

8 March 2013

PORTA COMMUNICATIONS PLC

("Porta" or the "Company")

Related Party Loans

The Company announces that it has restructured the loans of £1.25m and £750,000 made by Hawk Investment Holdings Limited ("Hawk"), a company beneficially owned by Bob Morton (Non-Executive Chairman) and his wife, to the Company, details of which are set out in the Company's offer document dated 17 August 2012 and the announcement of 3 December 2012, respectively, by entering into a discounted bond for the sum of £2m with Hawk (the "Bond"). The Bond has a redemption date of 26 February 2016. The amount to be redeemed on this date will be £2,862,000, which is equivalent to the current financing rates of the £1.25m and £750,000 loans. At its request, Porta will be able to redeem the Bond early at a discount calculated on the date of redemption. As well as having the opportunity to repay the Bond at a discount, the Bond will help reduce the Company's monthly interest payments, as the redemption premium is only payable on the date of redemption.

In addition, it has been agreed with Hawk that the two loan agreements entered into between Hawk and WFCA Limited ("WFCA"), a subsidiary of Porta, under which WFCA borrowed £450,000 in aggregate, details of which can be found in the Company's offer document dated 17 August 2012, be refinanced as one new loan of £450,000, which is to be repaid on or before 5 March 2014 (the "WFCA Loan"). The monthly interest rate remains the same as before.

As mentioned in the Company's announcement of 28 February 2013, the Company has also now entered into a further loan agreement with Hawk for a principal amount of £300,000 (the "Loan"). Interest under the terms of the Loan will be charged at a monthly rate of 1 per cent., with a repayment date on or before 29 November 2013. The proceeds of the Loan will be used for working capital purposes and to finance the Company's organic growth and expansion plans and in particular, covering the recruitment of staff to support recent new business wins and drive further revenue growth.

The provisions of the WFCA Loan and the Loan, aggregated with the previous loans provided to the Company by Hawk over the previous 12 months, and the Bond, are classified as related party transactions under Rule 13 of the AIM Rules for Companies. The independent directors of Porta (being the Board of the Company with the exception of Bob Morton, who is excluded from such decisions being a related party in respect of the WFCA Loan, the Loan and the Bond) consider, having consulted with the Company's nominated adviser, N+1 Singer, that the terms of the WFCA Loan, the Loan and the Bond are fair and reasonable insofar as the shareholders of Porta are concerned.

Furthermore, as announced on 28 February 2013, the £500,000 convertible loan provided by Hawk to the Company is to be converted into new ordinary shares of 10p each at 10p per share, subject to all of the resolutions proposed at the forthcoming General Meeting being approved by shareholders. In addition, the Company stated that the Directors intend to use £500,000 of the funds raised via the placing, of which Hawk has subscribed for £1,000,000 new ordinary shares in the Company at 10p per share, to repay another one of the loans provided to the Company by Hawk and which is otherwise due for repayment by the Company on 2 April 2013. These two measures will also help the Company's cash flow by reducing the Company's monthly interest payments.

-ENDS-

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