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PRIVATE & CONFIDENTIAL

FINAL VERSION

DATED 29 October 2004

GRAEME RICHARD KALBRAIER (1)

HIGHWAY INSURANCE HOLDINGS PLC (2)

AGREEMENT
for the sale and purchase of the issued shares of
DIRECT MOTORLINE LIMITED

Lyons Davidson
Bridge House
48-52 Baldwin Street
Bristol
BS1 1QD

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DATED:

29 October

2004

PARTIES:

- (1) **GRAEME RICHARD KALBRAIER** of Homefield, The Street, Little Bealings, Woodbridge, Suffolk IP13 6LT ("**Seller**");
- (2) **HIGHWAY INSURANCE HOLDINGS PLC** (Company Number 02998217) of Highway House, 171 Kings Road, Brentwood, Essex CM14 4EJ ("**Buyer**").

AGREED TERMS

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Agreement the words below have the meaning next to them unless the context requires otherwise:

"Accounts" the individual audited annual accounts of the Company and the Subsidiary prepared in compliance with section 226 CA 1985 (as defined in section 262 CA 1985) and also the audited balance sheet of the Company and the Subsidiary as at the Accounts Date including the notes to those accounts and the associated directors' and auditors' report;

"Accounts Date" 30 September 2004;

"Affiliate" in respect of a body corporate means:

- (a) any subsidiary of that body corporate;
- (b) any holding company of that body corporate;
- (c) any subsidiary of that holding company;
- (d) any subsidiary undertaking of that body corporate;
- (e) any subsidiary undertaking of that holding company; and
- (f) any Associated Company of that body corporate or that subsidiary or that holding company or that subsidiary undertaking;

"Associated Company" in relation to any company means any company or entity in which the Company or any Connected Person directly or indirectly owns or is interested in more than 20% of the voting share capital (or

	equivalent rights of ownership);
"Auditors"	the auditors of the Company, namely Baker Tilly of Friars Courtyard, 20 Princes Street, Suffolk IP1 1RJ;
"Bank Facilities"	all bank accounts maintained or used by the Company or the Subsidiary and all overdraft, loan, invoice discounting and financial facilities available to the Company or the Subsidiary;
"Breach of Warranty"	anything which is a breach of any Warranty;
"business day"	a day which is not a Saturday or Sunday or a bank or national holiday in England;
"Buyer's Solicitors"	Lyons Davidson of Bridge House, 48-52 Baldwin Street, Bristol BS1 1QD;
"CA"	Companies Act;
"CAA"	Capital Allowances Act 2001;
"Calls"	the same as in the Calls Agreement;
"Calls Agreement"	an agreement for the sale and purchase of telephone calls to be entered into between CCL (1) and the Company (2) in the agreed form;
"CCL"	Call Connection Limited (Company Number 04834010);
"CCL Agreement"	the agreement dated today's date between the Company (1) and CCL (2) for the transfer of the entire assets and undertaking of the CCL business;
"Claim"	a claim for Breach of Warranty;
"Company"	Direct Motorline Limited (Company Number 04092570);
"Companies"	the Company and/or the Subsidiary;
"Completion"	completion of the sale and purchase of the Shares by the Parties performing their obligations under Clause 4;
"Confidential Information"	all information which is not publicly known and which is used in or otherwise relating to the Company's business, customers or financial or other affairs including information relating to:

	<ul style="list-style-type: none"> (a) trade secrets, know-how, ideas, computer systems and computer software; (b) future projects, business development or planning, commercial relationships and negotiations; and (c) the marketing of goods or services or plots including customer names and lists, sales targets and statistics;
"Connected Person"	a person connected with either of the Seller or the Companies as defined in section 839 Taxes Act;
"Consideration"	the total price for the Shares in accordance with Clause 3;
"Consideration Shares"	1,000,000 (one million) ordinary shares of £0.20 each in the capital of the Buyer credited as fully paid to be allotted to the Seller pursuant to Clause 3;
"Deed of Surrender"	the deed of surrender to be made between (1) Anglia Countrywide Management Limited and (2) the Company in respect of the Property which shall be in the agreed form;
"Disclosed"	disclosed in the Disclosure Letter in accordance with Clause 5.4;
"Disclosure Documents"	the Disclosure Letter and the two identical bundles of documents collated by or on behalf of the Seller which are initialled for identification;
"Disclosure Letter"	the letter dated today from the Seller to the Buyer disclosing certain matters in relation to the Warranties which has been delivered to the Buyer prior to the execution of this Agreement in the agreed form;
"DPA"	Data Protection Act 1998;
"Earn-out"	the sum referred to in Clause 3.1.3;
"Effective Date"	opening of business on 1 October 2004;
"Encumbrance"	any encumbrance, including any claim, mortgage, charge, security, lien, option, pledge, assignment, debenture, hypothecation or other security interest however created and whether relating to existing or future assets or any agreement or commitment to

	create any of these things;
"Employee"	a director (whether or not employed by the Company) or employee or worker of the Company;
"ERA"	Employment Rights Act 1996;
"Event"	has the meaning given to it in the Tax Deed;
"Finally Determined"	determined finally either: <ul style="list-style-type: none"> (i) by a court in respect of whose decision there is no appeal or the time limit for lodging an appeal has expired; or (ii) by the Seller agreeing in writing that the Buyer is entitled to a payment for the claim;
"FRS"	a Financial Reporting Standard adopted or issued by the Accounting Standards Board Limited;
"Guarantee"	any guarantee, indemnity, suretyship, letter of comfort or other assurance, security or right of set-off given or undertaken by a person to secure or support the obligations of any third party and whether given directly or by way of counter-indemnity to any third party who has provided any of the above;
"IHTA 1984"	Inheritance Tax Act 1984;
"Intellectual Property Right"	copyrights, moral rights, related rights, patents, utility models, trade marks, trade or business names, service marks, design rights (registered or unregistered), database rights, rights in unfair competition, rights in undisclosed or confidential information (such as know-how, trade secrets and inventions) (whether patentable or not), domain names, rights protecting goodwill and reputation, rights under licenses and consents in relation to these things and other similar intellectual property rights (whether registered or not) and applications for such rights as may exist anywhere in the world;
"Issue Price"	the average of the closing mid price of an ordinary share of the Buyer derived from the London Share Service in the Financial Times (London Edition) in the first edition published after each of the seven dealing days up to and including the third dealing day prior to the Completion Date;
"IT Contracts"	any agreements, arrangements or licences with third

	parties relating to IT Systems;
"IT Systems"	all computer, telecommunications and network equipment and peripherals and any and all computer programs in all forms and formats and in both source and object form owned or used by the Company;
"Joint Account"	the joint account to be opened pursuant to Clause 8;
"Listing Rules"	the listing rules of the Stock Exchange as amended or revised from time to time;
"Lease"	the lease to be made between Anglia Countrywide Management Limited (1) and the Company (2) in respect of the Property in the agreed form;
"Nominated Account"	the Seller's Solicitors client account numbered 21738436 at Royal Bank of Scotland, Sort Code 15-10-00;
"Parties"	the parties to this Agreement;
"Payment Date"	thirteen months after the Completion Date;
"Prohibited Area"	the area within a fifteen mile radius of Ipswich town centre;
"Property"	the property referred to in Schedule 3;
"Registered Intellectual Property Right"	any Intellectual Property Right registered in the name of either of the Companies;
"Restricted Business"	the business of selling or offering for sale personal lines insurance;
"Retention"	the sum referred to in Clause 3.2.1 as reduced from time to time by payments made in accordance with this Agreement;
"Retention Account Instructions"	the instructions set out in Schedule 7;
"Seller's Solicitors"	Shoosmiths of Witan Gate House, 500-600 Witan Gate West, Central Milton Keynes, MK9 1SH;
"Shares"	the entire issued share capital of the Company;
"Stock Exchange"	London Stock Exchange plc;
"Subsidiary"	Motorline Credit Limited (company number 4199601);

“subsidiary” and “subsidiary undertaking”	have the meaning given by sections 736 and 736A CA 1985 section 258 CA 1985 respectively;
“Tax” or “Taxation”	has the meaning given to these words in the Tax Deed;
“TA”	Income and Corporation Taxes Act 1988;
“Taxation Authority”	has the meaning given to it in the Tax Deed;
“Taxation Liability”	has the meaning given to it in the Tax Deed;
“Tax Deed”	the tax deed in the agreed form between the Seller and the Buyer;
“Tax Warranties”	the Warranties in Part 2 of Schedule 5;
“TCGA”	Taxation of Chargeable Gains Act 1992;
“TULRCA”	Trade Union and Labour Relations Consolidation Act 1992;
“TUPE”	Transfer of Undertakings (Protection of Employment) Regulations 1981;
“UK”	United Kingdom;
“UK GAAP”	all statements of standard accounting practice, financial reporting standards and urgent issues task force abstracts issued by the Accounting Standards Board (or any replacement body) and extant at the Accounts Date;
“VATA 1994”	Value Added Tax Act 1994;
“Warranties”	the warranties referred to in Clause 5 and set out in Schedule 5.

1.2 In this Agreement unless the context requires otherwise:

- 1.2.1 a document “in the agreed form” or similar is a document which has been agreed by the Parties before Completion and which has been initialled by them or on their behalf for identification;
- 1.2.2 references to a Clause or Schedule are to a clause of, or a schedule to, this Agreement; references to this Agreement include its schedules; and references in a Schedule to a paragraph are to a paragraph of that Schedule;
- 1.2.3 references to this Agreement or any other document are to this Agreement or that document as amended from time to time;

- 1.2.4 the singular includes the plural and vice versa; references to any gender include every gender; and references to persons include corporations, partnerships and other unincorporated associations or bodies of persons;
- 1.2.5 all headings are for convenience, have no legal effect and should be ignored when interpreting this Agreement;
- 1.2.6 the words "other", "including" and "in particular" do not limit the generality of any preceding words;
- 1.2.7 any obligation not to do anything is deemed to include an obligation not to suffer, permit or cause that thing to be done if it is within the power of the relevant person to prevent that thing being done;
- 1.2.8 "agreement" includes any agreement, arrangement, contract, commitment, scheme or understanding whether legally binding or not and references to being party to an agreement will be construed accordingly;
- 1.2.9 "enactment" means any statute or statutory provision (of the UK or elsewhere) and any subordinate legislation made under any statute or statutory provision;
- 1.2.10 a reference to any enactment includes a reference to:
 - 1.2.10.1 any enactment which that enactment has directly or indirectly replaced (with or without modification); and
 - 1.2.10.2 that enactment as re-enacted, replaced or modified at any time except to the extent that the liability of any Party would be increased or extended as a result;
- 1.2.11 any agreement, covenant, warranty, undertaking or liability arising under this Agreement on the part of two persons shall be deemed to be made or given by such persons jointly and severally.

2. SALE OF SHARES

- 2.1 The Seller with full title guarantee will sell and the Buyer will buy the Shares free from all Encumbrances together with all rights attaching or accruing to them at Completion.
- 2.2 The Buyer need not buy any of the Shares unless the purchase of all the Shares is completed simultaneously.

3. PRICE

- 3.1 The Consideration for the Shares shall be the aggregate of:
 - 3.1.1 £3,391,395 representing a payment of £105 for each of the 32,299 policies of insurance issued by the Company which were in force on 30 September 2004; plus
 - 3.1.2 £618,049 being the value of the Company's net assets as shown by the Accounts; plus

3.1.3 a capital sum equal to £1.265 for each Call delivered by CCL under the Calls Agreement up to the maximum number of Calls referred to in Schedule 2 to the Calls Agreement or such greater number as shall be agreed between the Company and CCL in writing during the period to 30 September 2005.

3.2 The Consideration shall be paid or satisfied as follows:

3.2.1 the sum of £310,000 being paid subject to Clause 6.4 and in the manner provided by Clause 8;

3.2.2 the sum of £318,929 being satisfied by the allotment (subject to Clause 4.8) at Completion of the Consideration Shares;

3.2.3 the Earnout shall be paid on the fourteenth day of each month (or, if that is not a Business Day, on the next Business Day thereafter) until October 2005;

3.2.4 the balance of £3,380,515 being paid in cash at Completion.

3.3 The Consideration Shares shall (subject to Clause 4.8) be issued on terms that they will rank pari passu in all respects with the ordinary shares of £0.20 each of the Buyer in issue at the date of allotment save as regards any dividend declared or paid by reference to a record date which is prior to Completion. If the Buyer has failed to deliver the Consideration Shares to the Seller within twenty-one days of Completion the Seller may at any time thereafter elect by notice in writing to the Buyer to receive cash of £318,929 (or an appropriate proportion thereof) in lieu of the Consideration Shares to which he is entitled.

4. **COMPLETION**

4.1 *Completion of the sale and purchase of the Shares will take place at the Institute of Directors, Pall Mall, London.*

4.2 At Completion the Seller will give to the Buyer the items listed in paragraph 1 of Schedule 2 and will procure the holding of a board meeting of the Company at which, amongst other things, the matters listed in paragraph 2 of Schedule 2 will be considered.

4.3 On Completion the Seller will repay and will procure the repayment by any Connected Persons of all money owing by each of them to the Company whether due for payment or not.

4.4 Subject to the Seller complying with their obligations under Clauses 4.1 to 4.3 (inclusive), the Buyer will carry out the actions in paragraph 3 of Schedule 2.

4.5 The Seller's Solicitors are authorised to receive any monies or other Consideration payable to the Seller under this Agreement and the receipt of the Seller's Solicitors will be a good discharge to the Buyer in respect of such obligations.

4.6 If the Seller fails to comply in any respect with his obligations under Clause 4 the Buyer may, on one or more occasions, by written notice to the defaulting party:

4.6.1 defer Completion to a date not more than twenty-eight days following the intended Completion or the next following intended date for Completion if

Completion has already been deferred under this Clause (and the provisions of Clauses 4.1 and 4.5 (inclusive) will apply to this deferred Completion); or

4.6.2 proceed to Completion so far as practicable but without prejudice to the rights under this Agreement; or

4.6.3 rescind this Agreement.

4.7 The Buyer may not rescind this Agreement after Completion except in the case of fraud.

4.8 The issue and allotment of the Consideration Shares is conditional on the Stock Exchange agreeing that the Consideration Shares be admitted to the Official List (subject only to allotment) and that the admission should become effective in accordance with paragraph 7.1 of the Listing Rules of the Stock Exchange, and the Buyer hereby agrees to apply for such admission and confirmation as soon as practicable after Completion.

4.9 The Seller undertakes to procure that CCL pays the whole of any sum due from it to the Company by one payment of £500,000 to be made on the Business Day following the date of Completion and a second payment in respect of the balance of such indebtedness within five Business Days after the date of Completion.

5. WARRANTIES

5.1 The Seller warrants to the Buyer:

5.1.1 in the terms set out in Schedule 5; and

5.1.2 that any statement in Schedule 5 which is qualified as being made "so far as the Seller is aware" or "to the best of the Seller's knowledge, information and belief" or any similar expression has been (except when expressly further qualified) made after due, diligent and careful enquiries by the Seller and that the Seller has used all reasonable endeavours to ensure that all information given, referred to or reflected in the statement is accurate in all material respects.

5.2 The Seller acknowledges that the Buyer is relying upon each of the Warranties in entering into this Agreement.

5.3 Each Warranty is a separate and independent condition so that the Buyer has subject to the terms of the Disclosure Letter a separate Claim for every breach of each Warranty.

5.4 The Warranties are subject only to those matters fairly disclosed in the Disclosure Letter and for this purpose "fairly disclosed" means disclosed in a manner and with sufficient detail to enable a reasonable buyer to make an informed and accurate assessment of the matter concerned.

5.5 The Seller waives (in the absence of fraud) all rights and claims which he may have against the Companies and/or any of their respective directors, employees, workers, agents or advisers for any error, omission or misinterpretation in any information, advice or opinion given by these persons to the Seller to enable the Seller to give any of the Warranties or to prepare the Disclosure Letter or to assume any of his obligations under this Agreement.

5.6 The Buyer's rights and remedies for Breach of Warranty are not affected by:

5.6.1 Completion;

5.6.2 any investigation made by the Buyer or its advisers into the affairs of the Companies;

5.6.3 any failure to exercise or any delay in exercising, any right or remedy or by any matter at all unless the Buyer has made or given a specific and duly authorised written waiver or release.

6. CLAIMS FOR BREACH OF WARRANTY

6.1 All Claims by the Buyer against the Seller are subject to the Seller's protection provisions of Schedule 6.

6.2 Subject to Clause 6.3, the Seller will pay to the Buyer an amount by which the value of an asset or class of assets of the Companies is less, or the amount by which any of their liabilities or any class of these liabilities is more, by reason of a Breach of Warranty, than would have been the case had that Warranty been true and accurate together with the amount of any payments made by the Buyer as a result of or in connection with any Breach of Warranty or required to put the Companies into the position in which it would have been had that Warranty been true and accurate.

6.3 The provisions of Clause 6.2 do not restrict the rights or ability of the Buyer to claim damages on any basis it chooses to do so.

6.4 If prior to the Payment Date the Buyer makes a Claim or claim under the Tax Deed ("**Tax Deed Claim**") or claim under Clause 6.6 (for the purposes of this Clause 6.4 only both a Claim and a Tax Deed Claim and a claim under Clause 6.6 shall be referred to together as "**a Claim**") and delivers to the Seller a written opinion of counsel of at least ten years call appointed and instructed by:

(i) agreement between the Seller and the Buyer; or

(ii) failing such agreement within five business days of the Claim being notified, the President of the Law Society of England (on application of any party);

to the effect that the Buyer's claim is bona fide and, prima facie, has a greater than 50% chance of succeeding and setting out counsel's best estimate of the Seller's actual liability to the Buyer in respect thereof ("**the Estimated Liability**") then:

6.4.1 the Buyer shall be entitled to retain in the Joint Account whichever is the lesser of:

6.4.1.1 an amount equal to the Estimated Liability in which event the Buyer shall pay on the Payment Date the balance of the Retention to the Seller together with accrued interest on such balance; and

6.4.1.2 the amount of the Retention;

6.4.2 if the Estimated Liability is greater than the Retention the Buyer shall be entitled to withhold payment of the Earn-out and pay such monthly instalments of the Earn-out into the Joint Account until such time as the credit balance of the Joint Account is greater than the Estimated Liability;

6.4.3 when the Claim is Finally Determined the following will apply:

- (i) the Consideration shall be reduced by an amount equal to the liability of the Seller (if any) in respect of the Claim as Finally Determined; and
- (ii) the Parties shall procure that the Seller's Solicitors and the Buyer's Solicitors shall within fourteen days of the Claim being Finally Determined pay the appropriate amount to the Buyer out of the Joint Account (insofar as there is sufficient standing to the credit of the Joint Account, together with accrued interest). Any amount standing to the credit of the Joint Account after settlement or resolution of the Claim made prior to the Payment Date shall then be paid to the Seller on the Payment Date.

6.5 The fees of any counsel appointed pursuant to Clause 6.4 shall be borne by the Buyer in the event that counsel finds the Buyer's claim does not have a greater than 50% chance of succeeding and otherwise shall be borne by the Seller.

6.6 The Seller will pay to the Buyer by way of reduction and refund of the Consideration an amount equal to all losses damages liabilities costs (including reasonable legal costs) charges expenses actions proceedings claims or demands incurred or suffered by or brought against the Company (or any other person) in respect of any of the matters referred to in Schedule 8.

7. RESTRICTIVE COVENANTS

7.1 To protect the Companies' goodwill, know-how and the value of the Shares, the Seller covenants with the Buyer that he will not, for two years from the Completion Date, directly or indirectly:

7.1.1 carry on, be employed, engaged, concerned or interested in any business which is or is about to be engaged in the Restricted Business within the Prohibited Area in competition with the Companies;

7.1.2 in relation to the Restricted Business, solicit or endeavour to entice away from the Companies or to deal with any person who to his knowledge is, or has during the past three years been a client or customer of the Companies and with whom the Seller had personal dealings in the course of his employment;

7.1.3 solicit or endeavour to entice away from the Companies any director, manager, salesman or other person employed by the Companies at the Completion Date.

7.2 The Seller also covenants with the Buyer that he will procure that no Connected Person and no person carrying on business in succession to the Seller, directly or indirectly does or procures any of the acts mentioned in Clauses 7.1.1, 7.1.2 and 7.1.3.

- 7.3 The Seller undertakes with the Buyer that he will not at any time after Completion directly or indirectly:
- 7.3.1 engage in any trade or business or be associated with any person engaged in any trade or business using the name "DML" or "Direct Motorline" or any name incorporating the words "DML" or "Direct Motorline" or any which are confusingly similar to these names;
 - 7.3.2 without the consent of the Buyer, use (for himself or on behalf of any third party) or divulge to any third party, any Confidential Information relating to the financial and business affairs of the Companies not already in the public domain unless it has come into the public domain as a result of a breach of this Agreement.
- 7.4 The restrictions in Clause 7.1 do not prohibit the Seller from holding up to 5% of the shares of any competing company that is listed or dealt in on a recognised investment exchange (as defined in the Financial Services and Markets Act 2000) or from undertaking insurance brokerage for the Seller's family and personal friends through Spinmore Insurance Services provided that the Seller takes no action to market or promote Spinmore's services to the public generally or to increase materially the level of business beyond the level carried on at Completion.
- 7.5 Each of the covenants in Clauses 7.1 and 7.3 are separate and if one or more of these covenants is held to be void or unenforceable, the validity of the remaining covenants is unaffected.
- 7.6 The Seller agrees with the Buyer that:
- 7.6.1 the provisions of Clauses 7.1 and 7.3 are reasonable and necessary to protect the value of the Shares and the goodwill of the Company and that, having regard to that fact, those provisions do not work harshly on the Seller;
 - 7.6.2 he has had the opportunity to take (and has taken) independent legal advice on those provisions;
 - 7.6.3 if any of those provisions, by themselves or taken together, is adjudged unreasonable but would be adjudged reasonable if part of the wording were deleted, amended or qualified or the periods were reduced or the range of services or area dealt with were reduced in scope, the relevant provision will apply with the modification necessary to make it valid and effective.

8. RETENTION AND JOINT ACCOUNT

- 8.1 The Retention shall on Completion be paid into the Joint Account, which shall be opened in the names of the Seller's Solicitors and the Buyer's Solicitors at Bristol & West and shall be dealt with in accordance with the following sub-clauses and as set out in the Retention Account Instructions.
- 8.2 Subject as provided in Clauses 6.4 and 8.3, the Seller's Solicitors and the Buyer's Solicitors shall pay the monies standing to the credit of the Joint Account, plus accrued interest but less any bank charges, to the Seller on the Payment Date, but so that they

shall deduct from any such payment any amount due to be paid or permitted to be retained under Clause 6.4 (to the extent not already paid).

- 8.3 If not paid to the Seller as authorised by the Retention Account Instructions the interest accrued on the Retention shall belong to the Seller and the Buyer in proportion to the respective amounts of the Retention released to each of them from time to time.
- 8.4 The Seller and the Buyer shall as and when necessary give joint instructions to the Seller's Solicitors and the Buyer's Solicitors respectively in order to procure compliance with Clauses 6.4 and 8.2. The Seller's Solicitors and the Buyer's Solicitors shall not be required to take any action with respect to the Joint Account except on the written joint instructions of the Seller and the Buyer.

9. GUARANTEES

- 9.1 The Seller has given personal guarantees in support of the Company's business copies of which are attached to the Disclosure Letter and the Buyer hereby covenants with the Seller

9.1.1 to use its best endeavours (which shall expressly include offering equivalent guarantees by the Buyer) to procure the release of the Seller from any and all such guarantees which have been Disclosed (which shall, for the avoidance of doubt, include any and all guarantees given by the Seller to HSBC Insurance Brokers Limited in respect of the Company's insurance agency agreements); and

9.1.2 to use all reasonable endeavours (which shall expressly include offering equivalent guarantees by the Buyer) to procure the release of the Seller from any and all other guarantees which are subsequently found to be in effect in so far as any such guarantee relates to a liability of the Company or the Subsidiary and is in respect of a liability incurred in the ordinary course of the Company's or the Subsidiary's business (as it is carried on at Completion);

and, in either case, pending such release, to keep the Seller and his successors in title indemnified against all claims, demands, costs and proceedings arising either directly or indirectly under those personal guarantees.

- 9.2 The Seller will procure that on Completion the Companies are relieved from any guarantee, indemnity, letter of comfort or other legally binding obligation given by the Companies to any third party in respect of a liability of any person other than the Company or the Subsidiary and, pending such relief, keep the Companies and the Buyer and their successors in title indemnified against all claims, demands, costs and proceedings arising either directly or indirectly under any such obligation.

10. PROPERTY

The Buyer shall not be obliged to complete this Agreement unless the Deed of Surrender and the Lease are completed simultaneously.

11. ANNOUNCEMENTS

With the exception of any announcements required by law or by any relevant regulatory (including the Stock Exchange), governmental or quasi governmental authority no

announcements may be made or any circular or other publicity material issued by the Seller or the Buyer relating to the existence or the subject matter of this Agreement or any agreed form document without the prior written approval of the Buyer and the Seller as to its content, form and manner of publication/issuance.

12. GENERAL

- 12.1 Subject to the Buyer contributing £5,000 plus VAT to the Seller's legal fees the Parties will bear all their own costs and expenses incurred in connection with this Agreement.
- 12.2 This Agreement and the agreed form documents set out the entire agreement between the Parties in connection with the matters with which the Agreement deals and supersedes any previous agreements between the Parties relating to the subject matter of this Agreement.
- 12.3 Each of the Parties acknowledge that in entering into this Agreement it has not relied on any representation, warranty, agreement or statement not set out in this Agreement and that (in the absence of fraud) it will not have any right or remedy arising out of any such representation, warranty, agreement or statement.
- 12.4 If this Agreement is prepared in several parts, each of the Parties may execute one or more parts and all the executed parts will constitute one agreement.
- 12.5 All the Buyer's rights and remedies under this Agreement or by law are cumulative so a reference to or the exercise of one remedy does not affect any of the others and any failure to exercise or delay in exercising its rights or remedies, will not operate as a waiver or prevent any further exercise of them.
- 12.6 Neither the Seller nor the Buyer can assign or establish a trust of the benefit of this Agreement save that the Buyer shall be entitled to assign the benefit of the Agreement and the Tax Deed to any of its Affiliates. This Agreement (and the Tax Deed) will be binding on and enure for the benefit of the personal representatives and successors in title of the Seller.
- 12.7 All provisions of this Agreement are, so far as they are capable of being performed or observed, to continue in full force and effect notwithstanding Completion except in respect of those matters which have already been performed. Completion will not constitute a waiver of any of the Buyer's rights under this Agreement and the Tax Deed.
- 12.8 The Seller will co-operate with the Buyer and will execute or procure the execution of any documents and deliver any other instruments and documents and will at the Buyer's expense take any steps which the Buyer reasonably requires from time to time in order to carry out, evidence and confirm its rights and the intended purpose of this Agreement in order to vest the Shares in the Buyer and to give to the Buyer the full benefit of all the provisions of this Agreement.
- 12.9 If any provision of this Agreement is held to be illegal, void or unenforceable under the laws of any jurisdiction, the legality, validity and enforceability of the remainder of this Agreement in that jurisdiction is not to be affected.

- 12.10 If any provision of this Agreement is found to be invalid or unenforceable but would be valid and enforceable if some part of the provisions were deleted, that provision will apply with whatever modifications are necessary to make it valid.
- 12.11 Time is of the essence of this Agreement both as regards the dates and periods mentioned in this Agreement for the performance of any obligation by any of the Parties and as regards any dates and periods that may be substituted for them in accordance with this Agreement or by written agreement between the Parties.
- 12.12 Any notices served by the Parties under this Agreement may be delivered by hand or sent by first class or recorded delivery post to the address of the addressee as set out below (or to any other address in the UK that the addressee may notify the other Parties of in writing from time to time):

The Seller

Homefield
The Street
Little Bealings
Woodbridge
Suffolk
IP13 6LT

with a copy to the Seller's Solicitors.

The Buyer

Ian Patrick
Highway House
171 Kings Road
Brentwood
Essex
CM14 4EJ

Facsimile Number: 01277 262666

- 12.13 Notices may be sent by facsimile provided they are also delivered by hand or sent by post in accordance with Clause 14.12.
- 12.14 Notice is not validly served if sent by e-mail.
- 12.15 The law applicable to this Agreement is English and the Parties submit to the non-exclusive jurisdiction of the English Courts.
- 12.16 A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement but this does not affect any right or remedy of a third party which exists or is available apart from that Act.
- 12.17 This Agreement supersedes the terms of the heads of agreement letter dated 7 September 2004 which shall lapse and be of no further effect from the date hereof.

AS WITNESS the hands of the parties or their duly authorised officers the day and year first above written.

SCHEDULE 1
PART 1: THE COMPANY

Name	:	Direct Motorline Limited
Date and place of incorporation	:	England, 13 October 2000
Registered number	:	04092570
Registered office	:	Crane Court 302 London Road Ipswich IP2 0AJ
Authorised share capital	:	5,000,000 Ordinary Shares of £1 each
Issued and paid up share capital	:	1,125,000 Ordinary Shares of £1 each
Shareholder	:	Graeme Richard Kalbraier as legal and beneficial holder of 1,125,000 ordinary shares of £1 each
Accounting Reference Date	:	30 September
Directors	:	Graeme Richard Kalbraier Paul Clement John Michael Wilkinson Dagger Neil Gregory Hames Judy Jones Simon Charles Marriage
Secretary	:	John Michael Wilkinson Dagger
Auditors	:	Baker Tilly Friars Courtyard 30 Princes Street Ipswich IP1 1RJ
Bankers	:	National Westminster Bank plc
Outstanding Charges	:	Debenture dated 7 November 2002

PART 2: THE SUBSIDIARY

Name	:	Motorline Credit Limited
Date and place of incorporation	:	England, 12 April 2001
Registered number	:	4199601
Registered office	:	Crane Court 302 London Road Ipswich IP2 0AJ
Authorised share capital	:	100 Ordinary Shares of £1 each
Issued and paid up share capital	:	100 Ordinary Shares of £1 each
Shareholder	:	The Company: legal and beneficial holder of 100 ordinary shares of £1 each
Accounting Reference Date	:	30 September
Directors	:	Graeme Richard Kalbraier Neil Gregory Hames
Secretary	:	John Michael Wilkinson Dagger
Auditors	:	Baker Tilly Friars Courtyard 30 Princes Street Ipswich IP1 1RJ
Bankers	:	National Westminster Bank plc
Outstanding Charges	:	Mortgage Debenture dated 16 July 2001

SCHEDULE 2**COMPLETION ARRANGEMENTS****1. ITEMS TO BE GIVEN BY THE SELLER TO THE BUYER AT COMPLETION**

- 1.1 Duly completed and signed transfers in favour of the Buyer of the Shares (in a form acceptable to the Buyer) together with the relative share certificates.
- 1.2 Any waivers or consents that the Buyer requires to enable it to be registered as holders of the Shares.
- 1.3 A voting power of attorney from the Seller in the agreed form.
- 1.4 The certificate of incorporation of the Company and the Subsidiary.
- 1.5 The statutory books of the Company and the Subsidiary complete and up to date up to the Business Day immediately before the Completion Date.
- 1.6 The Tax Deed duly executed by the parties to that deed.
- 1.7 The letters of resignation in the agreed form for the retiring directors and retiring secretary listed in Schedule 3, with a written acknowledgement from each of them, executed as a deed, that he has no claim of any kind against the Company.
- 1.8 A deed in the agreed form from the Seller acknowledging that neither the Seller nor any spouse or child of the Seller nor any company of which the Seller, spouse or child has control has any claim against the Company.
- 1.9 The appropriate forms to amend the mandate given by the Company to its bankers.
- 1.10 All unused cheques, paying in books and other instruments relating to the Company's bank and loan accounts.
- 1.11 All credit cards in the name of or for the account of the Company in the possession of any person resigning from his office or employment on Completion.
- 1.12 A print out from each of the banks at which the Company maintains an account of the amount standing to the credit or debit of all such accounts as at the close of business on two Business Days prior to Completion.
- 1.13 Evidence satisfactory to the Buyer that all debts and accounts between the Company or any Affiliate of the Company and the Seller and any Connected Persons or Affiliate of the Seller has been fully paid and settled.
- 1.14 Evidence satisfactory to the Buyer that any loans to or from the Company from or to the Directors or Affiliate of any of the Directors has been fully paid and settled.
- 1.15 Evidence satisfactory to the Buyer than any intra-company loans to or from the Company have been fully paid and settled.

1.16 The Deed of Surrender and Lease duly executed by the parties thereto.

2. MATTERS TO BE EFFECTED AT BOARD MEETINGS OF THE COMPANY AND THE SUBSIDIARY

2.1 The persons listed under the relevant heading in Schedule 4 are appointed as additional directors and secretary of the company against which their names appear.

2.2 The transfers referred to in paragraphs 1.1 and 1.2 of this Schedule are approved (subject to stamping).

2.3 The resignations referred to in paragraph 1.9 of this Schedule are submitted and accepted.

2.4 The next accounting reference period of the Companies is shortened so as to end on 31 December 2004.

2.5 The registered office of the Company is changed to Highway House, 171 Kings Road, Brentwood, Essex CM14 4EJ.

2.6 The Deed of Surrender and Lease are approved on behalf of the Company.

3. MATTERS TO BE PERFORMED BY THE BUYER

3.1 The Buyer shall deliver to the Seller's Solicitors at Completion:

3.1.1 letters of allotment in an agreed form in respect of the Consideration Shares;

3.1.2 an executed counterpart of the Tax Deed;

3.2 The Buyer shall pay the cash sum of £3,380,515 in respect of the Shares by electronic funds transfers to the Nominated Account plus £310,000 (which sum shall be paid by the Seller's Solicitors into the Joint Account).

SCHEDULE 3

LEASEHOLD PROPERTY

Office space on the first and third floors of Hubbard House, Civic Drive, Ipswich Suffolk more particularly defined in the Lease

SCHEDULE 4
DIRECTORS AND OFFICERS

COMPANY

Additional Directors

1. Andrew James Gibson
2. Ian William James Patrick
3. Christopher Derek Hill
4. Paul Nigel Cosh

New Secretary

Philip John Lampshire

Retiring Directors

1. Seller
2. Paul Clement
3. John Michael Wilkinson Dagger
4. Judy Jones
5. Simon Charles Marriage

Retiring Secretary

John Michael Wilkinson Dagger

SUBSIDIARY

Additional Directors

1. Andrew James Gibson
2. Ian William James Patrick
3. Christopher Derek Hill
4. Paul Nigel Cosh

New Secretary

Philip John Lampshire

Retiring Director

Seller

Retiring Secretary

John Michael Wilkinson Dagger

SCHEDULE 5

WARRANTIES

PART 1: GENERAL

1. PRELIMINARY

1.1 Information

1.1.1 The facts set out in Schedules 1 and 3 and all information contained in the Disclosure Documents are true, complete and accurate and not misleading.

1.1.2 There is no fact or matter which has not been Disclosed which renders any such information untrue, inaccurate or misleading in any material respect (and for these purposes materiality means a series of facts or matters which together total an aggregate level of £250,000) or which if so Disclosed might reasonably affect the willingness of a willing buyer to buy the Shares on the terms of this Agreement.

1.2 Power to Contract

The Seller has full power to enter into and perform this Agreement and the relevant agreed form documents and the Tax Deed and this Agreement constitutes, and the Tax Deed when executed will constitute, binding obligations on the Seller in accordance with their terms.

2. THE COMPANY

2.1 Memorandum and Articles of Association

The copy of the memorandum and articles of association of the Companies which are comprised in the Disclosure Documents are true and complete in all respects and each of the Companies has at all times carried on its business and affairs in all respects in accordance with its memorandum and articles of association and all such resolutions and agreements.

2.2 Statutory Books

The Statutory Books of the Companies have been properly kept and no written notice or allegation that any of them is incorrect or should be rectified has been received by either of the Companies.

2.3 Statutory Returns

Each of the Companies has complied with the provisions of the Companies Acts and all returns, particulars, resolutions and other documents required to be filed with or delivered to the Registrar of Companies or to any other authority whatsoever by either of the Companies have been correctly and properly prepared and so filed or delivered.

2.4 Share Capital

2.4.1 The Shares constitute the whole of the issued share capital of the Company. There is no Encumbrance or any form of agreement (including conversion rights and rights of pre-emption) on, over or affecting the Shares or any unissued shares, debentures or other securities of the Company and there is no agreement or commitment to give or create any of the foregoing. No claim has been made by any person to be entitled to any of the foregoing and no person has the right (exercisable now or in the future and whether contingent or not) to call for the issue of any share or loan capital of either of the Companies under any of the foregoing. The Seller is entitled to sell and transfer the Shares to the Buyer with full title guarantee and otherwise on the terms set out in this Agreement.

2.4.2 Neither of the Companies has at any time:

2.4.2.1 repaid, redeemed or purchased (or agreed to repay, redeem or purchase) any of its own shares, or otherwise reduced (or agreed to reduce) its issued share capital or any class of it or 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; or

2.4.2.2 directly or indirectly provided any financial assistance for the purpose of the acquisition of shares in that company or any holding company of that company or for the purpose of reducing or discharging any liability incurred in such an acquisition, whether pursuant to sections 155 and 156, CA or otherwise.

2.5 Solvency

2.5.1 Neither of the Companies has stopped payment or is insolvent nor unable to pay its debts according to section 123, Insolvency Act 1986. No order has ever been made or petition presented or resolution passed for the winding up of either of the Companies and no distress, execution or other process has ever been levied on any of their respective assets. No administrative or other receiver has been appointed by any person over the business or assets of either of the Companies or any part thereof, nor has any order been made or petition presented for the appointment of an administrator in respect of either of the Companies.

2.5.2 No step has been taken to initiate any process which:

2.5.2.1 would lead to either of the Companies being wound up, liquidated or dissolved; or

2.5.2.2 could suspend, restrict or prevent the ability of creditors to enforce their debts; or

2.5.2.3 could lead to some or all the creditors accepting an amount less than the sums to them with a view to preventing the dissolution of either of the Companies.

3. CONNECTED BUSINESS

3.1 Subsidiaries

The particulars of the Companies set out in Schedule 1 are true and complete. The Company has no subsidiaries or subsidiary (as defined by section 736 CA) or parent undertakings, other than the Subsidiary, which has no subsidiaries or subsidiary undertakings (as so defined) and the shares in the Subsidiary are held by the Company free from all Encumbrances and with all rights now or hereafter attaching thereto.

3.2 Connected Transactions

Neither of the Companies:

3.2.1 is or has agreed to become the holder or other owner of any class of any shares, debentures or other securities of any other body corporate (whether incorporated in the United Kingdom or elsewhere);

3.2.2 has agreed to become a subsidiary of any other body corporate or under the control of any group of bodies corporate or consortium;

3.2.3 is and has agreed to become a member of any partnership, joint venture, consortium or other unincorporated association other than a recognised trade association or agreement or arrangement for sharing commissions or other income;

3.2.4 has any branch, place of business or substantial assets outside England and Wales or any permanent establishment (as that expression is defined in any relevant Order in Council made pursuant to section 788, TA) in any country outside the United Kingdom; and

3.2.5 save as otherwise Disclosed pursuant to paragraphs 3.2.1 to 3.2.4, does not have any interest, legal or beneficial, in any shares or other capital or securities or otherwise howsoever in any other firm, company, association, venture or legal person or entity.

3.3 Prior to its dissolution Direct Vanline Limited had always been dormant, had no liabilities nor any employees and had never traded and had only filed dormant accounts. The Company does not owe any money or have any obligations (whether actual or contingent) to or in respect of Direct Vanline Limited.

4. ACCOUNTS

4.1 General

The Accounts:

- 4.1.1 were prepared in accordance with the requirements of all relevant statutes, with good accounting principles and practices generally accepted at the date hereof in the United Kingdom (including UK GAAP) and on a basis consistent with preceding accounting periods of the Company and with the books of account of the relevant company and are true and accurate in all material respects;
- 4.1.2 disclose a true and fair view of the assets, liabilities and state of affairs of the Companies at the Accounts Date and of their respective profits and losses for the financial year ended on such date;
- 4.1.3 contain provision or reserve for bad and doubtful debts and for depreciation on fixed assets, which provision or reserve was when made and is now in the Seller's opinion adequate;
- 4.1.4 contain a note of all capital commitments of each of the Companies at the Accounts Date, which note was when made and is now adequate, fair and not misleading;
- 4.1.5 contain proper and adequate reserves or provision for all Taxation, including deferred taxation as defined in SSAP 15 (sufficient provision being made in a deferred taxation account for any corporation tax on chargeable gains and balancing charges that would arise on the sale of all fixed assets at the values attributed to them in the Accounts);
- 4.1.6 disclose, note or provide for all liabilities of each of the Companies which were known, actual or contingent (including contingent liabilities to customers and contingent liabilities for Taxation);
- 4.1.7 reflect all the fixed and loose plant and machinery, equipment, furniture and fittings used by either of the Companies at the Accounts Date and (apart from depreciation in the ordinary course of business) their value is not significantly less than at the Accounts Date and none has been acquired for any consideration in excess of its net realisable value at the date of such acquisition or otherwise than by way of a bargain at arm's length.

4.2 Profits

The profits of each of the Companies for the three years ended on the Accounts Date as shown by the Accounts and by the audited accounts of each of the Companies for three previous periods delivered to the Buyer and the trend of profits shown by them have not (except as fairly and accurately disclosed in them) been affected to a material extent by inconsistencies of accounting practices, by the inclusion of exceptional or non-recurring items of income or expenditure, by transactions entered into otherwise than on normal

commercial terms or by any other factors rendering such profits for all or any of such periods exceptionally high or low.

4.3 Books of Account

All accounts, books, ledgers, financial and other necessary records of whatsoever kind of each of the Companies:

- 4.3.1 have been properly maintained, are in the possession of the relevant Company and no written notice or allegation that any of the same is incorrect or should be rectified has been received by either of the Companies;
- 4.3.2 do not contain or reflect any material inaccuracies or discrepancies;
- 4.3.3 accurately and fairly record the matters which ought to appear in them and in particular of the financial, contractual and trading position of the relevant company and of its plant and machinery, fixed and current assets and liabilities (actual and contingent), debtors and creditors; and
- 4.3.4 contain accurate information in accordance with generally accepted accounting principles relating to all transactions to which the company has been a party and the Accounts do not overstate the value of any asset or understate any liability of either of the Companies at the Accounts Date.

5. POST-BALANCE SHEET DATE EVENTS

Since the Accounts Date:

- 5.1 each of the Companies has carried on its business in the ordinary and usual course and without entering into any transaction, assuming any liability or making any payment not provided for in the Accounts which is not in the ordinary course of business and without any interruption or alteration in the nature, scope or manner of its business and so far as the Seller is aware nothing has been done which will prejudice the interests of the Buyer as a prospective purchaser of the Shares;
- 5.2 neither of the Companies has experienced any material deterioration in its financial position or turnover or suffered any diminution of its assets by the wrongful act of any person and the value of its net assets is not materially less than the value of its net assets at the Accounts Date and the Company has not had its business or profitability materially and adversely affected by the loss of any important customer or source of supply or by any abnormal factor not affecting similar businesses to a like extent and so far as the Seller is aware there are no facts which are likely to give rise to any such effects;
- 5.3 neither of the Companies has acquired or disposed of or agreed to acquire or dispose of any assets or assumed or incurred or agreed to assume or incur any material liabilities (actual or contingent) otherwise than in the ordinary course of business;
- 5.4 neither of the Companies has declared, made or paid any dividend, bonus or other distribution of capital or income (whether a qualifying distribution or otherwise) and (excluding fluctuations in overdrawn current accounts with bankers) no loan or loan

capital of either of the Companies has been repaid in whole or in part or has become due or is liable to be declared due by reason of either service of a notice or lapse of time or otherwise howsoever;

- 5.5 has not carried out or entered into any transaction and no other event has occurred in consequence of which (whether alone or together with any one or more transactions or events occurring before, on or after the date of this Agreement) any liability of the Company to Taxation has arisen or will 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 the actual income (not chargeable gains or deemed income) of the Company arising from transactions entered into in the ordinary course of business income tax under the PAYE system and national insurance and social security contributions in respect of persons employed by it since the Accounts Date;
- 5.6 neither of the Companies has made any change to the remuneration, terms of employment, emoluments or pension benefits of any present or former director, officer or employee of either of the Companies who on the Accounts Date was entitled to remuneration in excess of £50,000 per annum or has appointed or employed any additional director, officer or employee entitled as aforesaid;
- 5.7 each of the Companies has received payment in full on their due dates of all debts owing to it shown in the Accounts (subject to any provision for bad and doubtful debts made in the Accounts), and neither of the Companies has released any debts in whole or in part or written off debts in an amount exceeding £5,000 in the aggregate;
- 5.8 neither of the Companies has entered into contracts involving individual capital expenditure in an amount exceeding £10,000;
- 5.9 neither of the Companies has so far as the Seller is aware become aware that any event has occurred which would entitle any third party to terminate any contract or any benefit enjoyed by it or call in any money before the normal due date therefor;
- 5.10 each of the Companies has paid its creditors within the times agreed with such creditors and does not have any debts outstanding which are overdue for payment by more than sixteen weeks;
- 5.11 neither of the Companies has borrowed or raised any money or taken any financial facility (except such short term borrowings from bankers as are within the amount of the overdraft facility which was available to the Subsidiary at the Accounts Date) or since the Accounts Date renegotiated or received any notice from any banker that such banker wishes to renegotiate any overdraft facility available to the Subsidiary at the Accounts Date;
- 5.12 neither of the Companies has made any change to its accounting reference date and no accounting period of either of the Companies has ended since the Accounts Date;
- 5.13 neither of the Companies has made a payment or incurred an obligation to make a payment which will not be deductible in computing trading profits for the purposes of corporation tax or as a management expense of the relevant company;

- 5.14 neither of the Companies has passed any resolution whether in general meeting or otherwise;
- 5.15 neither of the Companies has appointed any additional directors or taken on any new employee, officer or directors or terminated the employment or engagement of any employee, officer or director (other than those whose employment has been transferred under the CCL Agreement); and
- 5.16 so far as the Seller is aware, neither of the Companies has done anything which will make any policy of insurance void or voidable.

6. TRANSACTIONS WITH THE SELLER, DIRECTORS AND CONNECTED PERSONS

6.1 Loans and Debts

There is not outstanding:

6.1.1 any indebtedness or other liability (actual or contingent) in excess of £2,000 owing by either of the Companies to the Seller or any director of the relevant company or any Connected Person or owing to either of the Companies by the Seller or any director of the relevant company or any Connected Person; or

6.1.2 any guarantee or security for any such indebtedness or liability as aforesaid.

6.2 Arrangements with Connected Persons

6.2.1 There is not outstanding any agreement, arrangement or understanding (whether legally enforceable or not) to which either of the Companies is a party and in which the Seller, Affiliate of the Seller, director or former director of the Company or any Connected Person is or has been interested, whether directly or indirectly.

6.2.2 Neither of the Companies is a party to nor have its profits or financial position during the last six years been affected by any agreement or arrangement which is not entirely of an arm's length nature.

6.3 Competitive Interests

6.3.1 None of the Seller, any current or former director of either of the Companies nor any Connected Person of the Seller, either individually, collectively or with any other person or persons, has any estate, right or interest, directly or indirectly, in any business other than that now carried on by either of the Companies which is or is likely to be or become competitive with any aspect of the business of either of the Companies save as registered holder or other owner of any class of securities of any company if such class of securities is listed on any recognised investment exchange (as defined in the Financial Services and Markets Act 2000) and if such person (together with Connected Persons and Affiliates) holds or is otherwise interested in less than five per cent of such class of securities.

6.3.2 The Seller either individually, collectively or with any other person or persons is not interested in any way whatsoever in any Intellectual Property used and not wholly owned by either of the Companies.

6.4 Benefits/Claims

No Connected Person of the Seller, director or former director of either of the Companies is entitled to or has claimed entitlement to any remuneration, compensation or other benefit from either of the Companies nor is entitled to bring and has not brought or assigned any other claim of any nature whatsoever against either of the Companies.

7. FINANCE

7.1 Borrowings

Particulars of all money borrowed by either of the Companies have been Disclosed. The total amount borrowed by either of the Companies from any source does not exceed any limitation on its borrowing contained in its articles of association or in any debenture or loan stock trust deed or instrument or any other document executed by the relevant company and the amount borrowed by either of the Companies from each of its bankers does not exceed the overdraft facility agreed with such banker. Neither of the Companies has any outstanding loan capital.

7.2 Debts Owed to the Company

All debts owed to the Company are so far as the Seller is aware collectable in the ordinary course of business and each such debt will realise in full its face value within three months of its due date for payment. The Seller considers none of the debts owing to the Company (but which are not yet due) to be irrecoverable in whole or in part. The Company does not own the benefit of any debt (whether present or future) other than debts which have accrued to it in the ordinary course of business.

7.3 Bank Accounts

7.3.1 Particulars of the balances on all the Company's bank accounts as at close of business two business days before the date of this Agreement have been Disclosed and the Company has no other bank accounts. Since the date of such particulars there have been no payments out of any such bank accounts except for routine payments which have been Disclosed.

7.3.2 All unpresented cheques drawn by the Company have been Disclosed and there are no such unpresented cheques drawn otherwise than in the normal course of business.

7.4 Working Capital

Having regard to its existing banking and other facilities, each of the Companies in the Seller's opinion has sufficient working capital for the purpose of continuing to carry on its business in its present form and at its present level of turnover and for the purposes of executing, carrying out and fulfilling in accordance with their terms all contractual obligations which have been placed with or undertaken by the Company.

7.5 Financial Facilities

The Seller has Disclosed full details and true and correct copies of all documents relating to all debentures, acceptance lines, overdrafts, loans or other financial facilities outstanding or available to either of the Companies and all Encumbrances to which any asset of either of the Companies is subject. Neither the Seller nor either of the Companies has done anything whereby the continuance of any such facility or Encumbrance in full force and effect might be affected or prejudiced.

7.6 Grants

Neither of the Companies has received any grant in the last six years.

7.7 Options and Guarantees

7.7.1 Neither of the Companies is responsible for the indebtedness of any other person or party to any option or pre-emption right or any guarantee, suretyship or any other obligation (whatever called) to pay, purchase or provide funds (whether by the advance of money, the purchase of or subscription for shares or other securities or the purchase of assets or services or otherwise) for the payment of, or as an indemnity against the consequence of default in the payment of, any indebtedness of any other person.

7.7.2 No person other than the Company, the Subsidiary or the Seller has given any guarantee of or security for any overdraft, loan or loan facility granted to the Company or the Subsidiary.

7.8 Payment of Obligations

There has been no delay by either of the Companies in the payment of any material obligation due for payment.

8. THE PROPERTIES

8.1 The Property comprises all the estate, interest, options and rights whatsoever owned, controlled, used or occupied by the Company in any land or premises.

8.2 The Property is exclusively occupied by the Company and no one else has or claims to have an rights to occupy any part of the Property.

- 8.3 The Company is not liable for any claim or liability in respect of any encumbrances or for payment of any outgoings or for compliance with any enactment which may affect the Property unless the same is set out in the Lease.
- 8.4 There have been and are no disputes regarding boundaries, covenants, easements, compliance with any enactment or other matters relating to the Property or its use and so far as the Seller is aware there are no pending or anticipated disputes, claims, actions or demands regarding any such matter which may affect the Company's use and/or occupation of the Property.
- 8.5 The Company does not have any existing or contingent liability in respect of other property formerly owned or occupied by it under any lease, licence or tenancy agreement or as surety for the obligations of any other person in relation to such property.

9. OTHER ASSETS

9.1 Title

9.1.1 Except as otherwise warranted or Disclosed pursuant to paragraph 8 above, each of the Companies has a good legal and beneficial title to all its assets which are included in the Accounts or have otherwise been represented as being the property of that company or which were at the Accounts Date used or held for the purposes of its business and (except for assets disposed of or realised by the Company in the ordinary course of business) the relevant company retains such title to all such assets free from any Encumbrance, hire or hire purchase agreement or leasing agreement or agreement for payment on deferred terms and all such assets are in the possession and control of the relevant company and are sited within the United Kingdom.

9.1.2 Neither of the Companies has acquired or agreed to acquire any material asset on terms that title to such asset does not pass to the relevant Company until full payment is made.

9.2 Encumbrances

Each of the Companies has a good legal and beneficial title to all assets which have been acquired by it since the Accounts Date and the same are in the possession and control of the Company and none is the subject of any Encumbrance nor has the Company created or agreed to create any Encumbrance or entered into any factoring arrangement, hire-purchase, conditional sale or credit sale agreement and there has been no default by the Company in the performance or observance of any of the provisions thereof.

9.3 Condition of Assets

So far as the Seller is aware the plant and machinery (including fixed plant and machinery) and office and other equipment shown in the Accounts or acquired since the Accounts Date or otherwise used in connection with the Business which have not been disposed of in the ordinary course of business:

9.3.1 do not contravene any requirement or restriction having the force of law;

- 9.3.2 are for their age and use in reasonable repair and condition and are regularly maintained, fully serviceable and in satisfactory working order;
- 9.3.3 are each capable of doing the work for which they were designed and/or purchased;
- 9.3.4 are not surplus to the Company's requirements; and
- 9.3.5 are not dangerous, unsuitable or currently in need of renewal or replacement.

9.4 **Rental Payments**

Rentals payable by the Company under any leasing, hire-purchase or other similar agreement to which it is a party are set out in the Disclosure Documents and have not been and are not likely to be increased and all such rentals are fully deductible by the Company for tax purposes.

10. **INSURANCE**

10.1 **Extent of Insurance**

In the Seller's reasonable opinion all the assets of the Company which are of an insurable nature are and have at all material times been fully insured to their full replacement value with a well established and reputable insurer against fire and all other risks normally insured against by companies carrying on similar businesses or owning property of a similar nature to those of the Company and each of the Companies is and has at all material times been adequately covered against all legal liability and risks normally insured against by such companies (including liability to employees or third parties for personal injury or loss or damage to property, product liability, professional indemnity and loss of profit) and, without prejudice to the generality of the foregoing, the Company has maintained in force throughout its existence adequate professional indemnity insurance to cover its potential liability to clients and has complied in all respects with the terms of such policies.

10.2 **Premiums and Claims**

Particulars of all policies of insurance of the Companies now in force have been Disclosed and such particulars are true and correct and all premiums due on such policies have been duly paid and all such policies are valid and in force. So far as the Seller is aware there are no circumstances which might lead to any liability under such insurance being avoided by the insurers or the premiums being increased. There is no known claim outstanding under any such policies and so far as the Seller is aware there are no circumstances likely to give rise to a claim. Details of any claims made in the last two years have been Disclosed.

11. LITIGATION

11.1 Litigation and Arbitration Proceedings

11.1.1 Save as claimant in the collection of debts (not exceeding £5,000 in the aggregate) arising in the ordinary course of business, neither of the Companies is now engaged in any litigation, mediation or arbitration proceedings and so far as the Seller is aware there are no lawsuits mediation or arbitration proceedings pending or threatened by or against either of the Companies or any person for whose acts or defaults either of the Companies may be vicariously liable.

11.1.2 Neither of the Companies has, in the last three years preceding the date of this Agreement, been involved in any litigation, mediation, arbitration or material dispute with any person who is or was a supplier, or customer, of importance to either of the Companies or the business, or where such litigation, mediation, arbitration or dispute resulted in adverse publicity or loss of goodwill.

11.1.3 So far as the Seller is aware there is no matter or fact in existence which might give rise to any legal proceedings mediation or arbitration involving either of the Companies, including any which might form the basis of any criminal prosecution against either of the Companies.

11.2 Injunctions, etc

No injunction or order for specific performance has been granted against either of the Companies.

11.3 Orders and Judgments

Neither of the Companies is subject to any order or judgment given by any court or governmental agency which is still in force and has not given any undertaking to any court or to any third party arising out of any legal proceedings.

12. LICENCES

12.1 General

Each of the Companies has all necessary licences (including statutory licences), permits, consents and authorities (public and private) for the proper and effective carrying on of its business in the manner in which the business is now carried on and all such licences, permits, consents and authorities are valid and subsisting and the Seller (without having made any enquiries) knows of no reason why any of them should be suspended, cancelled or revoked whether in connection with the sale to the Buyer or otherwise and, so far as the Seller is aware, there are no factors that might in any way prejudice the continuance or renewal of any of those licences, permits, consents or authorities and the Company is not restricted by contract from carrying on any activity in any part of the world.

12.2 Financial Services and Markets Act 2000

The Disclosure Letter sets out details of the regulated activities (as defined by section 22 of the Financial Services and Markets Act 2000) undertaken by the Company in the UK. The Company is authorised to carry on these regulated activities and a copy of its registration with the Financial Services Authority is attached to the Disclosure Letter. The Company has not contravened any provision of either the Financial Services Act 1986 nor the Financial Services and Markets Act 2000. The Company is currently regulated by the General Insurance Standard Council.

12.3 Data Protection Act 1998

- 12.3.1 The Company has registered itself under the Data Protection Act 1998 in respect of all registrable personal data held by it, and all due and requisite fees in respect of such registrations have been paid.
- 12.3.2 The details contained in such registrations or applications are correct, proper and suitable for the purpose(s) for which the Company holds or uses the personal data which are the subject of them, and the contents of all such registrations or applications have been Disclosed.
- 12.3.3 All personal data held by either of the Companies has been held in accordance with the data protection principles and there has been no unauthorised disclosure of such personal data by either of the Companies.
- 12.3.4 There are no outstanding enforcement, deregistration or transfer prohibition notices or any other nature of notice under the Data Protection Act 1998 currently outstanding against either of the Companies, nor is there any outstanding appeal against such notices. The Seller is not aware of any circumstances which may give rise to the giving of any such notices to either of the Companies.
- 12.3.5 There are no unsatisfied written requests to either of the Companies made by data subjects in respect of personal data held by that Company, nor any outstanding applications for rectification or erasure of personal data.
- 12.3.6 There are no outstanding claims for compensation for inaccuracy, loss or unauthorised disclosure of personal data nor so far as the Seller is aware is any personal data held by either of the Companies inaccurate, nor so far as the Seller is aware has either of the Companies lost or made any unauthorised disclosure of any such data.
- 12.3.7 Without prejudice to the specific provisions above, the Company and its employees have so far as the Seller is aware complied in all respects with the requirements of the Data Protection Act 1998.

13. TRADING**13.1 Tenders, etc**

Other than in the normal course of business no offer, tender or the like is outstanding (the value of which to the Company could exceed £5,000 in any year) which is capable of being converted into an obligation of either of the Companies by an acceptance or other act of some other person.

13.2 Delegation of Powers

There are in force no powers of attorney given by either of the Companies other than to the holder of an Encumbrance (which has been Disclosed) solely to facilitate its enforcement nor any other authority (express, implied or ostensible) given by the Company to any person to enter into any contract or commitment or do anything on its behalf other than any authority of employees to enter into routine trading contracts in the normal course of their duties. The Disclosed Documents set out details of all persons who have authority to bind the Companies in the ordinary course of business.

13.3 Consequence of Acquisition of Shares by Buyer

So far as the Seller is aware the acquisition of the Shares by the Buyer or compliance with the terms of this Agreement will not:

- 13.3.1 cause either of the Companies to lose the benefit of any right or privilege it presently enjoys;
- 13.3.2 relieve any person of any obligation to either of the Companies (whether contractual or otherwise) or legally entitle any person to determine any such obligation or any right or benefit enjoyed by either of the Companies or to exercise any right, whether under an agreement with, or otherwise in respect of either of the Companies;
- 13.3.3 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 either of the Companies is now a party or any loan to or mortgage created by either of the Companies;
- 13.3.4 result in any present or future indebtedness of either of the Companies becoming due and payable or capable of being declared due and payable prior to its stated maturity; or
- 13.3.5 conflict with, violate or result in a breach of any law, regulation, order, decree or writ applicable to either of the Companies, or entitle any person to receive from either of the Companies any finder's fee, brokerage or other commission.

13.4 Competition/Anti-Trust

Neither of the Companies is or has been party to or directly or indirectly concerned in any agreement, arrangement, understanding or practice (whether or not legally binding) or in the pursuit of any course of conduct which is or was:

- 13.4.1 registrable but not properly registered under the Restrictive Trade Practices Act 1976 or capable of giving rise to an investigation by the Director General of Fair Trading or a reference to the Competition Commission;
- 13.4.2 in contravention or breach of The Treaty of Rome 1957 (as amended), the Fair Trading Act 1973, the Consumer Credit Act 1974, the Trade Descriptions Act 1968, the Restrictive Trade Practices Act 1976, the Competition Act 1980, the Consumer Protection Act 1988, the Competition Act 1998, the Enterprise Act 2002 or any regulations, orders, notices or directions made thereunder; or
- 13.4.3 is otherwise registrable, unenforceable or so far as the Seller is aware void or renders either of the Companies or any of its officers liable to administrative, civil or criminal proceedings under any anti-trust, trade regulation or similar legislation in any jurisdiction where the relevant Company carries on business.

13.5 Restrictions on Trading

The Company is not and has not been a party to any agreement, arrangement, understanding or practice restricting the freedom of the Company to provide and take goods and services by such means and from and to such persons and into or from such place as it may from time to time think fit.

13.6 Possession of Records

- 13.6.1 All title deeds and agreements to which either of the Companies is a party and all other documents owned by, or which ought to be in the possession of or held unconditionally to the order of, the relevant Company are in the possession of that Company.
- 13.6.2 The Company does not have any of its records, systems, controls, data or information recorded, stored, maintained, operated or otherwise wholly or partly dependent on or held by any means (including any electronic, mechanical or photographic process, whether computerised or not) which (including all means of access thereto and therefrom) are not under the exclusive ownership and direct control of the Company.

13.7 Unlawful Acts

Neither of the Companies nor any of their respective officers has been prosecuted for any criminal, illegal or unlawful act connected with either of the Companies.

13.8 Sensitive Payments

No officer or so far as the Seller is aware employee of either of the Companies has made or received any Sensitive Payment in connection with any contract or otherwise. For the purposes of this paragraph the expression "**Sensitive Payments**" (whether or not illegal) shall include (i) commercial bribes, bribes or kickbacks paid to any person, firm or company including central or local government officials, trade union officials or employees or (ii) amounts received with an understanding that rebates or refunds will be made in contravention of the laws of any jurisdiction either directly or through a third party or (iii) political contributions or (iv) payments or commitments (whether made in the form of commissions, payments or fees for goods received or otherwise) made with the understanding or under circumstances that would indicate that all or part thereof is to be paid by the recipient to central or local government officials or as a commercial bribe, influence payment or kickback; or (v) any payment deemed illegal under the Prevention of Corruption Acts 1889 to 1916.

14. CONTRACTS

14.1 Onerous Contracts

There are no long term contracts (that is, contracts not terminable by the relevant Company without penalty on six months' notice or less) or onerous or unusual or abnormal contracts (that is, contracts for capital commitments or contracts differing from those necessitated by the ordinary course of business) binding upon either of the Companies, nor is either of the Companies a party to any contract which contains any onerous or other provision material for disclosure to an intending purchaser of the Shares and no expenses or liabilities have been incurred before the date of this Agreement by either of the Companies otherwise than for the purpose of that Company's business.

14.2 Material Contracts

All contracts to which either of the Companies is a party with a value (or potential value) in excess of £20,000 have been Disclosed and neither of the Companies is a party to or subject to any agreement, transaction, obligation, commitment, understanding, arrangement or liability which:

- 14.2.1 is incapable of complete performance in accordance with its terms within six months after the date on which it was entered into or undertaken;
- 14.2.2 is likely to result in a loss to the relevant Company on completion of performance;
- 14.2.3 cannot readily be fulfilled or performed by the relevant Company on time and without undue or unusual expenditure of money and effort;
- 14.2.4 involves or is likely to involve obligations, restrictions, expenditure or receipts of an unusual, onerous or exceptional nature and not in the ordinary course of business;

- 14.2.5 requires an aggregate consideration payable by the relevant Company in excess of £10,000;
- 14.2.6 is a contract for services (other than contracts for the supply of electricity or normal office services);
- 14.2.7 requires the relevant Company to pay any commission, finder's fee, royalty or the like; or
- 14.2.8 is in any way otherwise than in the ordinary and proper course of the relevant Company's business.

14.3 Performance of Contracts

- 14.3.1 The terms of all contracts to which either of the Companies are a party have been complied with by the relevant Company and so far as the Seller is aware by the other parties to the contracts in all material respects and so far as the Seller is aware there are no circumstances likely to give rise to a default by either of the Companies or by the other parties under any such contract.
- 14.3.2 All the material contracts of the Company except those between the Company and its employees and those between the Company and the insurers for which it acts as agent may be assigned by the Company without the consent of any other party.
- 14.3.3 There are no outstanding claims, separately or in the aggregate, of material amounts against either of the Companies on the part of customers or other parties in respect of defects in quality or delays in delivery or completion of contracts or deficiencies of design or performance or otherwise relating to liability for goods or services sold or supplied by the Company and no such claims are threatened or anticipated and there is no matter or fact in existence in relation to goods or services currently sold or supplied by either of the Companies which might give rise to the same.
- 14.3.4 The Seller has no knowledge of the invalidity of, or grounds for rescission, avoidance or repudiation of, any agreement or other transaction to which either of the Companies is a party or in relation to which it otherwise purports to have enforceable rights and has received no written notice of any intention to terminate, repudiate or disclaim any such agreement or other transaction.
- 14.3.5 There are no actual or purported contracts which are material to the business and under which either of the Companies purports to have enforceable rights by virtue only of the Third Party Rights Act.

14.4 Agency and Distribution Agreements

Neither of the Companies is a party to any subsisting agency or distributorship agreement.

15. EMPLOYEES

- 15.1 The Subsidiary has never employed or engaged any individuals or organisations under a contract of employment or a contract for services.

15.2 Particulars of Employees

The particulars shown in the Schedule of Employees comprised in the Disclosure Documents are true and complete and show in respect of each director, officer and Employee of the Company his date of birth, the date on which he commenced continuous employment with the Company for the purposes of ERA and all remuneration payable and other benefits provided or which the Company is bound to provide (whether now or in the future) to each such person and include full particulars of all remuneration arrangements (particularly profit sharing, incentive, bonus and severance arrangements to which the Company is a party, whether binding or not) and each director, officer and Employee of the Company is listed therein, and all of them are engaged exclusively in the business.

15.3 Contracts of Employment

There is no contract of employment in force between the Company and any of its directors, officers or employees which is not terminable by the Company without compensation (other than any compensation payable under Parts X and XI, ERA) on three month's notice given at any time or otherwise in accordance with section 86, ERA. There are no consultancy or management services agreements in existence between the Company and any other person, firm or company, and there are no agreements or other arrangements (binding or otherwise) between the Company (or any employers' or trade association of which the Company is a member) and any Trade Union or works council. There are no outstanding pay negotiations with any Employees, workers or Trade Unions.

15.4 Benefits

There are no amounts owing to present or former directors, officers or Employees of the Company other than not more than three month's arrears of remuneration accrued or due or for reimbursement of business expenses incurred within a period of three months preceding the date of this Agreement and no moneys or benefits other than in respect of remuneration or emoluments of employment are payable to or for the benefit of any present or former director, officer or employee of the Company, nor any dependant of any present or former director, officer or employee of the Company.

15.5 Liabilities and Payments

Save to the extent (if any) to which provision or allowance has been made in the Accounts:

- 15.5.1 no liability has been incurred or is anticipated by the Company for breach of any contract of employment or for services or for severance payments or for redundancy payments or protective awards or for compensation for unfair dismissal or for failure to comply with any order for the reinstatement or re-

engagement of any employee or for sex, race or disability discrimination or for any other liability accruing from the termination or variation of any contract of employment or for services;

15.5.2 no gratuitous payment has been made or promised by the Company in connection with the actual or proposed termination, suspension or variation of any contract of employment or for services of any present or former director, officer, employee or worker or any dependant of any present or former director, officer or employee of the Company; and

15.5.3 the Company has not made or agreed to make any payment to or provided or agreed to provide any benefit or change in terms and conditions of employment for any present or former director, officer or employee of the Company in connection with the sale and purchase under this Agreement.

15.6 Relevant Legislation

15.6.1 The Company has in relation to each of its employees and workers (and so far as relevant to each of its former employees and workers) complied with:

15.6.1.1 all obligations imposed on it by all relevant statutes, regulations and codes of conduct and practice affecting its employment of any persons and all relevant orders and awards made thereunder and has maintained current, adequate and suitable records regarding the service, terms and conditions of employment of each of its employees and workers; and

15.6.1.2 all collective agreements, recognition agreements and customs and practices for the time being affecting its employees and workers or their conditions of service.

15.6.2 The Company has not been served with any improvement and/or prohibition notices pursuant to sections 21 and 22, Health and Safety at Work etc. Act 1974, nor so far as the Seller is aware is any prosecution or sentence pending for any (alleged) offence under the Health and Safety at Work Act 1974.

15.6.3 The Company is not in breach of any of the provisions on the employment of young persons contained in the Health and Safety (Young Persons) Regulations 1997, the Children (Protection at Work) Regulations 1998 or the Working Time Regulations 1998 and is not presently being prosecuted under any of such provisions.

15.6.4 There is no liability or claim against the Company outstanding or so far as the Seller is aware anticipated under the Equal Pay Act 1970, the Sex Discrimination Acts 1975 and 1986, the Race Relations Act 1976, the Disability Discrimination Act 1995, ERA, TUPE, the Social Security Contributions and Benefits Act 1992, TULRCA, the Working Time Regulations 1998, the National Minimum Wage Regulations 1999 or the Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000.

- 15.6.5 Within a period of one year preceding the date of this Agreement, the Company has not given notice of any redundancies to the Secretary of State or started consultations with any independent trade union or workers' representatives under the provisions of Part IV, TULRCA or under TUPE nor has the Company failed to comply with any such obligation under the said Part IV or TUPE.

15.7 Termination of Employment

- 15.7.1 No present director, officer or employee of the Company has given or received notice terminating his employment and completion of this Agreement will not entitle any director, officer, employee to terminate his employment or trigger any entitlement to a severance payment or liquidated damages.
- 15.7.2 The Company has complied with all recommendations made by the Advisory Conciliation and Arbitration Service and with all awards and declarations made by the Central Arbitration Committee in respect of its employees or any Trade Union.

15.8 Share and Other Schemes

The Company does not have in existence nor is it proposing to introduce, and none of its directors, officers or employees participates in (whether or not established by the Company), any employee share trust, share incentive scheme, share option scheme or profit sharing scheme for the benefit of all or any of its present or former directors, officers or employees or workers or the dependants of any of such persons or any scheme whereunder any present or former director, officer or employee or worker 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 or any other person, firm or company including any profit related pay scheme established under Chapter III, Part V, TA.

15.9 Disputes and Claims

- 15.9.1 No dispute exists or so far as the Seller is aware can reasonably be anticipated between the Company and a material number or category of its employees or any Trade Union(s) or works council and so far as the Seller is aware there are no wage or other claims outstanding against the Company by any person who is now or has been a director, officer or employee or worker of the Company.
- 15.9.2 The Company has not had during the last three years any strike, work stoppages, slow-down or work-to-rule by its employees or workers or lock-out, nor, so far as the Seller is aware, is any anticipated, which has caused, or is likely to cause, the Company to be materially incapable of carrying on its business in the normal and ordinary course.

15.10 Transfer of Undertakings

The Company has not been a party to any relevant transfer as defined in TUPE nor has the Company failed to comply with any duty to inform and consult any Trade Union or

workers' representatives under the said regulations within the period of one year preceding the date of this Agreement.

15.11 **Agreements with Trade Unions**

The Company is not a party to any agreement or arrangement with or commitment to any trade unions or staff association and, so far as the Seller is aware, no application for collective bargaining recognition by a Trade Union is pending under Schedule A1 of TULRCA.

16. **HEALTH AND SAFETY**

16.1 So far as the Seller is aware the business of the Company has at all times been conducted in compliance with all applicable legislation concerning health and safety matters and all and any regulations or orders made or issued under any such legislation and any relevant codes of practice, guidance notes and the like issued by government agencies ("**Health and Safety Legislation**").

16.2 So far as the Seller is aware there are no events, states of affairs, conditions, circumstances, activities, practices, incidents or actions which have occurred and have not been remedied or are occurring or have been or are in existence in connection with the conduct of the business of the Company which are liable to give rise to liability of the Company under the Health and Safety Legislation.

16.3 So far as the Seller is aware no works, repairs, construction, remedial action or expenditure is or may be required in relation to the Health and Safety Legislation in order to carry on lawfully the business of the Company at each Property.

16.4 At no time has the Seller had knowledge of and/or received any written notice, claim or other communication alleging any contravention of or actual or potential liability under the Health and Safety Legislation.

17. **PENSION SCHEMES**

17.1 For the purpose of the warranties in this paragraph 17, "**Pension Scheme**" means any personal pension schemes operated by an Employee to which the Company is under a contractual obligation to contribute.

17.2 The Seller has given the Buyer in the Disclosure Letter full details of the Company's contribution to the Pension Scheme for each Employee.

17.3 There is no obligation to provide benefits under the Pension Scheme other than as revealed in paragraph 17.2 above.

17.4 All employer and employee contributions and premiums due as at the date of this Agreement to any insurance company or personal pension provider have been deducted and paid to the insurance company (or personal pension provider if applicable) within the prescribed period under the Pensions Act 1995.

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- 17.5 The Pension Scheme provides only money purchase benefits as defined in Section 181 (1) of the Pension Schemes Act 1993 and there is no understanding or legal obligation to provide any other benefits.
- 17.6 There is no commitment on the part of the Company to provide enhanced pension benefits to any of its employees in the event of such employee's redundancy or other termination of employment through no fault of the employee concerned or for any other reason.
- 17.7 No part-time or temporary employee has either been excluded from membership of the Pension Scheme or has had benefits limited under the Pension Scheme.
- 17.8 The selection of its employees in respect of whom the Company contributes to the Pension Scheme, and of the amounts paid to the Pension Scheme by the Company, has not been in breach of the law relating to equal treatment of men and women (including Article 141 of the Treaty of Rome, the Sex Discrimination Act, and the Equal Pay Act 1970).
- 17.9 Save for the Pension Scheme, the Company is not a party to or contributing to any retirement benefits, pension, or life assurance scheme or arrangement, fund or personal pension scheme whether in the United Kingdom or overseas relating to any of its present or past directors or employees or those claiming through them or under any legal or ex-gratia obligation or obligation established by custom to provide any retirement, death, disability, accident, or sickness pension or payment to or in respect of any such director or employee or person claiming through them. No proposal has been announced or implied to establish or contribute to any other such scheme or fund.
- 17.10 The Seller has made no representations whatsoever to employees of the Company concerning the Buyer's pension arrangements.
- 17.11 The Company has complied with its obligation to designate a stakeholder pension scheme under Part I Section 3 of the Welfare Reform and Pensions Act 1999.

18. **INTELLECTUAL PROPERTY**

18.1 **Ownership and Rights**

- 18.1.1 The Disclosure Letter contains particulars of all Registered Intellectual Property Rights and material unregistered Intellectual Property Rights ("**Relevant IP**").
- 18.1.2 Subject to Licences-In and Licences-Out (as defined in paragraph 18.3), the Company is the sole beneficial owner of all Relevant IP.
- 18.1.3 The Company does not require any further Intellectual Property Rights in relation to the development, manufacture, marketing or sale of its products or services or in relation to any of the processes employed in the business at the date hereof.

18.2 Enforcement

- 18.2.1 So far as the Seller is aware the Relevant IP is valid and subsisting (insofar as it is owned by the Company) and none of the Registered Intellectual Property Rights is the subject of outstanding or threatened disputes, claims or proceedings for cancellation, revocation, opposition, interference, rectification or contested ownership.
- 18.2.2 All Registered Intellectual Property Rights has been maintained and all renewal fees have been paid on time.
- 18.2.3 All Confidential Information has so far as the Seller is aware, been kept secret and confidential and has not been disclosed to third parties.
- 18.2.4 Nothing has been done by the Company to diminish or otherwise affect the reputation of unregistered trade marks owned, used or otherwise exploited by the Company.

18.3 Intellectual Property Agreements

- 18.3.1 The Disclosure letter contains particulars of all Intellectual Property Rights agreements whereby:
 - 18.3.1.1 the Company uses or exploits any Intellectual Property belonging to a third party ("**Licences-In**"); or
 - 18.3.1.2 the Company has authorised or otherwise permitted, expressly or by implication, any use whatsoever of any Intellectual Property, or granted to any third party any right or interest in respect of any Intellectual Property ("**Licences-Out**").
- 18.3.2 None of the Relevant IP has been charged, mortgaged, licensed or otherwise encumbered by the Company.
- 18.3.3 Complete copies of all Intellectual Property agreements have been Disclosed, and so far as the Seller is aware all of them are valid and binding and none has been the subject of any breach or default by any party or of any event which with notice or lapse of time or both would constitute a default.
- 18.3.4 So far as the Seller is aware there are no disputes, claims or proceedings arising out of or relating to the Intellectual Property agreements.

18.4 Infringement

- 18.4.1 Neither of the Companies has infringed and does not at the date hereof infringe any Intellectual Property Rights of a third party as a result of the relevant Company's use or exploitation of the Relevant IP owned by the Company (not including any Licences in Relevant IP).

18.4.2 So far as the Seller is aware there are not and have not been any disputes, claims or proceedings threatened or in existence in any court or tribunal in respect of any of the Relevant IP as such or in respect of any use or exploitation thereof by either of the Companies.

18.4.3 So far as the Seller is aware (without having made any investigation or enquiry) there has been and is no current or anticipated infringement by any third party of any Relevant IP.

19. INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

19.1 Identification and Ownership

19.1.1 The Disclosure Letter contains complete and accurate particulars of all IT Systems.

19.1.2 The Disclosure Letter contains complete and accurate particulars of all IT Contracts.

19.1.3 Save as set out in the Disclosure Letter, all IT Systems and data are owned by the Company, and are not wholly or partly dependent on any facilities or services not under the exclusive ownership and control of the Company.

19.1.4 So far as the Seller is aware all the IT Contracts are valid and binding and none of the IT Contracts has been the subject of any breach or default, or of any event which (with notice or lapse of time or both) would constitute a default, or is liable to be terminated or otherwise adversely affected by the transaction contemplated by this Agreement.

19.1.5 There have been no claims, disputes or proceedings arising under any IT Contracts.

19.1.6 The Company does not own any interest in the source code of any software programmes.

19.2 Computer Operation and Maintenance

19.2.1 All IT Systems are in good working order, function in accordance with all applicable specifications, and have been and are being properly and regularly maintained and replaced. No part of the IT Systems has materially failed to function at any time during the five years prior to the date hereof.

19.2.2 All IT Services are being and have been provided in accordance with all applicable specifications.

19.2.3 The Company has full and unrestricted access to and use of the IT Systems, and no third party agreements or consents are required to enable the Company to continue such access and use following completion of the transaction contemplated by this Agreement.

19.2.4 So far as the Seller is aware:

19.2.4.1 in respect of the business as carried on by the Company at the date hereof it is not necessary or desirable to incur any further expenditure on the modification, development, expansion or (save in the normal course of business) replacement of the IT Systems; and

19.2.4.2 the present capacity of the IT Systems is sufficient in order to satisfy the current requirements of the Company with regard to data processing and communications;

19.2.4.3 no part of the IT Systems is or has been infected by any virus or other extraneously-induced malfunction, and so far as the Seller is aware no person has had unauthorised access to the IT Systems or any data stored thereon. The Company operates a documented procedure to avoid such infections and unauthorised access;

19.2.4.4 the Company has taken all steps necessary to ensure that its business can continue in the event of a failure of the IT Systems (whether due to natural disaster, power failure or otherwise).

19.3 Euro Compliance

All IT Systems will operate, and all IT Service will be provided, in all respects using, recording, converting and accounting for (including rounding up and down and calculating, accounting for and recording compensatory payments) monetary or currency values denominated in euros in the same manner as it does for any currency existing as at the date of this Agreement and in all respects in accordance with any applicable legislation, laws, directive, regulations, directions or rules (including, without limitation, the rules on conversion and rounding set out in the EC regulation number 1103/97).

19.4 Domain Names

The Company owns the following domain names of which it is registered owner and the Seller knows of no reason why such ownership will not continue:

- www.directmotorline.co.uk
- www.directmotorline.com

20. LEGISLATION

Neither of the Companies has received written notice of nor is the Seller aware of any breach or allegation of breach of the requirements of any legislation or other law which is applicable to either of the Companies.

PART 2: TAXATION WARRANTIES**21. TAXATION GENERAL**

- 21.1 All notices, returns (including any land transaction returns), computations and registrations and any other necessary information submitted by the Company or Subsidiary to any Taxation Authority for the purposes of Taxation have been made on a proper basis, were punctually submitted, were accurate and complete when supplied and, so far as the Seller is aware, remain accurate and complete in all material respects and none of the above is, or so far as the Seller is aware is likely to be, the subject of any material dispute with any Taxation Authority.
- 21.2 All Taxation (whether of the United Kingdom or elsewhere) which the Company or Subsidiary is liable to pay prior to the Effective Date, has been paid prior to the Effective Date.
- 21.3 Neither the Company nor Subsidiary has made any payments representing instalments of corporation tax pursuant to the Corporation Tax (Instalment Payments) Regulations 1998 in respect of any current or preceding accounting periods and is not under any obligation to do so.
- 21.4 Neither the Company nor Subsidiary has paid within the past three years ending on the date of this agreement or will become liable to pay any penalty, fine, surcharge or interest charged by virtue of the provisions of the TMA 1970 or any other Taxation Statute.
- 21.5 Neither the Company nor Subsidiary has within the past 12 months been subject to any visit, audit, investigation, discovery or access order by any Taxation Authority and the Seller is not aware of any circumstances existing which make it likely that a visit, audit, investigation, discovery or access order will be made in the next 12 months.
- 21.6 The amount of Taxation chargeable on the Company or Subsidiary during any accounting period ending on or within the three years before Completion has not, to any material extent, depended on any concession, agreements or other formal or informal arrangement with any Taxation Authority.
- 21.7 All transactions in respect of which any clearance or consent was required from any Tax Authority have been entered into by the Company or Subsidiary after such consent or clearance has been properly obtained, any application for such clearance or consent has been made on the basis of full and accurate disclosure of all relevant material facts and considerations, and all such transactions have been carried into effect only in accordance with the terms of the relevant clearance or consent.
- 21.8 The Company and the Subsidiary have duly submitted all claims, disclaimers and elections the making of which has been assumed for the purposes of the Accounts.
- 21.9 The Disclosure Letter contains all material particulars of all matters relating to Taxation in respect of which the Company or Subsidiary is or at Completion will be entitled to:

21.9.1 make any claim (including a supplementary claim), disclaimer or election for relief under any Taxation Statute or provision; and/or

21.9.2 appeal against any assessment or determination relating to Taxation; and/or

21.9.3 apply for a postponement of Taxation.

21.10 The Company and Subsidiary have sufficient records to determine the tax consequence which would arise on any disposal or realisation of any asset owned at the Accounts Date or acquired since that date but prior to Completion.

22. CHARGEABLE GAINS

The book value shown or adopted for the purposes of the Accounts as the value of each of the assets of the Company or Subsidiary on the disposal of which a chargeable gain or allowable loss could arise does not exceed the amount which on a disposal of such asset at the date of this agreement would be deductible under section 38 of TCGA 1992.

23. CAPITAL ALLOWANCES

23.1 No balancing charge under the CAA 2001 (or any other legislation relating to capital allowances) would be made on the Company or Subsidiary on the disposal of any pool of assets (that is, all those assets whose expenditure would be taken into account in computing whether a balancing charge would arise on a disposal of any other of those assets) or of any asset not in such a pool, 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 Accounts for the assets in the pool or (as the case may be) for the asset.

23.2 No event has occurred since the Accounts Date (otherwise than in the ordinary course of business) whereby any balancing charge may fall to be made against, or any disposal value may fall to be brought into account by the Company or Subsidiary under the CAA 2001 (or any other legislation relating to capital allowances).

24. DISTRIBUTIONS

24.1 No distribution or deemed distribution within the meaning of sections 209, 210 or 211 of ICTA 1988 has been made (or will be deemed to have been made) by the Company or Subsidiary after 5 April 1965 except dividends shown in their audited accounts and neither the Company nor Subsidiary is bound to make any such distribution.

24.2 No rents, interest, annual payments or other sums of an income nature paid, or payable by the Company or Subsidiary or which the Company or the Subsidiary under an existing obligation to pay in the future are wholly or partially disallowable as deductions, management expenses or charges in computing profits for the purposes of corporation tax.

24.3 Neither the Company nor Subsidiary has within the period of seven years preceding Completion been engaged in, nor been a party to, any of the transactions set out in sections 213 to 218 (inclusive) of ICTA 1988, nor has it made or received a chargeable payment as defined in section 218(1) of ICTA 1988.

25. LOAN RELATIONSHIPS

All interests, discounts and premiums payable by the Company or Subsidiary in respect of its loan relationships (within the meaning of section 81 of the Finance Act 1996) are eligible to be brought into account by the Company or the Subsidiary as a debit for the purposes of Chapter II of Part IV of the Finance Act 1996 at the time and to the extent that such debits are recognised in the statutory accounts of the Company or the Subsidiary.

26. CLOSE COMPANIES

- 26.1 Neither the Company nor Subsidiary has in any accounting period beginning after 31 March 1989 been a close investment-holding company as defined in section 13A of ICTA 1988.
- 26.2 No distribution within section 418 of ICTA 1988 has been made by the Company or Subsidiary during the last six years ending at the Accounts Date, nor have such distributions been made between the Accounts Date and Completion.
- 26.3 Any material loans or advances made or agreed to be made by the Company or Subsidiary within sections 419 and 420 or 422 of ICTA 1988 have been disclosed in the Disclosure Letter and neither the Company nor Subsidiary has released or written off or agreed to release or write off the whole or any part of any such loans or advances.

27. GROUP RELIEF

Except as provided in the Accounts, neither the Company nor Subsidiary is or will be obliged to make or be entitled to receive any payment for group relief as defined in section 402(6) of ICTA 1988 in respect of any period ending on or before the Accounts Date, or any payment for the surrender of the benefit of an amount of advance corporation tax or any repayment of such a payment.

28. GROUPS OF COMPANIES

- 28.1 Neither the Company nor Subsidiary has entered or agreed to enter into an election pursuant to section 171A of TCGA 1992 or paragraph 66 of Schedule 29 to the Finance Act 2002.
- 28.2 The execution or completion of this agreement or any other event since the Accounts Date will not result in any chargeable asset being deemed to have been disposed of and re-acquired by the Company or Subsidiary for Taxation purposes pursuant to section 179 of TCGA 1992, paragraphs 58 or 60 of Schedule 29 to the Finance Act 2002 or as a result of any other Event (as defined in the Tax Covenant) since the Accounts Date.
- 28.3 Neither the Company nor Subsidiary has ever been party to any arrangements pursuant to section 36 of the Finance Act 1998 (group payment arrangements).

- 28.4 Neither the Company nor Subsidiary has been, and is not, required by Schedule 28AA of ICTA 1988 to compute its profits or losses as if an arm's length provision had been made instead of any actual provision.

29. COMPANY RESIDENCE AND OVERSEAS INTERESTS

- 29.1 The Company and the Subsidiary have within the past seven years been resident in the United Kingdom for corporation tax purposes and have not at any time in the past seven years been treated for the purposes of any double taxation arrangements having effect by virtue of section 249 of the Finance Act 1994, section 788 of ICTA 1988 or for any other tax purpose as resident in any other jurisdiction.
- 29.2 Neither the Company nor Subsidiary has without the prior written consent of HM Treasury caused, permitted or entered into any of the transactions specified in section 765 of ICTA 1988 (migration of companies).
- 29.3 Neither the Company nor Subsidiary holds shares in a company which is not resident in the United Kingdom and which would be a close company if it were resident in the United Kingdom in circumstances such that a chargeable gain accruing to the company not resident in the United Kingdom could be apportioned to the Company and/or Subsidiary pursuant to section 13 of TCGA 1992.
- 29.4 Neither the Company nor Subsidiary is holding or has held in the past seven years any interest in a controlled foreign company within section 747 of ICTA 1988, and neither of them has any material interest in an offshore fund as defined in section 759 of ICTA 1988.
- 29.5 Neither the Company nor Subsidiary has a permanent establishment outside the UK.

30. ANTI-AVOIDANCE

- 30.1 All transactions or arrangements made by the Company or Subsidiary have been made on fully arm's length terms and, so far as the Seller is aware, there are no circumstances in which section 770A of, or Schedule 28AA to, ICTA 1988 applies causing any Taxation Authority to make an adjustment to the terms on which such transaction or arrangement is treated as being made for Taxation purposes.
- 30.2 The Company and the Subsidiary has not entered into or been a party to any scheme or arrangement of which the main purpose, or one of the main purposes was the avoidance of a liability to Taxation.

31. INHERITANCE TAX

- 31.1 Neither the Company nor Subsidiary has made any transfer of value within sections 94 and 202 of the IHTA 1984, nor has it received any value such that liability might arise under section 199 of the IHTA 1984, nor has it been a party to associated operations in relation to a transfer of value as defined by section 268 of the IHTA 1984.

31.2 There is no unsatisfied liability to inheritance tax attached to or attributable to the Shares or any asset of the Company or Subsidiary and none of them are subject to any Inland Revenue charge as mentioned in section 237 and 238 of the IHTA 1984.

31.3 No asset owned by the Company or Subsidiary, nor the Shares are liable to be subject to any sale, mortgage or charge by virtue of section 212(1) of the IHTA 1984.

32. **VAT**

32.1 The Company and Subsidiary have complied with all statutory provisions, rules, regulations, orders and directions in respect of VAT.

32.2 No supplies made by the Company or Subsidiary are taxable supplies.

32.3 Neither the Company nor Subsidiary is or has been for VAT purposes a member of any group of companies and no act or transaction has been effected in consequence whereof the Company or Subsidiary is or, so far as the Seller is aware, may be held liable for any VAT arising from supplies made by another company and no direction has been given nor, so far as the Seller is aware, will be given by HM Customs & Excise under Schedule 9A to the VATA 1994 as a result of which the Company or Subsidiary would be treated for the purposes of VAT as a member of a group.

33. **STAMP DUTY AND STAMP DUTY LAND TAX**

33.1 Any document that may be necessary in proving the title of the Company or Subsidiary to any asset which is owned by the Company or Subsidiary at Completion or any document which the Company or Subsidiary is required to enforce or produce in evidence is duly stamped for stamp duty purposes.

33.2 Neither entering into this agreement nor Completion will result in the withdrawal of any stamp duty or stamp duty land tax relief granted on or before Completion which will affect the Company or any Subsidiary.

33.3 All stamp duty land tax which was due has been paid on time

SCHEDULE 6**SELLER'S PROTECTION****1. LIMITATION OF LIABILITY UNDER THE WARRANTIES, TAX DEED AND INDEMNITIES**

- 1.1 Notwithstanding anything to the contrary contained in this agreement the Warranties and the covenants contained in the Tax Deed shall be qualified by the applicable provisions of this Schedule and in the event of any inconsistency between the provisions of this Schedule and the provisions of Clause 5 and of Schedule 5 or of the Tax Deed the provisions of this Schedule shall prevail. For greater clarity, references in this Schedule to "Claim" do not include claims under the Tax Deed.
- 1.2 The Seller shall not be liable in respect of any Claim to the extent that the matter or matters giving rise to such Claim are fairly disclosed in the Disclosure Letter or in the Disclosure Documents.
- 1.3 The liability of the Seller in respect of any breach of the Warranties and of the covenants contained in the Tax Deed shall be limited as follows:-
 - 1.3.1 The aggregate maximum liability of the Seller in respect of all and any Claims or under the Tax Deed shall in no event exceed the Consideration;
 - 1.3.2 The Seller shall not be liable in respect of any Claim made by the Buyer if such Claim is for less than £2,000;
 - 1.3.3 The Seller shall not be liable in respect of all and any Claims made by the Buyer unless and until the aggregate cumulative liability of the Seller in respect of all Claims exceeds £40,000 in which event the Seller shall be liable for the whole amount of such liability not merely the excess over £40,000.
- 1.4 The Seller shall not be liable in respect of any claim unless it shall have been made in the case of the Warranties before 30 April 2006 and in the case of claims under the Tax Deed before the expiry of seven years from the Completion Date.
- 1.5 No Claim and no claim under the Tax Deed shall be deemed to have been made unless notice of such Claim was made in writing to the Seller's Solicitors specifying in reasonable detail the nature of the breach and the amount claimed or a reasonable estimate of such claim in so far as such estimate is practicable.
- 1.6 Any Claim in respect of which notice shall have been given in accordance with paragraph 1.5 above shall be deemed to have been irrevocably withdrawn and lapsed (not having been previously satisfied settled or withdrawn) if proceedings in respect of such claim have not been issued and served on the Seller not later than the expiry of the period of nine months after the date of such written notice.
- 1.7 Where the Buyer and/or the Company is entitled to recover from some other person any sum in respect of a Claim then the Buyer shall procure that reasonable steps are taken to enforce such recovery (so long as such enforcement would not materially prejudice the

goodwill or good standing of the Buyer or the Company or the Buyer's Group) and if any sum is so recovered then either the amount payable by the Seller in respect of that Claim shall be reduced by an amount equal to the sum so recovered (less the reasonable costs and expenses of recovering it) or (if an amount shall already have been paid by the Seller in respect of that Claim) there shall be repaid forthwith to the Seller an amount equal to the amount so recovered (less the reasonable costs and expenses of its recovery).

- 1.8 Without prejudice to the generality of paragraph 1.7 above the provisions of paragraph 1.7 shall apply where the Company is entitled to recover from its insurers (in respect of insurance effected on or before the date of the Agreement) any sum in respect of a Claim.
- 1.9 The Seller shall have no liability (or such liability shall be reduced) in respect of any claim for Breach of Warranty:
- 1.9.1 if and to the extent any liability of either of the Companies included in the Accounts has been discharged or satisfied below the amount attributed to it or included in respect of it in the Accounts;
 - 1.9.2 if and to the extent any contingency or other matters provided against in the Accounts has in the event been over provided for;
 - 1.9.3 if and to the extent that the claim occurs or is increased as a result of any change in legislation after the date of this agreement (or any legislation not in force at the date of this Agreement) which takes effect retrospectively or the withdrawal after the date of this Agreement of any published concession or published general practice previously made by the Inland Revenue or other taxing authority;
 - 1.9.4 if and to the extent that any claim occurs or is increased as a result of any increase in the rate of taxation in force at the date of the Agreement;
 - 1.9.5 if and to the extent that any claim occurs as a result of or is otherwise attributable to the Buyer or either of the Companies disclaiming any part of the benefit of capital or other allowances against Taxation claimed or proposed to be claimed on or before the date of this Agreement;
 - 1.9.6 if and to the extent that the Claim is attributable to any voluntary act or omission of or transaction or arrangement carried out by the Buyer or the Company after Completion otherwise than in the ordinary course of business;
 - 1.9.7 if and to the extent that the Claim would not have arisen or would have been reduced or eliminated but for the failure or omission on the part of the Buyer or the Company to make any claim election surrender or disclaimer or give notice or consent or do any other thing under the provisions of any enactment or regulation relating to Taxation after Completion the making giving or doing of which was taken into account in computing the provision for Taxation in the Accounts;
 - 1.9.8 if and to the extent that the claim relates to a liability for Taxation which would not have arisen but for any winding up or cessation after Completion of any trade or business carried on by either of the Companies;

- 1.9.9 if and to the extent the Claim would not have arisen but for a change of accounting policy or practice of the Company after the Completion Date.
- 1.10 The amount of any Claim shall take into account the amount of any relief from Taxation arising by virtue of the loss or damage in respect of which the Claim was made.
- 1.11 Nothing in this Schedule shall derogate from the Buyer's common law duty to mitigate any loss which it suffers in consequence of a Breach of Warranty.
- 1.12 If in respect of any Claim the liability of the Seller or the Company is contingent only then the Seller shall not be under any obligation to make any payment to the Buyer until such time as the contingent liability ceases to be contingent and becomes actual.
- 1.13 For the avoidance of doubt the Buyer shall not be entitled to recover damages in respect of any claim for Breach of Warranty and/or of the covenants contained in the Tax Deed (although its claim may be against both the Warranties and the Tax Deed) where to do so would involve recovery more than once in respect of the same loss or damage.
- 1.14 Any amount payable by the Seller to the Buyer in satisfaction of any claim made under the Warranties or under the Tax Deed shall be treated as a reduction by that amount of the purchase consideration.
- 1.15 The Buyer shall (but not as a condition precedent to liability) upon it or the Company becoming aware of any matter or event ("**the Matter**") which might give rise to a Claim give notice in writing to the Seller's Solicitors of the Matter as soon as practicable.
- 1.16 The Buyer shall provide and shall procure that the Company will provide to the Seller and the Seller's professional advisers reasonable access to premises and personnel and to any relevant assets, documents and records within their power possession or control for the purposes of investigating the Matter and enabling the Seller to take such action as referred to in paragraph 1.17 below and shall allow the Seller and their advisers at their expense to take copies of any relevant documents or records provided that the Buyer's obligations under this paragraph shall not extend to any documents or records which are privileged, confidential or which might prejudice the position of the Buyer in any subsequent dispute with the Seller.
- 1.17 The Buyer shall and shall procure that each of the Companies will allow the Seller (using professional advisers nominated by the Seller but approved by the Buyer (such approval not to be unreasonably withheld or delayed)) to take such action and institute and conduct such proceedings on behalf of the Buyer or either of the Companies as the Seller may reasonably request to dispute, resist, appeal, compromise, defend, remedy or mitigate any Claim or to enforce against any third party the rights of the Company in relation to the Claim if and to the extent only that the Claim involves a dispute with a third party. In respect of any other Matter, the Buyer shall consult with the Seller and keep the Seller informed of the progress of such dispute. The Seller shall fully indemnify the Buyer and the Company against all reasonable costs, expenses, losses, claims and other liability or risks incurred as a result of any action or inaction by the Seller pursuant to this paragraph 1.17 and shall keep the Company and the Buyer fully informed of all such actions undertaken in their name.

- 1.18 The Buyer shall not and shall procure that neither of the Companies will admit liability in respect of or compromise or settle the Claim without the prior written consent of the Seller (such consent not to be unreasonably withheld or delayed).
- 1.19 The Warranties are given on the basis of each of the Companies continuing to carry on business after the Effective Date as a going concern.

SCHEDULE 7

RETENTION ACCOUNT INSTRUCTIONS

To: The Manager
Bristol & West plc[Address]

Dated 2004

Dear Sir

Please accept this letter as authority to open a new deposit account in the joint names of Shoosmiths and Lyons Davidson to be designated "Graeme Kalbraier and Highway Insurance Holdings plc Retention A/C" on the following terms:

1. Highway Insurance Holdings plc have deposited in the above new account in the sum of £310,000.
2. Amounts may only be debited out of the above new account on the signatures of:
 - (a) a Designated Partner of Shoosmiths; and
 - (b) a Designated Partner of Lyons Davidson.

Specimen signatures of two Designated Partners of Shoosmiths and two Designated Partners of Lyons Davidson are attached hereto.

You are hereby notified that these instructions shall only be capable of variation or revocation by us on receipt by you of a written instruction signed by any Designated Partner of Shoosmiths and a Designated Partner of Lyons Davidson. This account is opened and will be operated on the basis that you will not exercise any rights of set off as between the account opened by this letter and any other account.

Yours faithfully

Signed on behalf of
LYONS DAVIDSON

.....
ROGER JAMES ACOCK

.....
RICHARD JAMES SQUIRE

Signed on behalf of
SHOOSMITHS

.....
KEITH LEWINGTON

.....
OLIVER BROOKSHAW

SCHEDULE 8

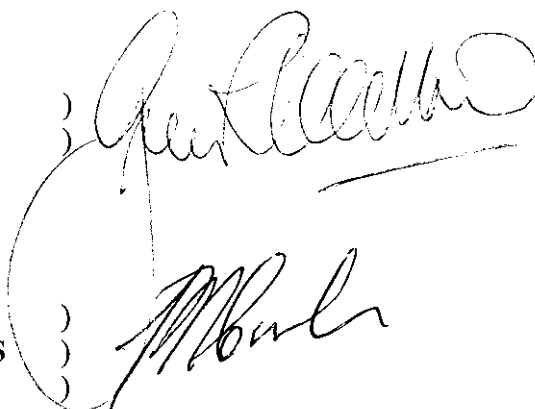
CLAUSE 6.6 INDEMNITY ISSUES

1. Any claims against the Company for negligence or other professional indemnity claims to the extent that they relate to the period prior to Completion and arise out of risks not covered by the Company's professional indemnity cover (but including any consequential increase in the Company's insurance premiums) provided that:
 - 1.1. the Buyer has procured that the Company maintains professional indemnity insurance against all risks against which it was insured under the policy in force at Completion;
 - 1.2. the Seller's aggregate liability in respect of this indemnity shall not exceed £275,000; and
 - 1.3. the Seller's aggregate liability in respect of any increase in the Company's insurance premium shall not exceed £20,000.
2. The employment or former employment by the Company in the period up to Completion brought by any employee other than those listed below:

Elaine Till, Sarah Johnson, Sarah Smith, Tanya Whitehead, Catherine Gleed, Mark Narramore, Sarah Shimon-Davies, Hannah Copping, Teresa Rudd, Steven Tibbenham, Rhiannon Coleman, Matthew Kent, Sam Evans, Nicola Hicks, Terri Osborne, Francesca Devonish, Catherine Doughty, Lee Appleton, Donna Brooks, Sam Dickie, Amanda List, Amanda Jones, Pamela Nichols, Alison Tickner, Tina Chapman, Ben Woolnough, Michael Carpenter, Adam Wood, Lee Southgate, Christopher Lawrence, William Olds, Andrew Stephens, Lee Flynn, Thomas Allen, Shayne Page, Adam Benmore, Charlene Seaman, Philip Bird, Michelle Buckley, Ben Davis, Abdul Shipon, Oliver Druce, Oliver Tuddenham, Leanne Good, Jody Hammond, Demelza Laws, James Matthew, Matthew Pearson, Chris Compton, Nicola Gooch, John Ford, Stuart Grant, Robert Stott, Steve Allen, Juanita Dye, Paul Rinder, Nicholas Rooke, Neil Hames, Nicky Martyn, Neil Johnson, Rita Cloud, Victoria Cole-Jones, Janine Lees, Karen Coll, Daniel Adams, Gary Lawrence

including without limitation unfair dismissal, constructive dismissal, breach of contract, redundancy or discrimination (whether such law arises under common law or the statutory provisions of the ERA, TUPE, the Working Time Regulation, Sex Discrimination Act 1975, Race Relations Act 1976, Disability Discrimination Act 1995 or otherwise.
3. The CCL Agreement.
4. Any claims against the Company by Cheshire Datasystems Limited that in the period up to Completion the number of actual users are greater than the licensed users provided that the Seller's aggregate liability in respect of this indemnity shall not exceed £10,000.

SIGNED by
GRAEME RICHARD KALBRAIER

A handwritten signature in dark ink, appearing to read 'Graeme Kalbraier', with a large, sweeping flourish at the end. To the left of the signature is a large, faint, circular mark, possibly a stamp or a large bracket.

SIGNED by Paul Cosh on behalf of
HIGHWAY INSURANCE HOLDINGS
PLC

A handwritten signature in dark ink, appearing to read 'Paul Cosh', with a large, sweeping flourish at the end. To the left of the signature is a large, faint, circular mark, possibly a stamp or a large bracket.