156 which is undistributable. However, with the sanction of a special resolution of Shareholders and the confirmation of the High Court, the Deferred Shares may be cancelled and, provided that the Court is satisfied that no creditor is prejudiced, the reserve arising on that cancellation may be transferred to the Company's Profit and Loss Account where it may be

applied in eliminating the balance of the deficit thereon and in creating a reserve which, subject to the provisions of the Companies Acts may in due course be treated by the Company as distributable.

The cancellation of the Deferred Shares is the subject of Resolution 5 set out in the Notice of General Meeting on page 7 of this document. Resolution 5 is proposed as a Special Resolution.

The Application to the Court

The cancellation of the Share Premium Account and of the Deferred Shares will only take effect if approved by Shareholders at the General Meeting and confirmed by the Court and upon the appropriate documents being filed with the Registrar of Companies.

The Company has been advised that the Court may require the Company to give an undertaking for the protection of the Company's existing creditors. If required, the Company will provide such undertakings to the Court for the protection of creditors as it is advised by Counsel are appropriate to be given. There is no guarantee that the Court will confirm the cancellation of the Share Premium Account and/or of the Deferred Shares, however the Company has taken Counsel's advice and, subject to the Company putting in place satisfactory provision for the protection of creditors as it has indicated that it will, the Company has been advised that there are good prospects of the cancellation of Share Premium Account and of the Deferred Shares being confirmed by the Court.

If Shareholders approve the Proposals at the General Meeting, the Board intends that an application will be made to the Court promptly following the Meeting to sanction the Reduction of Capital. To this end, provisional dates have been obtained for hearing the Company's application. Whilst those dates are subject to change depending on the Court's timetable and are therefore not within the Board's control, the present timetable provides for final hearing of the Company's application to take place before the end of February 2008.

The effect of the Proposals

If the Proposals are implemented, the deficit on the Company's Profit and Loss Account at 31 August 2007 will be eliminated and, subject to Court sanction, a substantial reserve created, thus permitting the Company to pay dividends.

General Meeting

The Proposals, being the cancellation of the Company's Share Premium Account, the capitalisation of the Merger Reserve and creation of the Deferred Shares, and the cancellation of the Deferred Shares all require the approval of the Company in General Meeting. Accordingly, set out on pages 7-8 of this document is a notice convening a General Meeting of the Company to be held at 10.00 a.m. on Thursday 17 January 2008 at Collins Stewart Europe Limited, 88 Wood Street, London EC2V 7QR at which meeting the resolutions set out in the notice convening the meeting providing for the cancellation of the Company's Share Premium Account, the capitalisation of the Merger Reserve and creation of the Deferred Shares, and the cancellation of the Deferred Shares will be proposed.

Action to be taken

A Form of Proxy for use by Shareholders at the General Meeting is included within this document. Shareholders are requested to complete and return the Form of Proxy in accordance with the instructions printed on it so as to arrive at the Company's registrars as soon as possible, but in any event no later than 10.00 a.m. on 15 January 2008. The return of a Form of Proxy will not preclude a Shareholder from attending and voting at the General Meeting if the Shareholder so wishes.

Recommendation

Your Directors believe that the resolutions to be proposed at the General Meeting are in the best interests of the Company and its Shareholders as a whole and recommend you vote in favour of such Resolutions as they intend to do in respect of their own beneficial shareholdings.

Yours faithfully

Piers Caldecote
Non-Executive Chairman

NOTICE OF GENERAL MEETING

TANGENT COMMUNICATIONS PLC

(Registered in England No. 3967805)

Notice is hereby given that a General Meeting of Tangent Communications plc will be held at Collins Stewart Europe Limited, 88 Wood Street, London EC2V 7QR at 10.00 a.m. on Thursday 17 January 2008 to consider and, if thought fit, to pass the following resolutions as:

ORDINARY RESOLUTIONS

1. That the authorised capital of the Company be increased from £2,250,000 to £9,680,156 and that the same be effected by creating 743,015,600 Deferred Shares 1p each.
2. That the Deferred Shares created by Resolution 1 above shall have the following rights and restrictions:
 - “(i) The Deferred Shares shall not confer upon their holders, by virtue of or in respect of their holdings of Deferred Shares, the right to receive notice of any General Meeting of the Company nor the right to attend, speak or vote at any such General Meeting;
 - (ii) The Deferred Shares shall not entitle their holders to receive any dividend or other distribution.
 - (iii) On a return of capital on a winding up or otherwise the holders of the Deferred Shares shall be entitled to receive only the amount credited as paid up on each share but only after the holder of each Ordinary Share shall have received the amount paid up or credited as paid up on such a share together with the payment of £1,000,000 per share but the holder of the Deferred Shares shall not be entitled to participate further in the assets or profits of the Company.
 - (iv) No certificates shall be issued for the Deferred Shares;
 - (v) the Deferred Shares may at any time be cancelled for no consideration by way of a reduction of capital”
3. That the sum of £7,430,156, being the sum standing to the credit of the Merger Reserve in the Company's books of account at 31 August 2007, be capitalised and applied in paying up in full at par 743,015,600 Deferred Shares of 1p.
4. That the Directors of the Company be and are hereby authorised for the purposes of section 80 of the Companies Act 1985 to allot free to and for the benefit of the members registered as the holders of the Ordinary Shares of the Company at the date of this resolution the said Deferred Shares credited as fully paid, such Deferred Shares to be distributed amongst the Ordinary Shareholders as far as practicable pro-rata to the number of Ordinary Shares of 1p each held by such Ordinary Shareholders respectively and that the necessary entries be made in the Company's books accordingly.

SPECIAL RESOLUTIONS

5. That, subject to and conditional upon the passing of Resolutions 1 to 4 above, and to the confirmation of the Court, the share capital of the Company be reduced from £9,680,156 divided into 225,000,000 ordinary shares of 1p each and 743,015,600 Deferred Shares of 1p each to £2,250,000 divided into 225,000,000 Ordinary Shares of 1p each and that such reduction be effected by cancelling and extinguishing altogether the 743,015,600 issued Deferred Shares of 1p each.
6. That, subject to the confirmation of the Court the Share Premium Account of the Company be cancelled.

Registered Office:

Truscott House
32-42 East Road
London
N1 6AD

17 December 2007

By Order of the Board
Graeme Harris
Company Secretary

Notes

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company. A Form of Proxy is included within this document.
2. To be valid, the Form of Proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority should be sent to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive not less than 48 hours before the time fixed for the meeting.
3. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered in the Register of Members at 5.00 p.m. on 15 January 2008 ("the specified time"). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's Register of Members at the time which is not less than 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

TANGENT COMMUNICATIONS PLC
Company No 3967805

FORM OF PROXY FOR GENERAL MEETING

I/We the undersigned, being (a) Member(s) of the Company, HEREBY APPOINT the Chairman of the Meeting
 or
 as my/our Proxy to vote for me/us on my/our behalf at the General Meeting of the Company to be held on
 17 January 2007 at 10.00 a.m. and at any adjournment thereof.

	For	Against	Abstain
Ordinary Resolution			
1 Increase Authorised Capital to £9,680,156			
2 Apply Deferred Share rights			
3 Capitalise Merger Reserve			
4 Authorise Directors to allot Deferred Shares			
Special Resolution			
5 Reduction of share capital by cancellation of Deferred shares			
6 Cancellation of Share Premium Account			

I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is properly put before the meeting.

Dated this..... day of2007

Signature

Full name(s) in which shares are registered

.....

PLEASE USE BLOCK LETTERS

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a General Meeting of the Company. A proxy need not be a member of the Company.
2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy must attend the meeting to represent you.
4. If you want to appoint someone other than the Chairman of the meeting to act as your proxy, please insert their full name in the box. If you sign and return this form and leave the box blank, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions.
5. Should you wish your proxy to speak at the meeting on your behalf, you will need
 - a. to appoint someone other than the Chairman; and
 - b. to give them your instructions as to what you wish them to say directly.
6. You may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares: in other words, you may not appoint more than one proxy to exercise the rights attached to any one share.
7. To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
8. To appoint a proxy using this form, the form must be completed and signed and sent or delivered so as to reach Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time appointed for holding the meeting.
9. In the case of a member which is a company, this Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
10. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.
11. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).



Fold and Tuck

BUSINESS REPLY SERVICE
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**Capita Registrars,
Proxy Department,
Beckenham,
Kent
BR3 4BR**

1st Fold

2nd Fold

