

254919/

DATED 22 November 1995

PASSED FOR FILING

(1) THE SEVERAL PERSONS NAMED IN SCHEDULE 1

(2) QUADRAMATIC PLC

AGREEMENT FOR THE SALE AND PURCHASE OF THE WHOLE OF THE
ISSUED
SHARE CAPITAL OF HAMPTON MOULDINGS GROUP LIMITED



HAMMOND SUDDARDS

SOLICITORS

2 Park Lane Leeds LS3 1ES

INDEX

<u>Clause</u>	<u>Heading</u>	<u>Page No.</u>
1.	Interpretation	
2.	Sale and Purchase	
3.	Pre-emption Rights Waiver	
4.	Consideration	
5.	1996 Accounts	
6.	Borrowings	
	Warranty	
7.	Additional Consideration	
8.	Conditions and Rescission	
9.	Completion	
10.	Warranties	
11.	Before Completion	
12.	Restrictive Covenants	
13.	General	
14.	Notices	
	Schedule 1 Vendors' holding	
	Schedule 2 Details of the Group Companies	
	Schedule 3 Warranties	
	Schedule 4 Tax Deed	
	Schedule 5 Properties	
	Schedule 6 Limitations to Warranties	
	Schedule 7 Earn Out Protections	

SALE AND PURCHASE AGREEMENT

22 November

THIS AGREEMENT is made on L 1995

BETWEEN

- (1) THE PERSONS whose names and addresses are set out in column 1 of Schedule 1 ("the Vendors").
- (2) QUADRAMATIC PLC (Company No: 2549191) whose registered office is at Coin House, New Coin Street, Royton, Oldham, Lancashire OL2 6JZ ("the Purchaser").

IT IS HEREBY AGREED as follows:-

1. INTERPRETATION

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions shall bear the following meanings:

"1996 Accounts" means an unaudited consolidated profit and loss account of the Group Companies for the period from 1 April 1995 to 31 March 1996 to be prepared in accordance with Clause 5.

"1996 Net Profit" means the consolidated net profit on ordinary activities of the Group Companies in respect of the period from the Last Accounts Date to 31 March 1996 arising in the course of the business carried on by the Group Companies as agreed or determined

pursuant to Clause 5, but with the following adjustments (insofar as they are not already reflected therein):-

- (a) before provision for corporation tax (including deferred taxation) in respect of any period after the Last Accounts Date;
- (b) before interest payable on Borrowings; or receivable on cash balances;
- (c) subject as otherwise herein provided after exceptional items but before extraordinary items;
- (d) after deducting any profits or adding back any losses arising from the disposal of any fixed assets or any interest therein;
- (e) as if the Properties had been rented throughout the period from the Last Accounts Date to 31 March 1996 on the terms of the Leases;
- (f) as if the Vendors had been remunerated on the basis of their Service Agreements (as defined below) throughout the period from the Last Accounts Date to 31 March 1996.

“Associate”

means any person, firm or company which is a connected person (as defined in Section 839 ICTA) of the Vendors (or any of them), or which is an

associated company of the Vendors (or any of them) within the meaning of Section 416 ICTA but as if in sub-section (2) of that Section there was substituted for the words "the greater part" wherever they appear the words "twenty five per cent or more".

"Borrowings"

means the total amount outstanding (but allowing credit for any cash balances) borrowed by all Group Companies from their respective bankers and from all other persons or entities as at close of business on the Business Day prior to the date hereof including without limitation:-

- (a) any amounts raised under any acceptance credit;
- (b) the principal amount of any book debts of any Group Companies which have been sold or agreed to be sold to a third party;
- (c) the principal amount of any indebtedness or the nominal amount of any share capital the repayment whereof is guaranteed or secured or the subject of an indemnity by any Group Company;
- (d) the principal amount for the time being outstanding in respect of any debenture and any fixed or minimum premium or final repayment thereof;

(e) the total amount remaining to be paid by any Group Company under any hire purchase agreement or credit sale agreement or conditional sale agreement;

(f) the aggregate amount remaining to be paid by any Group Company under any agreement for the lease hire or bailment of any moveable asset ~~have for sum of £[~~] being the aggregate amounts remaining to be paid pursuant to the agreements identified in paragraph [] of the ~~Disclosure Letter~~ HS
R.

(g) the aggregate amount due under any currency or interest rate swap, cap or collar arrangement.

(h) the total amount due or outstanding in respect of any Value Added Tax bond operated by any Group Company

but excluding the total amount of any inter group borrowings

“Borrowings
Certificate”

the certificate to be prepared by the Vendors as to the total amount of Borrowings

“Business Day”

means any day other than Saturdays Sundays and Bank Holidays during which clearing banks are open for business in the City of London.

"CA 1985"	means the Companies Act 1985.
"CA 1989"	means the Companies Act 1989
"Companies Acts"	means CA 1985 and CA 1989 and the former Companies Acts (within the meaning of Section 735(1) of CA 1985).
"the Company"	means Hampton Mouldings Group Limited brief details of which are set out in Part 1 of Schedule 2.
"Completion"	means completion of the sale and purchase of the Shares in accordance with Clause 9.
"Consideration"	means the consideration set out in Clause 4.1.
"Consideration Shares"	means the ordinary shares of 3p each, credited as fully paid, in the capital of the Purchaser to be allotted pursuant to Clause 4.1 and to be placed in accordance with the Placing Agreement.
"Deed of Environmental Indemnity"	means the deed to be entered into between the Vendors and the Purchaser in relation to environmental issues in the agreed form.
"the Disclosure Letter"	means the letter of even date herewith from the Vendors' Solicitors to the Purchaser's Solicitors disclosing exceptions to the Warranties.
"FA"	means Finance Act.

"Group Companies"	means the Company and the companies, brief details of which are set out in Part 2 of Schedule 2 and "Group Company" means any one of such companies.
"GWB Report"	means the investigation report into the affairs of the Group Companies prepared by Gartland Whalley and Barker Limited and dated 25 September 1995
"Holding Company"	means a holding company as defined in Section 736 CA 1985 (as supplemented by Section 736A CA 1985).
"ICTA"	means the Income and Corporation Taxes Act 1988.
"Industrial Property Rights"	means any know-how or patent, trade mark, design right, copyright or other similar industrial or commercial right or any application for registration of any of the same wheresoever subsisting.
"Issue Price"	means the average of the middle market price of an ordinary share in the capital of the Purchaser on The Stock Exchange as calculated from the Daily Official List for the seven dealing days up to and including the third dealing-day prior to allotment adjusted by such amount as the Purchaser's Stockbrokers may decide is fair and reasonable to take account of any capitalisation or rights issue made or to be made by the Purchaser in respect of its Ordinary Shares or any cum or ex dividend quotation.

"The Last Accounts" means the audited balance sheet of each Group Company as at the Last Accounts Date and the audited profit and loss account of each Group Company made up to the Last Accounts Date and (in the case of the Company) the audited consolidated balance sheet as at such date and the audited consolidated profit and loss account for such period and (in each case) the auditor's and the directors' reports and notes thereon.

"the Last Accounts Date" means 31 March 1995

"the Leases" means the leases of the Properties between the Vendors and certain of the Group Companies in the agreed form ~~to be~~ ^{before} granted on Completion] ?

"the Management Accounts" means the unaudited balance sheet and profit and loss account of each Group Company together with the unaudited consolidated balance sheet and profit and loss account ~~and the consolidated Group cash flow~~ for the 7 month period ended 31 October 1995.

"the Placing Agreement" means the agreement between the Purchaser and Granville Davies Limited for the placing of the Consideration Shares.

"the Planning Acts" means the Town and Country Planning Act 1990, the Planning (Listed Buildings and Conservation Areas) Act 1990 and the Planning (Consequential Provisions) Act 1990.

"Properties"	means the Properties of the Group Companies briefly described in Schedule 5 (and for the purpose of the Warranties relating to environmental matters includes all plant, equipment, machinery, storage vessels, pipes, cables and associated apparatus present at, upon, in or underneath the Properties).
"the Purchaser's Accountants"	means Price Waterhouse of 9 Bond Court Leeds.
"the Purchaser's Solicitors"	means Hammond Suddards, of 2 Park Lane, Leeds, West Yorkshire, LS3 1ES.
"the Shares"	means the 100,000 Ordinary shares of £1 each, and 200,000 "A" Ordinary Shares of £1 each in the capital of the Company fully paid or credited as fully paid to be sold by the Vendors in the numbers set out opposite their respective names in Schedule 1 .
"Service Agreements"	means the service agreements in the agreed form to be entered into on Completion between the Company and each of the Vendors.
"Stock Exchange"	means The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited.
"Subsidiary"	means a subsidiary as defined in Section 736 CA 1985 (as supplemented by Section 736A CA 1985).

"Taxation"	means all forms of taxation, charges, duties, imposts, rates, levies and governmental charges (whether national or local) in the nature of tax, whatsoever and whenever created, enacted, or imposed, and whether of the United Kingdom or elsewhere, and any payment whatever which any Group Company may be or become bound to make to any Taxation Authority as a result of any enactment relating to taxation together with all fines, penalties, interest costs, charges and expenses connected therewith and "Tax" shall be construed accordingly.
"Taxation Authority"	means the Inland Revenue, H.M Customs and Excise or any statutory or governmental authority or body (whether in the United Kingdom or elsewhere) involved in the collection or administration of Taxation.
"Tax Deed"	means the Deed in the form set out in Schedule 4.
"Taxation Statutes"	includes statutes (and all regulations and arrangements whatsoever made thereunder) whether of the United Kingdom or elsewhere, and whether enacted before or after the date of this Agreement, providing for or imposing any Taxation.
"TCGA"	means the Taxation of Chargeable Gains Act 1992.
"Undertaking", "Subsidiary Undertaking",	bear the meanings ascribed to them in CA 1989.

"Parent
Undertaking", and
"Participating
Interest"

"the Vendors'
Accountants" means Davies Mayers of Ivanhoe House, St James'
Square, Cheltenham, Glos

"the Vendors'
Solicitors" means Rickerby Jessop of Ellenborough House,
Wellington Street, Cheltenham GL50 1YD

"the Warranties" means the warranties and representations set out in
Schedule 3

1.2 References to any statute, or to any statutory provision, statutory instrument, order or regulation made thereunder, includes that statute, provision, instrument, order or regulation as amended, modified, consolidated, re-enacted, or replaced from time to time, whether before or after the date of this Agreement and also includes any previous statute, statutory provision, instrument, order or regulation, amended, modified, consolidated, re-enacted or replaced by such statute, provision, instrument, order or regulation.

1.3 All references to a statutory provision shall be construed as including references to all statutory instruments or orders, regulations or other subordinate legislation made pursuant to that statutory provision.

1.4 Unless the context otherwise requires, references to the singular include the plural, references to any gender include all other genders, and references to "persons" shall include individuals, bodies corporate, unincorporated associations, professions, businesses and partnerships.

- 1.5 Clause headings are for information only and shall not affect the construction of this Agreement.
- 1.6 The Schedules to this Agreement shall for all purposes form part of this Agreement.
- 1.7 Each agreement, undertaking, covenant, warranty and representation by two or more of the Vendors shall be deemed for all purposes to be made or given jointly and severally.
- 1.8 References to "the agreed form" mean in the form agreed in writing between the Vendors' Solicitors and the Purchaser's Solicitors prior to signature of this Agreement.

2. **SALE AND PURCHASE**

Subject to the terms and conditions of this Agreement, the Vendors shall sell with full title guarantee and the Purchaser shall purchase the Shares free from all liens, charges and encumbrances and together with all accrued benefits and rights attaching to the Shares, including all dividends declared, on or after the date of this Agreement.

3. **PRE-EMPTION RIGHTS WAIVER**

The Vendors waive all rights of pre-emption (if any) over the Shares to which they may be entitled under the Articles of Association of the Company, or otherwise, in relation to the sale and purchase of the Shares pursuant to this Agreement.

4.

CONSIDERATION

4.1 The Consideration for the Shares shall (subject to any adjustment pursuant to the provisions of Clause 7) be the sum of £6,400,000 which shall be satisfied as to £ 4,999,999.20 by the allotment and issue to those persons (other than Vendors) as are nominated by the Purchasers stockbrokers of the Consideration Shares credited as full paid and as to the balance in cash

4.2 The Purchaser shall procure that at Completion the Purchaser's stockbrokers shall pay or procure the payment to the Vendors or the Vendors Solicitors of that part of the Consideration due in cash on Completion in the amounts set opposite their names in column 3 of Schedule 1

5.

1996 ACCOUNTS

5.1 The 1996 Accounts shall be prepared in draft as soon as possible after 31 March 1996 by the accounting personnel of the Company and shall then be sent for review to the Purchaser's Accountants.

5.2 The 1996 Accounts shall be prepared:

5.2.1 on the basis of the historical cost convention;

5.2.2 (save as otherwise provided in this Clause 5.2) in a manner consistent with the procedures and policies stated in the Last Accounts and the practices adopted in the preparation of the Last Accounts

- 5.2.3 without taking into account any amounts arising from any upward revaluation of any asset since the Last Accounts Date;
- 5.2.4 so as to include no value in respect of goodwill, intellectual property rights or other intangible assets;
- 5.2.5 after making full provision for depreciation, bad and doubtful debts and obsolescent and slow moving stock and also after making full provision for all liabilities (including deferred and disputed liabilities in accordance with generally accepted UK accounting principles whether liquidated or unliquidated) such provisions to be consistent with those generally accepted UK accounting principles adopted in the Last Accounts;
- 5.2.6 after adding back the amount or cost of:-
- (a) any management charge or administration charge required by the Purchaser after Completion to the extent that the amount thereof exceeds the arms length value of services actually performed by the Purchaser.
 - (b) any losses incurred by any Group Company on trade with the Purchaser or any of its Subsidiaries after Completion
 - (c) any expenditure outside the ordinary course of business of the Group Companies which is

required by the Purchaser after Completion without the consent of the Vendors.

- (d) accountancy fees (including fees for Corporation Tax compliance) in excess of £10,000 exclusive of VAT incurred after Completion.
- (e) any professional fees which are not of the type incurred by the Group Companies or any of them from time to time prior to Completion and which the Purchaser requires to be incurred after Completion without the consent of the Vendors.
- (f) any redundancies or personnel supplied by the Purchaser to any Group Company which the Purchaser requires to be made or supplied after Completion.
- (g) any research and development required by the Purchaser to be undertaken after Completion without the consent of the Vendors

5.3 The 1996 Accounts together with a statement of the 1996 Net Profit shall be sent to the Vendors' Accountants forthwith following their completion by the Purchaser's Accountants and in any event not later than 31 July 1996.

5.4 If the Vendors' Accountants have not within 60 days of the date of receipt of the 1996 Accounts and such statement as aforesaid ("the receipt date") made any objection in writing to the amount of 1996 Net Profit as so stated, then the amount of the 1996 Net Profit shall be

deemed to have been accepted by the Vendors as stated by the Purchaser's Accountants. If any such objection shall be made by the Vendors' Accountants then the Purchaser's Accountants and the Vendors' Accountants shall endeavour to resolve the same and in the event that they are able to do so shall jointly issue in writing to the parties a statement of the 1996 Net Profit, which statement shall be final and binding (save in the case of manifest error) but such statements shall be without prejudice to the Purchaser's right to claim under the Warranties, the Tax Deed or otherwise in respect of any matter.

- 5.5 In performing their role under Clause 5.4 the Vendors' Accountants and the Purchaser's Accountants shall act as experts and not as arbitrators.
- 5.6 Any dispute with respect to the 1996 Net Profit which remains unresolved 90 days after the receipt date may be referred for final settlement to a firm of chartered accountants nominated jointly by the Vendors and the Purchaser or, failing such nomination, within 14 days after request by either the Vendors or the Purchaser, nominated at the request of either party by the President for the time being of the Institute of Chartered Accountants in England and Wales. Such independent firm shall act as experts and not as arbitrators and its decisions shall (in the absence of manifest error) be final and binding on the parties, but shall be without prejudice to the Purchaser's right to claim under the Warranties, the Tax Deed or otherwise in respect of any matter.
- 5.7 The costs incurred by the Vendors' Accountants shall be borne by the Vendors and the costs incurred by the Purchaser's Accountants shall be borne by the Purchaser. The fees of such independent firm shall be payable by the Vendors and the Purchaser in such proportions as such firm determines or (failing such determination) in equal shares.

- 5.8 The Vendors and the Purchaser shall severally procure that all records, working papers, and other information as may be reasonably required for the purposes of this Clause 5 by the Purchaser's Accountants and/or the Vendors' Accountants and/or the firm nominated pursuant to Clause 5.6 (whether in the possession of any Group Company or any party to this Agreement or any professional adviser of any such party) shall be made available upon request therefor and shall generally render all reasonable assistance necessary for the preparation of the 1996 Accounts and the statement of the 1996 Net Profit and the resolution of any dispute in relation to the same.
- 5.9 Upon the 1996 Net Profit being agreed or determined in accordance with this clause the provisions of clause 7 of this Agreement shall apply.
- 5.10 During the period commencing upon the date of Completion and ending on 31 March 1996 the parties shall comply with Schedule 7 to this Agreement.

6. **BORROWINGS WARRANTY**

- 6.1 The Vendors jointly and severally represent warrant and undertake to the Purchaser that the Borrowings do not exceed the amount thereof shown in the Borrowings Certificate.
- 6.2 It is hereby agreed between the Vendors and the Purchaser by way of pre-estimate of the damage which would be suffered by the Purchaser in the event of a breach of the warranty contained in this Clause (the Consideration having been calculated by reference to and in reliance on such warranty) that if the Borrowings exceed the amount shown in the Borrowings Certificate then the Vendors shall jointly and severally be liable to forthwith pay to the Purchaser the amount of the excess. Any

payment made hereunder shall be by way of reduction in the Consideration.

- 6.3 Any dispute with respect to the Borrowings or the Borrowings Certificate shall be referred for determination to a firm of chartered accountants in the manner set out in clause 5.6 hereof.

7. **ADDITIONAL CONSIDERATION**

- 7.1 In the event that the 1996 Net Profit exceeds the sum of £1,090,000 then the Vendors shall be entitled (in the proportions set out in column 4 of Schedule 1 hereto) to additional consideration of an amount of £x where

$$x = (\text{£}A - \text{£}1,090,000) \times 5$$

$$\text{If } A \leq \text{£}1,090,000 \text{ let } x = 0$$

A = 1996 Net Profit PROVIDED that if 1996 Net Profit \geq £1,210,000 let A = £1,210,000

- 7.2 Any additional consideration due under this clause may at the Purchaser's option be satisfied either:-

7.2.1 by the allotment to the Vendors jointly of such number of ordinary shares in the capital of the Purchaser credited as fully paid and excluding fractions as shall at the Issue Price have a value nearest to but not less than the amount of any such additional consideration; or

7.2.2 by the payment to the Vendors' Solicitors of such additional consideration in cash and their receipt shall be a full discharge to the Purchaser.

7.3 Any additional consideration due under this clause shall be satisfied or paid by the Purchaser within 21 Business Days after the expiry of the relevant period of 60 days referred to in Clause 5.4 or the issue of the relevant joint certificate referred to in Clause 5.4 (as the case may be) or in the event of a reference in accordance with Clause 5.6 the date of the experts determination given in accordance with Clause 5.6.

7.4 Any shares in the capital of the Purchaser issued pursuant to clause 7.2.1 shall rank pari passu with the existing ordinary shares in the capital of the Purchaser save that they shall not rank for the interim dividend payable in respect of the 6 month period ending 31 March 1996.

8. CONDITIONS AND RESCISSION

8.1 Completion of the sale and purchase of the Shares is conditional upon:

8.1.1 the admission by The Stock Exchange of the Consideration Shares to the Official List becoming effective within the meaning of paragraph 7.1 of the Listing Rules of the Stock Exchange ("Admission")

8.1.2 the Placing Agreement having become unconditional in all respects (save for the condition relating to Admission and save insofar as the Placing Agreement is conditional upon this Agreement becoming unconditional or being completed in escrow or otherwise) and not having been terminated in accordance with its terms prior to Admission.

8.2 If all of the conditions set out in Clause 8.1 have not been fulfilled on or before 27 November 1995 this Agreement shall cease to have effect as

from such date and no party shall have any further or other obligation to the other save in respect of any antecedent breach.

8.3 The Purchaser shall (without prejudice to any other right or remedy) be entitled to rescind this Agreement by notice in writing to the Vendors or the Vendors' Solicitors if prior to Completion it appears that any of the Warranties is not or was not true and accurate in all material respects or if any act omission or event occurs which, had it occurred on or before the date of this Agreement, would have constituted a breach of any of the Warranties or if there is any breach or nonfulfillment of any of the Warranties which (being capable of remedy) is not remedied prior to Completion.

8.4 The Purchaser shall use all reasonable endeavours to procure that Admission occurs as soon as practicable after the date hereof.

9. COMPLETION

9.1 Completion of this Agreement shall take place in two stages. The first stage ("Escrow Completion") shall take place at the offices of the Purchaser's Solicitors on the Business Day prior to that on which Admission is expected to take place. At Escrow Completion, all matters and things required to be done under Clauses 9.3 to 9.8 inclusive shall be duly performed but all documents shall be held in escrow such that the terms thereof do not come into force and effect until Completion takes place as referred to in Clause 9.9 which shall comprise the second stage. At Completion, which shall take place upon Admission, all matters and things required to be done under Clause 9.9 shall be duly performed provided that Admission has taken place.

9.2 As regards Escrow Completion the following consequential provisions shall apply:

9.2.1 the documents referred to in Clause 9.3 to 9.8 inclusive ("the Documents") shall be delivered to the Purchaser's Solicitors on behalf of the Purchaser and shall be held by the Purchaser's Solicitors in escrow pending fulfilment of Admission;

9.2.2 all the Documents (as appropriate) shall be dated with the date on which Admission occurs and this agreement constitutes the authority and direction of the parties to the Purchaser's Solicitors to date the Documents accordingly;

9.2.3 in the event that Admission is not fulfilled on the Business Day next following the date upon which Escrow Completion takes place, the Documents shall be returned by the Purchaser's Solicitors to the Vendors' Solicitors.

9.3 At Escrow Completion the Vendors shall deliver to the Purchaser's Solicitors:-

9.3.1 duly completed and executed transfers of the Shares in favour of the Purchaser or as it directs together with a power of attorney for each Vendor in the agreed terms;

9.3.2 the certificates for the Shares;

9.3.3 duly completed and signed transfers in favour of the Purchaser (or as it may direct) of all shares of the Group

Companies (other than the Company) not registered in the name of the Company and/or any other Group Company

9.3.4 the Tax Deed and the Deed of Environmental Indemnity duly executed by the Vendors;

9.3.5 the resignation of the secretary of each Group Company of that office in each Group Company;

9.3.6 the resignation of the existing auditors of each Group Company confirming that they have no outstanding claims of any kind against any Group Company and accompanied by a statement complying with Section 394 CA 1985 that there are no circumstances connected with their ceasing to hold office which they consider should be brought to the attention of the members or creditors of each Group Company.

9.3.7 evidence satisfactory to the Purchasers that all charges, debentures and other Security Interests affecting each Group Company (including without limitation all charges and debentures held by Lloyds Bank plc) have been discharged in full.

9.4 At Escrow Completion there shall be delivered or made available to the Purchaser:

9.4.1 the Certificate of Incorporation (and, where relevant, on Change of Name) of each Group Company;

9.4.2 the minute books of each Group Company duly made up to Completion;

- 9.4.3 the register of members and other statutory registers of each Group Company duly made up to Completion;
- 9.4.4 the common seal of each Group Company;
- 9.4.5 all unissued share certificates of each Group Company;
- 9.4.6 the Leases duly executed by the Vendors ~~{together with a cheque for the Stamp Duty and any Land Registry fees payable thereon};~~ B
R.
- 9.4.7 all books of accounts and documents of record and all other documents in the possession or control of any of the Vendors in connection with each Group Company all complete and up to date together with bank statements of all bank accounts of each Group Company as at a date not more than two Business Days prior to Completion together with bank reconciliation statements in respect of each such account made up to Completion;
- 9.4.8 new bank mandates to be given by each Group Company;
- 9.4.9 all the current cheque books, paying in books and unused cheques of each Group Company; and
- 9.5 At Escrow Completion the Vendors shall and shall procure that their respective Associates shall pay all monies (if any) then owing by them to each Group Company, whether due for payment or not and that all guarantees, indemnities or other obligations given by each Group

Company by or on behalf of the Vendors or their Associates are cancelled without liability on the part of each Group Company.

- 9.6 At Escrow Completion the Vendors shall enter into the Service Agreements.
- 9.7 At Escrow Completion the Vendors shall deliver to the Purchaser the Deed of Indemnity and the Deed of Environmental Indemnity duly executed by the Vendors and the Purchaser shall deliver duly executed Counterparts thereof to the Vendors.
- 9.8 At Escrow Completion a Board Meeting of each Group Company shall be duly convened and held at which:-
 - 9.8.1 the resignation referred to in Clause 9.3.6 shall be submitted and accepted and the Purchaser's Accountants shall be appointed auditors of each Group Company;
 - 9.8.2 the transfers referred to in Clauses 9.3.1 and 9.3.3 (as the case may be) shall (subject to stamping) be registered;
 - 9.8.3 Richard Williams Glenn Powers Jeremy Strange and James Edward Barker shall be appointed additional directors and Glenn Powers the secretary of each Group Company and the resignations referred to in Clause 9.3.5 shall be submitted and accepted; and
 - 9.8.4 all authorities to the bankers of each Group Company relating to bank accounts shall be revoked and new authorities to such persons as the Purchaser may nominate shall be given to operate the same.

9.8.5 the Service Agreements shall be approved and executed by the appropriate Group Company and thereupon exchanged with the Vendors

9.8.6 New Articles of Association shall be adopted by each Group Company.

9.8.7. *the registered offices of the Group Companies shall be changed to the same address*

9.9 Upon Completion the documents held in escrow shall be released therefrom and the terms thereof shall come into force and effect and the Purchaser shall itself or shall procure that the Purchaser's stockbrokers shall pay to the Vendors' Solicitors in cleared funds the sum of £6,400,000.;

9.10 The Purchaser may in its absolute discretion waive any requirement contained in Clauses 9.3 to 9.8 (inclusive) but shall not be obliged to complete the purchase of any of the Shares unless the purchase of all the Shares is completed in accordance with such Clauses and this Agreement.

9.11 If in any respect any of the provisions of Clauses 9.3 to 9.8 (inclusive) are not complied with then the party not in default may defer Escrow Completion and Completion to a date not later than 27 November 1995 and Completion (and so that the provisions of this Clause 9 shall apply to Escrow Completion and Completion as so deferred) and if there shall be non-compliance with any of such provisions for a period of fourteen days following written notice of non-compliance having been served by or on behalf of the party not in default on the other parties then the party not in default shall be entitled to rescind this Agreement.

9.12 Any rights of rescission conferred upon any party by this Agreement shall be in addition to and without prejudice to all other rights and remedies

* 9.8.8 *The accounting reference date of the Group Companies shall be changed to 30 September*

available to the Purchaser and no exercise or failure to exercise, or delay in exercising, such rights of rescission shall constitute a waiver by the Purchaser of any other rights or remedies.

10. **WARRANTIES**

- 10.1 The Vendors to the extent and subject as set out in this Clause 10 warrant, represent and covenant to the Purchaser that the Warranties are and at Completion will be, true and accurate in all respects.
- 10.2 Each of the Warranties (other than Warranty 2.11 in respect of which no qualification is accepted) is given subject to the matters fully and fairly disclosed in the Disclosure Letter but none of the Warranties are otherwise subject to any qualification whatever. No letter, document or other communication shall be deemed to constitute a disclosure for the purposes of this Agreement unless the same is accepted as such by the Purchaser and is annexed to in the Disclosure Letter.
- 10.3 Each Warranty in respect of "the Company" shall be deemed to be a Warranty of the Vendors given in respect of the Company and each other Group Company and (unless the context or subject matter otherwise requires) the expression "the Company" in Schedule 3 shall be construed accordingly.
- 10.4 Each of the Warranties is without prejudice to any other Warranty and, except where expressly stated, no Clause contained in this Agreement governs or limits the extent or application of any other Clause and the Warranties shall not in any respect be extinguished or affected by Completion.

- 10.5 The rights and remedies of the Purchaser in respect of any breach of the Warranties shall not be affected by completion of the purchase of the Shares, by its rescinding or failure to rescind this Agreement, by any failure to exercise or delay in exercising any right or remedy or by any other event or matter whatsoever, except a specific and duly authorised written waiver or release expressly referring to such breach.
- 10.6 None of the information supplied by any Group Company or its professional advisers prior to the date of this Agreement to any of the Vendors or their agents, representatives or advisers in connection with the Warranties or the contents of the Disclosure Letter, or otherwise in relation to the business or affairs of any Group Company, shall be deemed a representation, warranty or guarantee of its accuracy by the relevant Group Company to the Vendors and shall not constitute a defence to any claim by the Purchaser under the Warranties or under the Tax Deed, and the Vendors waive any and all claims which they might otherwise have against any Group Company and their respective officers and employees.
- 10.7 Notwithstanding any rule of law or equity to the contrary, any release, waiver or compromise or any other arrangement of any kind whatsoever to which the Purchaser may agree or effect in relation to one of the Vendors in connection with this Agreement or the Tax Deed, and in particular, but without limitation, in connection with any of the Warranties, shall not affect the rights and remedies of the Purchaser as regards any other of the Vendors.
- 10.8 The Vendors jointly and severally undertake to the Purchaser (for itself and as trustee for each Group Company) to indemnify the Purchaser and each Group Company against (i) any diminution in the value of the assets of any Group Company, (ii) any increase in any liability of any Group

Company, and (iii) any payment necessarily made or required to be made by the Purchaser or any Group Company, as a result of, or in connection with, any breach of any of the Warranties or required to put such Group Company in the position in which it would have been had there been no such breach of the Warranties and against all costs and expenses incurred in connection therewith. This indemnity shall be without prejudice to any other rights and remedies of the Purchaser in relation to the breach and all other rights and remedies are expressly reserved to the Purchaser.

- 10.9 Each of the Vendors undertakes, in relation to any Warranty which refers to the knowledge, information, belief or awareness of a Vendor or any similar expression, that he has made full, due and careful enquiry into the subject matter of that Warranty (including without limitation where applicable of the employees, agents and advisers of each Group Company) and each of them acknowledges that the knowledge, information, belief or awareness of one of the Vendors shall be attributable to the others of them.
- 10.10 Each of the Vendors undertakes with the Purchaser to disclose forthwith in writing to the Purchaser any matter or thing which may arise or become known to him after the date of this Agreement and prior to Completion which is inconsistent with any of the Warranties or any of the contents of the Disclosure Letter or which might be material to be known by a purchaser for value of the Shares
- 10.11 The Vendors will use all reasonable endeavours to procure that (save as disclosed in the Disclosure Letter) the Warranties will also be true and accurate if repeated as at the time of Completion and on the basis that a reference to the actual time of Completion is substituted for any express or implied reference to the time or date of this Agreement and on Completion the Vendors shall be deemed to have repeated the same on

such basis and accordingly the Warranties shall have effect as if given at Completion as well as at the date of this Agreement.

- 10.12 The provisions of Schedule 6 shall have effect to limit the liability of the Vendors under the Warranties other than Warranty 2.11 in respect of which the liability of the Vendors shall be unlimited.
- 10.13 The Warranties are subject to any act, matter or thing done or omitted to be done prior to Completion by the Vendors or the Company at the written request of or with the written approval of the Purchaser or its representatives.
- 10.14 If any person is entitled to make any claim, under or pursuant to this Agreement by reason of any matter which is the subject of any of the Warranties not being warranted or represented or by reason of any other act, event or default of the Vendors (or any of them) and the matter or circumstance giving rise to such claim ("the Relevant Matter") also gives rise to an entitlement to any person to make a claim against the Vendors (or any of them) under the Tax Deed but for the disposal by the Purchaser of all or any of the Sale Shares then any claim in respect of the Relevant Matter by any such person shall in the first instance be made only under or pursuant to the provisions of this Clause 10 and not pursuant to the Tax Deed and to the extent that such claim is sustained and satisfied no entitlement to make a claim under the Tax Deed shall arise in respect of the Relevant Matter and the Purchaser shall not make and shall procure that no other person shall make) any claim under the Tax Deed in respect of the Relevant Matter.
- 10.15 Any payment made by the Vendors pursuant to the terms of this Clause 10 shall be treated by the Vendors and the Purchaser as a reduction pro tanto of the Consideration to the extent thereof.

10.16 The Purchaser confirms and it is acknowledged by the Vendors that it has not relied on any warranty, representation or undertaking of the Vendors (or any of them) or of any other person save for any representation, warranty or undertaking expressly set out in this Agreement.

10.17 In the event that before Completion the Vendors disclose to the Purchaser an act omission or event which occurs after the date hereof and which will constitute a breach of the Warranties as repeated at Completion and the Purchaser does not exercise its rights of rescission under Clause 8.3 the Purchaser shall be deemed to purchase the Shares with full knowledge of the same to the extent disclosed and shall not be entitled to make a claim in respect thereof either under the Warranties and the Tax Deed to the extent as aforesaid.

11. BEFORE COMPLETION

11.1 The Vendors shall not, and shall procure that, except in so far as may be necessary to give effect to this Agreement, no Group Company shall at any time prior to Completion without the prior written consent of the Purchaser:-

11.1.1 do, procure or allow anything which may cause, constitute or result in a breach of the Warranties if given again at Completion;

11.1.2 in any way depart from the usual course of business of such Group Company as regards its nature, scope or manner;

11.1.3 pass any resolution in general meeting, written or elective resolution or enter into any agreement to the like effect;

- 11.1.4 sell, lease, assign or otherwise transfer or dispose of any asset or any interest therein except in the ordinary and normal course of business;
- 11.1.5 enter into any contract, commitment or obligation except in the ordinary and normal course of business;
- 11.1.6 appoint any new director, or new employee or vary the terms and conditions of service of any of the directors or employees of any Group Company;
- 11.1.7 vary the terms of occupation of any of the Properties;
- 11.1.8 declare or pay any dividend or management charge or service charge or consultancy or other fee (other than normal remuneration) to any of the Vendors or their Associates;
- 11.1.9 incur any capital commitment.
- 11.2 Without prejudice to the previous sub-clause the Vendors shall procure that prior to Completion the Purchaser, its agents, representatives, accountants and solicitors are given promptly on request all such facilities and information regarding the business, assets, liabilities, contracts and affairs of each Group Company, and of the documents of title and other evidence of ownership of its assets, as the Purchaser may reasonably require.
- 11.3 ~~The Vendor shall procure that the Vendor's Solicitors shall undertake to~~ pay all Stamp Duties and Land Registry fees and to use their best endeavours to submit the transfer documentation between (1) Heron and

108
R.S.

(2) the Vendor to the Stamp Office and H M Land Registry and to comply with all requisitions raised by H M Land Registry in respect of the transfer of the Properties between (1) Heron and (2) the Vendor and so as to procure the registration of the Vendor as registered proprietor of the Properties with title absolute.

AS
Rd

12. RESTRICTIVE COVENANTS

12.1 In this Clause 11 the following expressions bear the meanings ascribed to them respectively below namely:

12.1.1 "the Business" means the design, manufacture, distribution and sale of glass reinforced plastic products and components and moulds and tools for glass reinforced plastic products and components

12.1.2 "the Prohibited Area" means (i) England and Wales and Scotland and Northern Ireland and Eire and the Channel Isles and (ii) any other country in the world in which the Company has supplied goods or services amounting to 2% or more of the Company's turnover in either or both of the two financial years of the Company preceding Completion.

12.1.3 "the Purchaser's Group" means the Purchaser and each of its Subsidiaries

12.1.4 "the Restricted Business"

(a) the Business; and

(b) and any other business carried on by the Company at the date of Completion.

12.1.5 "Restricted Period"

means the period of three years from Completion

12.2 Each Vendor hereby covenants with the Purchaser to be bound by the following restrictions:

12.2.1 that he will not:-

(a) disclose or permit there to be disclosed (save as authorised by the Purchaser or required by law); or

(b) otherwise make use of for his own benefit or for the benefit of others or to the detriment of the Company or the Purchaser's Group

any of the trade secrets or other confidential information of the Company or the Restricted Business or of any client, customer or supplier of the Company or the Restricted Business, which restrictions shall continue after Completion without limit in point of time but shall cease to apply to any information or knowledge which may come into the public domain other than through any act or default of the Vendors or any of them, and in this Clause 12 trade secrets and

confidential information include without limitation information concerning:-

- (i) finances;
- (ii) prices;
- (iii) business, financial, marketing development or manpower plans;
- (iv) customer lists and details;
- (v) computer systems, software and data;
- (vi) know-how;
- (vii) relationships with actual or potential clients or customers and the needs and requirements of such persons; or
- (viii) business methods;

12.2.2 that if he shall have obtained trade secrets or other confidential information belonging to any third party under an agreement which contained restrictions on disclosure he will not without the previous written consent of the Purchaser at any time infringe such restrictions;

12.2.3 that he will not during the Restricted Period (without the previous written consent of the Purchaser) either on his own account or on account of any other person directly or

indirectly carry on business, or be engaged, concerned, or interested in any company, firm, body, profession or business engaged in supplying goods or services within the Prohibited Area which are the same or substantially the same as the goods or services supplied by the Company in the course of the Restricted Business at Completion or at any time during the Restricted Period;

- 12.2.4 that he will not during the Restricted Period directly or indirectly provide or assist with technical advice any person engaged, concerned or interested at any time during the Restricted Period within the Prohibited Area in supplying goods or services which are the same or substantially the same as the goods or services supplied by the Restricted Business;
- 12.2.5 that he will not during the Restricted Period within the Prohibited Area directly or indirectly (a) solicit in relation to the Restricted Business the custom of or orders from or (b) accept orders in relation to the Restricted Business from any person who on Completion or at any time during the two years immediately preceding Completion was a client or customer of the Company.
- 12.2.6 that he will not during the Restricted Period within the Prohibited Area solicit in relation to the Restricted Business the custom of or orders from any person who on or at any time during the period commencing 1 April 1994 and ending on Completion was negotiating with the Company for the supply of goods or services.

- 12.2.7 that he will not during the Restricted Period within the Prohibited Area interfere or seek to interfere or take such steps as may interfere with the continuance of supplies to the Company (or the terms relating to such supplies) from any suppliers who have been supplying components, materials or services to the Company at any time during the two years immediately preceding Completion.
- 12.2.8 that he will not (without the prior written consent of the Purchaser) during the Restricted Period directly or indirectly employ or engage in any capacity (whether as agent, consultant or otherwise howsoever) on his own behalf or on behalf of any other person any individual employed by or engaged by the Company at Completion earning a basic salary of ~~£15,000~~ or more per annum. AB
Rj
- 12.3 Each Vendor shall procure that all companies and businesses directly or indirectly owned or controlled by him shall be bound by and observe the provisions of this Clause as if they were parties covenanting with the Purchaser.
- 12.4 Each Vendor acknowledges that the Purchaser is accepting the benefit of the covenants contained in this clause both on its own behalf and on behalf of its Subsidiaries with the intention that the Purchaser may claim against any or all of the Vendors on behalf of any such Subsidiary for loss sustained by that Subsidiary as a result of any breach of the covenants contained in this Clause by such Vendor or Vendors.
- 12.5 Nothing in this Clause 12 shall preclude any Vendor from being the owner for investment purposes only of not more than 3% of the equity

share capital of any company listed on The Stock Exchange or for which dealings are permitted on the Unlisted Securities Market.

- 12.6 The restrictions contained in this Clause 12 are considered reasonable by the Vendors in all respects but in the event that any of the said restrictions shall be found or held to be void in circumstances when such restriction would be valid if some part were deleted the parties agree that such restriction shall apply with such deletion as may be necessary to make it valid and effective.
- 12.7 The provisions of Clauses 12.2.1 to 12.2.8 (inclusive) are separate and severable and shall be enforceable accordingly.
- 12.8 Nothing contained in this clause shall preclude the Vendors from performing the services required of them under their respective Service Agreements.

13. GENERAL

- 13.1 This Agreement shall be binding upon and enure for the benefit of the successors in title of the parties ^{or} but benefit of this Agreement and of the Tax Deed may not be assigned by the Purchaser to any person firm or company save to a company which is at the time of such assignment a subsidiary of the Purchaser.
- 13.2 The Vendors shall execute and perform all such further acts, deeds or assurances as may be required for effectually vesting the Shares in the Purchaser and otherwise for fulfilling the provisions of this Agreement.

13.3 The provisions of this Agreement insofar as the same shall not have been performed at Completion shall remain in full force and effect notwithstanding Completion.

13.4 No delay or omission by the Purchaser in exercising any right, power or remedy shall operate as a waiver thereof, and any single or partial exercise thereof shall not preclude any other or further exercise thereof or the exercise of any right, power or other remedy. The rights and remedies of the Purchaser hereunder are cumulative and not exclusive of any right or remedy provided by law.

13.5 Save as otherwise required by law or The Stock Exchange no announcement shall be made by the Vendors in connection with this Agreement unless previously approved in writing by the Purchaser.

13.6.1 Subject to Clause 13.7, all expenses incurred by or on behalf of the parties, including all fees of agents, representatives, solicitors, accountants and actuaries employed by any of them in connection with the negotiation, preparation or execution of this Agreement shall be borne solely by the party who incurred the liability and there shall be no liability in respect of them upon any Group Company.

13.6.2 ~ 13.6.3 see p. 37A

13.7 If the Purchaser determines or rescinds this Agreement under any of its provisions or under the general law, then, in addition to any right or remedy which it may have against any of the Vendors for breach of this Agreement or the Warranties, the Vendors shall indemnify the Purchaser for all costs, charges and expenses reasonably incurred by it in connection with the negotiation, preparation and determination or rescission of this Agreement and all matters which it contemplates unless the Purchaser rescinds this Agreement for a breach of the Warranties under circumstances where the event act or omission giving rise to such

13.6.2 The Vendors shall pay all stamp duty and Land Registry fees on the transfer(s) dated 3 November 1995 of the Properties to the Vendors.

13.6.3 The Vendors shall procure that the Vendors' Solicitors shall submit to HM Land Registry for registration (and deal with any requisition in respect thereof) ~~of~~ the transfer(s) referred to in the preceding sub paragraph and (subject to payment of all Land Registry fees and stamp duty in respect thereof) the transfer(s) of the Properties dated 3 November 1995 made between Hampton Mouldings Limited (1) and the Company (2) and Hampton Mouldings (UK) Limited and the Company (2) so as to procure that the Vendors are registered as registered proprietors of the Properties with title absolute.

breach occurs after the date hereof and under circumstances where such event act or omission is outside the control of the Vendors or any of them in which case each party shall pay its own costs..

- 13.8 This Agreement shall be governed by and construed in accordance with English Law and the parties submit to the jurisdiction of the English Courts.

14. NOTICES

- 14.1 Any notice to be given hereunder shall be in writing and delivered by hand or by first class recorded delivery post or by telex or facsimile letter addressed and sent to the party to be served (in the case of the Vendors) at the address given herein and (in the case of the Purchaser) at its registered office for the time being.
- 14.2 Notice delivered by hand shall be deemed to have been served at the time of actual delivery.
- 14.3 Notice sent by post shall be deemed to have been served at the expiry of 48 hours after posting.
- 14.4 Notices sent by telex or by facsimile shall be deemed to have been served in the case of:-
- 14.4.1 telex, on receipt by the sender of the answerback code of the addressee after transmission of the telex; and
- 14.4.2 facsimile, on production of a transmission report from the machine which sent the facsimile indicating that the facsimile

was sent in its entirety to the facsimile number of the recipient.

AS WITNESS the hands of the parties hereto or their duly authorised representatives the day and year first before written.

Cranhams Park

Cirencester

Gloucestershire

100,000	200,000	6,400,000	100
---------	---------	-----------	-----

SCHEDULE 2

Details of the Company

Part 1 : The Company

Company Number: 2354348

Date of incorporation: 2 March 1989

Share Capital:	Authorised	Issued and Allotted
Divided into 100,000 Ordinary Shares of £1 each 200,000 A Ordinary Shares of £1 each <u>and 200,000 B</u> <u>Ordinary Shares of \$1 each</u>	£300,000 <i>115</i> <i>\$ 200,000</i> <i>Rd</i>	£100,000 Ordinary Shares of £1 each £200,000 A Ordinary Shares of £1 each

Registered Office: Priory Industrial Estate
London Road
Tetbury
Gloucestershire
GL8 8HZ

Directors: D. H. Thomas
R. A. Ruggles
D. T. Rackley

Secretary: R. A. Ruggles

Accounting Reference Date: 31 March

All Subsidiaries: Hampton Mouldings Limited
Hampton Mouldings (UK) Limited

Part 2 : The subsidiaries of the Company

Name of Subsidiary: Hampton Mouldings Limited

Date of Incorporation: 28 March 1963

Company Number: 755277

Share Capital:	Authorised	Issued and Allotted
	£3000	3000 Ordinary Shares of £1 each

Registered Office: Priory Trading Estate
London Road
Tetbury
Gloucestershire
GL8 8HZ

Directors: D.H. Thomas
R.A. Ruggles
D.T. Rackley

Secretary: R.A. Ruggles

Accounting Reference Date: 31 March

Shares held by the Company or (where specified)
by its subsidiaries or its or their nominee : 3000

Hampton Mouldings Group Limited: 3000 Shares

Name of Subsidiary: Hampton Mouldings (UK) Limited

Company Number: 1441381

Date of Incorporation: 2 August 1979

Share Capital:	Authorised	Issued and Allotted
	£1,000	1,000 Ordinary Shares of £1 each

Registered Office: Priory Industrial Estate
London Road
Tetbury
Gloucestershire
GL8 8HZ

Directors: D.H. Thomas
R.A. Ruggles
D.T. Rackley

Secretary: R.A. Ruggles

Accounting Reference Date: 31 March

Shares held by the Company or (where specified)

by its subsidiaries or its or their nominee: 1000

Hampton Mouldings Group Limited: 1000 Shares

SCHEDULE 3

Warranties

1. ACCOUNTS

1.1 The Last Accounts

1.1.1 The Last Accounts were prepared in accordance with the historical cost convention and the bases and policies of accounting adopted for the purposes of preparing the Last Accounts are the same as those adopted in preparing the audited accounts of the Company in respect of the last three preceding accounting periods.

1.1.2 The Last Accounts:

- (a) give a true and fair view of the assets and liabilities of the Company at the Last Accounts Date and of its profits for the financial period ended on that date;
- (b) comply with the requirements of the Companies Acts and other relevant statutes;
- (c) comply with all generally accepted United Kingdom accounting principles (including all relevant Statements of Standard Accounting Practice issued by the Accounting Standards Committee, Financial Reporting Standards issued by the Accounting Standards Board and any applicable pronouncements of the Urgent Issues

Task Force of the Accounting Standards Board)
applicable to a United Kingdom company;

- (d) are not affected by any extraordinary, exceptional or non-recurring item;
- (e) properly reflect the financial position of the Company as at their date;
- (f) fully disclose all the assets of the Company as at their date;
- (g) make full provision or full reserve for all liabilities and properly disclose and quantify any capital commitments of the Company outstanding at the Last Accounts Date, and disclose contingent, unquantified or disputed, liabilities; and
- (h) make full provision or full reserve, for all Taxation liable to be assessed on the Company or for which it may be accountable in respect of the period ended on the Last Accounts Date.

1.1.3 No amount included in the Last Accounts in respect of any asset, whether fixed or current, exceeds its purchase price or production cost (within the meaning of CA 1985 Schedule 4) or (in the case of current assets) its net realisable value on the Last Accounts Date.

1.2 Valuation of stock-in-trade and work in progress

1.2.1 In the Last Accounts ~~and~~ in the accounts of the Company for the three preceding financial years ~~the~~ the stock-in-trade and work in progress of the Company have been treated in accordance with SSAP 9.

HS
R

1.2.2 In the Last Accounts all redundant, obsolete and slow-moving stock-in-trade has been fully written off.

1.3 Depreciation of fixed assets

In the Last Accounts ~~and~~ in the accounts of the Company for the three preceding financial years ~~the~~ the fixed assets of the Company have been depreciated in accordance with SSAP 12.

HS
R

1.4 Deferred taxation

Where provision for deferred taxation is not made in the Last Accounts, full details of the amounts of such deferred taxation have been disclosed in the Disclosure Letter.

1.5 Accounting Reference Date

There has not at any time been any accounting reference date of the Company for the purposes of Section 224 of CA 1985 other than the date specified in Schedule 2 within the last six years.

1.6 Book Debts

- 1.6.1 No part of the amounts included in the Last Accounts, or subsequently recorded in the books of the Company, as owing by any debtors is overdue by more than twelve weeks, or has been released on terms that any debtor pays less than the full book value of his debt or has been written off or has proved to any extent to be irrecoverable or is now regarded by the Company as irrecoverable in whole or in part.
- 1.6.2 So far as the Vendors are aware the amounts due from debtors as at Completion (less the amount of any relevant provision or reserve, determined on the same basis as that applied in the Last Accounts and disclosed in the Disclosure Letter) will be recoverable in full in the ordinary course of business and in any event not later than twelve weeks after Completion; none of those debts is subject to any counter-claim or set off, except to the extent of any such provision or reserve.

1.7 Books and Records

All the accounts, books, ledgers, financial and other records, of whatsoever kind, of the Company:

- 1.7.1 are in its possession;
- 1.7.2 have been fully properly and accurately kept and completed;
- 1.7.3 do not contain any material inaccuracies or discrepancies of any kind; and

- 1.7.4 give and reflect a true and fair view of its trading transactions, and its financial, contractual and trading position.

1.8 Management Accounts

The Management Accounts have been duly and diligently prepared in accordance with generally accepted accounting principles and in a consistent manner (but recognising that no audit has been performed) and the Vendors honestly believe that they represent a fair view of the profits assets and liabilities of the Company for the periods to which they relate.

2. CORPORATE MATTERS

2.1 Directors and shadow directors

- 2.1.1 The only directors of the Company are the persons whose names are listed in relation to the Company in Schedule 2.
- 2.1.2 No person is a shadow director (within the meaning of Section 741 CA 1985) of the Company but is not treated as one of its directors for all the purposes of that Act.

2.2 Subsidiaries, associations and branches

2.2.1 The Company:

- (a) is not the holder or beneficial owner of, nor has agreed to acquire any share or loan capital of, any company (whether incorporated in the United

Kingdom or elsewhere) other than (in the case of the Company) the subsidiaries listed in Part 2 of Schedule 2 ("the Subsidiaries");

- (b) has not outside the United Kingdom any branch, agency or place of business, or any permanent establishment (as the expression is defined in the relevant double taxation relief order current at the date of this Agreement);
- (c) is not in relation to another Undertaking a Parent Undertaking or a Subsidiary Undertaking; and
- (d) has not in relation to another Undertaking any Participating Interest.

2.3 Options over the Company's capital

Except as required by this Agreement, there are no agreements or arrangements in force which provide for the present or future issue, allotment or transfer of, or grant to, any person of the right (whether conditional or otherwise) to call for the issue, allotment or transfer of any share or loan capital of the Company (including any option or right of pre-emption or conversion).

2.4 New issues of capital

No share or loan capital has been issued or allotted, or agreed to be issued or allotted, by the Company since the Last Accounts Date.

2.5 Commissions

No one is entitled to receive from the Company any finder's fee, brokerage or other commission in connection with the sale and purchase of the Shares under this Agreement.

2.6 Memoranda and Articles of Association, statutory books, resolutions and seal

2.6.1 The copy of the Memorandum and Articles of Association of the Company which has been produced to the Purchaser's Solicitors is accurate and complete in all respects and has embodied in it or annexed to it a copy of every such resolution as is referred to in Section 380 of CA 1985.

2.6.2 The register of members and other statutory books of the Company have been properly kept and contain an accurate and complete record of the matters with which they should deal.

2.6.3 No notice or allegation that any of the foregoing is incorrect or should be rectified has been received.

2.6.4 Since the Last Accounts Date no resolution or elective resolution of any kind of the shareholders of the Company has been passed (other than resolutions relating to business at Annual General Meetings which was not special business) and, pending Completion, no resolution shall be passed without the prior written consent of the Purchaser.

2.6.5 The Company has a common seal.

2.7 Documents filed

2.7.1 All returns, particulars, resolutions and documents required by the Companies Acts or any other legislation to be filed with the Registrar of Companies, or any other authority, in respect of the Company have been duly filed and were correct and due compliance has been made with all the provisions of the Companies Acts and other legal requirements in connection with the formation of the Company, the allotment or issue of shares, debentures and other securities, the payment of dividends and the conduct of its business.

2.7.2 All mortgages and charges in favour of the Company have (where necessary in order to secure their enforceability) been duly registered in accordance with the Companies Acts.

2.8 Possession of documents

All title deeds relating to the assets of the Company, and an executed copy of all agreements to which the Company is a party, and the original copies of all other documents which are owned by or which ought to be in the possession of the Company including a copy of every instrument creating or evidencing a charge over any property of the Company are in its possession.

2.9 Investigations

There are not pending, or in existence, any investigations or enquiries by, or on behalf of, any governmental or other body in respect of the affairs of the Company.

2.10 Information disclosed to Purchaser correct

- 2.10.1 All written information given by any of the Vendors, the Vendors' Solicitors or the Vendors' Accountants to the Purchaser's Solicitors or the Purchaser's Accountants in response to written enquiries relating to the business, activities, affairs, or assets or liabilities of the Company was, when given, and is now accurate and comprehensive in all respects.
- 2.10.2 All statements of fact contained in Sections 2,3, 6 and 7 in the GWB Report are true and accurate.
- 2.10.3 The contents of the Disclosure Letter and of all documents accompanying it and referred to in it are true and accurate in all respects and fully, clearly, accurately and comprehensively disclose every matter to which they relate.
- 2.10.4 The information contained in Schedule 2 is true accurate and complete in all respects.
- 2.10.5 The Company, or (where specified) a Subsidiary of the Company, is the sole beneficial owner of all the issued and allotted shares of the Subsidiaries of the Company listed in Part 2 of Schedule 2.

2.11 Vendors' authority and good title to the Shares

- 2.11.1 Each Vendor has, and will at Completion have, full power and authority to enter into and perform this Agreement and the Tax Deed which constitute, or when executed will constitute, binding obligations on him in accordance with their respective terms.
- 2.11.2 The Shares are fully paid or are credited as fully paid and constitute and will at Completion constitute the whole of the issued and allotted share capital of the Company.
- 2.11.3 There is, and at Completion will be, no pledge, lien, option or other encumbrance on, over or affecting the Shares and there is, and at Completion will be, no agreement or arrangement to give or create any such encumbrance and no claim has been or will be made by any person to be entitled to any of the foregoing.
- 2.11.4 The Vendors are entitled to transfer the full legal and beneficial ownership of the Shares to the Purchaser on the terms of this Agreement without the consent of any third party.

3. TAXATION

3.1 Administration

- 3.1.1 The Last Accounts reserve or provide in full for all Taxation for which the Company was at the Last Accounts Date liable or able to be made liable including deferred Taxation.
- 3.1.2 The Company has duly and punctually paid all Taxation which it has become liable to pay or for which it has become liable to account and is under no liability (and has not within the 6 years prior to the date hereof been liable) to pay any penalty, fine, surcharge or interest in connection with any Taxation.
- 3.1.3 All payments by the Company to any person which ought to have been made under deduction of Taxation have been so made and the Company has if required by law to do so accounted to the relevant Taxation Authority for the Taxation so deducted.
- 3.1.4 The Company has operated the Pay As You Earn system accurately and correctly and has complied with all its reporting obligations to the Inland Revenue and the Contributions Agency in connection with benefits provided for employees and former employees of the Company.
- 3.1.5 All returns which should have been made by the Company for any Taxation purpose have been made, were and remain correct and complete in all material respects, were made on a proper basis and are not nor are likely to be the subject of any dispute with any Taxation Authority; the computations and returns have been agreed with or are the subject of a determination by the relevant

Taxation Authority and the Company has provided all information required to be provided under the Taxation Statutes or pursuant to any notice served thereunder.

- 3.1.6 The Company is not involved in any dispute with or subject to any enquiry or investigation by any Taxation Authority.
- 3.1.7 No Taxation Authority has agreed to operate any special arrangement (being an arrangement which is not based on a strict application of the relevant legislation) in relation to the Company's affairs, whether in respect of benefits provided by the Company to its officers or employees, or in relation to the valuation of stocks or depreciation of assets or in respect of any administrative or other matter whatsoever.
- 3.1.8 The Company has not participated in or operated any payroll deduction scheme as defined in Section 202 ICTA or any scheme approved, or for which approval has been or is to be sought, under Chapter III of Part V ICTA (profit related pay).
- 3.1.9 All statements and disclosures made to any authority in connection with any provision of the Taxation Statutes were when made and remain complete and accurate in all material respects.
- 3.1.10 The Company has sufficient records relating to past events to calculate the Taxation or the relief which would arise on any disposal or on the realisation of any assets owned at the Last Accounts Date or acquired since that date.

3.2 Status of the Company

3.2.1 The Company is and has always been resident in the United Kingdom for Taxation purposes.

3.2.2 The Company is not and has at no time been an investment company, an investment trust company or a venture capital trust for the purposes of the Taxation Statutes.

3.2.3 The Company is not nor at any time has had an associated company for the purposes of the Taxation Statutes.

3.3 Capital Gains

3.3.1 If each of the capital assets of the Company was disposed of for a consideration equal to the book value of the asset in, or adopted for the purpose of the Last Accounts, no liability for corporation tax on capital gains would arise and for this purpose there shall be disregarded any relief and allowances available other than amounts falling to be deducted under Section 38 TCGA (Expenditure: general).

3.3.2 Save as provided for in the Last Accounts the Company has not made any claim and is not entitled to make any claim under Section 279 TCGA (Relief in respect of delayed remittances of gains) or Section 585 ICTA (Relief from tax on delayed remittances).

3.3.3 There has not accrued any gain in respect of which the Company may be liable to corporation tax by virtue of the provisions of Section 13 TCGA (Non-resident company).

- 3.3.4 Neither the Company nor any company which was a member of the same group of companies at the relevant time has made any claim under Sections 152 and 153 TCGA (Replacement of business assets) as respects the consideration for the disposal of or of its interest in any assets which are defined in the said Section 152(1) as "the old assets".
- 3.3.5 The Company has not received any asset by way of gift or by way of bargain not at arm's length to which Section 165 or Section 282 TCGA has applied or could apply and will not receive any such asset before Completion.
- 3.3.6 Save for the distribution in specie of the Properties by the Company on 3 November 1995 to the Vendors, since the Last Accounts Date there has not been any transaction in respect of which the Company is or may become liable to Taxation under the corporation tax provisions relating to capital gains and the Company will not before Completion enter into any such transaction without the prior written consent of the Purchaser.
- 3.3.7 The Company has not been a party to or involved in any scheme or arrangements whereby the value of any asset has been materially reduced so that on a disposal of the asset by the Company Sections 29 to 34 TCGA (Capital gains: value shifting) may be applicable.
- 3.3.8 No gain chargeable to corporation tax will accrue to the Company on the disposal or satisfaction of a debt by reason of Section 251 TCGA (Debts).

- 3.3.9 No part of the consideration given by the Company for a new holding of shares (within the meaning of Section 126 TCGA (Application of Sections 127 to 130)) will be disregarded by virtue of Section 128(2) TCGA.
- 3.3.10 The Company has not been a party to or involved in any share for share exchange nor any scheme of reconstruction or amalgamation such as are mentioned in Sections 135 and 136 TCGA or Section 139 TCGA under which shares or debentures have been issued or any transfer of assets effected.
- 3.3.11 The Company has not effected or been concerned in any demerger such as is mentioned in Section 213 ICTA.
- 3.3.12 The Company has not made any election under Section 35(5) TCGA or paragraph 4 Schedule 2 TCGA.
- 3.3.13 Save for the distribution in specie of the Properties by the Company on 3 November 1995 to the Vendors, the Company has not disposed of or acquired any asset in circumstances falling within Section 17 TCGA and is not entitled to any capital loss to which Section 18(3) TCGA will apply.
- 3.3.14 The Company is not liable and no circumstances exist whereby the Company may become liable to be assessed to any Taxation under the provisions of Section 189 or Section 190 TCGA.
- 3.3.15 No loss which has arisen or may arise on the disposal by the Company of shares in or securities of any company is liable to be disallowed in whole or in part by virtue of Section 176 or Section 177 TCGA.

- 3.3.16 The Company has not ceased to be a member of a group of companies for the purposes of Sections 178 and 179 TCGA (Deemed disposal of a chargeable asset) otherwise than as part of a merger to which Section 181 TCGA applies.
- 3.3.17 The Company does not own any asset which was acquired from another company which was at the time a member of a group of companies for the purposes of Sections 178 and 179 TCGA.
- 3.3.18 The execution or completion of this Agreement will not result in any profit or gain being deemed to accrue to the Company for Taxation purposes.

3.4 Profits and losses

- 3.4.1 Since the Last Accounts Date the Company has not made any payment of an income nature which will not be deductible for corporation tax purposes, either in computing the taxable profits of the Company or in computing the corporation tax chargeable on the Company.
- 3.4.2 No provision has been made in the Last Accounts which will not be allowable for Taxation purposes.
- 3.4.3 No change of ownership of the Company has taken place in circumstances such that Section 768 ICTA (Change in ownership of Company: disallowance of trading losses) has been or may be applied to deny relief for a loss or losses or excess charge or charges incurred by the Company and, within the period of three years ending with the date of this Agreement, there has been no

major change in the nature or conduct of any trade or business carried on by the Company, nor has the scale of the activities in any trade or business carried on by the Company at any time become small or negligible for the purposes of the Section.

3.4.4 No change in ownership of the Company nor any major change in the nature or conduct of any trade or business carried on by the Company has occurred in circumstances such that Section 245 ICTA (Calculation of ACT on change of ownership) has been or may be applied.

3.4.5 The Company has not made and is under no obligation under which it is, or at any time may become, liable to make any payment of an income nature which has not been and will or may not be allowable in full for corporation tax purposes or which may be disallowed as a deduction, as a set off or as a charge on income or otherwise be unrelieved for corporation tax purposes whether by virtue of Section 787 ICTA (Restriction of relief for payments of interest) or Section 125 ICTA (Annual payments for non-taxable consideration) or otherwise.

3.4.6 Save for the transfer of the Properties by the Company to the Vendors on 3 November 1995 and their subsequent lease back to the Company, the Company has not entered into any such transaction as is mentioned in Sections 779 and 780 ICTA (Sale and leaseback).

3.4.7 The Company has not effected or entered into any act, transaction or arrangement of any nature whereby it has incurred, or may hereafter incur, any liability under or by virtue of any of Sections 781 to 784 ICTA.

- 3.4.8 Save as referred to in the Disclosure Letter the Company has not surrendered or claimed nor agreed to surrender or claim any amount by way of group relief under the provisions of Chapter IV of Part X of ICTA (Group relief).
- 3.4.9 The Company is not, and has not at any time been, party to any arrangements falling within Section 410 ICTA (Arrangements for transfer of company to another group or consortium).
- 3.4.10 The Company is not, and will not become, liable to make any payment for an amount surrendered by any other company under or in connection with the provisions of Sections 240 and 402 ICTA or Section 102 Finance Act 1989.
- 3.4.11 Save as referred to in the Disclosure Letter the Company has not in the past six years surrendered or claimed any ACT under the provisions of Section 240 ICTA (Set-off of company's surplus ACT against subsidiary's liability to corporation tax).
- 3.4.12 Save as referred to in the Disclosure Letter the Company has not surrendered or agreed to surrender any tax refund under the provisions of Section 102 Finance Act 1989.
- 3.4.13 The Disclosure Letter contains particulars of all elections made by the Company under Section 247 ICTA which are now in force.
- 3.4.14 No capital allowances have been claimed by the Company which are liable to be reduced or withdrawn by virtue of Sections 1(6), 42 or 47 Capital Allowances Act 1990.

o balancing charge under the Capital Allowances Act 1990 (under other legislation relating to any capital allowances) would be made on the Company on the disposal of any asset, or of any pool of assets (that is to say all those assets expenditure relating to which would be taken into account in computing whether a balancing charge would arise on a disposal of any other of those assets), on the assumption that the disposals are made for a consideration equal to the book value shown in or adopted for the purpose of the Last Accounts for each of the assets.

The Company has not since the Last Accounts Date done or omitted to do, or agreed to do, or permitted to be done, any act as a result of which there may be made a balancing charge or a withdrawal of first year allowances under any provision of the Capital Allowances Act 1990 or recovery of excess relief under Sections 46 and 47 Capital Allowances Act 1990.

- 7 The Disclosure Letter gives details of all qualifying assets, qualifying liabilities, currency contracts and qualifying contracts of the Company or to which it is a party to which the provisions of Chapter II of Part II Finance Act 1993 (Exchange Gains and Losses) or Chapter II of Part IV Finance Act 1994 (Interest Rate and Currency Contracts) apply or may apply.

Inheritance Tax

- 5.1 The Company has not entered into any transaction which has or may give rise to a direct or indirect charge to inheritance tax.

3.5.2 The Company is not liable to be assessed to inheritance tax by virtue of Part VII Inheritance Tax Act 1984.

3.5.3 No circumstances exist whereby any person could have the power to raise an amount of inheritance tax by sale or mortgage of or by a terminable charge on any of the Shares or assets of the Company as specified in Section 212 Inheritance Tax Act 1984.

3.5.4 None of the Shares or assets of the Company is subject to an Inland Revenue charge within Section 237 Inheritance Tax Act 1984.

3.5.5 The Company is not entitled to an interest in possession in settled property.

3.6 Stamp Duty and Stamp Duty Reserve Tax

3.6.1 All instruments (other than those which have ceased to have any legal effect) to which the Company is a party or in the enforcement of which the Company is interested and which, whether in the United Kingdom or elsewhere, attract either stamp duty or require to be stamped with a particular stamp denoting that no duty is chargeable or that the document has been produced to the appropriate authority, have been properly stamped; and no such documents which are outside the United Kingdom would attract stamp duty if they were brought into the United Kingdom.

3.6.2 The Company has duly paid all stamp duty reserve tax for which it has at any time been liable.

3.7 Anti Avoidance

- 3.7.1 Save for the distribution in specie of Properties by the Company to the Vendors on 3 November 1995 and the issue of 200,000 A ordinary shares of £1.00 each by way of stock dividend on 7th November 1995, the Company has not entered into or been a party to any schemes or arrangements designed partly or wholly for the purpose of avoiding or deferring Taxation. 15
- 3.7.2 No gain of a capital nature as defined in Section 776 ICTA (Transactions in land: taxation of capital gains) has been realised from the disposal of land in respect of which the Company could be assessed to Taxation under the provisions of that Section.
- 3.7.3 The Company has not obtained any tax advantage in consequence of any transaction in securities to which the provisions of Section 703 ICTA (Cancellation of tax advantage) apply.

3.8 Overseas Elements

- 3.8.1 The Company has never been resident or treated for the purposes of any double taxation arrangements having effect by virtue of Section 788 ICTA as being resident in a territory outside the United Kingdom nor does it carry on any trading activities outside the United Kingdom.
- 3.8.2 The Company has not transferred a trade carried on by it outside the United Kingdom in circumstances such that a chargeable gain may be deemed to arise at a date after such transfer under

Section 140 TCGA (Postponement of charge on transfer of assets to non-resident company).

- 3.8.3 The Company has not been a party to any election made under Section 187(1)(b) TCGA.
- 3.8.4 No company over which the Company had control or which was a member of the same group of companies as the Company has ceased to be resident in the United Kingdom.
- 3.8.5 The Company does not have an overseas subsidiary.
- 3.8.6 The Company is not a member of an overseas partnership.
- 3.8.7 The Company has not entered into any unlawful transaction under Section 765 ICTA (Migration of companies).
- 3.8.8 The Company has not received foreign loan interest on which double taxation relief will or may be restricted under Section 798 ICTA (Interest on certain overseas loans).
- 3.8.9 The Company does not have and never has had an interest in a controlled foreign company within the meaning of Section 747 ICTA (Imputation of chargeable profits and creditable tax of foreign controlled companies).
- 3.8.10 The Company has not and has at no time had for the purposes of Chapter V of Part XVII ICTA an interest in an offshore fund which is or has at any time been a non qualifying offshore fund.

3.8.11 The Company will not at Completion have any liability for any Taxation outside the United Kingdom.

3.8.12 The Company has not been a party to any transaction to which Sections 140A to 140D TCGA apply.

3.9 Close Companies

3.9.1 The Company has not made any such transfer as is referred to in Section 125 TCGA (Transfer of assets at an undervalue).

3.9.2 The Company is not liable to be assessed to inheritance tax by virtue of Section 202(1) Inheritance Tax Act 1984.

3.9.3 No distributions within Section 418 ICTA (Additional matters to be treated as distributions) have been made by the Company.

3.9.4 No loan or advance within Section 419 ICTA (Loans to participators etc) has been made or agreed to by the Company and the Company has not since the Last Accounts Date released or written off the whole or part of the debt in respect of any such loan or advance.

3.10 Value Added Tax

3.10.1 The Company is duly registered for value added tax purposes in the United Kingdom and is not registered or liable to be registered for such purposes in any territory outside the United Kingdom.

- 3.10.2 The Company has complied with all requirements of the Taxation Statutes relating to value added tax has maintained complete, correct and up to date records, invoices and other necessary documents, has not received a surcharge liability notice under Section 59 Value Added Tax Act 1994 (default surcharge) or a penalty liability notice under Section 64 Value Added Tax Act 1994 (serious mis-declaration resulting in understatements or overclaims) and has not been required by H M Commissioners of Customs and Excise to give any security.
- 3.10.3 The Company is not a member of a group of companies pursuant to Section 43 Value Added Tax Act 1994 for value added tax purposes and never has been a member of a group for such purposes.
- 3.10.4 The Company has not made any exempt supplies in consequence of which it is or will be unable to obtain credit for all input tax paid by it during any VAT accounting period (as prescribed in Regulation 58 of the VAT (General) Regulations 1985) ending after the Last Accounts Date.
- 3.10.5 No circumstances exist whereby the Company would or might become liable for value added tax as an agent or otherwise by virtue of Section 47 Value Added Tax Act 1994 (Agents etc.).
- 3.10.6 The Disclosure Letter contains copies of all elections to waive exemption which have been submitted to Customs and Excise (together with acknowledgements thereof from Customs and Excise) by the Company (or a relevant associate for the purposes of paragraph 2(1) Schedule 10 Value Added Tax Act 1994).

- 3.10.7 The Disclosure Letter sets out the input tax incurred in respect of each capital item to which Part VA of the Value Added Tax (General) Regulations 1985 (Capital goods scheme) applies (irrespective of whether credit was obtained for all such input tax) and in respect of each item the extent to which it was used in making taxable supplies in the first interval for the purposes of Regulation 37D.

3.11 General

- 3.11.1 Save for the issue of 200,000 A ordinary shares of £1.00 each on 7th November 1995 by way of stock dividend, the Company has not issued any share capital to which the provisions of Section 249 ICTA (Stock dividends treated as income) could apply nor does it own any such share capital. Rg.
- 3.11.2 No security issued by the Company and remaining in issue at the date of this Agreement was issued in such circumstances that the interest payable thereon falls to be treated as a distribution under Section 209 ICTA (Meaning of distribution).
- 3.11.3 The Company has not issued or acquired any deep discount securities as defined in Schedule 4 ICTA, any deep gain securities as defined in Schedule 11 Finance Act 1989, any qualifying convertible securities as defined in paragraph 2 Schedule 10 Finance Act 1990, any securities to which any of the provisions of Section 710 to 728 ICTA (Accrued income scheme) or any qualifying debt to which Sections 60 to 66 Finance Act 1993 could apply or have applied.

3.11.4 The Company has not at any time:

- (a) repaid, purchased or redeemed or agreed to repay, purchase or redeem any shares of any class of its share capital or otherwise reduced or agreed to reduce its share capital or any class thereof, or
- (b) Save for the issue of 200,000 A ordinary shares of £1.00 each on 7th November 1995 by way of stock dividend, capitalised or agreed to capitalise in the form of shares, debentures or other securities or in paying up any amounts unpaid on any shares, debentures or other securities any profits or reserves of any class or description or passed or agreed to pass any resolution to do so.

3.11.5 Save for the distribution in specie of the Properties by the Company on 3 November 1995 to the Vendors, since the Last Accounts Date the Company has not carried out or entered into any transactions and no other event has occurred in consequence of which (whether alone or together with any one or more transactions or events occurring on or after the date of this Agreement) any liability to Taxation of the Company has arisen or will or may arise (or would have arisen or would or might arise but for the availability of any relief, allowance, deduction or credit) other than corporation tax on actual income (and not chargeable gains or deemed income) of the Company arising from transactions entered into in the ordinary course of business.

FINANCE**4.1 Capital Commitments**

There were no commitments on capital account outstanding at the Last Accounts Date and since the Last Accounts Date the Company has not made or agreed to make any capital expenditure, or incurred or agreed to incur any capital commitments nor has it disposed of or realised any capital assets or any interest therein.

4.2 Dividends and distributions

4.2.1 Save for the distribution in specie of the Properties by the Company to the Vendors on 3 November 1995 and the issue of 200,000 A Ordinary Shares by way of stock dividend
7 November declared on 31 October 1995, since the Last Accounts Date no dividend or other distribution (as defined in ICTA Chapter II of Part VI as extended by Section 418 ICTA) has been or is treated as having been declared, made or paid by the Company.

4.2.2 All dividends or distributions declared, made or paid by the Company have been declared, made or paid in accordance with its Articles of Association and the applicable provisions of the Companies Acts.

4.3 Bank and other borrowings

4.3.1 Full details of all limits on the Company's bank overdraft facilities are accurately set out in the Disclosure Letter.

- 4.3.2 The total amount borrowed by the Company from each of its bankers does not exceed its respective overdraft facilities.
- 4.3.3 The total amount borrowed by the Company (as determined in accordance with the provisions of the relevant instruments) does not exceed any limitations on its borrowing powers contained in its Articles of Association or in any debenture or other deed or document binding upon it.
- 4.3.4 The Company has no outstanding loan capital, nor has it agreed to create or issue any such loan capital; the Company has not factored any of its debts, or engaged in financing of a type which would not require to be shown or reflected in the Last Accounts, or borrowed any money which it has not repaid, save for borrowings not exceeding the amounts shown in the Last Accounts.
- 4.3.5 The Company has not since the Last Accounts Date repaid or become liable to repay any loan or indebtedness in advance of its stated maturity.
- 4.3.6 The Company has not received notice (whether formal or informal) from any lenders of money to it, requiring repayment or intimating the enforcement of any security the lender may hold over any of its assets; and there are no circumstances likely to give rise to any such notice.

4.4 Loans by and debts due to the Company

The Company has not lent any money which has not been repaid to it, nor does the Company own the benefit of any debt (whether or not due

for payment), other than debts which have arisen in the ordinary course of its business; and the Company has not made any loan or quasi-loan contrary to the Companies Acts.

4.5 Liabilities

4.5.1 There are no liabilities (including so far as the Vendors are aware contingent liabilities) which are outstanding on the part of the Company other than those liabilities disclosed in the Last Accounts or incurred in the ordinary and proper course of trading since the Last Accounts Date.

4.5.2 There has been no exercise, purported exercise or claim in respect of any charge, lien, encumbrance or equity over any of the fixed assets of the Company; and there is no dispute directly or indirectly relating to any of its fixed assets.

4.5.3 The Company has not been the tenant of, or a guarantor in respect of, any leasehold property other than the Properties.

4.6 Working Capital

Having regard to existing bank and other facilities and assuming that the same continue in force after completion, the Company has sufficient working capital for the purposes of continuing to carry on its business in its present form and at its present level of turnover for the period of twelve months after Completion and for the purposes of executing, carrying out and fulfilling, in accordance with their terms, all orders, projects and contractual obligations which are binding upon it and remain outstanding.

4.7 Government grants

4.7.1 Full details of all grants, subsidies or financial assistance applied for or received by the Company from any governmental department or agency or any local or other authority are set out in the Disclosure Letter.

4.7.2 The Company has not done or omitted to do any act or thing which could result in all or any part of any investment grant, employment subsidy or other similar payment made or due to be made to it becoming repayable or being forfeited or withheld in whole or in part.

5. TRADING

5.1 Changes since Last Accounts Date

5.1.1 Since the Last Accounts Date:

- (a) the business of the Company has been continued in the ordinary and normal course;
- (b) there has been no deterioration in the turnover or so far as the Vendors are aware the financial or trading position of the Company;
- (c) so far as the Vendors are aware, the Company has not by doing or omitting to do anything prejudiced its goodwill;

- (d) so far as the Vendors are aware no part of the business of the Company has been affected by any abnormal factor not affecting similar businesses to a like extent;
- (e) the Company has paid its creditors in accordance with their respective credit terms and there are no amounts owing by the Company which have been due for more than six weeks.

5.2 Vendors' other interests and liabilities to the Company

5.2.1 The Vendors do not have any rights or interests, directly or indirectly, in any business other than that now carried on by the Company which are or are likely to be or become competitive with the business of the Company, save as registered holder or beneficial owner of any class of securities of any company which is listed on The Stock Exchange or dealt in on the Unlisted Securities Market or the Third Market, and in respect of which a Vendor holds and is beneficially interested in less than 3 per cent of any single class of the securities in that company.

5.2.2 There is no outstanding indebtedness of any Vendor or any Associate to the Company, nor has any been assumed by the Company on behalf of any Vendor or any Associate.

5.3 Effect of Sale of Shares

5.3.1 The Vendors have no knowledge, information or belief that after Completion (whether by reason of an existing

agreement or arrangement or otherwise) or as a result of the proposed acquisition of the Company by the Purchaser:

- (a) any supplier of the Company will cease or be entitled to cease supplying it or may substantially reduce its supplies to it;
- (b) any customer of the Company will cease or be entitled to cease to deal with it or may substantially reduce its existing level of business with it;
- (c) the Company will lose the benefit of any right or privilege which it enjoys;
- (d) any officer or senior employee of the Company will leave.

5.3.2 Compliance with the terms of this Agreement does not and will not:-

- (a) conflict with, or result in the breach of, or constitute a default under, any of the terms, conditions or provisions of any agreement or instrument to which the Company is a party, or any provision of the Memorandum or Articles of Association of the Company or any encumbrance, lease, contract, order, judgment, award, injunction, regulation or other restriction or obligation of any kind or character by which or to

which any asset of the Company is bound or subject;

- (b) relieve any person from any obligation to the Company (whether contractual or otherwise), or enable any person to determine any such obligation or any right or benefit enjoyed by the Company, or to exercise any right, whether under an agreement with or otherwise in respect of the Company;
- (c) result in the creation, imposition, crystallisation or enforcement of any encumbrance whatsoever on any of the assets of the Company;
- (d) result in any present or future indebtedness of the Company becoming due and payable prior to its stated maturity.

5.4 Conduct of Business in accordance with Memoranda and Articles of Association

5.4.1 The Company has at all times carried on business and conducted its affairs in all respects in accordance with its Memorandum and Articles of Association for the time being in force and any other documents to which it is or has been a party.

5.4.2 The Company is empowered and duly qualified to carry on business in all jurisdictions in which it now carries on business.

5.5 Joint Ventures and Partnerships

The Company is not, nor has it agreed to become, a member of any joint venture, consortium, partnership or other unincorporated association; the Company is not, nor has it agreed to become, a party to any agreement or arrangement for sharing commissions or other income.

5.6 Agreements relating to the Management and Business

There are no arrangements or understandings (whether legally enforceable or not) between the Company and any person who is a shareholder or former shareholder of the Company, or the beneficial owner of any interest in the Company, or in any company in which the Company is interested, or any Associate of the Company relating to the management of the Company's business, or the appointment or removal of directors of the Company, or the ownership or transfer of ownership or the letting of any of the assets of the Company, or the provision, supply or purchase of finance, goods, services or other facilities to, by or from the Company, or in any other respect relating to its affairs.

5.7 Agency Agreements and agreement restricting business

5.7.1 The Company is not a party to any agency, distributorship, marketing, purchasing, manufacturing or licensing agreement or arrangement, or any restrictive trading or other agreement or arrangement pursuant to which any part of its business is carried on, or which in any way restricts its freedom to carry on the whole or any part of its business in any part of the world in such manner as it thinks fit.

- 5.7.2 The Company is not party to any undertaking or assurance given to any court or governmental agency which is still in force.

5.8 Unfair trade and restrictive practices

- 5.8.1 So far as the Vendors are aware the Company has not committed or omitted to do any act or thing which could give rise to any fine or penalty; nor so far as the Vendors are aware is the Company a party to any agreement, practice or arrangement which in whole or in part:

- (a) contravenes the provisions of the Trade Descriptions Act 1968 and 1972;
- (b) would or might result in a reference of a consumer trade practice, within the meaning of Section 13 of the Fair Trading Act 1973, or be liable to reference to the Consumer Protection Advisory Committee under Part II of the said Act;
- (c) contravenes the provisions of the Consumer Credit Act 1974;
- (d) contravenes or is invalidated (in whole or in part) by or is subject to registration under the Restrictive Trade Practices Acts 1976 and 1977;
- (e) contravenes any provisions of the Treaty of Rome;

- (f) contravenes any other anti-trust, anti-monopoly or anti-cartel legislation or regulations.

5.8.2 The Company has not engaged in any anti-competitive practice as defined in the Competition Act 1980.

5.9 Litigation, disputes and winding up

5.9.1 The Company is not engaged in any litigation or arbitration proceedings as plaintiff or defendant; there are no proceedings pending or threatened either by or against the Company; and so far as the Vendors are aware there are no circumstances which are likely to give rise to any litigation or arbitration.

5.9.2 There is no dispute with any government or any agency or body acting on behalf of such government or any other authority in the United Kingdom or elsewhere in relation to the affairs of the Company, and so far as the Vendors are aware there are no facts or circumstances which may give rise to any dispute.

5.9.3 There are no claims pending or threatened or so far as the Vendors are aware capable of arising against the Company by an employee, independent contractor or any other third party, in respect of any accident, disease, illness or injury, which are not fully covered by insurance.

5.9.4 No order has been made or petition presented or resolution passed for the winding up of the Company; nor has any distress, execution or other process been levied in respect of

the Company which remains undischarged; nor is there any unfulfilled or unsatisfied judgment or court order outstanding against the Company.

5.10 Compliance with statutes

5.10.1 Subject to paragraphs 5.8 and 5.11 the Company and its officers, agents or employees (during the course of their duties in relation to it) have not committed or omitted to do any act or thing the commission or omission of which is, or could be, in contravention of any act, order, regulation or the like (whether of the United Kingdom or elsewhere) giving rise to any fine, penalty, default proceedings or other liability on the part of the Company and/or its officers.

5.10.2 Subject to paragraphs 5.8 and 5.11 the Company has conducted and is conducting its business in all respects in accordance with all applicable laws and regulations whether of the United Kingdom or elsewhere.

5.10.3 The Company does not carry on (and has not, at any time when not an authorised person under Chapter III Financial Services Act 1986 carried on) investment business in the United Kingdom within the meaning of Section 1 of the Financial Services Act 1986.

5.11 Data Protection

5.11.1 So far as the Vendors are aware the Company has duly complied with all relevant requirements of the Data

Protection Act 1984 including compliance with the following:

- (a) the data protection principles established in that Act;
- (b) requests from data subjects for access to data held by it;
- (c) the requirements relating to the registration of data users.

5.11.2 The Company has not received a notice or allegation from either the data protection registrar or a data subject alleging non-compliance with the data protection principles or prohibiting the transfer of data to a place outside the United Kingdom.

5.11.3 No individual has claimed, or so far as the Vendors are aware will have the right to claim, compensation from the Company under that Act for loss or unauthorised disclosure of data.

5.12 Documents stamped

[Not used]

5.13 Business names

The Company does not use a name for any purpose other than its full corporate name.

5.14 Transactions involving directors

The Company has not been a party to any transaction to which any of the provisions of Sections 320, 322A or 330 CA 1985 may apply.

5.15 Powers of attorney and authority

5.15.1 No power of attorney given by the Company is in force.

5.15.2 There are not outstanding any authorities (express or implied) by which any person other than the directors may enter into any contract or commitment to do anything on behalf of the Company.

5.16 Licences and consents

5.16.1 The Company has obtained all necessary licences and consents from any person, authority or body for the proper carrying on of its business (short particulars of each licence and consent being set out in the Disclosure Letter) and all the licences and consents are valid and subsisting.

5.16.2 The Company is not in breach of any of the terms or conditions of any of the licences or consents; and so far as the Vendors are aware there are no factors that might in any way prejudice the continuation or renewal of any of them.

5.17 **Subsisting contracts**

5.17.1 The Company is not a party to any contract, transaction, arrangement or liability which:

- (a) is of an unusual or abnormal nature or outside the ordinary and proper course of business;
- (b) is of a long-term nature (that is, unlikely to have been fully performed in accordance with its terms more than six months after the date on which it was entered into or undertaken) accurate details of which are not contained in the GWB Report;
- (c) so far as the Vendors are aware is of a loss-making nature (that is, likely to result in a loss to it on completion of performance);
- (d) cannot readily be fulfilled or performed by it on time without undue or unusual expenditure of money, effort or personnel;
- (e) involves payment by it of amounts determined by reference to fluctuations in the index of retail prices or any other index or in the rate of exchange for any currency;
- (f) is a contract for hire or rent, hire purchase or purchase by way of credit sale or periodical payment;

- (g) so far as the Vendors are aware involves or is likely to involve obligations or liabilities which by reason of their nature or magnitude ought reasonably to be made known to an intending purchaser of the Shares.

5.18 Defaults under agreement by the Company

5.18.1 The Company is not:

- (a) in default under any agreement or covenant to which it is a party or in respect of any other obligations or restrictions binding upon it;
- (b) in default under any obligations existing by reason of membership of any association or body;
- (c) liable in respect of any representation or warranty (whether express or implied) or any matter giving rise to a duty of care on its part.

5.18.2 No threat or claim of default under any agreement, instrument or arrangement to which the Company is a party has been made and is outstanding against it and so far as the Vendors are aware there is nothing whereby any such agreement, instrument or arrangement may be prematurely terminated or rescinded by any other party or whereby the terms thereof may be worsened.

5.19 Other party's defaults

No party to any agreement with or under an obligation to the Company is in default under it, being a default which would be material in the context of its financial or trading position and so far as the Vendors are aware there are no circumstances likely to give rise to such a default.

5.20 Outstanding Offers

No offer, tender or the like is outstanding which is capable of being converted into an obligation of the Company by acceptance or other act of some other person, firm or company and which, if so converted, would lead or be likely to lead to a loss upon full performance by the other party.

5.21 Defective products or services

The Company has not manufactured, sold or supplied products or services which are or were or so far as the Vendors are aware will become in any material respect faulty or defective or which did not at the time of their supply comply in any material respect with any warranties or representations expressly or impliedly (whether by statute common law or otherwise) made by it or with all applicable regulations, standards and requirements.

5.22 Purchases and sales from or to one party

During the period of 18 months ending on 30 September 1995 neither more than 25 per cent of the aggregate amount of all the purchases, nor more than 10 per cent of the aggregate amount of all the sales, of the

Company are obtained or made from or to the same supplier or customer (including any person in any way connected with such supplier or customer) nor so far as the Vendors are aware is any material source of supply to the Company, or any material outlet for the sales of the Company, in jeopardy or likely to be in jeopardy.

5.23 Guarantees and indemnities

There is not now outstanding in respect of the Company any guarantee, or agreement for indemnity or for suretyship, given by it or for its accommodation.

5.24 Insider contracts

5.24.1 There is not now outstanding and there has not at any time during the three years prior to the date of this Agreement been outstanding, any contract or arrangement to which the Company is a party and in which any Vendor, Associate or any director of the Company is or has been interested, whether directly or indirectly.

5.24.2 The Company is not a party to, nor have its profits or financial position during the three years prior to the date of this Agreement been materially affected by, any contract or arrangement which is not of an entirely arm's length nature.

5.25 Management reports

There have been no reports concerning and commissioned by or on behalf of the Company by financial or management consultants within the period of three years prior to the date of this Agreement.

6.

EMPLOYMENT

6.1 Employees and Terms of Employment

- 6.1.1 Full particulars of the identities, dates of commencement of employment or appointment to office, and the terms and conditions of employment of all the employees and officers of the Company, including (without limitation) profit sharing, commission or discretionary bonus arrangements, are fully and accurately set out in the Disclosure Letter.
- 6.1.2 There are no agreements or other arrangements (whether or not legally binding) between the Company and any trade union or other body representing employees.
- 6.1.3 No contract of service exists between the Company and a director or employee in relation to which any relevant requirements of Section 319 CA 1985 have not been fulfilled.

6.2 Bonus Schemes

- 6.2.1 There are no schemes in operation by, or in relation to, the Company whereunder any employee of the Company is entitled to a commission or remuneration of any other sort, calculated by reference to the whole or part of the turnover, profits or sales of the Company.
- 6.2.2 The Company has not registered a profit-related pay scheme under the provision of Part V Chapter III of ICTA.

6.3 Changes in remuneration

6.3.1 During the period to which the Last Accounts relate and since the Last Accounts Date or (where the relevant employment or holding of office commenced after the beginning of such period) since the commencing date of the employment or holding of office:

- (a) no change has been made in the rate of remuneration, or the emoluments or pension benefits, of any officer, ex-officer or senior executive of the Company (a senior executive being a person in receipt of remuneration in excess of £15,000 per annum);
- (b) no change has been made in any other terms of employment of any officer or senior executive.

6.3.2 The Company is not bound nor accustomed to pay any monies other than in respect of remuneration or emoluments of employment or pension benefits to or for the benefit of any officer or employee of the Company.

6.3.3 No negotiations for any increase in the remuneration or benefits of any officer or employee of the Company are current or likely to take place within six months after the date of Completion.

6.4 Termination of contracts of employment

6.4.1 All subsisting contracts of service to which the Company is a party are determinable at any time on three months' notice or less without compensation (other than compensation in accordance with the Employment Protection (Consolidation) Act 1978, as amended by the Employment Act 1982).

6.4.2 No employee of the Company who is in receipt of remuneration in excess of £15,000 per annum, and no officer of the Company has given or received notice terminating his employment, except as expressly contemplated in this Agreement, and no such employee or officer will be entitled to give such notice as a result of the provisions of this Agreement.

6.5 Industrial disputes and negotiations

Neither the Company nor its employees is involved in any industrial dispute, and there are no facts known, or which would on reasonable enquiry be known, to the Company or its directors or to the Vendors which might suggest that there may be an industrial dispute involving the Company or that any of the provisions of this Agreement may lead to any such industrial dispute.

6.6 Industrial Agreements

The Company has not entered into any recognition agreement with a trade union nor has it done any act which might be construed as recognition.

6.7 Redundancies

No employee will become redundant and be entitled to a redundancy payment as a result of any provision of this Agreement.

6.8 Pensions

- 6.8.1 Except pursuant to the four retirement benefit schemes details of which are set out in section 7.8 of the GWB Report ("the Pension Schemes") the Vendor or the Company has not prior to the date of this Agreement paid, provided or contributed towards, and is not under any obligation, liability or commitment whether established by trust, contract, board resolution, service agreement, ex-gratia arrangement or otherwise to pay, provide or contribute towards, any retirement, death or disability benefit or otherwise to provide 'relevant benefits' within the meaning of section 612 of the Income and Corporation Taxes Act 1988 for or in respect of any present or past officer or employee (or any spouse, child or dependant of any of them) of the Vendor or the Company.
- 6.8.2 The Disclosure Letter and the GWB Report contains or refers to material details of the Pension Schemes enabling the liability of the Company under the Pension Schemes to be accurately assessed and all of this information is full and accurate in all material respects.
- 6.8.3 The Pension Schemes are approved as exempt-approved schemes within the meaning of Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988 and the Vendors

are not aware of any ground on which such approval may be withdrawn or cease to apply and as far as the Vendors are aware the Pension Schemes have been operated in accordance with the relevant documentation, regulations and legislation.

- 6.8.4 All due contributions and expenses in respect of the Pension Schemes whether payable by the Vendor, the Company, the members or the trustees of the Pension Schemes have been paid.
- 6.8.5 No claim has been made or threatened against the Vendor the Company or the trustees or administrators of the Pension Schemes in respect of any act, event, omission or other matter arising out of or in connection with the Pension Schemes the Vendor is not aware of any circumstances which may give rise to any such claim.
- 6.8.6 Apart from earnings-related lump sum death-in-service benefits (which are fully secured by insurance) the Pension Schemes provide only money purchase benefits (as defined in the Occupational Pension Schemes (Disclosure of Information) Regulations 1986 for the beneficiaries and neither the Company nor the Vendor nor the trustees of the Pension Schemes have given any promise or assurance (oral or written) to any beneficiary that his or her benefits under that scheme will be calculated wholly or partly by reference to any person's remuneration or will constitute approximately or exactly any particular amount.

- 6.8.7 All membership records of the Pension Schemes have been fully and properly compiled so as to enable the benefits and prospective benefits payable in respect of all members of the Pension Scheme to be accurately calculated.

7. **ASSETS**

7.1 **Ownership of assets**

- 7.1.1 The Company owned at the Last Accounts Date and had good and marketable title to and (except for current assets subsequently sold or realised in the ordinary and proper course of business) still owns and has good and marketable title to all assets included in the Last Accounts and to all assets acquired since the Last Accounts Date and not subsequently sold or realised in the ordinary and proper course of business.
- 7.1.2 The Company has not created or granted or agreed to create or grant any security interest or other encumbrance in respect of any of the fixed assets included in the Last Accounts or acquired or agreed to be acquired since the Last Accounts Date.
- 7.1.3 Save as disclosed in the Last Accounts, none of the property, assets, undertaking, goodwill or uncalled capital of the Company is subject to and the Company has not agreed to grant in respect of such property any option, charge, lien or encumbrance, or right of pre-emption.

7.2 Assets sufficient for the business

In the reasonable opinion of the Directors the assets owned by the Company together with the assets held under the hire purchase, leasing or rental agreements listed in the Disclosure Letter comprise all assets necessary for the continuation of the business of the Company as now carried on.

7.3 Stocks and work in progress

In the reasonable opinion of the Directors the stock of raw materials, packaging materials and finished goods now held are not excessive and are adequate in relation to the current trading requirements of the business of the Company; none of the stock is obsolete, slow moving, unusable, unmarketable or inappropriate or of limited value in relation to the current business of the Company and no contracts are outstanding which are likely to change this.

7.4 Retention of title

The Company has not purchased any stock, goods or materials from any of its suppliers on terms that property in it does not pass until full payment is made or all indebtedness discharged.

7.5 Insurance

7.5.1 All the stock-in-trade and the assets and undertakings of the Company of an insurable nature are and have at all material times been, insured in amounts representing their full replacement or reinstatement value against fire and other

risks normally insured against by persons carrying on the same business as that carried on by the Company.

7.5.2 The Company is now and has at all material times been adequately covered against accident, damage, injury, third party loss (including product liability), loss of profits and other risks normally insured against by persons carrying on the same business.

7.5.3 All insurance effected by the Company, the details of the policies in respect of which are set out in the Disclosure Letter, is currently in full force and effect, and so far as the Vendors are aware nothing has been done or omitted to be done which could make any policy of insurance void or voidable or which is likely to result in an increase in premium.

7.5.4 None of the policies are subject to any special or unusual terms or restrictions or to the payment of any premium in excess of the normal rate.

7.5.5 No claim is outstanding or may be made under any of the said policies and so far as the Vendors are aware no circumstances exist which are likely to give rise to such a claim.

7.6 Leased assets

So far as the Vendors are aware no circumstance has arisen or is likely to arise in relation to any asset held by the Company under a lease or similar agreement whereby the rental payable has been or is likely to be

increased and, in particular, all such assets have at all relevant times been used for a qualifying purpose within the meaning of Section 39 Capital Allowances Act 1990.

7.7 Plant in working order

7.7.1 The plant, machinery, vehicles and other equipment used in connection with the business of the Company:

- AS
- (a) are in a good and safe state of repair and condition are ~~and in satisfactory working order and so far as the Vendors are aware~~ have been regularly and properly maintained and so far as the Vendors are aware
 - (b) are not so far as the Vendors are aware to any extent surplus to requirements;
 - (c) are in its possession and control, and are its absolute property, save for those items the subject of hire purchase, leasing or rental agreement listed in the Disclosure Letter, or in respect of which the remaining payments do not exceed £5,000;
 - (d) are not so far as the Vendors are aware expected to require replacements or additions at a cost in excess of £10,000 within six months from the date of this Agreement;
 - (e) so far as the Vendors are aware are all capable and (subject to normal wear and tear) will remain capable throughout the respective periods of time
- RS

during which they are each written down to a nil value in the accounts of the Company (in accordance with the normal recognised accountancy principles consistently applied prior to the date hereof) of doing the work for which they were designed or purchased.

- 7.7.2 Maintenance contracts are in full force and effect in respect of all assets of the Company which it is normal or prudent to have maintained by independent or specialist contractors and in respect of all assets which the Company is obliged to maintain or repair under any leasing or similar agreement; all those assets have been regularly maintained to a good technical standard and in accordance with safety regulations usually observed in relation to assets of that description and in accordance with the terms and conditions of any applicable leasing or similar agreement.

7.8 Industrial property rights and trade secrets

- 7.8.1 All Industrial Property Rights used or required by the Company in connection with its business are in full force and effect and are vested in and beneficially owned by the Company.
- 7.8.2 The Company is the sole beneficial owner of the Industrial Property Rights listed in the Disclosure Letter and (where registration is possible) the Company has been and is registered as proprietor, and each of those Rights is valid and enforceable, and none of them is being used, claimed, opposed or attached by any other person.

- 7.8.3 No right or licence has been granted to any person by the Company to use in any manner or to do anything which would or might otherwise infringe any of the Industrial Property Rights referred to above; no act has been done or omission permitted by the Company whereby they or any of them have ceased or might cease to be valid and enforceable.
- 7.8.4 The business of the Company (and of any licensee under a licence granted by the Company) as now carried on does not and is not likely to infringe any Industrial Property Right of any other person (or would not do so if the same were valid) or give rise to a liability to pay compensation pursuant to Sections 40 and 41 of the Patents Act 1977 and all licences to the Company in respect of any such protection are in full force and effect.
- 7.8.5 The Company has not (otherwise than in the ordinary and normal course of business) disclosed or permitted to be disclosed or undertaken or arranged to disclose to any person other than the Purchaser any of its know-how, trade secrets, confidential information, price lists or lists of customers or suppliers.
- 7.8.6 The Company is not a party to any secrecy agreement or agreement which may restrict the use or disclosure of information.
- 7.8.7 Nothing has been done or omitted by the Company which would enable any licensee under a licence granted by the

Company to be terminated or which in any way constitutes a breach of terms of any licence.

8.1 Properties

- 8.1.1 The Properties comprise all the properties owned, occupied or otherwise used in connection with the business of the Company.
- 8.1.2 The Company is the legal and beneficial owner of the Leases.
- 8.1.3 The information contained in Schedule 5 as to the tenure of the Properties, the principal terms of the lease or licences held by the Company, and the principal terms of the tenancies and licences subject to and with the benefit of which the Leases are held is true and accurate in all respects.
- 8.1.4 The Company has a good and marketable title to the Leases .
- 8.1.5 The use of each of the Properties is the permitted use for the purposes of the Planning Acts.
- 8.1.6 Planning permission has been obtained or is deemed to have been granted for the purposes of the Planning Acts with respect to the development of the Properties and no such permission has been suspended or called in and no application for planning permission is awaiting decision.
- 8.1.7 Building regulation consents have been obtained with respect to all development, alterations and improvements to the Properties.

- 8.1.8 Compliance is being made and has at all times been made in all respects with planning permissions, orders and regulations issued under the Planning Acts, the London Building Acts and the building regulation consents and bye-laws for the time being in force with respect to the Properties.

8.2 Encumbrances

- 8.2.1 The Leases are free from any mortgage, debenture, charge, rent charge, lien or other encumbrance securing the repayment of monies or other obligation or liability of the Company/or any other person.
- 8.2.2 The Properties are not subject to any outgoings other than those specifically referred to in the Leases.
- 8.2.3 The Properties are not subject to any restrictive covenants, stipulations, easements, profits a prendre, wayleaves, licences, grants, restrictions, overriding interests or other such rights vested in third parties other than those specifically referred to in the Leases.
- 8.2.4 Where any such matters as are referred to in Clauses 8.2.1, 8.2.2 and 8.2.3 have been disclosed in the Disclosure Letter, the obligations and liabilities imposed and arising under them have been fully observed and performed and any payments in respect of them due and payable have been duly paid.
- 8.2.5 The Properties are not subject to any option, right of pre-emption or right of first refusal.

8.3 Environmental Matters

8.3.1 During the ownership and/or occupancy of the Properties by the Company:-

- (a) there has been no release, discharge or treatment of any hazardous substance upon, in or under the Properties;
- (b) there has been no storage, generation or disposal of any special, hazardous or toxic waste upon, in or under the Properties;
- (c) no petroleum products have spilled or leaked upon, in or under the Properties (other than immaterial quantities in connection with the operation of motor vehicles on the Properties);
- (d) no radon gas has been detected at the Properties;
- (e) the Properties have not been the subject of any enforcement action brought by Her Majesty's Inspectorate of Pollution (HMIP), the National Rivers Authority (NRA) or local authority nor has there been any third party claim relating to the release, threat of release, discharge, storage, treatment, generation, emission or disposal of any substance on, in or from the Properties.

8.3.2 The Company has received, has at all material times complied with and is in full compliance with all consents, licences,

approvals and other authorisations required under all laws, regulations, policies or guidelines which are applicable to the Company and/or the Properties and/or the business of the Company and all operations and processes undertaken upon, in or underneath the Properties and which relate to the environment or to public health and safety, or employee health and safety including, without limitation, those relating to:

- (a) emissions, discharges or threatened discharges of pollutants, contaminants, hazardous or toxic substances or petroleum into the air or water, or on or into the land;
- (b) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous or toxic substances or petroleum; and
- (c) the attenuation and/or emission of noise at the Properties.

8.3.3 Full particulars of all consents, licences, approvals and other authorisations referred to in Warranty 8.3.3 are contained in the Disclosure Letter and the same are in full force and effect, and so far as the Vendors are aware there are no facts or circumstances which may cause any of the same to be revoked, varied or suspended.

8.3.4 To the best of the Vendors' knowledge no property in the vicinity of the Properties has been used as a landfill, neither

has there been any release, discharge or disposal of any hazardous substance or petroleum product by any third party in the vicinity of the Properties.

8.4 Planning Matters

~~{To be reviewed by property lawyers}~~ See p 99 clauses 8.1.5 - 8.1.8

8.5 Statutory Obligations

8.5.1 So far as the Vendors are aware compliance has been made with all applicable statutory and bye-law requirements with respect to the Properties and in particular (but without limitation) with the requirements as to fire precautions and under the Office, Shops and Railway Premises Act 1963.

8.5.2 There is no outstanding and unobserved or unperformed obligation with respect to the Properties necessary to comply with the requirements (whether formal or informal) of any competent authority exercising statutory or delegated powers.

8.6 Adverse Orders

8.6.1 There are no compulsory purchase notices, orders or resolutions affecting the Properties nor so far as the Vendors are aware are there any circumstances likely to lead to any being made.

8.6.2 There are no closing, demolition or clearance orders, enforcement notices or stop notices affecting the Properties

nor so far as the Vendors are aware are there any circumstances likely to lead to any being made.

8.7 Condition of the Properties

8.7.2 There are no disputes with any adjoining or neighbouring owner with respect to boundary walls and fences or with respect to any easement, right of or means of access to the Properties.

8.7.3 The principal means of access to the Properties are over roads which have been taken over by the local or other highway authority and which are maintainable at the public expense and no means of access to the Properties is shared with any other party nor subject to rights of determination by any other party.

8.7.4 The Properties enjoy the main services of water, drainage, electricity and gas.

8.7.5 The Properties are not located in an area or subject to circumstances particularly susceptible to flooding.

8.8 Insurance

8.8.1 The Properties are insured in their respective full reinstatement values for not less than two years' loss of rent and against third party and public liabilities to an adequate extent.

8.8.2 All premiums payable in respect of insurance policies with respect to the Properties which have become due have been duly paid and no circumstances have arisen which would vitiate or permit the insurers to avoid such policies.

8.8.3 The information in the Disclosure Letter with respect to the insurance policies is up to date and true and accurate in all respects.

8.9 Leasehold Properties

The Company has no contingent liabilities in respect of any properties leased prior to the date hereof.

8.10 Tenancies

No tenancies exist by virtue of which any third party is entitled to occupy any part of the Property.

SCHEDULE 4

TAX DEED

DATE

PARTIES:

- (1) THE PERSONS whose names and addresses are set out in Part 1 of the Schedule ("the Covenantors" which expression includes their personal representatives).
- (2) QUADRAMATIC PLC (Company No 2549191) whose registered office is at Coin House, New Coin Street, Royton, Oldham, Lancashire OL2 5JZ ("the Purchaser").

RECITAL

This Deed is supplemental to an agreement ("the Agreement") dated [*] 1995 under which the Covenantors have agreed to enter into this Deed.

THIS DEED WITNESSES as follows:

1. INTERPRETATION

1.1 In this Deed unless the context otherwise requires:

1.1.1 Words and expressions defined in the Agreement have the same meanings in this Deed (unless separately defined in this Deed).

1.1.2 "Claim for Taxation" means any assessment, notice, demand, letter or other document issued by or action taken by or on behalf

of any Taxation Authority from which it appears that the Company is or may be liable to make a Payment of Taxation to which this Deed relates or which may give rise to a claim for breach of the Warranties relating to Taxation.

1.1.3 "the Company" means each of Hampton Mouldings Group Limited (Company No 2354348) and the subsidiaries listed in Part 2 of the Schedule or any one of them as the context requires.

1.1.4 "Completion Date" means the date of Completion of the Agreement.

1.1.5 "Relevant Relief" means any Relief taken into account in computing and so reducing or eliminating any provision for Taxation (including deferred tax) for which credit has been taken in the Last Accounts

1.1.6 "Event" means any transaction, arrangement, act, failure or omission and includes (without limitation) any distribution, failure to distribute, acquisition, disposal, transfer, payment, loan or advance.

1.1.7 "Payment of Taxation" means any payment of Taxation (whether or not the same is primarily payable by the Company or the Purchaser) and includes any payment of Taxation which would have been due to be made but for the utilisation of any Relief.

1.1.8 "Post Completion Relief" means any Relief which arises to the Company by reason of an Event occurring after the Completion Date.

1.1.9 "Pre-Sale Transactions" means each of (i) dividends of £360,000 paid by Hampton Mouldings (UK) Limited to Hampton Mouldings Group Limited ("HMGL") on 31 October 1995, (ii) dividends of £200,000 paid by Hampton Mouldings Limited to HMGL on 3 November 1995 (iii) the transfer of the Cirencester Road property from Hampton Mouldings (UK) to HMGL on 3 November 1995, (iv) the transfer of the Priory Industrial Estate Tetbury property to HMGL on 3 November 1995, (v) the transfer of the Cirencester Road and Priory Industrial Estate, Tetbury properties ("the Properties") by HMGL to the Covenantors by way of distribution in specie on 3 November 1995, (vi) the lease of the Properties by the Covenantors to the Company before the date hereof and (vii) the issue of 200,000 A ordinary shares of £1 each to the Covenantors on 7th November 1995 by way of stock dividend. 7th Nov
Re.

1.1.10 "Relief" means loss, allowance, credit, relief, deduction or set off or any right to a repayment of Taxation.

1.1.11 "Taxation" means all forms of taxation, charges, duties, imposts, rates, levies and governmental charges (whether national or local) in the nature of tax, whatsoever and whenever created, enacted or imposed, and whether of the United Kingdom or elsewhere, and any amount whatever payable to any Taxation Authority or any other person as a result of any enactment relating to taxation, together with all fines, penalties, interest, charges and surcharge connected therewith.

1.1.12 "Taxation Authority" means the Inland Revenue, H.M. Customs and Excise or any statutory or governmental authority or body

(whether in the United Kingdom or elsewhere) involved in the collection or administration of Taxation.

- 1.2 Reference in this Deed to the result of any Event on or before the Completion Date includes the combined result of two or more Events the first of which took place on or before the Completion Date.
- 1.3 Reference in this Deed to income or profits or gains earned, accrued or received on or before the Completion Date includes income or profits or gains which are deemed to be earned, accrued or received on or before the Completion Date for any Taxation purpose.
- 1.4 Reference in this Deed to income, profits or gains earned, accrued or received, or an Event which occurred, "in the ordinary course of business" does not include:-
 - 1.4.1 Event which results in the Company becoming liable for Taxation for which it is not primarily liable;
 - 1.4.2 the acquisition, disposal or supply or deemed acquisition, disposal or supply of any asset, service or facility (including a loan of money or the letting, hiring or licensing of tangible or intangible property) in a transaction which is not entered into at arm's length;
 - 1.4.3 the making of a distribution, the creation, cancellation or reorganisation of any share or loan capital or any company becoming or ceasing to be a member of a group of companies for any Taxation purpose;
 - 1.4.4 the failure by the Company to deduct or account for Taxation;

- 1.4.5 the disposal of a capital asset;
- 1.4.6 an Event giving rise to a liability under Part XVII ICTA (tax avoidance);
- 1.4.7 a transaction or arrangement which includes, or a series of transactions or arrangements which includes, any step or steps having no commercial or business purpose apart from the reduction, avoidance or deferral of a liability for Taxation; and
- 1.4.8 an Event giving rise to a liability under Part VIII Taxes Management Act 1970 (charges arising on non-residents).

1.5 The headings in this Deed do not affect its interpretation.

2. COVENANT

Subject as provided in this Deed the Covenantors jointly and severally covenant with and undertake to the Purchaser to pay to the Purchaser an amount equal to:

- 2.1 any Payment of Taxation made or to be made by the Company or the Purchaser subsequent to Completion where such Taxation results from, or is calculated by reference to, any income, profits or gains earned, received or accrued by the Company on or before the Completion Date or which results from or is calculated by reference to any Event which occurred on or before the Completion Date or was deemed to occur on or before the Completion Date for the purposes of any Taxation;
- 2.2 any repayment of Taxation (including any repayment supplement or interest) the right to which was taken into account in the Last Accounts to

the extent that the right to repayment (or repayment supplement or interest) is not available or is lost, reduced or cancelled;

- 2.3 the value to the Company of a Relevant Relief which is unavailable, lost, reduced or cancelled in consequence of an Event occurring on or before the Completion Date (and for this purpose the value to the Company is the Taxation which would have been saved but for the unavailability, loss, reduction or cancellation of the Relevant Relief);
- 2.4 the value to the Company of a Post Completion Relief which is unavailable, lost, reduced or cancelled in consequence of or as a result of any of the Pre-Sale Transactions (and for this purpose the value to the Company is the Taxation which would have been saved but for the unavailability, loss, reduction or cancellation of the Post Completion Relief);
- 2.5 any Inheritance Tax which is at the Completion Date a charge on any of the shares or assets of the Company or gives rise to a power to sell, mortgage or charge any of the shares or assets of the Company; or after the Completion Date becomes a charge on or gives rise to a power to sell, mortgage or charge any of the shares or assets of the Company being a liability in respect of Inheritance Tax payable as a result of the death of any person within seven years after a transfer of value if a charge on or power to sell, mortgage or charge any such shares or assets existed at the Completion Date or would, if the death had occurred immediately before the Completion Date and the Inheritance Tax payable as a result thereof had not been paid, have existed at the Completion Date;

- 2.6 any costs or expenses reasonably incurred by the Purchaser or the Company in connection with or in consequence of any of the matters referred to in Clauses 2.1 to 2.5.

3. EXCLUSIONS AND VENDOR PROTECTION

- 3.1 The covenant contained in Clause 2 does not apply to any Payment of Taxation:

3.1.1 to the extent (if any) to which provision, reserve or allowance was made for such Taxation in the Last Accounts; or

3.1.2 which arises solely in the ordinary course of business of the Company since the Last Accounts Date; or

3.1.3 to the extent that it consists of advance corporation tax not exceeding in aggregate £90,000 payable in respect of any distribution by the Company in the period between the Last Accounts Date and Completion;

- 3.2 Schedule 6 to the Agreement ("the Schedule") shall have as full effect as if it were incorporated herein in respect of any claim under this Deed (or would but for the provisions of the Schedule relate) in order to limit the liability as provided in the Schedule of the Covenantors or any of them (referred to as "the Vendors" in the Schedule), provided that only the provisions of paragraphs 1, 3, 4, 5, 6.1.4, 7, 8, 11 and 12 in the Schedule shall apply to limit the liability of the Covenantors in respect of any Claim for Taxation which arises as a result of or in consequence of the Pre-Sale Transactions or any of them.

6.1.2(c)

RS

3.3 The liability of the Covenantors in respect of any Claim for Taxation which arises as a result of or in consequence of the Pre-Sale Transactions or any of them shall be limited to the extent that it arises or is increased by:-

3.3.1 any payment after Completion determined by the Inland Revenue to be an abnormal dividend;

3.3.2 any reorganisation, repayment, repurchase, adjustment or change to the share capital of the Company after Completion;

3.3.3 any winding up or cessation after Completion of any trade or business carried on by the Company prior to Completion;

3.3.4 any sale ^{or the disposition} by the Purchaser of the Shares, ^(other than a transfer or other disposition into group) or

3.3.5 any voluntary, act, omission or transaction or arrangement after Completion by the Purchaser or the Company or any Subsidiary or any subsidiary of the Purchaser or any person connected with either of them otherwise than in the ordinary course of business of the Company as presently carried on and being a voluntary, act, omission or transaction or arrangement which the Purchaser knew would give rise to such Claim for Taxation.

4. CONDUCT OF CLAIMS

4.1 If the Purchaser receives a Claim for Taxation, it will as soon as reasonably practicable give notice thereof to the Covenantors provided that delivery of such notice is not a condition precedent to the liability of the Covenantors under this Deed and provided further that nothing in this Clause 4 shall prevent the Purchaser or the Company from lodging an appeal against any

Claim for Taxation or taking any other initial administrative step to contest any Claim for Taxation..

4.2 Subject to Clauses 4.3 and 4.4, the Purchaser shall procure that the Company takes such action to avoid, dispute, resist, appeal, compromise or contest any Claim for Taxation as the Covenantors may reasonably request provided that:

4.2.1 the Purchaser shall not be obliged to procure any such action unless the Covenantors have indemnified and secured the Purchaser and the Company to their reasonable satisfaction against any liabilities, costs or expenses (including additional Taxation) which may be incurred thereby;

4.2.2 neither the Purchaser nor the Company shall be obliged to take any action requested by the Covenantors which could reasonably be said to be frivolous or vexatious or which could adversely affect their future Taxation position.

4.3 The Company shall not be obliged to comply with any request of the Covenantors which involves contesting any Claim for Taxation before any court or other appellate body on appeal from any decision of any Inspector of Taxes, H.M. Customs and Excise, the Special Commissioners, General Commissioners or VAT and Duties Tribunal unless the Covenantors obtain the written opinion of Tax Counsel of at least five years' call that such contest will, on the balance of probabilities, be successful.

4.4 The Purchaser and the Company shall be free to take such action as they may in their absolute discretion think fit and without prejudice to their rights and remedies under this Deed if within 21 days of service of the notice under Clause 4.1 the Covenantors fail to notify the Purchaser of their

intention to resist such Taxation or fail within that period to give the indemnity and security referred to in Clause 4.2.1.

- 4.5 If any of the Covenantors or the Company shall have committed acts or omissions which constitute or are alleged to constitute fraud, Clause 4.2 shall not apply.

5. PAYMENT

- 5.1 A payment to be made by the Covenantors under this Deed shall be made in cleared funds on the following dates:

5.1.1 in the case of an amount under Clauses 2.1 or 2.5 on or before the later of (a) seven days after written demand therefor and (b) the day before the date on which the Payment of Taxation is finally due to the Taxation Authority demanding the same (or would have been done but for the utilisation of any Relief);

5.1.2 in the case of an amount under Clause 2.2 on or before the later of (a) seven days after written demand therefor and (b) the date on which the Taxation would have been repaid but for the loss, reduction or cancellation of the repayment of Taxation;

5.1.3 in the case of an amount under Clauses 2.3 or 2.4 on or before the later of (a) seven days after written demand therefor and (b) the day before the date on which Taxation becomes payable which would not have been payable if no liability had arisen under Clause 2.3 or 2.4;

5.1.4 in the case of an amount under Clause 2.6 on or before the later of (a) seven days of the Purchaser giving written notice of the

costs and expenses to the Covenantors and (b) producing evidence thereof and/or the date of payment of such costs.

- 5.2 Where the Covenantors fail to make a payment in satisfaction of a liability under this Deed by the due date for payment, the liability of the Covenantors shall be increased to include interest on such sum from the date on which the Covenantors become liable to make payment to the date of actual payment at a rate per annum being four per cent above the base rate from time to time of Barclays Bank plc compounded monthly (such interest to accrue after as well as before judgment).

6. WITHHOLDING AND TAXATION

- 6.1 Subject to Clause 6.2 all payments made by the Covenantors under this Deed shall be made gross, free of any rights of counterclaim or set off and without any deductions or withholdings of any nature.
- 6.2 If the Covenantors are required by law to make any deduction or withholding from any payment under this Deed they shall do so and the sum due in respect of such payment shall be increased to the extent necessary to ensure that after the making of such deduction or withholding the Purchaser receives and retains (free of any liability in respect of any such deduction or withholding) a net sum equal to the sum it would have received and retained had no such deduction or withholding been required to be made.
- 6.3 If a payment under this Deed is subject to Taxation in the hands of the Purchaser the Covenantors shall within seven days of notice in writing being served on them by the Purchaser pay to the Purchaser such amount as will ensure that the net amount received in respect of any payment due from

the Covenantors under this Deed after such Taxation is the same as it would have been were the payment not so subject to such Taxation.

- 6.4 If a payment under this Deed is liable to be increased by virtue of Clause 6.3 solely by reason of the withdrawal after the date of this Deed by the Inland Revenue of extra-statutory concession D33, the parties will use reasonable endeavours to agree, so far as practicable, arrangements for the making of that payment in a way which will not give rise to an obligation to make an increased payment by virtue of Clause 6.3 provided that neither the Purchaser nor the Company shall be required to agree to any such arrangement which would or might, in its reasonable opinion, prejudice it in any way.

7. GENERAL

- 7.1 No delay or omission of the Purchaser in exercising any right, power or privilege under this Deed shall impair such right, power or privilege or be construed as a waiver and any single or partial exercise of any such power or privilege shall not preclude the exercise of any right, power or privilege.
- 7.2 The Purchaser undertakes to procure that the Company will, to the extent required by law, preserve all documents, records, correspondence, accounts and other information whatsoever in respect of or relevant for the purposes of determining the liability of the Company to Taxation until the expiry of seven years from the date of this Deed.
- 7.3 The provisions of Clause 14.1 of the Sale Agreement shall apply to this Deed as if references to "this Agreement" were references to "this Deed".
- 7.4 The provisions of the Agreement relating to notices apply to any notice given under, or in connection with, this Deed.

7.5 This Deed may be executed in any number of counterparts by the parties, each of which when executed and delivered shall constitute an original but all of which shall together constitute one and the same instrument.

7.6 This Deed is governed by and shall be construed in accordance with English Law.

IN WITNESS whereof these presents have been duly executed as a deed the day and year first above written

THE SCHEDULE

PART 1

Names and Addresses of Covenantors

1. Donald Hugh Thomas
Nupend Court
Nupend
Horsley
Stroud, Gloucestershire
2. Robert Andrew Ruggles
Rotherfield
London Road
Stroud, Gloucestershire
3. Derek Terence Rackley
27 Rendcombe Drive
Cranhams Park
Cirencester

PART 2

Name and Registered Offices of the Subsidiaries

1. Hampton Mouldings Limited, Company No 755277
Priory Industrial Estate
London Road
Tetbury
Gloucestershire GL8 8HZ

2. Hampton Mouldings (UK) Limited, Company No 1441381
Priory Industrial Estate
London Road
Tetbury
Gloucestershire GL8 8HZ

SIGNED (but not delivered)
until the date hereof) AS A)
DEED by DONALD HUGH)
THOMAS in the presence of:-)

Witness Signature:

Name:

Address:

Occupation:

SIGNED (but not delivered)
until the date hereof) AS A)
DEED by ROBERT)
ANDREW RUGGLES in the)
presence of:-)

Witness Signature:

Name:

Address:

Occupation:

SIGNED (but not delivered)
until the date hereof) AS A)
DEED by DEREK)
TERENCE RACKLEY in the)
presence of:-

Witness Signature:

Name:

Address:

Occupation:

EXECUTED (but not)
delivered until the date hereof))
AS A DEED by)
QUADRAMATIC PLC)
acting by two Directors or)
one Director and the Secretary)

Director

Director/Secretary

SCHEDULE 5

Short Particulars of the Properties

Land and buildings at Magdalen Works, Tetbury, Gloucestershire and land and buildings at Cirencester Road, Northfields Parish, Tetbury registered under Title Numbers GR 55365, GR 41492 and GR 56751.

SCHEDULE 6

(Limitation of Vendors' liability under the Warranties)

1. LIMITATION OF VENDORS' LIABILITY - GENERAL

- 1.1 The provisions of this Schedule shall operate to limit the liability of the Vendors and each of them under and in respect of the provisions of Clause 10 and the Warranties with the exception of Warranty 2.11 in respect of which liability shall be unlimited and (except as provided therein) under the indemnities given by the Vendors (therein referred to as "the Covenantors") contained or to be contained in the Tax Deed ("the Indemnities") and reference in this Schedule to "hereof" "hereunder" and to "liability hereunder" shall be construed to refer to such liability as appropriate.
- 1.2 Expressions defined in the Tax Deed shall where the context so requires have the same meanings in this Schedule.
- 1.3 Clause 10 and the Tax Deed respectively shall accordingly have effect subject to and as qualified by the terms of this Schedule.

2. DE MINIMIS CLAIMS

- 2.1 No liability shall in any event arise in respect of any claim for breach of the Warranties or in respect of any claim under the Indemnities unless the loss thereby sustained calculated in accordance with the provisions of this Agreement (together with the aggregate amount of losses sustained arising from previous claims or potential claims if any) shall exceed a total sum of £75,000.00 and in the event that such total sum is exceeded

the Vendors shall (subject always to the provisions of this Schedule) be liable for the whole of such sum (and not just the excess) and for the purpose of calculating the said figure of £75,000.00 the loss sustained under each individual claim to be counted towards the total sum referred to above must exceed £10,000 in which case the whole of such loss shall be counted. PROVIDED ALWAYS that where more than one claim arises out of the same circumstance, cause action, omission or event they shall for the purposes of this paragraph be treated as one claim and the amounts thereof shall be aggregated to determine whether such claim or claims exceed £10,000.

3. DE MAXIMIS CLAIMS

The aggregate liability of the Vendors in respect of all claims for breach of the Warranties or under the Indemnities made upon the Vendors hereunder shall not exceed the Consideration.

4. TIME LIMITS

4.1 No claim shall be brought by the Purchaser or by the Company against the Vendors in respect of any breach of the Warranties or the Indemnities unless notice in writing of any such claim (specifying in reasonably sufficient detail the nature of the breach and so far as practicable the amount claim in respect thereof) has been given to the Vendors:

4.1.1 in relation to matters arising in respect of the Warranties other than those relating to taxation on or prior to 31 December 1997; and

4.1.2 in relation to the matters arising under the Tax Deed and those of the Warranties relating to taxation the seventh

anniversary of Completion (such date in each case being the "Claim Date").

- 4.2 Any claim which has been made prior to the Claim Date shall if it has not been previously satisfied, settled or withdrawn be deemed to have been withdrawn and shall become fully barred and unenforceable on the expiry of a period of six months commencing on the Claim Date unless proceedings in respect thereof shall have been commenced against the Vendors and for this purpose proceedings shall not be deemed to have been commenced unless they shall have been issued and served upon the Vendors.

5. **REIMBURSEMENT FROM THIRD PARTIES**

Where the Purchaser or the Company is or becomes entitled to recover from a person (including the Inland Revenue or any other taxing authority but excluding the Covenantors) a sum in respect of any Claim for Taxation with regard to which the Covenantors have made a payment pursuant to the Tax Deed, then:-

- 5.1 the Purchaser shall give the Covenantors full details thereof as soon as is reasonably practicable and in any event within 14 days;
- 5.2 the Purchaser shall at the request of the Covenantors and at the expense of the Covenantors take all appropriate steps to recover or to procure the recovery of the sum, keeping the Covenantors fully informed of the progress of any action taken;
- 5.3 the Purchaser shall repay to the Covenantors any sum recovered so far as it does not exceed any payments already made by the Covenantor in respect of the relevant Claim for Taxation and pay to the Covenantors any interest or repayment supplement received in respect of that sum so far as repaid.

SPECIFIC LIMITATIONS

6.1 No liability shall arise to the Purchaser or the Company and neither the Purchaser nor the Company shall have any claim whatsoever against the Vendors (or any of them) in respect of any breach of any of the Warranties or any claim under the Indemnities.

6.1.1 if and to the extent that such breach or claim occurs as a result of any legislation not in force at the date hereof which takes effect retrospectively or occurs as a result of any increase in the rates of taxation in force at the date hereof or occurs as a consequence of a change in the interpretation of the law after the date hereof in any jurisdiction outside the United Kingdom or the withdrawal after the date hereof of any published extra statutory concession or the alteration after the date hereof of any published statement of practice of the relevant revenue authority;

6.1.2 if and to the extent that such breach or claim would not have arisen but for:

- (a) any voluntary act, omission, transaction or arrangement after Completion by the Purchaser or the Company or any Subsidiary or any subsidiary of the Purchaser or any person connected with either of them otherwise than in the ordinary course of business of the Company as presently carried on including as such acts (but without limitation):

(i) the payment of any unusual or abnormal dividend by the Company;

(ii) a change in the date up to which the Company makes up its statutory accounts.

(b) any change in accounting policy or practice of the Company after Completion unless the previous policy or practice was not in accordance with generally accepted UK accounting principles.

(c) a balancing charge arising in respect of industrial buildings allowances claimed on the Properties which does not exceed £27,400. *Parties will use their best endeavours to make an election under s.158 of the Capital Allowances Act 1990 with respect to the Properties.*

6.1.3 to the extent that the Company is entitled to claim indemnity against any loss or damage suffered by the Company arising out of such breach or claim under the terms of any insurance policy of the Company;

6.1.4 if and to the extent that the breach or claim relates to a claim or liability for Taxation and would not have arisen but for any winding up or cessation after Completion of any trade or business carried on by the Company prior to Completion.

7. RECOVERY - ONLY ONCE

The Purchaser shall not be entitled to recover damages in respect of any claim for breach of Warranties or in respect of any claim under the Tax Deed or otherwise

* The parties will use their respective best endeavours to make an election under s158 of the Capital Allowances Act 1990 with respect to the Properties.

obtain reimbursement or restitution more than once in respect of any one misrepresentation or breach of the Warranties or a claim under the Indemnities.

8. NOTICE OF CLAIM

8.1 If any claim comes to the notice of the Purchaser or the Company by reason or in consequence of which the Vendors may be liable under the Warranties (other than those relating to Taxation to which Clause 4 of the Tax Deed will apply) the Purchaser shall or shall procure that the Company shall:

8.1.1 as soon as reasonably practicable (but in any event within such a period as will afford the Vendors reasonable opportunity of requiring the Purchaser or the Company (as the case may be) to lodge a timely appeal) give written notice thereof to the Vendors;

8.1.2 not make any admission of liability agreement or compromise with any person, body or authority in relation thereto without prior consultation with or the prior agreement of the Vendors which shall not be unreasonably withheld or delayed;

8.1.3 give the Vendors and their professional advisers reasonable access to the premises and personnel of the Purchaser or the Company as the case may be and to any relevant chattels, documents and records (including working papers) within the power, permission or control of the Purchaser or the Company to enable the Vendors and their professional advisers to examine such chattels, accounts, documents and records and take copies or photocopies thereof at their own expense.

9. **THERE IS NO CLAUSE 9**

10. **MITIGATION**

10.1 The Purchaser and the Company shall take such action as the Vendors may reasonably request to avoid dispute, resist, appeal, compromise or defend or mitigate any claim which would give rise to a claim under the Warranties or any matter which may give rise to such a claim. **PROVIDED ALWAYS THAT** before so doing the Purchaser and the Company shall be entitled to be indemnified by the Vendors in respect of the reasonable costs and expenses of taking such action and the Vendors shall if requested provide security for such indemnity to the reasonable satisfaction of the Purchaser.

10.2 For the avoidance of doubt nothing in this Schedule shall in any way restrict or limit the general obligation at law of the Purchaser or the Company to mitigate any loss or damage which they may respectively suffer in consequence of any breach by the Vendors (or any of them) of the terms of this Agreement.

11. **SET-OFF**

11.1 If the Vendors shall be liable in respect of any claim arising under paragraph 3 of Schedule 3 or the Indemnities, credit shall be given to the Vendors against such liability for the amounts referred to in paragraph 11.2 below which shall be dealt with in accordance with paragraph 11.4 below.

11.2 The amounts referred to in paragraph 11.1 above are:

- 11.2.1 the amount by which any provision for Taxation contained in the Last Accounts proves to be an over provision;
 - 11.2.2 the amount by which any repayment of Tax to the Company by the Inland Revenue or any other Taxation Authority shown as an asset in the Last Accounts proves to be understated or no amount is stated.
- 11.3 If the auditors of the Company for the time being ("the Auditors") are requested by any of the parties hereto (and at the expense of the requesting party) to certify any of such amounts as are referred to above the parties shall procure that the Auditors are instructed to give and shall give as soon as practicable such certificate and in so doing they shall act as experts and not as arbitrators and (in the absence of manifest error) their decision shall be final and binding on the parties hereto.
- 11.4 Where it is provided under paragraph 11.1 above that any amount ("the Relevant Amount") is to be dealt with in accordance with this paragraph 11.4:
 - 11.4.1 the Relevant Amount shall first be set off against any payment then due from the Vendors under paragraph 3 of Schedule 3 or the Indemnities; and
 - 11.4.2 to the extent that the excess referred to in paragraph 11.4.2 is not exhausted under that paragraph, the remainder of that excess shall be carried forward and set off against any future payment or payments which become due from the Vendors under such provisions.

11.5 Where any such certification as is mentioned in paragraph 11.3 above has been made, the Covenantors or the Purchaser may request the Auditors to review (at the expense of the requesting party) such certification in the light of all relevant circumstances, including any facts which have become known only since such certification, and to certify whether such certification remains correct or whether, in the light of those circumstances, the amount that was the subject of such certification should be amended.

11.6 If the Auditors certify under paragraph 11.5 that an amount previously certified should be amended, that amended amount shall be substituted for the purposes of paragraph 11.4 above as the Relevant Amount in respect of the certification in question in place of the amount originally certified, and such adjusting payment (if any) as may be required by virtue of the above-mentioned substitution shall be made as soon as practicable by the Vendors.

12. **RELIEFS**

12.1 Paragraph 12.2 below shall apply where under paragraph 3 of Schedule 3 or the Indemnities an amount of Taxation paid by the Company or the Event, matter or circumstance giving rise to the liability to pay such Taxation has resulted in a Relief (as defined in the Tax Deed) ("the New Relief") and the Vendors have made a payment to the Purchaser in respect of such Taxation under this Agreement or the Indemnities.

12.2 The Purchaser shall procure that the Company pays to the Vendors an amount equal to the amount by which any liability to Taxation of the Company is reduced as a result of the utilisation of the New Relief within five days of the date on which the Company would have been liable to pay an amount of Taxation but for the utilisation of such New Relief

Provided That no payment shall be made under this paragraph to the Vendors more than seven years after the anniversary of this Agreement other than with respect to a liability which is due and payable before that date.

SCHEDULE 7

(EARN OUT PROTECTIONS)

1. 1.1 During the period commencing upon the date of Completion and ending on 31 March 1996 the parties hereto shall:

1.1.1 procure that the day to day trading of the businesses of the Group Companies (as opposed to the accounting, financial reporting and treasury aspects thereof) are carried on in all respects both individually and as a whole in the same manner as prior to the date hereof; and

1.1.2 use all reasonable endeavours to procure that employees, suppliers and customers of the Group Companies do not cease to be employed by or have dealings with the Group Companies.

PROVIDED THAT if the Purchaser requires changes to the accounting financial reporting or treasury aspects as aforesaid which have an adverse effect on the 1996 Net Profit then the amount of the adverse effect shall be added back to the 1996 Net Profit.

1.2 During such period the parties shall procure that each of the Group Companies does not:

1.2.1 create or issue or agree to create or issue any loan capital;

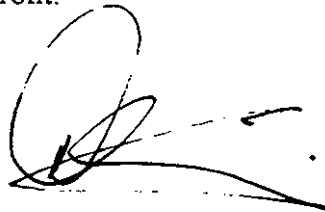
- 1.2.2 create, extend, grant or issue or agree to, create, extend, grant or issue any mortgage, charge, debenture or other form of security;
- 1.2.3 declare, make or pay any dividend or other distribution;
- 1.2.4 enter or agree to enter into any long term or abnormal contract;
- 1.2.5 enter or agree to enter into any contract involving capital expenditure or a capital commitment in excess of £[] in any one case or £[] in aggregate;
- 1.2.6 pass any resolution of its members in general meeting or make any alterations to its Memorandum and Articles of Association;
- 1.2.7 pay or agree to pay any of its Directors, Officers or employees any increase in remuneration or other or additional emolument or benefit which is not due either by custom and practice or under contract;
- 1.2.8 acquire or agree to acquire any assets on hire purchase or deferred sale terms otherwise than in the ordinary course of business;
- 1.2.9 dispose of or agree to dispose of any of its fixed assets or any part of its business;

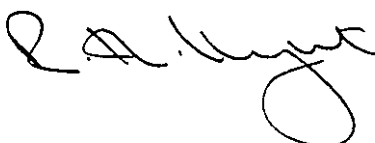
HS
R

- 1.2.10 permit any liens to arise on any of its assets otherwise than in the ordinary course of business;
- 1.2.11 write off or release any debts; or
- 1.2.12 knowingly permit any of its normal insurances to lapse or do anything to make any policy of insurance void or voidable;
- 1.2.13 remove any director from office under circumstances which would amount to a breach by the Company of that Director's service agreement.

- 1.3 The Vendors acknowledge and accept that the Purchaser shall be entitled to require that any of the Group Companies shall carry out any of the acts referred to in paragraph 1.2 above without the consent of the Vendors provided that the actual cost thereof to the Company is added back to the 1996 Net Profit.

SIGNED (but not delivered)
until the date hereof) ASA)
DEED by DONALD HUGH)
THOMAS in the presence of:-)



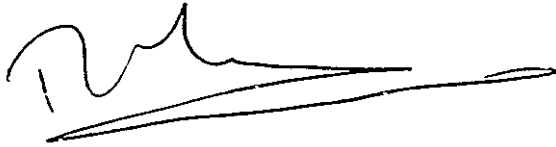
Witness Signature: 

Name: RICHARD HENRY KNIGHT


Address: Wetherham

Occupation: Painter

SIGNED (but not delivered)
until the date hereof) AS A)
DEED by ROBERT ANDREW)
RUGGLES in the presence of:-)



Witness Signature:



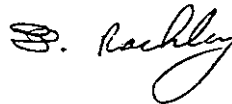
Name:

as above

Address:

Occupation:

SIGNED (but not delivered)
until the date hereof) AS A)
DEED by DEREK TERRENCE)
RACKLEY in the presence of:-)



Ed.

Witness Signature:



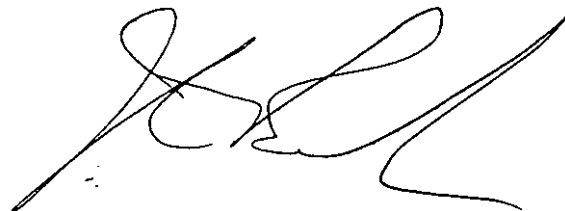
Name:

as above

Address:

Occupation:

EXECUTED (but not delivered)
until the date hereof) AS A)
DEED by QUADRAMATIC PLC)
acting by two directors or one)
director and the secretary)

A handwritten signature in black ink, appearing to be a stylized 'A' or 'M' with a long horizontal stroke extending to the right.A handwritten signature in black ink, appearing to be a stylized 'J' or 'L' with a long horizontal stroke extending to the right.

cag35580.huz (cnh/sjk)