

DATED

1 AUGUST 2003

29232 012

Share Purchase Agreement

relating to

AT WORK BUSINESS CENTRES LIMITED

between

BARNCABIN LIMITED

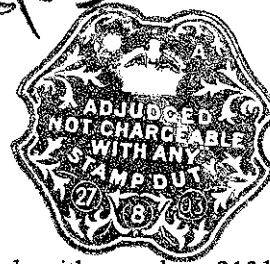
and

GROSVENOR LAND HOLDINGS PLC



Lane & Partners
15 Bloomsbury Square
London WC1A 2LS

NCAS
27/8/03
THIS AGREEMENT is dated 1 August 2003



PARTIES

- (1) **BARNCABIN LIMITED** (registered in England with number 2131702) whose registered office is at 67 London Road, Alderley Edge, Cheshire SK9 7DY (**Vendor**);
- (2) **GROSVENOR LAND HOLDINGS PLC** (registered in England with number 3232512) whose registered office is at 8 Baker Street, London W1M 1DA (**Purchaser**).

BACKGROUND

- (A) At Work Business Centres Limited (**Company**), a company registered in England with number 4203023, has at the date of this agreement an authorised share capital of £100 divided into 100 ordinary shares of £1 each of which 1 ordinary share is issued and fully paid or credited as fully paid and is owned by the Vendor.
- (B) The Vendor has agreed to sell the Shares to the Purchaser and the Purchaser has agreed to purchase the Shares in reliance (inter alia) upon the representations, warranties and undertakings in this agreement, for the consideration and otherwise upon and subject to the terms and conditions of this agreement.

AGREED TERMS

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this agreement the following words and expressions have the meanings set opposite them:

Accounts: the audited balance sheet as at the Balance Sheet Date and the audited profit and loss account for the accounting reference period ended on the Balance Sheet Date of the Company and the notes, reports, statements and other documents which are or would be required by law to be annexed to the Accounts and to be sent or made available to members for such Financial Year, a copy of each of which has been Disclosed;

Accounting Standards: statements of standard accounting practice (including financial reporting standards) adopted or issued by the ASB;

AIM: the alternative investment market of the London Stock Exchange;

ASB: The committee of Accounting Standards Board Limited (no. 2526824) or such other body prescribed by the Secretary of State from time to time pursuant to section 256, CA 85;

Affiliate: in relation to any body corporate, any Holding Company or subsidiary undertaking of such body corporate or any subsidiary undertaking of a Holding Company of such body corporate;

Agreement: this agreement including its recitals and the schedules but not the Tax Deed;

Balance Sheet Date: 31 March 2003;

Business: the business of the Company at the date hereof;

Business Day: a day (other than a Saturday or Sunday) when banks are open for business in London;

CA 85: Companies Act 1985;

CAA: Capital Allowances Act 2001;

Claim: any claim by the Purchaser in connection with the Warranties;

Companies Acts: as defined in section 744, CA 85 together with the Companies Act 1989;

Competent Authority: any person or legal entity (including any government or government agency) having enforcement powers and/or regulatory authority under Environmental Laws and/or any court of law or tribunal;

Completion: completion of the sale and purchase of the Shares pursuant to this agreement;

Completion Balance Sheet: the balance sheet of the Company to be prepared in accordance with clause 6.1 and schedule 4;

Confidential Information: all information received or obtained as a result of entering into or performing, or supplied by or on behalf of a party in the negotiations leading to, this agreement and which relates to:

- (i) the Company;
- (ii) any information which relates to the Business;
- (iii) the provisions of this agreement;
- (iv) the negotiations relating to this agreement;
- (v) the subject matter of this agreement; or
- (vi) the Purchaser.

Connected Person: a person connected with the Vendor or the Director within the meaning of section 839, TA 88;

Consideration: the consideration for the Shares as specified in clause 3.1;

Consideration Shares: 1,666,667 ordinary shares in the capital of the Purchaser to be issued at 21p per ordinary share and which are to be allotted to the Vendor pursuant to clause 5.4;

Copyright: copyright, design rights, topography rights and database rights whether registered or unregistered (including any applications for registration of any such thing) and any similar or analogous rights to any of the foregoing whether arising or granted under the law of England or of any other jurisdiction;

Director: the director of the Company named in schedule 1;

Disclosed: accurately and fairly disclosed by the Disclosure Documents and by the general disclosures specifically referred to in the Disclosure Letter and "Disclosure" shall be construed accordingly;

Disclosure Documents: the Disclosure Letter and the two identical bundles of documents collated by or on behalf of the Vendor, the outside covers of each

of which have been signed for identification by or on behalf of the Vendor and the Purchaser;

Disclosure Letter: the letter in the agreed terms described as such of even date herewith addressed by the Vendor to the Purchaser;

Encumbrance: any (other than by virtue of this agreement) interest or equity of any person (including any right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement;

Environment: means the environment as defined in Section 1(2) of the Environmental Protection Act 1990 and includes any and all organisms (including man), ecosystems, property and the following media: air (including the air within buildings and the air within other natural or man-made structures whether above or below ground); water (including water under or within land or in drains or sewers and coastal and inland waters); and land (including land under water);

Environmental agreements: any and all leases or licences or other agreements which are binding upon the Company or any of the Subsidiaries but only to the extent that they relate, either wholly or in part, to the protection of the Environment, and/or the mitigation, abatement, containment or prevention of Harm and/or the provision of remedies in respect of Harm;

Environmental Laws: any and all laws, whether civil, criminal or administrative which have as a purpose or effect the protection of the Environment, and/or the mitigation, abatement, containment or prevention of Harm and/or the provision of remedies in respect of Harm applicable to the Company and the Subsidiaries Properties, including European Community or European Union regulations, directives, decisions and recommendations; statutes and subordinate legislation; regulations, orders, ordinances; Permits, codes of practice, circulars, guidance notes and the like to the extent they have the force of law; common law, local laws and bye-laws; judgments, notices, orders, directions, instructions or awards of any Competent Authority; Environmental agreements;

Environmental Liability: liability (including liability in respect of Remediation Action) on the part of the Company or any of the Subsidiaries

and/or any of their directors or officers or shareholders under Environmental Laws;

ERA: Employment Rights Act 1996;

Escrow Account: the joint deposit account with Barclays Bank plc to be opened in the names of the Purchaser's Solicitors and the Vendor's Solicitors and to be dealt with in accordance with clauses 5.11 and 5.12;

Event: any payment, transaction, act, omission or occurrence of whatever nature whether or not the Company or the Purchaser is a party thereto and including:

(a) the execution of this agreement and completion of the sale of the Shares to the Purchaser; and

(b) the death of any person;

and references to an Event occurring on or before Completion shall include an Event deemed, pursuant to any Taxation Statute, to occur or be treated or regarded as occurring on or before Completion;

FA: Finance Act;

Fairly Disclosed: disclosed in such manner and in such detail as to enable a reasonable purchaser to make an informed and accurate assessment of the matter concerned;

Financial Year: a financial year within the meaning ascribed to such expression by section 223, CA 85;

First Escrow Sum: the sum of £30,000 to be dealt with in accordance with clauses 5.7 and 5.11;

GAAP: Accounting Standards as established by the ASB (SSAPs and FRSs), the legal principles set out in schedules 4 and 4A to CA 85, rulings and abstracts of the Urgent Issues Task Force of the ASB and guidelines, conventions, rules and procedures of accounting practice in the United Kingdom which are regarded as permissible by the ASB;

Group: a company together with its Subsidiaries and Holding Company;

Hardware: any and all computer, telecommunications and network equipment;

Harm: harm or damage to or other interference with the Environment and in the case of man includes offence caused to any of their senses;

Hazardous Matter: any and all matter (whether alone or in combination with other matter) including electricity, heat, vibration, noise or other radiation which may or is liable to cause Harm;

Holding Company: a holding company within the meaning ascribed to such expression by sections 736 and 736A, CA 85;

Indemnities: the indemnities given by the Vendor and the Purchaser in clause 23;

Independent Accountant: an independent chartered accountant appointed pursuant to clause 6.5;

Intellectual Property: Patent Rights, Know How, Copyright (including rights in Software), Trade Marks and IP Materials and for the avoidance of doubt excludes the @Work logo as used by the Vendor;

Intellectual Property Agreements: agreements, arrangements or licences relating to the Relevant IP;

IP Materials: all documents, records, tapes, discs, diskettes and any other materials whatsoever containing Copyright works, Know How or Software;

IT Contracts: any agreements, arrangements or licences with third parties relating to IT Systems or IT Services, including all hire purchase contracts or leases of Hardware owned or used by the Company or any of the Subsidiaries, licences of Software owned or used by the Company or any of the Subsidiaries, and other IT procurement;

IT Services: any services relating to the IT Systems or to any other aspect of the Company's or any of the Subsidiaries' data processing or data transfer requirements, including facilities management, bureau services, hardware maintenance, software development or support, consultancy, source code deposit, recovery and network services;

IT Systems: Hardware and/or Software owned or used by the Company or any of the Subsidiaries;

ITA: Inheritance Tax Act 1984;

Know-How: trade secrets and confidential business information including details of supply arrangements, prospective tenant lists, comparable rental evidence and rental projections; unpatented technical and other information including inventions, discoveries, processes and procedures, ideas, concepts, specifications, information comprised in Software; together with all common law or statutory rights protecting the same including by any action for breach of confidence and any similar or analogous rights to any of the foregoing whether arising or granted under the law of England or any other jurisdiction;

Lane Account: the Lane & Partners client account with Barclays Bank Plc, Strand Business Centre, London WC2R 0NX, name: Lane & Partners Client Account, account number 80542016, sort code 20-82-94;

Legal and Beneficial Title: full and unrestricted title with the benefit of quiet possession and free from lawful interruption and disturbance;

Losses: actions, proceedings, losses, damages, liabilities, claims, costs and expenses including fines, penalties, clean-up costs, legal and other professional fees;

Management Accounts: the unaudited management accounts of the Company comprising a balance sheet as at 30 June 2003 and a profit and loss account for the period which commenced on 1 April 2003 and ended on 30 June 2003;

Net Assets: the Company's fixed assets plus its current assets less its liabilities as set out in the Completion Balance Sheet;

Non Executive Director's Agreement: an agreement in the agreed terms appointing Mr R W Dyson a non executive director of the Purchaser;

Notice of Disagreement: any notification in writing by the Purchaser's Accountants to the Vendor's Accountants of any disagreement or difference of opinion relating to the Completion Balance Sheet given in accordance with clause 6.4;

Other Properties: any property (other than the Properties) previously owned, operated, occupied or used by the Company or any of its subsidiary undertakings at any time before Completion;

Patent Rights: patent applications or patents, author certificates, inventor certificates, utility certificates, improvement patents and models and certificates of addition including any divisions, renewals, continuations, refilings, confirmations-in-part, substitutions, registrations, confirmations, additions, extensions or reissues thereof and any similar or analogous rights to any of the foregoing whether arising or granted under the law of England or any other jurisdiction;

Pension Schemes: agreements or arrangements (whether legally enforceable or not) for the payment of any pensions, allowances, lump sums or other like benefits on retirement for the benefit of any present or former director, officer or employee of the Company or of any of the Subsidiaries or for the benefit of the dependants of any such persons;

Permits: any and all licences, consents, permits, authorisations, registrations or the like, made or issued pursuant to or under, or required under Environmental Laws;

Proceedings: any proceeding, suit or action arising out of or in connection with this agreement;

Properties: the properties of which short particulars are set out in schedule 2 and the expression "Property" shall mean, where the context so admits, any one or more of such properties and any part or parts thereof;

Purchaser's Accountants: BDO Stoy Hayward of 8 Baker Street, London W1U 3LL;

Purchaser's Group: the Purchaser and its Affiliates;

Purchaser's Solicitors: Lane & Partners of 15 Bloomsbury Square, London WC1A 2LS

Registered Intellectual Property: the Intellectual Property owned, licensed, used or exploited by the Company or any of the Subsidiaries ;

Relevant IP: all Registered Intellectual Property and Unregistered Intellectual Property;

Remediation Action:

(i) preventing, limiting, removing, remediating, cleaning-up, abating or containing the presence or effect of any Hazardous Matter in the Environment or (ii) carrying out investigative work and obtaining legal and other professional advice as is reasonably required in relation to (i);

Second Escrow Sum: the sum of £97,000 to be dealt with in accordance with clause 5.12;

Share Options: the right to subscribe for 166,666 ordinary shares in the Purchaser at 21p per share to be granted to Robert Dyson pursuant to clause 5.9 of this agreement;

Shares: the 1 issued ordinary share of £1 in the capital of the Company owned by the Vendor;

Software: any and all computer programs in both source and object code form, including all modules, routines and sub-routines thereof and all source

and other preparatory materials relating thereto, including user requirements, functional specifications and programming specifications, ideas, principles, programming languages, algorithms, flow charts, logic, logic diagrams, orthographic representations, file structures, coding sheets, coding and including any manuals or other documentation relating thereto and computer generated works;

SSAP and FRS: a statement of standard accounting practice or financial reporting standard in force at the date hereof as adopted or issued by the ASB as an Accounting Standard;

Stock Exchange: London Stock Exchange plc;

Subsidiary: a subsidiary within the meaning ascribed to such expression by sections 736 and 736A, CA 85;

Subsidiary undertaking: a subsidiary undertaking within the meaning ascribed to such expression by section 258, CA 85;

TA 88: Income and Corporation Taxes Act 1988;

Taxation or Tax:

(a) all forms of taxation and statutory, governmental, state, federal, provincial, local government or municipal charges, duties, imposts, contributions, levies, withholdings or liabilities wherever chargeable and whether of the UK or any other jurisdiction; and

(b) any penalty, fine, surcharge, interest, charges or costs payable in connection with any taxation within (a) above;

Taxation Authority: the Inland Revenue, Customs & Excise, Department of Social Security and any other governmental or other authority whatsoever competent to impose any Taxation whether in the United Kingdom or elsewhere;

Tax Deed: the deed in the agreed terms containing certain taxation covenants and indemnities between the Vendor and the Purchaser;

Taxation Statute: any directive, statute, enactment, law or regulation, wheresoever enacted or issued, coming into force or entered into providing for or imposing any Taxation and shall include orders, regulations, instruments, bye-laws or other subordinate legislation made under the relevant statute or statutory provision and any directive, statute, enactment, law, order, regulation or provision which amends, extends, consolidates or replaces the same or which has been amended, extended, consolidated or replaced by the same;

Tax Warranties: the warranties set out in part 2 of schedule 3;

TCGA: Taxation of Chargeable Gains Act 1992;

Third Party Rights Act: Contracts (Rights of Third Parties) Act 1999;

TMA: Taxes Management Act 1970;

Trade Marks: trade or service mark applications or registered trade or service marks, registered protected designations of origin, registered protected geographic origins, refilings, renewals or reissues thereof, unregistered trade or service marks, get up and company names in each case with any and all associated goodwill and all rights or forms of protection of a similar or analogous nature including rights which protect goodwill whether arising or granted under the law of England or of any other jurisdiction;

TULRCA: Trade Union and Labour Relations (Consolidation) Act 1992;

TUPE: Transfer of Undertakings (Protection of Employment) Regulations 1981;

UK Listing Authority: the Financial Services Authority acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000;

Unregistered Intellectual Property: Intellectual Property owned, licensed, used or exploited by the Company or any of the Subsidiaries other than Registered Intellectual Property;

VAT: value added tax;

VATA: Value Added Tax Act 1994;

Vendor's Accountants: Harris & Co. of Second Floor Suite, 67 Longden Road, Alderley Edge, Cheshire SK9 7DY;

Vendor's Loan: the sum of £277,000 due and owing to the Vendor by the Company;

Vendor's Solicitors: Forshaws of 1-5 Palmyra Square, Cheshire WA1 1BZ;

Vendor's Solicitors' Client Account: Account number 10239428, sort code 16-33-33 at Royal Bank of Scotland, 40 Horsemarket Street, Warrington;

Warranties: the warranties set out in clause 7 and schedule 3;

in the agreed terms in the form agreed between the Vendors' Solicitors and the Purchaser's Solicitors and signed for the purposes of identification by or on behalf of each party.

- 1.2 The headings in this agreement are inserted for convenience only and shall not affect its construction.
- 1.3 Unless the context otherwise requires words denoting the singular shall include the plural and vice versa, references to any gender shall include all other genders and references to persons shall include bodies corporate, unincorporated associations and partnerships in each case whether or not having a separate legal personality. References to the word **include** or **including** are to be construed without limitation.
- 1.4 References to recitals, schedules and clauses are to recitals and schedules to and clauses of this agreement unless otherwise specified and references within a schedule to paragraphs are to paragraphs of that schedule unless otherwise specified.
- 1.5 References in this agreement to any statute, statutory provision, EC Directive or treaty include a reference to that statute, statutory provision, EC Directive

or treaty as amended, extended, consolidated or replaced from time to time (whether before or after the date of this agreement) and include any order, regulation, instrument or other subordinate legislation made under the relevant statute, statutory provision, EC Directive or treaty.

- 1.6 Words and expressions defined in the Tax Deed shall to the extent not inconsistent bear the same meanings in this agreement.
- 1.7 References to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept, state of affairs or thing shall in respect of any jurisdiction other than England be deemed to include that which most approximates in that jurisdiction to the English legal term.
- 1.8 Any reference to **writing** or **written** includes faxes and any non-transitory form of visible reproduction of words (but not e-mail).
- 1.9 References to times of the day are to London time and references to a day are to a period of 24 hours running from midnight on the previous day.

2. SALE AND PURCHASE

- 2.1 Subject to the terms and conditions of this agreement, the Vendor shall sell with full title guarantee and the Purchaser shall purchase the Shares together with all rights attaching thereto at the date of this agreement.
- 2.2 The Purchaser shall be entitled to receive all dividends and distributions declared, paid or made by the Company on or after the date of this agreement.

3. CONSIDERATION

- 3.1 In consideration for the transfer of the shares, the purchaser shall:
 - (a) allot and issue credited as fully paid to the Vendor the Consideration Shares; and
 - (b) pay to the Vendor a cash sum of £155,000 subject to adjustment pursuant to clause 6.8;
 - (c) procure the repayment in full by the Company to the Vendor of the Vendor's Loan;

- (d) subject to the provisions of clauses 5.7 and 5.11 pay the First Escrow Sum into the Lane Account, such sum to be transferred to the Escrow Account once the Escrow Account has been set up; and
- (e) subject to the provisions of clause 5.12 pay the Second Escrow Sum into the Lane Account, such sum to be transferred to the Escrow Account once the Escrow Account has been set up .

3.2 The Purchaser warrants to and agrees with the Vendor that:

- (a) the existing issued ordinary share capital of the Purchaser is listed on AIM; and
- (b) the directors of the Purchaser are duly authorised to allot the Consideration Shares under section 80 of the Companies Act 1985 and that all other requirements of Part IV of that Act in relation to that allotment will have been complied with.

3.3 The Consideration Shares shall rank parri passu as a single class with the ordinary shares of £0.01 each in the Purchaser in issue at the date of this agreement and shall carry the right to receive in full all dividends and other distributions declared made or paid after the date of this agreement.

3.4 Any payment made by the Vendor in respect of a breach of any Warranties or payment made under the Indemnities or the Tax Deed, or any other payment made pursuant to this agreement, shall be and shall be deemed to be pro tanto a reduction in the price paid for the Shares under this agreement.

4. WAIVERS OF PRE-EMPTION

The Vendor hereby waives all rights of pre-emption or other rights over any of the Shares conferred on it either by the articles of association of the Company or in any other way.

5. COMPLETION

5.1 Subject as provided in clause 5.5, Completion shall take place at the offices of the Purchaser's Solicitors forthwith following signing of this agreement or at such other place and/or on such other date as may be agreed in writing between the Purchaser and the Vendor.

5.2 At Completion the Vendor shall deliver to the Purchaser each of the following documents:

- (a) a copy of the minutes of a meeting of the directors of the Vendor authorising the execution by the Vendor of this agreement and the Tax Deed;
- (b) statements 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 the last Business Day prior to Completion;
- (c) the cash book balances of the Company as at Completion with reconciliations of such cash book balances and the relevant cheque books with the balances on the bank accounts of the Company as shown by the statements referred to in clause 5.2(b);
- (d) the cheque books relating to all the bank accounts of the Company together with confirmation that no cheques have been written by the Company since preparation of the reconciliations referred to in clause 5.2(c).
- (e) evidence in the agreed terms that all debts and accounts between the Company (of the one part) and the Vendor and any Connected Person or Affiliate of the Vendor (of the other part) (save for the Vendor's Loan) have been fully paid and settled;
- (f) evidence satisfactory to the Purchaser in its reasonable opinion that the guarantee and indemnity dated 2 November 2001 given by the Company to Northern Rock Plc has been released;
- (g) Intentionally deleted.
- (h) the Tax Deed duly executed as a deed by the Vendor;
- (i) Intentionally deleted.
- (j) a transfer of the Shares duly executed by the Vendor in favour of the Purchaser together with the relevant share certificate;
- (k) the statutory registers and minute books (properly written up to the time immediately prior to Completion), the common seal (if any), the certificate of incorporation and (if applicable) any certificate of incorporation on change of name of the Company;
- (l) ~~an undertaking to~~ **shall procure that the Vendor's solicitors shall** return the documents of title to the Properties to Northern Rock Plc forthwith;
- (m) the written resignations in terms satisfactory to the Purchaser in its absolute discretion of Judith Dyson as secretary of the Company from her respective offices and employment, such resignations to take effect on or before Completion and evidence satisfactory to the Purchaser in its absolute discretion that Emma Long's employment with the Company has been terminated;



- (n) the written resignation of the auditors of the Company in the agreed terms to take effect from Completion containing the statements referred to in section 394(1), CA 85 that they consider there are no such circumstances as are mentioned in that section and confirming that they have deposited or shall deposit that statement in accordance with section 394(2), CA 85 at the registered office of the Company, the Vendor hereby agreeing to procure that such letter be signed by the auditors as soon as practicable following Completion;
- (o) a receipt in the agreed terms in respect of the repayment of the Vendor's Loan;
- (p) a duly executed counterpart of the Non Executive Director's Agreement;
- (q) evidence satisfactory to the Purchaser that the inter-company guarantee between the Vendor and the Company pursuant to the requirements of Northern Rock Plc has been released;
- (r) evidence satisfactory to the Purchaser that the management arrangement between the Company and Dunlop Heywood Lorenz ~~has been~~ terminated *on 28 September 2003* and that there are no outstanding monies or obligations owing from the Company to Dunlop Heywood Lorenz by reason of the termination of the arrangement or otherwise; and
- (s) in relation to the charge dated 2 November 2001 which was executed as a deed by Frenwick Limited and Northern Rock Plc, a written consent, in terms satisfactory to the Purchaser from Northern Rock Plc to (a) the change in the existing shareholders of the Company (Change of Control) (clause 4.1(g)) and (b) (to the extent that the Company declared a dividend before Completion) the payment of a distribution to any existing shareholder (clause 4.1(a)(iii)(B)).

5.3 At Completion the Vendor shall procure that all necessary steps are taken properly to effect the following matters at a board meeting of the Company and shall deliver to the Purchaser duly signed minutes of such board meeting:

- (a) the transfer referred to in clause 5.2(j) shall be passed for registration and registered (subject to being duly stamped, which shall be at the cost of the Purchaser);
- (b) Douglas Blausten and Simon Blausten shall be appointed additional directors of the Company and Brendan Gorman is to be appointed the new secretary of the Company;
- (c) the resignations referred to in clauses 5.2(m) and (n) shall be tendered and accepted so as to take effect before or at the close of the meeting;

- (d) Douglas Blausten shall be appointed Chairman of the board of directors of the Company;
- (e) all existing instructions and authorities to bankers shall be revoked and shall be replaced with alternative instructions, mandates and authorities in such form as the Purchaser may require;
- (f) the registered office shall be changed to 8 Baker Street, London, W1U 3LL;
- (g) Messrs. BDO Stoy Hayward shall be appointed auditors.

5.4 Subject to the Vendor complying with its obligations under clauses 5.2 and 5.3, the Purchaser shall at Completion:

- (a) procure the repayment by the Company of the Vendor's Loan in cash direct to the Vendor;
- (b) transfer the First Escrow Sum to the Lane Account, such sum to be transferred to the Escrow Account once the Escrow Account has been set up in accordance with the provisions of clause 5.11;
- (c) transfer the Second Escrow Sum to the Lane Account, such sum to be transferred to the Escrow Account once the Escrow Account has been set up in accordance with the provisions of clause 5.12;
- (d) transfer to the Vendor's Solicitors' Client Account for the account of the Vendor a cash sum of £155,000 less any dividend declared by the Company in the thirty days prior to Completion and subject to adjustment pursuant to clause 6.8;
- (e) procure that all necessary steps are taken properly to resolve at board meetings of the Purchaser that the Consideration Shares be allotted and issued credited as fully paid to the Vendor (subject to their admission to trading on AIM) and that (subject to their admission to trading on AIM) the registrars of the Purchaser be instructed to:
 - (i) register the name of the Vendor as the holder of the Consideration Shares in the register of members of the Company; and
 - (ii) issue to the Vendor a definitive share certificate for the Consideration Shares as soon as reasonably practicable following Completion.
- (f) deliver to the Vendor a counterpart Tax Deed duly executed by the Purchaser; and
- (g) deliver the duly executed Non Executive Director's Agreement.

(h) provide a Form 288(a) to Robert Dyson and send it to the registrar of companies as soon as reasonably practicable following Completion.

5.5 If in any material respect the obligations of the Vendor and/or the Purchaser in clauses 5.2- 5.4 are not complied with on the date of Completion applicable under clause 5.1, the party not in default may:

- (a) defer Completion to a date not more than 28 days after the date set by clause 5.1 (and so that the provisions of this clause 5.5 shall apply to Completion as so deferred);
- (b) proceed to Completion so far as practicable and without prejudice to its rights under this agreement;
- (c) rescind this agreement without prejudice to its rights and remedies under this agreement; or
- (d) waive all or any of the requirements contained in clauses 5.2 and 5.3 at its discretion.

5.6 Forthwith following Completion, the Purchaser shall make an application to AIM for the Consideration Shares to be admitted to trading and, subject to their admission to trading, procure that the Consideration Shares are allotted and issued credited as fully paid to the Vendor. The Purchaser will procure that the provisions of this clause 5.6 are complied with as soon as reasonably practicable following Completion, and in any event within six months of Completion;

5.7 The Vendor and the Purchaser shall within 14 days of the agreement or settlement of the Completion Balance Sheet (whether under clause 6.3, 6.4 or by virtue of a decision of the Independent Accountant or otherwise) procure payment by the Vendor's Solicitors and the Purchaser's Solicitors from the Escrow Account to the Vendor's Solicitors or the Purchaser's Solicitors for the account of the Vendor or the Purchaser as the case may be, of the First Escrow Sum, subject to adjustment as provided in clause 6.8.

5.8 Intentionally deleted.

5.9 The Purchaser shall within 42 days of the date on which the Purchaser's next final or interim results are announced to the Stock Exchange:

- (a) take such steps as are necessary to facilitate the grant of the Share Options to Robert Dyson; and
- (b) procure that the Purchaser's existing share option holders relinquish the right to be granted such numbers of share options as are necessary to ensure that, following the grant of the Share Options to Robert Dyson pursuant to clause 5.9(a) above, the total number of share options in issue of the Purchaser does not exceed 10 per cent. of the Purchaser's total issued share capital.

reappointed
In the event that Robert Dyson is not reappointed ~~at the next following annual general meeting of the Purchaser~~ *at the next following annual general meeting of the Purchaser*, the Purchaser will use its best endeavours to grant Robert Dyson ~~a warrant~~ *an warrant* ¹⁹ on terms that are, so far as is practicable, the same as the terms of the Share Options to which Robert Dyson

- 5.10 Forthwith following Completion the Vendor shall, and shall procure that any other person shall, without delay send to the Purchaser at its registered office for the time being, all records, correspondence, documents, files, memoranda and other papers relating to the Company or the Business not kept at any of the Properties.
- 5.11 The Purchaser shall procure that immediately upon Completion the First Escrow Sum shall be paid into the Lane Account, such sum to be transferred to the Escrow Account once the Escrow Account has been set up, to be held by way of security for any amount becoming due from the Purchaser to the Vendor or from the Vendor to the Purchaser pursuant to the provisions of clause 5.7 and the First Escrow Sum standing to the credit of the Lane Account or the Escrow account, including without limitation any accrued interest, (such amounts earning interest at an annual rate of 1% per annum in both the Lane Account and such rate of interest as is earned in the Escrow Account), shall be dealt with only in accordance with the following sub-clauses.
- 5.11.1 The Vendor and the Purchaser will use their respective reasonable endeavours to procure payment by the Vendor's Solicitors and the Purchaser's Solicitors from the Escrow Account to the Vendor's Solicitors or the Purchaser's Solicitors for the account of the Vendor or the Purchaser, as the case may be, of the First Escrow Sum subject to the provisions of clause 5.7.
- 5.11.2 Subject to clause 5.11.1 above, the interest accrued on the First Escrow Sum shall be credited to the Lane Account and the Escrow Account and any payment to be made to the Vendor or the Purchaser pursuant to the provisions of clause 5.7 shall carry the interest earned on that sum in the Lane Account and the Escrow Account.
- 5.11.3 The Purchaser and the Vendor shall as and when necessary give instructions to the Vendor's Solicitors and the Purchaser's Solicitors respectively in order to procure compliance with the provisions of clauses 5.7 and this clause 5.11. The Vendor's Solicitors and the Purchaser's Solicitors shall not be required to and shall not take any action with respect to the First Escrow Sum except on the written instructions of the Purchaser and the Vendor jointly.
- 5.12 The Purchaser shall procure that immediately upon Completion the Second Escrow Sum shall be paid into the Lane Account, such sum to be transferred to the Escrow Account once the Escrow Account has been set up, to be held by way of security for any amount becoming due from the Purchaser to the Vendor in respect of the provisions of this clause 5.12 and the Second Escrow Sum standing to the credit of the Lane Account or the Escrow account, including

without limitation any accrued interest, shall be dealt with only in accordance with the following sub-clauses.

- 5.12.1 The Vendor and the Purchaser will use their respective reasonable endeavours to procure payment by the Vendor's Solicitors and the Purchaser's Solicitors from the Escrow Account to the Vendor's Solicitors or the Purchaser's Solicitors for the account of the Vendor or the Purchaser, as the case may be, of the Second Escrow Sum in five equal annual instalments, such payments to commence on the first Business Day following the fourth anniversary of Completion and following on each such anniversary thereafter provided that the Purchaser does not sell the Properties. A sale for these purposes means a disposition of all or substantially all of any interest in the legal and beneficial title in the Properties to a company which at the time of the sale is not in the same Group as the Purchaser. If at any time the Properties are sold to a company which is not within the same Group as the Purchaser, the balance of the Second Escrow Sum remaining in the Escrow Account, together with any interest accrued, will be paid to the Purchaser as soon as practicable.
- 5.12.2 Subject to clause 5.1.1 above, the interest accrued on the Second Escrow Sum shall be credited to the Lane Account and the Escrow Account and any annual instalment paid to the Vendor pursuant to the provisions of this clause 5.12 shall carry the interest earned on that sum in the Lane Account and the Escrow Account, (such sums earning interest at an annual rate of 1% per annum in the Lane Account and such rate of interest as is earned in the Escrow Account), save that the first instalment payable on the first Business Day following the fourth anniversary of Completion will include interest earned from Completion until that time.
- 5.12.3 The Purchaser and the Vendor shall as and when necessary give instructions to the Vendor's Solicitors and the Purchaser's Solicitors respectively in order to procure compliance with the provisions of this clause 5.12. The Vendor's Solicitors and the Purchaser's Solicitors shall not be required to and shall not take any action with respect to the Second Escrow Sum except on the written instructions of the Purchaser and the Vendor jointly.
- 5.12.4 If there is any dispute between the Vendor and the Purchaser concerning payment of instalments of the Second Escrow Sum from the Escrow Account, the matter may be referred by either of them to an independent firm of solicitors to be agreed between them or in default of agreement to be appointed by the President for the time being of the Law Society. Such independent firm of solicitors shall act as experts and not as arbitrators and their determination shall be binding on the parties. The costs of such

independent firm of solicitors shall be borne as to one half by the Vendor and as to one half by the Purchaser.

- 5.13 At any time within the period of six months after Completion, the Purchaser may require the Vendor, at the Purchaser's expense, to procure that an independent valuation of the Properties is carried out by an independent valuer nominated by the Vendor and who must be acceptable to the Purchaser.

6. COMPLETION BALANCE SHEET

- 6.1 Forthwith after Completion, the Vendor shall procure the preparation of a balance sheet of the Company on the basis as set out in schedule 4 as at the close of business on the date of Completion and the Vendor shall procure that it is submitted to the Purchaser's Accountants for review within 30 days after Completion. The Vendor shall pay the costs of the preparation of such balance sheet and the Purchaser shall pay the charges of the Purchaser's Accountants relating to their review of such balance sheet.
- 6.2 If the Vendor shall fail to procure the preparation of a Completion Balance Sheet in accordance with clause 6.1, the Purchaser may procure the same at the Vendors' expense.
- 6.3 Unless within 15 days after receipt of the Completion Balance Sheet pursuant to clause 6.1 the Purchaser's Accountants notify the Vendor's Accountants in writing of any disagreement or difference of opinion relating to the Completion Balance Sheet, the parties shall be deemed to have accepted the Completion Balance Sheet as accurate.
- 6.4 If within the period of 15 days referred to in clause 6.3 the Purchaser's Accountants notify the Vendor's Accountants of any disagreement or difference of opinion relating to the Completion Balance Sheet (such notification to be in writing specifying in reasonable detail the nature of the disagreement or difference of opinion) and if they are able to resolve such disagreement or difference of opinion within 15 days of the Notice of Disagreement, the parties shall be deemed to have accepted the Completion Balance Sheet as accurate.
- 6.5 If the Vendor's Accountants and the Purchaser's Accountants are unable to reach agreement within 15 days of the Notice of Disagreement, the matter in dispute shall be referred to the decision of an independent chartered accountant to be appointed (in default of nomination by agreement between the Vendor and the Purchaser) by the President for the time being of the

Institute of Chartered Accountants in England and Wales save that if the parties reach agreement on some of the areas in dispute within 15 days of the Notice of Disagreement, payment of the agreed amounts may then be made with the remaining areas in dispute being referred to the Independent Accountant.

- 6.6 The Independent Accountant shall act as an expert and not as an arbitrator, the Arbitration Act 1996 shall not apply and his decision shall (in the absence of manifest error) be final and binding on the Vendor and the Purchaser for all the purposes of this agreement. The costs of the Independent Accountant shall be apportioned between the Vendor and the Purchaser as the Independent Accountant shall decide having regard to the merits of each party's position in relation to the matter(s) in dispute failing which equally between the Vendor and the Purchaser but each party shall be responsible for its own costs of presenting its case to the Independent Accountant. Each party shall be entitled to make written representations concerning the matters in dispute to the Independent Accountant.
- 6.7 The Vendor and the Purchaser shall procure that the Vendor's Accountants, the Purchaser's Accountants and the Independent Accountant (as the case may be) shall have full unrestricted access to all their working papers (with the right to take copies) during their review of the Completion Balance Sheet at every location at which work on it is done and the Vendor and the Purchaser agree that the Purchaser's Accountants, the Vendor's Accountants and the Independent Accountant (as the case may be) shall be at liberty to disclose to the Purchaser or Vendor (as the case may be) any information and copies of any documents which they receive by virtue of this clause.
- 6.8 The sum specified in clause 3.1(b) shall be adjusted after Completion in accordance with the following provisions of this clause:
- (a) if the Net Assets are exactly £575,000, the First Escrow Sum will be paid to the Vendor in full;
 - (b) if the Net Assets are greater than £575,000, the First Escrow Sum will be paid to the Vendor in full and the Purchaser shall in addition be required to make a payment to the Vendor on a pound for pound basis to the extent that the Net Assets are greater than £575,000;
 - (c) if the Net Assets are between £545,000 and £575,000, the First Escrow Sum will be reduced on a pound for pound basis to the extent that the Net Assets are less than £575,000 and that reduced First Escrow Sum will be paid to the Vendor, with the balance of the First Escrow Sum being paid to the Purchaser. For example, if the Net Assets are £570,000, the First Escrow Sum would be

reduced by £5,000 to £25,000 and that reduced First Escrow Sum would be paid to the Vendor and the Purchaser would be paid the balance being £5,000; and

- (d) if the Net Assets are less than £545,000 the First Escrow Sum will be paid to the Purchaser in full and the Vendor will reimburse the Purchaser on a pound for pound basis to the extent that the Net Assets are less than £545,000.

- 6.9 If either the Vendor or the Purchaser is required to make a payment pursuant to clause 6.8 which exceeds the First Escrow Sum, that additional sum will carry interest at the base rate of Barclays Bank Plc from time to time.

7. WARRANTIES

- 7.1 In consideration of the Purchaser agreeing to purchase the Shares on the terms contained in this agreement, the Vendor:

- (a) in relation to the Company warrants, represents and undertakes to the Purchaser and the Company in the terms set out in schedule 3;
- (b) without restricting the rights of the Purchaser or the Purchaser's or the Company's ability to claim damages on any basis available to it in the event of any breach or non-fulfilment of any of the Warranties, undertakes to the Purchaser and the Company that the Vendor will on demand pay to the Purchaser:
 - (i) the full amount of any shortfall or diminution in the value of any assets of the Company or of the Business and an amount equal to any other loss suffered or incurred by the Purchaser and/or the Company as a result of or in relation to any act, matter, thing or circumstance constituting a breach or non-fulfilment of any of the Warranties; and
 - (ii) all costs, expenses and disbursements suffered or incurred by the Purchaser and/or the Company directly or indirectly as a result of or in relation to any breach or non-fulfilment of any of the Warranties, provided that any amount so payable shall be increased so as to ensure that the net amount received shall after Taxation be equal to that which would have been received had the payment and any increased payment not been subject to Taxation;

- 7.2 Where any of the Warranties is made or given **so far as the Vendor is aware**, such Warranty shall be deemed to be given to the best of the knowledge, information and belief of the Vendor after making due and careful enquiries,

save that in relation to Warranties, 9 (Environmental) and 10 (Other Assets) **so far as the Vendor is aware** means the actual knowledge of Bob Dyson.

- 7.3 None of the Warranties or the Indemnities or the Tax Deed shall be deemed in any way modified or discharged by reason of any investigation or inquiry made or to be made by or on behalf of the Purchaser, and no information relating to the Company of which the Purchaser has knowledge (actual or constructive) other than by reason of its being Disclosed shall prejudice any claim which the Purchaser or the Company shall be entitled to bring or shall operate to reduce any amount recoverable by the Purchaser or the Company under this agreement.
- 7.4 Any information supplied by or on behalf of the Company (or by any officer, employee or agent of it) to the Vendor or its advisers in connection with the Warranties, the Indemnities or the Tax Deed or the information Disclosed in the Disclosure Documents shall not constitute a warranty, representation or guarantee as to the accuracy of such information in favour of the Vendor and the Vendor undertakes to waive any and all claims which it might otherwise have against the Company or against any officer, employee or agent of it in respect of such claims.
- 7.5 Each of the Warranties set out in the separate paragraphs of schedule 3 shall be separate and independent and save as expressly otherwise provided shall not be limited by reference to any other such Warranty or by anything in this agreement, the Disclosure Documents or the Tax Deed.
- 7.6 The Purchaser has entered into this agreement upon the basis of and in reliance upon the Warranties and the Indemnities.
- 7.7 The Vendor shall be deemed not to be in breach of any Warranty and/or representation to the extent of any matters Disclosed.
- 7.8 Notwithstanding anything to the contrary in this agreement the Warranties shall be qualified by the provisions of clause 8 and Schedule 6.
- 7.9.1 The Vendor hereby covenants that it will maintain its net asset value calculated in accordance with generally accepted accounting principles and practices at no less than £250,000 for the period of 12 months from Completion, such period and such amount being (a) the period during which the Purchaser may notify the Vendor of claims under the Warranties or the Tax Deed and (b) the aggregate maximum liability of the Vendor in respect of claims under the Warranties and under the Tax Deed pursuant to Schedule 6.

7.9.2 During the period of 12 months from Completion, the Vendor covenants that it will neither dispose of nor permit the creation of any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention or any other security interest or arrangement over its assets or undertaking unless the Purchaser has first given its consent in writing (save that the parties acknowledge that as at Completion there is a charge in favour of Northern Rock Plc over the assets of the Vendor dated 2 November 2001). The Purchaser may in its entire discretion accept an alternative financial surety from the Vendor.

7.9.3 If a Queen's Counsel nominated by the Purchaser gives an opinion that the Purchaser would have a reasonable chance of success against the Vendor for any claim under the Warranties and/or the Tax Deed, the period of twelve months referred to in clauses 7.9.1 and 7.9.2 above will be extended until such time as the Purchaser has either successfully recovered from the Vendor any damages claimed under the Warranties and/or the Tax Deed or the matter has otherwise been settled to the satisfaction of the Purchaser, save that the provisions of this clause 7.9.3 will be deemed to have lapsed if legal proceedings in respect of a claim under the Warranties and /or the Tax Deed have not commenced by both being issued and served within three months of the notification to be given to the Vendor pursuant to clause 3.3 of Part 2 of Schedule 6.

8. LIMITATION OF VENDOR'S LIABILITY

8.1 The liability of the Vendor:

- (a) in respect of any claim under the Warranties save for the Tax Warranties shall be limited as provided in parts 1 and 2 of schedule 6; and
- (b) in respect of any claim under the Tax Warranties shall be limited as provided in parts 1 and 3 of schedule 6,

but so that the limitations on the liability of the Vendor under this clause 8.1 and schedule 6 shall not apply in relation to the Warranties set out in paragraphs 1.2 and 2.3(a) of schedule 3.

8.2 Notwithstanding any other provision of this agreement, the provisions of this clause 8 and schedule 6 shall not apply to any claim:

- (a) made against the Vendor in the case of any fraud, dishonesty, wilful misstatement or omission by or on behalf of the Vendor; or
- (b) made under Indemnities

8.3 The provisions of part 4 of schedule 6 shall have immediate effect.

9. PROTECTION OF GOODWILL AND TRADE SECRETS

9.1 The Vendor shall be entitled to retain the "@ Work" logo and the name "@ Work Business Centres Limited". Notwithstanding this, the Vendor undertakes with the Purchaser not to use in any manner whatsoever the "@ Work" logo and/or the name "@ Work Business Centres Limited" until the expiry of two years from Completion. The Purchaser may use in any manner whatsoever the "@ Work" logo and/or the name "@ Work Business Centres Limited" during the period of two months from Completion. The Purchaser undertakes with the Vendor to procure that on the expiry of two months following Completion the Purchaser shall not use in any manner whatsoever the "@ Work" logo and/or the name "@ Work Business Centres Limited". However, as further consideration for the Purchaser agreeing to purchase the Shares on the terms contained in this agreement and with the intent of assuring to the Purchaser the full benefit and value of the goodwill and connections of the Company and as a constituent part of the sale of the Shares, the Vendor hereby undertakes to the Purchaser and the Company that (except with the written consent of the Purchaser) it shall not, whether on its own behalf or with or on behalf of any person, and whether directly or indirectly by any person or business controlled by it or any Connected Person:

- (a) in the period from Completion until two years after Completion, canvass, solicit or approach or cause to be canvassed, solicited or approached (in relation to a business which may in any way compete with all or part of the Business) the custom of any person who at any time during the 12 months preceding Completion shall have been a tenant or licensee of the Properties;
- (b) in the period from Completion until two years after Completion offer employment to or offer to conclude any contract of services with employees of the Company or procure or facilitate the making of such an offer by any person, firm or company or entice or endeavour to entice any such employees to terminate their employment with the Company; or
- (c) at any time after Completion disclose to any person whatsoever or use to the detriment of the Company or otherwise make use of, or through any failure to exercise all due care and diligence cause any unauthorised use of, any Confidential Information including Know-How relating or belonging to the Company or in respect of which the Company is bound by an obligation of confidence to a third party save as required by the UK Listing Authority, the Stock Exchange, the Panel on Takeovers and Mergers or by law or by any court of competent jurisdiction.

Each undertaking contained in this clause 9.1 shall be read and construed independently of the other undertakings herein as an entirely separate and severable undertaking.

9.2 Whilst the undertakings in clause 9.1 are considered by the parties to be reasonable in all the circumstances, if any one or more should for any reason be held to be invalid but would have been held to be valid if part of the wording thereof was deleted, the said undertakings shall apply with the minimum modifications necessary to make them valid and effective.

9.3 The restriction contained in clause 9.1(c) shall not extend to any confidential or secret information which may come into the public domain otherwise than through the default of the Vendor.

10. ANNOUNCEMENTS

10.1 No press conference, announcement or other communication concerning Confidential Information or the transactions referred to in this agreement, or otherwise relating to the financial condition or trading or financial prospects of the Company, shall be made or despatched by the Vendor or its agents, employees or advisers to any third party without the prior written consent of the Purchaser save as may be required by any:

- (a) law;
- (b) existing contractual arrangements; or
- (c) the UK Listing Authority, the Stock Exchange or the Panel on Takeovers and Mergers; or
- (d) any applicable regulatory authority to which the Vendor is subject where such requirement has the force of law,

provided such communication shall be made only after consultation with the Purchaser.

10.2 The restrictions contained in this clause shall continue to apply after Completion without limit in time.

10.3 The Purchaser and the Vendor undertake to provide all such information known to them or which on reasonable enquiry ought to be known to them for the purpose of complying with the requirements of law or of the UK Listing Authority, the Stock Exchange or the Panel on Takeovers and Mergers or of any applicable regulatory authority to which any of the parties are subject where such requirement has the force of law.

11. IMPLIED COVENANTS FOR TITLE AND FURTHER ASSURANCE

- 11.1 The Law of Property (Miscellaneous Provisions) Act 1994 applies to all dispositions of property made under or pursuant to this agreement save that the word **reasonably** shall be deleted from the covenant set out in section 2(1)(b) of that Act, the covenant set out in section 3(1) of that Act shall not be qualified by the words **other than any charges, encumbrances or rights which that person does not and could not reasonably be expected to know about** and the provisions of section 6(2) of that Act shall be excluded.
- 11.2 In addition to clause 11.1, the Vendor shall, from time to time on being required to do so by the Purchaser, now or at any time in the future, do or procure the doing of all such acts and/or execute or procure the execution of all such documents in a form satisfactory to the Purchaser as the Purchaser may reasonably consider necessary for giving full effect to this agreement and securing to the Purchaser the full benefit of the rights, powers and remedies conferred upon the Purchaser in this agreement at the cost and expense of the Vendor.

12. ASSIGNMENT

- 12.1 No party or any other person with enforceable rights under this agreement may assign the benefit of its rights under this agreement whether absolutely or by way of security or deal in any way with any interest it has under this agreement except (in the case of the Purchaser only) by way of an absolute assignment to an Affiliate of the Purchaser and save that a party or any person with enforceable rights by virtue of the Third Party Rights Act may assign such benefit absolutely and/or by way of security to a person (other than (in the case of the Purchaser) to an Affiliate as aforesaid) with the prior consent in writing of the parties (such consent not to be unreasonably withheld or delayed) and any purported assignment in contravention of this clause shall be ineffective.
- 12.2 Subject to clause 12.1, this agreement shall be binding upon and enure for the benefit of the personal representatives and assigns and successors in title of each of the parties and every other person with enforceable rights under this agreement and references to the parties and such persons shall be construed accordingly.

13. REMEDIES

- 13.1 The rights under this agreement of the Purchaser and of any person who has rights under this agreement by virtue of the Third Party Rights Act are independent, cumulative and without prejudice to all other rights available to it whether as a matter of common law, statute, custom or otherwise.
- 13.2 Nothing in this agreement, the Tax Deed or in any other document referred to herein shall be read or construed as excluding any liability or remedy as a result of fraud.
- 13.3 Nothing contained in this agreement shall affect or diminish the liability of the Vendor in respect of any reply given by it or on its behalf to the Purchaser's Solicitors in respect of enquiries regarding the Properties.

14. WAIVER, VARIATION AND RELEASE

- 14.1 No omission to exercise or delay in exercising on the part of any party to this agreement any right, power or remedy provided by law or under this agreement shall constitute a waiver of such right, power or remedy or any other right, power or remedy or impair such right, power or remedy. No single or partial exercise of any such right, power or remedy shall preclude or impair any other or further exercise thereof or the exercise of any other right, power or remedy provided by law or under this agreement.
- 14.2 Any waiver of any right, power or remedy under this agreement must be in writing and may be given subject to any conditions thought fit by the grantor. Unless otherwise expressly stated, any waiver shall be effective only in the instance and only for the purpose for which it is given.
- 14.3 No variation to this agreement shall be of any effect unless it is agreed in writing and signed by or on behalf of each party.

15. COSTS AND EXPENSES

- 15.1 Each party shall pay its own costs and expenses in relation to the negotiation, preparation, execution and carrying into effect of this agreement and other agreements and documents forming part of the transaction.
- 15.2 For the avoidance of doubt, the Company shall not pay any legal or other professional charges and expenses in connection with any investigation of the

affairs of the Company or the negotiation, preparation, execution and carrying into effect of this agreement.

16. PAYMENTS

Save where provided in this agreement, all payments to be made under this agreement or the Tax Deed shall be made in full without any set-off or counterclaim and free from any deduction or withholding save as may be required by law, in which event such deduction or withholding shall not exceed the minimum amount which it is required by law to deduct or withhold and the payer will simultaneously pay to the payee such additional amounts as will result in the receipt by the payee of a net amount equal to the full amount which would otherwise have been receivable had no such deduction or withholding been required.

17. NOTICES

17.1 Any communication to be given in connection with the matters contemplated by this agreement shall, except where expressly provided otherwise, be in writing and shall either be delivered by hand or sent by first class pre-paid post or facsimile transmission. Delivery by courier shall be regarded as delivery by hand.

17.2 Such communication shall be sent to the address of the relevant party referred to in this agreement or the facsimile number set out below or to such other address or facsimile number as may previously have been communicated to the other party in accordance with this clause. Each communication shall be marked for the attention of the relevant person.

Vendor - facsimile number 020 7636 7002

For the attention of Robert Dyson
 care of Dunlop Heywood Lorenz
 10 Queen Anne Street
 London W1G 9LH.

Purchaser - facsimile number 020 7493 2483.

For the attention of Douglas Blausten.
 care of Cyril Leonard Chartered Surveyors

22 Gilbert Street
Grosvenor Square
London W1K 5EJ.

- 17.3 A communication shall be deemed to have been served:
- (a) if delivered by hand at the address referred to in clause 17.2, at the time of delivery;
 - (b) if sent by first class pre-paid post to the address referred to in clause 17.2, at the expiration of two clear days after the time of posting; and
 - (c) if sent by facsimile to the number referred to in clause 17.2, at the time of completion of transmission by the sender.

If a communication would otherwise be deemed to have been delivered outside normal business hours (being 9:30 a.m. to 5:30 p.m. on a Business Day) under the preceding provisions of this sub-clause, it shall be deemed to have been delivered at the next opening of business.

- 17.4 In proving service of the communication, it shall be sufficient to show that delivery by hand was made or that the envelope containing the communication was properly addressed and posted as a first class pre-paid letter or that the facsimile was despatched and a confirmatory transmission report received.

- 17.5 A party may notify the other party to this agreement of a change to its name, relevant person, address or facsimile number for the purposes of clause 17.2 PROVIDED THAT such notification shall only be effective on:

- (a) the date specified in the notification as the date on which the change is to take place; or
- (b) if no date is specified or the date specified is less than five clear Business Days after the date on which notice is deemed to have been served, the date falling five clear Business Days after notice of any such change is deemed to have been given.

- 17.6 Notice given to the Company or any other third party shall be sufficiently given if served on the Purchaser in accordance with this clause provided that the third party is properly identified in the notice.

- 17.7 For the avoidance of doubt, the provisions of this clause 17 shall not apply in relation to the service of any claim form, application notice, order, judgment or other document relating to or in connection with any Proceedings.

18. DEFAULT INTEREST

- 18.1 If a party which is required to pay any sum under this agreement fails to pay any sum payable by it under this agreement on the due date for payment (**defaulting party**), it shall pay interest on such sum for the period from and including the due date up to the date of actual payment (after as well as before judgment) in accordance with this clause.
- 18.2 The defaulting party shall pay interest at the annual rate which is the aggregate of 3% per annum and the base rate from time to time of Barclays Bank Plc.
- 18.3 Interest under this clause 18 shall accrue daily on the basis of the actual number of days elapsed and a 365-day year and shall be paid by the defaulting party on demand.

19. INVALIDITY

Each of the provisions of this agreement is severable. If any such provision is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, the legality, validity or enforceability in that jurisdiction of the remaining provisions of this agreement shall not in any way be affected or impaired thereby.

20. AGREEMENT TO CONTINUE IN FULL FORCE AND EFFECT

This agreement together with the Tax Deed shall, to the extent that it remains to be performed, continue in full force and effect notwithstanding Completion.

21. CONFIDENTIALITY

- 21.1 The Vendor hereby undertakes with the Purchaser and the Company that it shall both during and after the term of this agreement preserve the confidentiality of, and not directly or indirectly reveal, report, publish, disclose or transfer or use for its own or any other purposes Confidential Information except:
- (a) in the circumstances set out in clause 21.2 below;
 - (b) to the extent otherwise expressly permitted by this agreement; or
 - (c) with the prior consent in writing of the party to whose affairs such Confidential Information relates.

21.2 The circumstances referred to in clause 21.1(a) above are:

- (a) where the Confidential Information, before it is furnished to the Vendor, is in the public domain;
- (b) where the Confidential Information, after it is furnished to the Vendor, enters the public domain otherwise than as a result of (i) a breach by the Vendor of its obligations in this clause 21 or (ii) a breach by the person who disclosed that Confidential Information of a confidentiality obligation and the Vendor is aware of such breach; or
- (c) if and to the extent the Vendor, make disclosure of the Confidential Information to any person:
 - (i) in compliance with any requirement of law;
 - (ii) in response to a requirement of the UK Listing Authority, the Stock Exchange or the Panel on Takeovers and Mergers;
 - (iii) in response to any applicable regulatory authority to which the Vendor is subject where such requirement has the force of law; or
 - (iv) in order to obtain tax or other clearances or consents from the Inland Revenue or other relevant taxing or regulatory authorities.

PROVIDED THAT any such information disclosable pursuant to paragraphs (i), (ii), (iii) or (iv) of clause 21.2(c) shall be disclosed only after consultation with the Purchaser and only to the extent required (in relation to (ii)) by the UK Listing Authority, the Stock Exchange or the Panel on Takeovers and Mergers or (in relation to (i), (iii) and (iv)) by law.

21.3 The restrictions contained in this clause shall continue to apply after the Completion without limit in time.

22. THIRD PARTY RIGHTS

22.1 Nothing in this agreement is intended to confer on any person any right to enforce any term of this agreement which that person would not have had but for the Third Party Rights Act except that:

- (a) clauses 5.9, 7, 9.1, 21, 23 and 24, confer on the third parties expressly identified there rights which are respectively directly enforceable by them subject to and in accordance with the terms of this agreement; and

- (b) (without prejudice to all other relevant terms) the benefits conferred by clauses 5.9, 7, 9.1, 21, 23 and 24 are also directly enforceable by those third parties respectively insofar as the rights referred to in clause 22.1(a) are concerned.

22.2 No right of any party to agree any amendment, variation, waiver or settlement under or arising from or in respect of this agreement, or to terminate this agreement, shall be subject to the consent of any person who has rights under this agreement by virtue of the Third Party Rights Act.

23. INDEMNITIES

23.1 The Vendor undertakes to indemnify and keep indemnified the Purchaser and the Company from and against all actions, proceedings, losses, damages, liabilities, claims, costs and expenses including fines, penalties and legal and other professional fees which may be suffered or incurred by the Purchaser and/or the Company arising directly or indirectly out of or in connection with termination of Emma Long's employment with the Company.

23.2 The Vendor confirms that the management arrangement between the Company and Dunlop Hayward Lorenz will be terminated with effect from 29 September 2003 or earlier at the option of the Company and confirms that as at the date of Completion there are no fees owing from the Company to Dunlop Hayward Lorenz. Accordingly, the Vendor undertakes to indemnify and keep indemnified the Purchaser and the Company from and against all actions, proceedings, losses, damages, liabilities, claims, costs and expenses including fines, penalties, legal and other professional fees which may be suffered or incurred by the Purchaser and/or the Company arising directly or indirect out of or in connection with the termination of the management agreement with Dunlop Hayward Lorenz.

23.3 The Vendor undertakes to indemnify and keep indemnified the Purchaser and the Company from and against all actions, proceedings, losses, damages, liabilities, claims, costs and expenses including fines, penalties and legal and other professional fees which may be suffered or incurred by the Purchaser and/or the Company arising directly or indirectly out of or in connection with the cessation of the Company's contract with Harrwood Services Group.

23.4 The Vendor undertakes to indemnify and keep indemnified the Purchaser and the Company from and against all losses, costs, claims, demands, actions, fines, penalties, awards, liabilities and expenses (including legal expenses on an indemnity basis) in connection with or as a result of any claim or demand by any employee of Harrwood Services Group or any company in the same

Group as Harrwood Services Group against the Company in respect of redundancy, unfair dismissal and any other claim whatsoever within the jurisdiction of an employment tribunal, wrongful dismissal, breach of contract, any other claim whatsoever arising at common law, sex, disability or race discrimination, equal pay, any claim in tort or otherwise (in all cases whether arising under UK law or European law) including any claim against the Company arising by virtue of the application of the Transfer of Undertakings (Protection of Employment) Regulations 1981 (as amended) to the cessation of the Company's contract with Harrwood Services Group. Where a claim will or may be brought by any employee of Harrwood Services Group or any company in the same Group as Harrwood Services Group against the Company in respect of such a claim as is referred to above, the Purchaser and/or the Company shall procure that the Vendor is fully and promptly informed about the dispute or potential dispute and that the ~~Purchaser's and/or the Company's~~ conduct, negotiation, settlement or litigation in relation to such dispute or potential dispute are carried out in accordance with the reasonable wishes of the Vendor (and at the cost of the Vendor), subject to the Vendor taking into account the Company's or the Purchaser's reasonable views as to the conduct of such dispute or potential dispute and to the Vendor providing reasonable security to the Company and/or the Purchaser for the costs and expenses which might be incurred by the Company and/or the Purchaser.

23.5

*and for the avoidance of doubt without prejudice to the
severability of the agreement the Vendor shall have the conduct of*
~~[The Vendor undertakes to indemnify and keep indemnified the Purchaser and the Company from and against all actions, proceedings, losses, damages, liabilities, claims, costs and expenses including fines, penalties and legal and other professional fees which may be suffered or incurred by the Purchaser and/or the Company arising directly or indirectly out of or in connection with the failure by the Company to recover any of its debts.]~~

*such dispute
or potential
dispute,*

23.6 The Purchaser undertakes to indemnify and keep indemnified fully and effectually the Vendor in respect of all or any loss (including for the avoidance of doubt interest at the base rate of Barclays Bank Plc from time to time) that the Vendor may suffer in respect of any failure to admit the Consideration Shares to trading on AIM before the expiry of six months from Completion pursuant to the provisions of clause 5.4(e) of this agreement or any failure to ensure that the provisions of clauses 5.6 and/or 5.7 are complied with. The Purchaser's liability pursuant to this clause 23.5 shall be limited to £350,000.

23.7 The provisions of clause 8 and schedule 6 shall not apply to this clause 24 and nothing Disclosed by the Vendor shall operate to extinguish or limit the Vendor's obligations to indemnify and keep indemnified the Purchaser and the Company pursuant to clauses 23.1 to 23.5 inclusive.

24. GOVERNING LAW AND JURISDICTION

- 24.1 This agreement shall be governed by and construed in accordance with English law.
- 24.2 The parties to this agreement irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this agreement.

THIS AGREEMENT has been entered into on the date stated at the beginning of this agreement.

SCHEDULE 1
THE COMPANY

AT WORK BUSINESS CENTRES LIMITED

Status:	Private company limited by shares
Date of incorporation:	20 April 2001
Place of incorporation:	England and Wales
Registered number:	4203023
Registered office:	67 London Road Alderley Edge Cheshire SK9 7DY
Authorised share capital:	£100 divided into 100 ordinary shares of £1.00 each
Issued share capital:	£1 divided into 1 ordinary share of £1.00
Director:	Robert William Dyson
Secretary:	Judith Dyson
Accountants	Gardner Brown Calderwood House 7 Montpellier Parade Cheltenham Gloucestershire GL50 1UA
Accounting reference date:	31 March

SCHEDULE 2

PART 1 PROPERTIES

(1) Description of Property	(2) Tenure	(3) Registered or unregistered Registered	(4) Title number and grade of title (if registered)
Empress Business Centre	Freehold		GM592011 <i>Title Absolute</i>
	Freehold		GM608049 <i>Title Absolute</i>
	Good Leasehold		LA107654 <i>Good leasehold</i>

PART 2 LEASES

(1) Property	(2) Date	(3) Term	(4) Parties	(5) Current yearly rent
Empress Business Centre	31 st December 1888	999 years	Sir Humphrey Francis de Trafford (1) John Wainwright, William Henry Fulford and John Heap	£11125 8d <i>L160</i>

Part 3
INFERIOR LEASES

	COMPANY NAME	LEASE	LEASE END	TERM	ANNUAL RENT
1	Feature Films For Families (UK)	Lease dated 10 th October 2002 Commencement Date 1 st October 2002	30 Sept 2007	5 Yrs	£19,575.00
2	Computer Display Systems Limited (Assignee) Original Tenant = The Graphic Palette Company (Manchester) Limited	13 July 1999 Assignment took place early 2002 - no executed original with papers only - unsigned engrossment	12 July 2009	10 yrs	£13,032.00
3	Planet Interiors Contracting Ltd	Lease dated 13 September 2000 Commencement Date 23 May 2000	22 May 2003	3 Yrs	£15,250.00
4	Manchester 2000 Limited	Lease dated 18 February 2000 Commencement Date 18 February 2000	24 March 2003	3 Yrs	£12,198.00
5	Manchester 2000 Limited	As above - no copy Lease with documents, same terms as Unit 4 Ditto	24 March 2003	3 Yrs	£12,198.00
6	The Church of England Childrens Society	Lease dated 17 April 2000 Commencement Date 17 April 2000	16 April 2005	5 Yrs	£12,356.00
7	TopCon (Great Britain) Limited	Lease dated 15 th August 1997 Commencement Date 17 Aug 1997	16 Aug 2007	10 Yrs	£12,198.00
8	TopCon (Great Britain) Limited	Lease dated 27 th January 2000 Commencement Date 1 st February 2000	16 Aug 2007	8 Yrs	£12,198.00
9 & 10	Axiom Software Limited	Lease dated 1 st Dec 2000 Commencement Date 1 st December 2000	30 Nov 2005	5 Yrs	£27,565.00
11 & 12	Viacom Outdoor Limited (originally TDI Advertising Limited changed name 20/06/01)	Lease dated 25 th May 1999 Commencement Date 18 th Dec 1998	1 st Dec 2008	10 Yrs	£28,500
13	Wardle Office Supplies Ltd	Lease dated 27 Apr 2001 Commencement Date 27 April 2001	26 Apr 2006	5 Yrs	£13,785
14	Manchester Care & Repair Ltd	Lease dated 13 Sept 2000 Commencement Date 13 Sept 2000	12 Sept 2005	5 Yrs	£12,356
15a	Chambridge Ltd	1 st March 2003	28 th February 2004	1 Yr	£22,764
15b	Manchester Care & Repair Ltd	Access agreement from 1 st Sept 2002, Lease currently being executed, draft engrossment enclosed	12 Sept 2005	3 Yrs	£12,000

LEASES

SCHEDULE 3 THE WARRANTIES

PART 1 GENERAL WARRANTIES

1. PRELIMINARY

1.1 *Information*

- (a) The facts set out in the recitals and schedules 1 and 2 and all information contained in the Disclosure Documents are true, complete and accurate and not misleading and all information which has been given to the Purchaser or its representatives or professional advisers by the Vendor or by any Director, officer or other official of the Company or by their respective professional advisers or other agents in the course of the negotiations leading to this agreement was when given and is now true, complete and accurate in all respects and not misleading. Insofar as any such information amounts to a forecast or an expression of opinion, intention or expectation, such information is so far as the Vendor is aware fair and honest and made on reasonable grounds.
- (b) There is no fact or matter which has not been Disclosed which renders any such information untrue, incomplete, inaccurate or misleading or the disclosure of which might reasonably affect the willingness of a willing purchaser to purchase the Shares on the terms of this agreement.
- (c) The information Disclosed to the Purchaser or its representatives or professional advisers of the Purchaser by the Vendor and the Director, officers or other officials of the Company regarding the current financial and trading position and prospects of the Company comprises all information which is material for the reasonable assessment of the financial and trading prospects of the Company.

1.2 *Power to contract*

The Vendor has full power to enter into and perform this agreement and the other agreements to be entered into at Completion and the Tax Deed respectively and this agreement constitutes, and the Tax Deed when executed

will constitute, binding obligations on the Vendor 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 Company which is comprised in the Disclosure Documents is true and complete in all respects and has embodied in it or annexed to it a copy of every such resolution and agreement as is referred to in section 380(4), CA 85 and the Company 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 returns*

The Company 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 the Company have been correctly and properly prepared and so filed or delivered.

2.3 *Share capital*

(a) The Shares constitute the whole of the issued share capital of the Company. There is no Encumbrance or any form of agreement (including options, 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 the Company under any of the foregoing. The Vendor is entitled to sell and transfer the Shares to the Purchaser with full title guarantee as such term is expressed to have effect pursuant to clause 11 and otherwise on the terms set out in this agreement.

(b) The Company has not at any time:

(i) 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

- (ii) directly or indirectly provided any financial assistance for the purpose of the acquisition of shares in the Company or any holding company of the Company or for the purpose of reducing or discharging any liability incurred in such an acquisition, whether pursuant to sections 155 and 156, CA 85 or otherwise.

2.4 *Solvency*

The Company has not stopped payment and is not 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 the Company and no distress, execution or other process has ever been levied on any of its assets. No administrative or other receiver has been appointed by any person over the business or assets of the Company or any part thereof, nor has any order been made or petition presented for the appointment of an administrator in respect of the Company.

3. **CONNECTED BUSINESS**

3.1 *Connected transactions*

The Company:

- (a) is not and has not 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);
- (b) has not agreed to become a subsidiary of any other body corporate or under the control of any group of bodies corporate or consortium;
- (c) is not and has not 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;
- (d) has no 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 88) in any country outside the United Kingdom; and

- (e) save as otherwise Disclosed pursuant to paragraphs 3.1(a) to 3.1(d), 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.

4. ACCOUNTS

4.1 *General*

The Accounts:

- (a) 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 the Accounting Standards) for companies carrying on a similar business to that of the Company and with the books of account of the Company and are true and accurate in all material respects;
- (b) disclose a true and fair view of the assets, liabilities and state of affairs of the Company at the Balance Sheet Date and of its profits and losses for the financial year ended on such date;
- (c) contain full provision or reserve for bad and doubtful debts, obsolescent or slow-moving stocks and for depreciation on fixed assets, which provision or reserve was when made and is now adequate;
- (d) contain a note of all capital commitments of the Company at the Balance Sheet Date, which note was when made and is now adequate, fair and not misleading;
- (e) contain proper and adequate reserves or provision for all Taxation, including deferred taxation as defined in FRS 19 (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);
- (f) disclose, note or provide for all liabilities of the Company which were known, actual or contingent (including contingent liabilities to customers and contingent liabilities for Taxation);
- (g) value the stock-in-trade at the lower of cost and net realisable value and such stock-in-trade does not include any redundant, obsolete or unsaleable items or any items which are the subject of any dispute (other than minor disputes in the ordinary course of business) with a supplier or customer;

- (h) value the work-in-progress on a basis that excludes profit and includes adequate provision for losses which have arisen or could reasonably be anticipated to arise on uncompleted contracts and on completed contracts in respect of which the maintenance period is unexpired, and the amount included in the Accounts in respect of work-in-progress is reasonable and has been determined in accordance with SSAP 9; and
- (i) reflect all the fixed and loose plant and machinery, equipment, furniture, fittings and vehicles used by the Company at the Balance Sheet Date and (apart from depreciation in the ordinary course of business) their value is not less than at the Balance Sheet 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 the Company for the year ended on the Balance Sheet Date as shown by the Accounts delivered to the Purchaser 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 the Company (including all invoices and other records required for VAT purposes):

- (a) have been fully, properly and accurately maintained, are in the possession of the Company and contain true and accurate records of all matters including those required to be entered in them by the Companies Acts and no notice or allegation that any of the same is incorrect or should be rectified has been received;
- (b) do not contain or reflect any material inaccuracies or discrepancies;
- (c) give and reflect a true and fair view of the matters which ought to appear in them and in particular of the financial, contractual and trading position of the Company and of its plant and machinery, fixed and current assets and liabilities (actual and contingent), debtors and creditors and stock-in-trade and work-in-progress; and
- (d) 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 the Company at the Balance Sheet Date.

4.4 *Management Accounts*

The Management Accounts have been properly prepared in accordance with good accounting practice and on a basis consistent with that used in preparing the Accounts and on a basis consistent with the Management Accounts prepared in the preceding year. Save as expressly disclosed in the Management Accounts, there were no unusual, exceptional, non-recurring or extraordinary items which materially affected such accounts. The Management Accounts make full provision for all actual liabilities, proper provision (or note in accordance with good accounting practice) for all contingent liabilities and provision reasonably regarded as adequate for all bad and doubtful debts.

5. **POST-BALANCE SHEET DATE EVENTS**

5.1 Since the Balance Sheet Date, the Company:

- (a) 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 nothing has been done which would be likely to prejudice the interests of the Purchaser as a prospective purchaser of the Shares;
- (b) has not experienced any material deterioration in its financial position or prospects 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 Balance Sheet Date and the Company has not had its business, profitability or prospects 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 there are no facts which are likely to give rise to any such effects;
- (c) has not 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;
- (d) has not 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 the Company 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;

- (e) 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 Balance Sheet Date and VAT in respect of taxable supplies made by it in the ordinary course of business since the Balance Sheet Date;
- (f) has not made any change to the remuneration, terms of employment, emoluments or pension benefits of any present or former director, officer or employee of the Company who on the Balance Sheet Date was entitled to remuneration in excess of £8,500 per annum and has not appointed or employed any additional director, officer or employee entitled as aforesaid;
- (g) has received payment in full on their due dates of all debts owing to the Company shown in the Accounts (subject to any provision for bad and doubtful debts made in the Accounts), has not released any debts in whole or in part and has not written off debts in an amount exceeding £5,000 in the aggregate;
- (h) has not entered into contracts involving capital expenditure in an amount exceeding £5,000 in the aggregate;
- (i) has not 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;
- (j) 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 four weeks;
- (k) has not borrowed or raised any money or taken any financial facility (except such short term borrowings from bankers as are within the amount of any overdraft facility which was available to the

Company at the Balance Sheet Date) or since the Balance Sheet Date renegotiated or received any notice from any banker that such banker wishes to renegotiate any overdraft facility available to the Company at the Balance Sheet Date;

- (l) has not made any change to its accounting reference date;
- (m) has not 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 Company; and
- (n) (including any class of its members) has not passed any resolution whether in general meeting or otherwise.

6. TRANSACTIONS WITH THE VENDOR, DIRECTOR AND CONNECTED PERSONS

6.1 *Loans and debts*

There is not outstanding:

- (a) any indebtedness or other liability (actual or contingent) owing by the Company to the Vendor or Director or any Connected Person or owing to the Company by the Vendor or Director or any Connected Person; or
- (b) any guarantee or security for any such indebtedness or liability as aforesaid.

6.2 *Arrangements with Connected Persons*

- (a) There is not outstanding, and there has not at any time during the last six years been outstanding, any agreement, arrangement or understanding (whether legally enforceable or not) to which the Company is a party and in which the Vendor, the Director or any former director of the Company or any Connected Person is or has been interested, whether directly or indirectly.
- (b) The Company is not 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*

Neither the Vendor, the Director, any former director of the Company nor any Connected Person, 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 the Company which is or is

likely to be or become competitive with any aspect of the Business of the Company 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.

6.4 *Benefits*

No Connected Person or Affiliate of the Vendor, the Director or any former director of the Company is entitled to or has claimed entitlement to any remuneration, compensation or other benefit from the Company.

7. **FINANCE**

7.1 *Borrowings*

Particulars of all money borrowed by the Company have been Disclosed. The total amount borrowed by the Company from any source does not exceed any limitation on its borrowing contained in the articles of association of the Company or in any debenture or loan stock trust deed or instrument or any other document executed by the Company and the amount borrowed by the Company from each of its bankers does not exceed the overdraft facility agreed with such banker. The Company has no outstanding loan capital.

7.2 *Debts owed to the Company*

All debts owed to the Company are 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 Company and the Vendor consider 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. The debts owing to the Company shown in the Accounts (subject to any provision for bad or doubtful debts made in the Accounts) were paid in full on their due dates.

7.3 *Bank accounts*

- (a) Particulars of the balances on all the Company's bank accounts as at a date not more than two 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.

- (b) 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 *Financial facilities*

The Vendor has Disclosed full details and true and correct copies of all documents relating to all debentures, acceptance lines, overdrafts, loans, finance leases or other financial facilities (including, without limitation, all hire purchase and credit sale agreements) outstanding or available to the Company and all Encumbrances to which any asset of the Company is subject. Neither the Vendor nor the Company has done anything whereby the continuance of any such facility or Encumbrance in full force and effect might be affected or prejudiced.

7.5 *Grants*

Full details of all grants made to the Company in the last six years have been Disclosed. No act or transaction has been effected in consequence whereof the Company is or may be held liable to refund in whole or in part any such grant or any loan received by virtue of any statute or in consequence whereof any such grant or loan for which application has been made by it will not or may not be paid or will or may be reduced.

7.6 *Options and guarantees*

- (a) The Company is not responsible for the indebtedness of any other person nor 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.
- (b) No person other than the Company has given any guarantee of or security for any overdraft, loan or loan facility granted to the Company.

7.7 *Payment of obligations*

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

8. THE PROPERTIES

8.1 *General*

- (a) The Properties comprise all the land and premises owned, controlled, used or occupied by the Company and all the rights or interests vested in the Company relating to any land and premises at the date hereof and the particulars set out in schedule 2 are true and accurate and not misleading.
- (b) The Company has not:
 - (i) surrendered any lease, licence or tenancy to the landlord without first satisfying itself that the landlord had good title to accept such surrender and without receiving from the landlord an absolute release from all liability arising under such lease, licence or tenancy;
 - (ii) assigned, or otherwise disposed of, any lease, licence or tenancy; or
 - (iii) been a guarantor of a tenant's liability under any lease, licence or tenancy;
- (c) The Company has sole Legal and Beneficial Title to each of the Properties.
- (d) The Company has in its possession or unconditionally held to its order all the documents of title and other documents and papers relating to each of the Properties.
- (e) All the documents of title which are stampable have either been duly stamped with ad valorem stamp duty and a produced document stamp or bear a stamp denoting that no stamp duty was chargeable.
- (f) The Properties, title deeds and documentation relating thereto, and all fixtures and fittings and plant, equipment and other chattels on the Properties, are not subject to any Encumbrance nor is there any person in possession or occupation of or who has or claims any right of any kind in respect of any of the Properties adversely to the estate, interest, right or title therein of the Company.
- (g) There are no rights, interests, covenants, restrictions, reservations, licences or easements or any disputes or outstanding notices (whether given by a landlord, a local authority or any other person) nor (without prejudice to the generality of the foregoing) are there any other matters or things which adversely affect the value of any of the Properties or the proper use and enjoyment of any of the Properties for the purpose of the business now being carried on at the Properties by the Company.

- (h) There has been no dealing with any of the Properties otherwise than at arm's length and in particular no dealing at an undervalue which may give rise to a claim for improper stamping or setting aside.
- (i) So far as the Vendor is aware none of the Properties are subject to the payment of any outgoings other than the usual rates and taxes and all sums due to date in respect thereof have been paid.
- (j) No proposal relating to the rateable value of any of the Properties has been determined by the Valuation and Community Charge Tribunal or Land Tribunal and there is no subsisting proposal to challenge the rateable value of any of the Properties.

Each of the Properties has the benefit of all easements and rights necessary for its proper use and enjoyment for the purposes of the businesses now being carried on at the Properties and such easements and rights are held on terms which do not entitle any person to terminate or curtail the same.

- (k) The Company has not sold off or agreed to sell off land adjoining or near to any of the Properties, except on terms that there were or will be excepted and reserved to the Company all necessary and appropriate easements and other rights for the benefit of the Properties.
- (l) The Company has not entered into any commitment (whether legally binding or not) and the Company is not party to any subsisting agreement with any person or company whereby a fee (including but not limited to an abort fee) will be paid to such person or company in respect of the management, use, development, letting or sale of any of the Properties.
- (m) So far as the vendor is aware there are no unpaid charges for the construction or adoption of any road or sewer or other service serving the Property.
- (n) There are no buildings on any of the Properties which have been erected, extended or the subject of major alterations within the last six years and there are no agreements, certificates, guarantees, warranties or insurance policies relating to the construction, repair, replacement or treatment of the whole or any part of any buildings on any of the Properties.
- (o) There are no restrictive covenant or defective title indemnity policies relating to any of the Properties.
- (p) None of the Properties is affected by any outstanding or potential obligations or liabilities arising under any agreement for sale, estate contract, option or right of pre-emption.

- (q) There are no contracts relating to any of the Properties entered into during the period commencing on 11th November, 1999 and ending on 10th May, 2000 (both dates inclusive) which expressly provide that the Third Party Rights Act is to apply.
- (r) There are no contracts relating to any of the Properties entered into on or after 11th May, 2000 which expressly give any third party the right to enforce the relevant contract or which purport to confer a benefit on any third party.

8.2 *Intentionally deleted*

8.3 *Inferior leases*

- (a) The Company holds each of the Properties subject to any inferior leases referred to in paragraph 8.3(b) but is otherwise in actual occupation of each of the Properties and no other person is or will be entitled to occupy or use any part of any of the Properties.
- (b) Particulars of each lease, underlease or licence deriving immediately or otherwise out of the interest of the Company are set out in part 3 of schedule 2 (each such lease, underlease or licence being referred to as an Inferior Lease) and in relation to each such Inferior Lease:
 - (i) all consents necessary for its creation and any subsequent dealings have been obtained;
 - (ii) in the case of any term exceeding five years, no reviews of rent or licence fee are or should be currently under negotiation or are the subject of a reference to any expert or arbitrator or the courts;
 - (iii) no notices of breaches of any covenants or conditions contained in the Inferior Lease have been given or received by the Company and the Company has not refused to accept rent or licence fee or made or had cause to make any complaint to the tenant or licensee of any breach of covenant and no distress or other legal proceedings have been instituted by the Company and the Company has not knowingly waived or acquiesced in any breach of covenant by the tenant;
 - (iv) there are no outstanding notices under the Landlord and Tenant Act 1954 and sections 24 to 28 of such Act have not been excluded in respect of the Inferior Lease;
 - (v) all rent, service charges, licence fee and other payments due under the Inferior Lease have been paid to date and no rent, licence fee or other payment under the Inferior Lease has

- been commuted or agreed to be commuted or paid in advance of the due date for payment;
- (vi) the rent, service charges, licence fee and all other payments due under the Inferior Lease are payable without deduction or set-off;
 - (vii) no claim has been made for an overriding lease under section 19 of the Landlord and Tenant (Covenants) Act 1995 and no notice has been served under section 17 of that Act (whether by the Company or any predecessor in title as landlord) which would give rise to any such entitlement;
 - (viii) no improvements have been made which could give rise to a claim for compensation or which will be disregarded on a rent review or on fixing a new rent on a renewal of the Inferior Lease;
 - (ix) no surety has been released either expressly or by implication and no variation has been made that would give rise to a surrender and regrant or which would otherwise operate to release or restrict the liability of any former tenant or the surety of any former tenant under any tenant or surety covenant, whether under section 18 of the Landlord and Tenant (Covenants) Act 1995 or at common law;
 - (x) no collateral assurances, undertakings or concessions have been given or made to any person;
 - (xi) VAT is chargeable on the rent or licence fee or any other payment made under it and the Company has elected to waive exemption from VAT in respect of the whole of the Property of which the premises demised by the relevant Inferior Lease form a part;
 - (xii) no notice of intention to make improvements has been served on the landlord by the current tenant or any previous tenant under section 3(1) of the Landlord and Tenant Act 1927;
 - (xiii) so far as the Vendor is aware the premises demised by the Inferior Lease have not been sub-let and the tenant has not parted with possession of the whole or any part of the premises, nor is the tenant sharing occupation of the premises with any other person; and
- (c) No part of any of the Properties which are the subject of an Inferior Lease and intended for occupation is vacant.

8.4 *Fire certificate etc.*

Where required, a fire certificate has been issued in respect of each of the Properties and each of the Properties complies in all respects with current fire regulations and the current requirements of the insurers of the Properties.

8.5 The Company has complied in all respects with the provisions of the charge dated 2 November 2001 which was executed as a deed by Frenwick Limited and Northern Rock Plc.

9. **ENVIRONMENTAL**

9.1 *Compliance with Environmental Law*

- (a) So far as the vendor is aware the Company has used the Properties and the Other Properties and has acted at all times in compliance with Environmental Law.
- (b) So far as the vendor is aware no significant works, repairs, remediation, construction, or capital expenditure is or may be required under any Environmental Law or in order to carry on the Business lawfully at any Property.

9.2 *Permits*

- (a) So far as the vendor is aware all Permits in relation to the carrying on of the Business have been obtained and full copies have been Disclosed to the Purchaser and are in full force and effect and their terms and conditions have been complied with.
- (b) So far as the vendor is aware no circumstance exists which may or is liable to result to the detriment of the Company in modification, suspension, or revocation of any Permit or may or is likely to result in any such Permit not being extended, renewed, granted or (where necessary) transferred.

9.3 *Hazardous Matter*

So far as the vendor is aware no Hazardous Matter has been generated, used, kept, treated, transported, spilled, deposited, disposed of, discharged, emitted or otherwise dealt with or managed at, on, under or from any of the Properties and/or Other Properties.

9.4 *Environmental Liability*

So far as the vendor is aware there are no events, states of affairs, conditions, circumstances, activities, practices, incidents, or actions which have occurred

or are occurring or have been or are in existence at, in, under or about any of the Properties and/or Other Properties or in or about the conduct of the Business by the Company which may or are liable to give rise to Environmental Liability.

9.5 *No storage tanks*

So far as the vendor is aware no storage tanks of any kind, including related pipework, are or have been located at any time whatsoever on or under any of the Properties or the Other Properties.

9.6 *Notice of claims*

So far as the vendor is aware at no time has the Vendor/the Company/ had knowledge of or received any notice claim or other communication alleging any actual or potential Environmental Liability.

9.7 *Packaging*

So far as the vendor is aware the Company is not an obligated undertaking for the purposes of the Producer Responsibility (Packaging Waste) Regulations 1997.

9.8 *Climate Change Levy*

So far as the vendor is aware none of the facilities operated by the Company is eligible to enter into Climate Change Levy Agreements for the purposes of securing an 80 per cent rebate on the Climate Change Levy under the Finance Act 2000.

9.9 *Assessments, audits etc.*

So far as the vendor is aware the Vendor has Disclosed copies of all assessments, audits, reports or investigations relating to the Environment, Environmental Laws or Environmental Liability in connection with the Properties and the Other Properties, or to the activities of the Company.

9.10 *Other Properties*

So far the Vendor is aware, the Vendor has disclosed the following information in relation to the Other Properties:

- (a) address, plan and nature of premises;
- (b) nature of involvement of the Company, including any former property interest;
- (c) any leases, licences or other agreements; and

- (d) any permits held at any time by the Company or required in connection with any activities carried on by any person during the period of involvement.

10. OTHER ASSETS

10.1 *Title*

- (a) Except as otherwise warranted or Disclosed pursuant to paragraph 8 above, the Company has Legal and Beneficial Title to all assets of the Company which are included in the Accounts or have otherwise been represented as being the property of the Company or which were at the Balance Sheet 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 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 Company and are sited within the United Kingdom.
- (b) The Company has not acquired or agreed to acquire any material asset on terms that title to such asset does not pass to the Company until full payment is made.

10.2 *Encumbrances*

The Company has Legal and Beneficial Title to all assets which have been acquired by the Company since the Balance Sheet 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 except that, if there is any such Encumbrance, arrangement or agreement it has been Disclosed and there has been no default by the Company in the performance or observance of any of the provisions thereof.

10.3 *Condition of assets*

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

- (a) do not contravene any requirement or restriction having the force of law;

- (b) are in good repair and condition and in satisfactory working order;
- (c) are each capable of doing the work for which they were designed and/or purchased and will each be so capable (subject to fair wear and tear) during the period of time over which the value of such assets will be written down to nil in the accounts of the Company;
- (d) are not surplus to the Company's requirements; and
- (e) are not dangerous, inefficient, out of date, unsuitable or in need of renewal or replacement.

10.4 *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.

11. **INSURANCE**

11.1 *Extent of insurance*

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 the Company 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 and loss of profit).

11.2 *Premiums and claims*

Particulars of all policies of insurance of the Company 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. 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 claim outstanding under any such policies and there are no circumstances likely to give rise to a claim.

12. **LITIGATION**

12.1 *Litigation and arbitration proceedings*

- (a) The Company is not now engaged in any litigation, arbitration or similar proceedings and there are no lawsuits or arbitration or similar

proceedings pending or threatened by or against the Company or any person for whose acts or defaults the Company may be vicariously liable.

- (b) The Company has not, since its incorporation been involved in any litigation, arbitration or material dispute with any person.
- (c) There is no matter or fact in existence which might give rise to any legal proceedings or arbitration or similar proceedings involving the Company, including any which might form the basis of any criminal prosecution against the Company.

12.2 *Injunctions, etc*

No injunction or order for specific performance has been granted against the Company.

12.3 *Orders and judgments*

The Company is not 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.

13. LICENCES

13.1 *General*

So far as the vendor is aware the Company has all necessary licences (including statutory licences), permits, consents and authorities (public and private) for the proper and effective carrying on of the Business and 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 Vendor knows of no reason why any of them should be suspended, cancelled or revoked whether in connection with the sale to the Purchaser or otherwise and 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.

14. TRADING

14.1 *Tenders, etc*

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 the Company by an acceptance or other act of some other person.

14.2 *Delegation of powers*

There are in force no powers of attorney given by the Company 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.

14.3 *Consequence of acquisition of Shares by Purchaser*

The acquisition of the Shares by the Purchaser or compliance with the terms of this agreement will not:

- (a) cause the Company to lose the benefit of any right or privilege it presently enjoys or cause any person who normally does business with the Company not to continue to do so on the same basis as previously;
- (b) relieve any person of any obligation to the Company (whether contractual or otherwise) or legally entitle any person to determine any such obligation or any right or benefit enjoyed by the Company or to exercise any right, whether under an agreement with, or otherwise in respect of, the Company;
- (c) conflict with or result in the breach of or constitute a default under any of the terms, conditions or provisions of any agreement or instrument to which the Company is now a party or any loan to or mortgage created by the Company or of its memorandum or articles of association;
- (d) result in any present or future indebtedness of the Company becoming due and payable or capable of being declared due and payable prior to its stated maturity;
- (e) cause any employee of the Company to leave employment; or
- (f) conflict with, violate or result in a breach of any law, regulation, order, decree or writ applicable to the Company, or entitle any person to receive from the Company any finder's fee, brokerage or other commission,

and, so far as the Vendors are aware, the attitude or actions of clients, customers and suppliers with regard to the Company will not be prejudicially affected thereby.

14.4 *Competition/Anti-trust*

The Company is not and has not 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:

- (a) 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;
- (b) in contravention or breach of The Treaty of Rome 1957, 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 or any regulations, orders, notices or directions made thereunder; or
- (c) is otherwise registrable, unenforceable or void or renders the Company 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 Company carries on business.

14.5 *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.

14.6 *Possession of records*

- (a) All title deeds and agreements to which the Company 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 Company are in the possession of the Company.
- (b) 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.

14.7 *Business names*

The Company does not use on its letterhead, books or vehicles or otherwise carry on the Business under any name other than its corporate name.

14.8 *Unlawful acts*

Neither the Company nor any officer has been prosecuted for any criminal, illegal or unlawful act connected with the Company.

14.9 *Sensitive payments*

No officer or employee of the Company has made or received any Sensitive Payment in connection with any contract or otherwise. For the purposes of this paragraph the expression **Sensitive Payment** (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.

15. **CONTRACTS**

15.1 *Onerous contracts*

There are no long term contracts (that is, contracts not terminable by the Company without penalty on 3 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 the Company, nor is the Company 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 of a material amount have been incurred before the date of this agreement by the Company otherwise than for the purpose of the Company's business.

15.2 *Material contracts*

All contracts to which the Company is a party as are material have been Disclosed and the Company is not a party to or subject to any agreement, transaction, obligation, commitment, understanding, arrangement or liability which:

- (a) is incapable of complete performance in accordance with its terms within six months after the date on which it was entered into or undertaken;
- (b) is known by the Vendor or by the Company to be likely to result in a loss to the Company on completion of performance;

- (c) cannot readily be fulfilled or performed by the Company on time and without undue or unusual expenditure of money and effort;
- (d) 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;
- (e) requires an aggregate consideration payable by the Company in excess of £25,000;
- (f) involves or is likely to involve the supply of goods by or to the Company the aggregate sales value of which will represent in excess of five per cent of the turnover of the Company for the year ended on the Balance Sheet Date;
- (g) is a contract for services (other than contracts for the supply of electricity or normal office services);
- (h) requires the Company to pay any commission, finder's fee, royalty or the like; or
- (i) is in any way otherwise than in the ordinary and proper course of the Company's business.

15.3 *Performance of contracts*

- (a) The terms of all contracts of the Company have been complied with by the Company and by the other parties to the contracts in all material respects and there are no circumstances likely to give rise to a default by the Company or by the other parties under any such contract.
- (b) All the contracts of the Company except those between the Company and its employees may be assigned by the Company without the consent of any other party.
- (c) There are no outstanding claims, separately or in the aggregate, of material amounts against the Company 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 the Company which might give rise to the same.
- (d) The Company has no knowledge of the invalidity of, or grounds for rescission, avoidance or repudiation of, any agreement or other transaction to which the Company is a party or in relation to which it otherwise purports to have enforceable rights and has received no

notice of any intention to terminate, repudiate or disclaim any such agreement or other transaction.

- (e) Except for this agreement, there are no actual or purported contracts which are material to the Business and under which the Company purports to have enforceable rights by virtue only of the Third Party Rights Act.

15.4 *Agency and distribution agreements*

The Company is not a party to any subsisting agency or distributorship agreement.

16. **EMPLOYEES**

16.1 *Particulars of employees*

Copies of all service agreements and employment contracts for the Director and all other officers and employees of the Company have been Disclosed and show 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 such person is engaged exclusively in the Business.

16.2 *Contracts of employment*

There is no contract of employment in force between the Company and the Director or any of its other officers or employees which is not terminable by the Company without compensation (other than any compensation payable under Parts X and XI, ERA) on one 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.

16.3 *Benefits*

There are no amounts owing to present or former directors, officers or employees of the Company other than not more than one 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, employee or worker of the Company, nor any dependant of any present or former director, officer, employee or worker of the Company.

16.4 *Liabilities and payments*

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

- (a) 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;
- (b) 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
- (c) 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, employee or worker of the Company in connection with the sale and purchase under this agreement.

16.5 *Relevant legislation*

- (a) 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:
 - (i) 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
 - (ii) all collective agreements, recognition agreements and customs and practices for the time being affecting its employees and workers or their conditions of service.

- (b) 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 is any prosecution or sentence pending for any (alleged) offence under the Health and Safety at Work Act 1974.
- (c) 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.
- (d) There is no liability or claim against the Company outstanding or 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.
- (e) 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.

16.6 *Termination of employment*

- (a) No present director, officer or employee of the Company has given or received notice terminating his employment except as expressly contemplated under this agreement 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.
- (b) 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.

16.7 *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 88.

16.8 *Disputes and claims*

- (a) No dispute exists or 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 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.
- (b) 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 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.

16.9 *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.

16.10 *Agreements with Trade Unions*

The Company is not a party to any agreement or arrangement with or commitment to any trade unions or trade or staff association nor are any of its employees members of any trade union or trade or staff association, and, so far as the Company is aware, no application for collective bargaining recognition by a Trade Union is pending under schedule A1 of TULRCA.

17. **HEALTH AND SAFETY**

- 17.1 So far as the vendor is aware the Business 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**).

- 17.2 So far as the vendor 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 which are liable to give rise to liability under the Health and Safety Legislation.
- 17.3 So far as the vendor 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 at each Property.
- 17.4 So far as the vendor is aware at no time have or has the Vendor or the Company had knowledge of and/or received any notice, claim or other communication alleging any contravention of or actual or potential liability under the Health and Safety Legislation.

18. PENSION SCHEMES

Other than as Disclosed, there are no other Pension Schemes for current or past directors or employees of the Company.

18.1 *Stakeholder pension arrangements*

- (a) The Company has complied with all obligations imposed by the Welfare Reform and Pensions Act 1999 and any regulations made under it regarding facilitating access to all of their relevant employees (as defined in the Welfare Reform and Pensions Act 1999) to a stakeholder pension arrangement.
- (b) There is no obligation on the Company to pay contributions to a stakeholder pension arrangement in respect of any employee or officer of the Company.
- (c) There are no claims or actions in progress or pending, nor any reason for such claims or actions involving any employee or officer of the Company in connection with a stakeholder arrangement.

19. INTELLECTUAL PROPERTY

19.1 *Ownership and rights*

- (a) There is no Registered Intellectual Property and no material Unregistered Intellectual Property.
- (b) The Company does not require any further Intellectual Property in relation to the Business.

19.2 *Enforcement*

- (a) All Know-How owned, used or exploited by the Company has been kept secret and confidential and has not been disclosed to third parties.

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19.3 *Infringement*

- (a) The Company has not infringed and does not infringe any Intellectual Property of a third party as a result of the Company's use or exploitation of the Relevant IP, nor will such use or exploitation give rise to any infringement dispute, claims or proceedings against the Company.
- (b) 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 the Company.
- (c) There has been and is no current or anticipated infringement by any third party of any Relevant IP.

20. **INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS**

20.1 *Identification and ownership*

- (a) 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.
- (b) All the IT Contracts are valid and binding. 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.
- (c) The Company has in its possession or in its control the source code of all Software used by it for the purposes of the Business.

20.2 *Computer operation and maintenance*

- (a) So far as the vendor is aware 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.

- (b) So far as the vendor is aware all IT Services are being and have been provided in accordance with all applicable specifications.
- (c) So far as the vendor is aware 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.
- (d) So far as the Vendors is aware 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.
- (e) So far as the vendor is aware no part of the IT Systems is or has been infected by any virus or other extraneously-induced malfunction, and 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.
- (f) So far as the vendor is aware all data processed using the IT Systems and/or the IT Services has been regularly archived in hard copy form. Such hard copies have been properly stored and catalogued, and are available for inspection as required by the Company from time to time.
- (g) 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).

20.3 *Date information*

The operation of the IT Systems and the provision of the IT Services has been and will be unaffected by any change in date or by any related change in the field configurations containing date information within the IT Systems. In particular:

- (a) there has been and will be no error, malfunction or change in the operation, functionality or performance of the IT Systems or the provision of the IT Services;
- (b) no value for current date will cause any interruption in the operation of the IT Systems or the provision of the IT Services;
- (c) all manipulations of time-related data will produce the desired results for all valid date values within the applicable domain;
- (d) date-based functionality has behaved and will behave consistently for dates prior to, during and after the year 2000;

- (e) date elements in interfaces and data storage will permit specifying the century to eliminate date ambiguity without human intervention, including leap year calculations; and
- (f) where any date element is represented without a century, the correct century shall be unambiguous for all manipulations involving the element and in all interfaces and data storage, the century in any date shall be specified either explicitly or by unambiguous algorithms or inferencing rules.

20.4 *Euro compliance*

All IT Systems will operate, and all IT Services 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, directives, regulations, directions or rules (including, without limitation, the rules on conversion and rounding set out in the EC regulation number 1103/97).

21. **LEGISLATION**

The Company is not in breach of and has not received notice of and is not aware of any allegation of breach of the requirements of any legislation which is applicable to it.

PART 2 TAXATION WARRANTIES

22. **TAXATION**

22.1 *General*

- (a) Notices and returns
 - (i) All notices, returns, computations and registrations of the Company for the purposes of Taxation have been made punctually on a proper basis and are correct and none of them is, or is likely to be, the subject of any dispute with any Taxation Authority.
 - (ii) All information supplied by the Company for the purposes of Taxation was when supplied and remains complete and accurate in all material respects.
- (b) Payment of Tax due

- (i) All Taxation, which the Company is liable to pay prior to Completion, has been or will be so paid prior to Completion.
- (ii) The Company has not made any payments representing instalments of corporation tax pursuant to the Corporation Tax (Instalment Payments) Regulations 1998 in respect of the Company's current or preceding accounting period and neither is the Company under any obligation to do so.

OR

- (ii) The Disclosure Documents specify all payments representing instalments of corporation tax made pursuant to the Corporation Tax (Instalments Payments) Regulations 1998 in respect of the Company's current and preceding accounting periods and contain full particulars of the basis upon which such payments have been calculated.

- (c) Penalties or interest on Tax

The Company has not within the period of six years ending on the date of this agreement paid or become liable to pay any penalty, fine, surcharge or interest charged by virtue of the provisions of the TMA or any other Taxation Statute.

- (d) Compliance with PAYE, national insurance contribution and Tax collection obligations

- (i) All income tax deductible and payable under the PAYE system and/or any other Taxation Statute has, so far as is required to be deducted, been deducted from all payments made or treated as made by the Company and all amounts due to be paid to the Inland Revenue prior to the date of this agreement have been so paid, including all Tax chargeable on benefits provided for directors, employees or former employees of the Company or any persons required to be treated as such.
- (ii) All deductions and payments required to be made under any Taxation Statute in respect of national insurance and social security contributions (including employer's contributions) have been so made.
- (iii) All payments by the Company to any person which ought to have been made under deduction of Tax have been so made and the Company (if required by law to do so) has accounted to the Inland Revenue for the Tax so deducted.

- (iv) Proper records have been maintained in respect of all such deductions and payments and all applicable regulations have been complied with.
 - (v) The Disclosure Documents contain details so far as they affect the Company of all current dispensations agreed with the Inland Revenue in relation to PAYE and all notifications given by the Inland Revenue under section 166, TA 88.
- (e) Investigations

The Company has not been subject to any visit, audit, investigation, discovery or access order by any Taxation Authority and that there are no circumstances existing which make it likely that a visit, audit, investigation, discovery or access order will be made.
- (f) Residence

The Company is and always has been resident for Taxation purposes only in the jurisdiction in which it is incorporated.
- (g) Tax provision

Full provision or reserve has been made in the Accounts for all Taxation assessed or liable to be assessed on the Company or for which it is accountable in respect of income, profits or gains earned, accrued or received or deemed to be earned, accrued or received on or before the Balance Sheet Date, including distributions made down to such date or provided for in the Accounts and proper provision has been made in the Accounts for deferred Taxation in accordance with generally accepted accounting principles.
- (h) Concessions and arrangements

The amount of Taxation chargeable on the Company during any accounting period ending on or within the six years before the Balance Sheet Date has not depended on any concessions, agreements or other formal or informal arrangements with any Taxation Authority.
- (i) Anti-avoidance provisions

The Company 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 or the reduction in or the deferral of a liability to Taxation.

(j) Section 765, TA 88

The Company has not without the prior consent of the Treasury carried out or agreed to carry out any transaction under section 765, TA 88 which would be unlawful in the absence of such consent and has, where relevant, complied with the requirements of section 765A(2), TA 88 (supply of information on movement of capital within the EU) and any regulations made or notice given thereunder.

(k) Transactions requiring clearance or consent

All particulars furnished to any Taxation Authority in connection with an application for clearance or consent by the Company or on its behalf or affecting the Company has been made and obtained on the basis of full and accurate disclosure to the relevant Taxation Authority of all relevant material facts and considerations; and any transaction for which clearance or consent was obtained, has been carried into effect only in accordance with the terms of the relevant clearance or consent.

(l) Calculation of Taxation liability

The Company has sufficient records relating to past events to permit accurate calculation of the Taxation liability or relief which would arise upon a disposal or realisation on completion of each asset owned by the Company at the Balance Sheet Date or acquired by the Company since that date but before Completion.

(m) Claims and disclaimers

The Company has duly submitted all claims and disclaimers the making of which has been assumed for the purposes of the Accounts.

(n) Outstanding claims, elections and appeals

The Disclosure Documents contain full particulars of all matters relating to Taxation in respect of which the Company is or at Completion will be entitled:

- (i) to make any claim (including a supplementary claim), disclaimer or election for relief under any Taxation Statute;
- (ii) to appeal against any assessment or determination relating to Taxation;
- (iii) to apply for a postponement of Taxation.

- (o) Sections 140A, 140D TA 88

No shares or securities have been issued by the Company to which the provisions of section 140A or 140D TA 88 have been or could be applied.

22.2 *Corporation tax, including corporation tax on chargeable gains*

- (a) Base values and acquisition costs

If each of the capital assets of the Company was disposed of on the date hereof for a consideration equal to the book value of that asset in, or adopted for the purposes of, the Accounts or, in the case of assets acquired since the Balance Sheet Date, equal to the consideration given upon its acquisition, no liability to corporation tax on chargeable gains or balancing charges under the CAA would arise and for the purpose of determining the liability to corporation tax on chargeable gains there shall be disregarded any relief and allowances available to the Company other than amounts falling to be deducted under section 38, TCGA.

- (b) Capital allowances

All expenditure which the Company has incurred or may incur under any subsisting commitment on the provision of machinery, plant or buildings has qualified or will qualify (if not deductible as a trading expense for trade carried on by the Company) for writing-down allowances or industrial building allowances (as the case may be) under CAA and in relation to expenditure incurred but for which no claim has been made a claim made in the Company's next corporation tax self-assessment return for such allowances in respect of such expenditure would not be barred by virtue of section 58(4), CAA.

- (c) Leased assets

The Company has not made any claim for capital allowances in respect of any asset which is leased to or from or hired to or from the Company and no election affecting the Company has been made or agreed to be made under sections 177 or 183, CAA in respect of such assets.

- (d) Finance leases

The Company is not a lessee under a lease to which the provisions of Chapter 17 of Part 2, CAA apply or could apply.

(e) Short life assets

The Company has not made any election under section 85, CAA nor is it taken to have made such an election under section 89(4), CAA.

(f) Long life assets

The Company has not incurred any long-life asset expenditure within the meaning of section 90, CAA.

(g) Industrial buildings

None of the assets of the Company expenditure on which has qualified for a capital allowance under Part 3, CAA has at any time been used otherwise than as an industrial building or structure.

(h) Distributions

(i) No distribution within the meaning of sections 209, 210 and 211, TA 88 has been made (or will be deemed to have been made) by the Company after 5th April, 1965 except dividends shown in its audited accounts and the Company is not bound to make any such distribution.

(ii) No elections have been made pursuant to section 246A, TA 88 in respect of any dividends and nor has the Company made a distribution to which the provisions of paragraph 2 of Schedule 7, FA 1997 have been, or could be, applied.

(iii) The Company has not received a dividend in respect of which the payer has made an election under section 246A, TA 88 nor a distribution to which the provisions of paragraph 2 of Schedule 7, FA 1997 have been, or could be, applied.

(i) Repayments of share capital

The Company has not any time after 6th April, 1965 repaid, redeemed or repurchased or agreed to repay, redeem or repurchase, or granted an option under which it may become liable to purchase, any shares of any class of its issued share capital nor has the Company after that date capitalised or agreed to capitalise in the form of shares or debentures any profits or reserves of any class or description or otherwise issued or agreed to issue any share capital other than for the receipt of new consideration (within the meaning of Part VI, TA 88) or passed or agreed to pass any resolution to do so.

(j) Demergers

The Company has not been engaged in nor been a party to any of the transactions set out in sections 213 to 218 inclusive, TA 88 nor has it made or received a chargeable payment as defined in section 218(1), TA 88.

(k) Issues of securities

No securities (within the meaning of section 254(1), TA 88) issued by the Company and remaining in issue at the date of this agreement were issued in such circumstances that the interest payable thereon falls to be treated as a distribution under either sections 209(2)(d), 209(2)(da) or 209(2)(e), TA 88, nor has the Company agreed to issue such securities in such circumstances.

(l) Capital distributions

The Company has not received any capital distribution to which the provisions of section 189, TCGA could apply.

(m) Land sold and leased back

The Company has not entered into any transaction to which the provisions of section 779 or 780, TA 88 have been or could be applied.

(n) Foreign loan interest

The Company has not since 31st March, 1982 received any foreign loan interest in respect of which double taxation relief will or may be restricted under section 798, TA 88.

(o) Non-deductible payments

No rents, interest, annual payments or other sums of an income nature paid or payable by the Company or which the Company is under an existing obligation to pay in the future are or may be wholly or partially disallowable as deductions, management expenses or charges in computing profits for the purposes of corporation tax by reason of the provisions of sections 74, 79, 125, 338, 339, 779 to 784 inclusive, 787 or 788, TA 88 or any other statutory provision or otherwise.

(p) Rent payable to connected persons

No rent is or has been payable by the Company to which the provisions of sections 33A and 33B, TA 88 could have applied prior to their ceasing to have effect.

- (q) No unremittable income or gains

No claim has been made by the Company under sections 584, 585 or 723 TA 88 or under section 279, TCGA.

- (r) Payments to directors, officers or employees

The Company has not made or agreed to make any payment to or provided or agreed to provide any benefit for any director or former director, officer or employee of the Company, whether as compensation for loss of office, termination of employment or otherwise, which is not allowable as a deduction in calculating the profits of the Company for Taxation purposes, whether up to or after the Balance Sheet Date.

- (s) Disallowance of trading losses and advance corporation tax carry forward

No change of ownership of the Company has taken place in circumstances such that section 768 (change in ownership of company: disallowance of trading losses) or section 245, TA 88 (change in ownership of company: calculation and treatment of advance corporation tax) has or may be applied to deny relief for a loss or losses incurred by the Company and within the period of three years ending with the date of this agreement there has been no major change in the nature or conduct of any trade or business (as defined in section 768 and section 245, TA 88) carried on by the Company.

- (t) Transfer pricing

The Company is not a party to any transaction or arrangement under which it may be required to pay for any asset or any services or facilities of any kind an amount which is in excess of the market value of that asset or those services or facilities, neither is or was the Company a party to any transaction or arrangements to which the provisions of section 770A and Schedule 28 AA, TA 88 may apply and nor will the Company receive any payment for an asset or any services or facilities of any kind that it has supplied or provided or is liable to supply or provide which is less than the market value of that asset or those services or facilities.

- (u) Transactions not at arm's length

The Company has not disposed of or acquired any asset in circumstances falling within section 17 or 19, TCGA nor given or

agreed to give any consideration to which section 128(1)(2), TCGA could apply.

(v) Transactions between connected persons

No allowable loss has accrued to the Company to which section 18(3), TCGA will apply.

(w) Chargeable debts

The Company is not owed a debt, other than a debt on a security, on the disposal or satisfaction of which a liability to corporation tax on chargeable gains will arise by reason of section 251, TCGA.

(x) Relief for loans to traders and qualifying corporate bonds

No claim for relief has been allowed to the Company pursuant to sections 253 and 254, TCGA in respect of any loan and no chargeable gain has or is likely to arise pursuant to section 253 (5), (6), (7) or (8) or section 254 (9) or (10), TCGA.

(y) Chargeable policies

The Company has not acquired benefits under any policy of assurance otherwise than as the original holder of legal and beneficial title.

(z) Postponement of gains relating to overseas trade

No claim or election affecting the Company has been made (or assumed to be made) under sections 140, 140C or 187 TCGA.

(aa) Depreciatory transactions

(i) No allowable loss which might accrue on the disposal by the Company of any share in or security of any company is likely to be reduced by virtue of the provisions of sections 176 and 177, TCGA.

(ii) The Company has not been a party to any scheme or arrangement whereby the value of an asset has been materially reduced as set out in sections 30-34, TCGA.

(bb) Restriction of straightline growth

No asset owned by the Company is subject to a deemed disposal and re-acquisition under Schedule 2, TCGA so as to restrict the extent to which the gain or loss over the period of ownership may be apportioned by reference to straightline growth.

(cc) Other claims made by the Company

The Company has made no claim under any of the following:

- (i) section 280, TCGA (tax on chargeable gains payable by instalments);
- (ii) section 24(2), TCGA (assets of negligible value);
- (iii) section 242(2), TCGA (small part disposals of land); or
- (iv) section 139, FA 1993 (deferral of unrealised exchange gains).

(dd) Gifts

The Company has not received any assets by way of gift as mentioned in section 282, TCGA and the Company has not held, and does not hold, shares in a company to which section 125, TCGA could apply.

(ee) Non-resident companies

- (i) There has not accrued or arisen any income, profit or gain in respect of which the Company may be liable to corporation tax by virtue of the provisions of section 13, TCGA or Chapter IV of Part XVII, TA 88.
- (ii) The Company has not been served with a notice in respect of the unpaid corporation tax liability of any company pursuant to section 191, TCGA.

(ff) Controlled foreign companies

No notice of the making of a direction under section 747, TA 88 has been received by the Company and no circumstances exist which would entitle the Inland Revenue to make such a direction or to apportion any profits of a controlled foreign company to the Company pursuant to section 752, TA 88 .

(gg) Agent for non-residents

The Company has not been a party to any transaction or arrangement whereby it is or may hereafter become liable for Taxation under or by virtue of section 42A, TA 88 or regulations made thereunder or section 126, FA 1995.

(hh) Profit-related pay

No scheme registered under Chapter III of Part V, TA 88 applies to the Company or any of its employees and no application for registration of a scheme so applying has been made.

(ii) Payment from pension funds

The Company has not received a payment out of funds held for the purposes of an exempt approved scheme in respect of which an amount is recoverable by the Inland Revenue under section 601, TA 88.

(jj) Claims and elections

(i) The Disclosure Documents contain full particulars of all claims and elections made (or assumed to be made) under sections 23, 152-162 or 165, 175, 247, 248, TCGA insofar as they could affect the chargeable gain or allowable loss which would arise in the event of a disposal by the Company of any of its assets, and indicates which assets (if any) so affected would not on a disposal give rise to relief under Schedule 4, TCGA.

(ii) The Disclosure Documents contain full particulars of elections made under:

(A) Regulation 10 of The Exchange Gains and Losses (Alternative Method of Calculating of Gain or Loss) Regulations 1994 and whether or not such elections have been varied; and

(B) Regulations 3 or 4 of The Local Currency Elections Regulations 1994 and each such election is still valid.

(kk) Loan relationships

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

(ii) The Disclosure Documents contain full particulars of any debtor relationship (within the meaning of section 103, FA 1996) of the Company which relates to a relevant discounted

security (within the meaning of paragraph 3 of Schedule 13, FA 1996) to which paragraph 17 or 18 of Schedule 9, FA 1996 applies.

(iii) The Company has not been a party to a loan relationship which had an unallowable purpose (within the meaning of paragraph 13 of Schedule 9, FA 1996).

(iv) The Disclosure Documents contain full particulars of:

(A) any loan relationships to which the Company is a party to which paragraph 8 of Schedule 15, FA 1996 has applied or will apply on the occurrence of a relevant event (within the meaning of paragraph 8(2) of Schedule 15, FA 1996);

(B) the amount of any deemed chargeable gain or deemed allowable loss that has arisen or will arise on the occurrence of such relevant event; and

(C) any election made pursuant to paragraph 9 of Schedule 15, FA 1996.

(v) The Company has not entered into any transaction to which paragraph 11 of Schedule 9, FA 1996 applies.

(II) Advance Corporation Tax/Shadow Advance Corporation Tax

(i) The Company does not have any unrelieved surplus advance corporation tax eligible for carry forward and nor has the Company at any time after 5th April, 1999 set surplus advance corporation tax against corporation tax which could be displaced so as to give rise to a liability of the Company to make a payment of or in respect of corporation tax.

(ii) The Company does not have any surplus shadow advance corporation tax nor will the Company at any time in the future be treated as having surplus shadow advance corporation tax as a consequence of any act or omission of the Vendor or a company within the Vendor's group.

22.3 *Corporation tax - groups of companies*

(mm) Group relief and consortium relief

The Disclosure Documents contain full particulars of all arrangements and agreements relating to group relief (as defined by section 402, TA 88) to which the Company is or has been a party and:

- (i) all claims by the Company for group relief were when made and are now valid and have been or will be allowed by way of relief from corporation tax;
- (ii) the Company has not made nor is liable to make any payment under any arrangement or agreement save in consideration for the surrender of group relief allowable to the Company by way of relief from corporation tax;
- (iii) the Company has received all payments due to it under any arrangement or agreement for any surrender of group relief made by it and the payments are not liable to be refunded in whole or in part;
- (iv) no such payment exceeds or could exceed the amount permitted by section 402(6), TA 88; and
- (v) no arrangements such as are specified in section 410(1)-(6), TA 88 exist or existed for any period of account in respect of which a surrender has been made or purports to have been made.

(nn) Surrender of advance corporation tax

The Disclosure Documents contain full particulars of all arrangements and agreements to which the Company is or has been a party relating to the surrender of advance corporation tax made or received by the Company under section 240, TA 88 and:

- (i) the Company has not paid nor is liable to pay for the benefit of any advance corporation tax which is or may become incapable of set-off against the Company's liability to corporation tax;
- (ii) the Company has received all payments due to it under any arrangement or agreement for any surrender of advance corporation tax made by it and the payments are not liable to be refunded in whole or in part;
- (iii) no such payment exceeds or could exceed the amount permitted by section 240(8), TA 88; and
- (iv) no arrangements such as are specified in section 240(11), TA 88 whereby any person could obtain control of the Company exist or existed for any period in respect of which a claim under section 240, TA 88 has been made or purports to have been made.

(oo) Transfer of Tax Refunds

The Disclosure Documents contain full particulars of all arrangements and agreements relating to the transfer of tax refunds to which the Company is or has been a party and:

- (i) all claims by the Company for the transfer of tax refunds were when made and are now valid and have been or will be allowed by way of discharging the liability of the Company to pay any corporation tax;
- (ii) the Company has not made nor is liable to make any payment under any arrangement or agreement save in consideration for the transfer of tax refunds allowable to the Company by way of discharge from liability to corporation tax and equivalent to the Taxation for which the Company would have been liable but for the transfer;
- (iii) the Company has received all payments due to it under any such arrangement or agreement or transfer of tax refunds made by it and the payments are not liable to be refunded in whole or in part;
- (iv) no such payment exceeds or could exceed the amount permitted by Section 102(7), FA 1989; and
- (v) no arrangements such as specified in Section 410(1)-(6), TA 88 exist or existed for any period in respect of which a claim under section 102, FA 1989 has been made or purports to have been made.

(pp) Acquisitions from group members

No tax has been or may be assessed on the Company pursuant to section 190, TCGA in respect of any chargeable gain accrued prior to the date of this agreement and the Company has not at any time within the period of six years ending with the date of this agreement transferred any asset other than trading stock including without limitation any transfer by way of share exchange within section 135, TCGA to any company which at the time of disposal was a member of the same group as defined in section 170, TCGA.

(qq) Notional group transfers

The Company has not entered into an election pursuant to section 171A(2), TCGA and nor is the Company under any obligation to enter into such an election.

(rr) Leaving the group

The execution or completion of this agreement or any other event since the Balance Sheet Date will not result in any chargeable asset being deemed to have been disposed of and re-acquired by the Company for Taxation purposes pursuant to section 178 or 179, TCGA or as a result of any other Event since the Balance Sheet Date.

(ss) Group income

The Disclosure Documents contain full particulars of all elections made by the Company under section 247, TA 88 and all such elections are now in force and the Company has not at any time prior to 6th April, 1999 paid any dividend without advance corporation tax or at any time made any payment without deduction of income tax in the circumstances specified in section 247(6), TA 88 and no assessment has been made on the Company in respect of advance corporation tax which ought to have been paid or income tax which ought to have been deducted.

(tt) Capital losses

The Company has no capital losses the set-off of which are or may be restricted by Section 177A and schedule 7A, TCGA.

22.4 *Close companies*

(a) Close company status

The Company has at all times been a close company within the meaning of sections 414 and 415, TA 88.

(b) Close investment-holding company status

The Company has not in any accounting period beginning after 31st March, 1989 been a close investment-holding company as defined in section 13A, TA 88.

(c) Distributions

No distribution within section 418, TA 88 has ever been made by the Company.

(d) Loans to participators

Any loans or advances made or agreed to be made by the Company within sections 419 and 420 or 422, TA 88 have been Disclosed and the Company has not released or written off or agreed to release or write off the whole or any part of any such loans or advances.

22.5 *Inheritance tax*

(e) No transfers of value and associated operations

The Company has made no transfers of value within sections 94 and 202, ITA nor has the Company received a transfer of value such that liability might arise under section 199, ITA nor has the Company been party to associated operations in relation to a transfer of value as defined by section 268, ITA.

(f) Inland Revenue charge

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

(g) Power of sale, mortgage or charge

No asset owned by the Company nor the Shares are liable to be subject to any sale, mortgage or charge by virtue of section 212, ITA.

22.6 *VAT*

(h) Returns and payments

(i) The Company is a taxable person duly registered for the purposes of VAT.

(ii) The Company has complied with all statutory provisions, rules, regulations, orders and directions in respect of VAT, has promptly submitted accurate returns, and the Company maintains full and accurate VAT records, has never been subject to any interest, forfeiture, surcharge or penalty nor been given any notice under sections 59 or 64, VATA nor been given a warning within section 76(2), VATA nor has the Company been required to give security under paragraph 4 of Schedule 11, VATA.

(iii) VAT has been duly paid or provision has been made in the Accounts for all amounts of VAT for which the Company is liable.

(i) Taxable supplies and input tax credit

All supplies made by the Company are taxable supplies and the Company has not been and will not be denied full credit for all input tax by reason of the operation of sections 25 and 26, VATA and regulations made thereunder or for any other reasons and no VAT

paid by the Company is not input tax as defined in section 24, VATA and regulations made thereunder.

(j) VAT groups

The Company is not and has not been for VAT purposes a member of any group of companies other than the Group and no act or transaction has been effected in consequence whereof the Company is or may be held liable for any VAT arising from supplies made by another company and no direction has been given nor will be given by H M Customs & Excise under schedule 9A, VATA as a result of which the Company would be treated for the purposes of VAT as a member of a group.

(k) Transactions between connected persons

The Company has not been or agreed to be party to any transaction or arrangement in relation to which a direction has been or could be made under paragraph 1 of Schedule 6, VATA or to which paragraph 2(3A) of Schedule 10, VATA applied.

(l) Charge to VAT as agent or representative

The Company is not and has not agreed to become liable for VAT by virtue of section 47 and 48, VATA.

(m) VAT and Properties

The Company or its relevant associate for the purposes of paragraph 3(7) of Schedule 10, VATA has exercised the election to waive exemption from VAT (pursuant to paragraph 2 of Schedule 10, VATA) only in respect of those Properties listed (as having been the subject of such an election) in the Disclosure Documents and:

- (i) neither the Company nor its relevant associate has any intention or obligation to exercise such an election in respect of any other of the Properties;
- (ii) all things necessary for the election to have effect have been done and in particular any notification and information required by paragraph 3(6) of Schedule 10, VATA has been given and any permission required by paragraph 3(9) of Schedule 10, VATA has been properly obtained;
- (iii) a copy of the notification and of any permission obtained from H M Customs & Excise in connection with the election is included in the Disclosure Documents;

- (iv) no election has or will be disapplied or rendered ineffective by virtue of the application of the provisions of paragraph 2 (3AA) of Schedule 10, VATA;
 - (v) in no case has the Company charged VAT, whether on rents or otherwise, which is not properly chargeable; and
 - (vi) the Company has not agreed to refrain from making an election in relation to any of the Properties.
- (n) Capital goods scheme

The Company does not own and has not at any time within the period of ten years preceding the date hereof owned any assets which are capital items subject to the Capital Goods Scheme under Part XV of the VAT Regulations 1995.
- (o) Bad debt relief

The Company has not made any claim for bad debt relief under section 36, VATA and details of any claim it could make have been disclosed.
- (p) Self billing

The Company has not entered into any self billing arrangement in respect of supplies made by any other person nor has it at any time agreed to allow any such person to make out VAT invoices in respect of supplies made by the Company.

22.7 *Stamp duty*

- (a) Stamp duty

All stampable documents wheresoever executed (other than those which have ceased to have any legal effect) to which the Company is a party have been duly stamped or stamped with a particular stamp denoting that no stamp duty is chargeable. Since the Balance Sheet Date there have been and are no circumstances or transactions to which the Company is or has been a party such that a liability to stamp duty or any penalty in respect of such duty will arise on the Company.
- (b) Stamp duty reserve tax

Since the Balance Sheet Date the Company has not incurred any liability to or been accountable for any stamp duty reserve tax and there has been no agreement within section 87(1), FA 1986 which could lead to the Company incurring such a liability or becoming so accountable.

SCHEDULE 4
BASIS FOR PREPARATION OF THE COMPLETION BALANCE SHEET

1. GENERAL REQUIREMENTS

Subject to the provisions of paragraphs 2 to 4 hereof, which shall take priority over the general requirement set out below the Completion Balance Sheet shall be prepared under the historical cost convention and in accordance with accounting principles and generally accepted accounting practices in the United Kingdom (including Accounting Standards) and, subject as aforesaid, on a basis consistent with the audited balance sheet of the Company made up to the Balance Sheet Date.

2. COMPLETION BALANCE SHEET

Unless already taken into account, the following principles shall be observed in drawing up the Completion Balance Sheet:

- 2.1 sums receivable in respect of debtors shall not be included at sums higher than the amounts collectable, making appropriate provision for doubtful debts with debts over 60 days being written off provided that such write-off shall be net of any rent deposit held; *and VAT recoverable to the extent that the debts in aggregate exceed £10,000.*
- 2.2 stocks and work-in-progress shall be valued at the lower of cost and net realisable value;
- 2.3 liabilities shall include accruals at the close of business on the date of Completion;
- 2.4 without prejudice to the provisions of paragraph 2.5 immovable property and other fixed assets shall be included at their net book value as at the date of Completion (or at cost if purchased after Completion) less depreciation at the rates provided in the Accounts.
- 2.5 the Properties will be stated in the Completion Balance Sheet at £3,190,000.00 and all other fixed assets at £30,000; *for the purpose of calculating the base liabilities of the Company for the purpose of the Completion Balance Sheet the original cost of these assets will be used (i.e. not the valuation, agreed for the purpose of the Completion Balance Sheet);*
- 2.6 full provision shall be made for all Taxation, including deferred taxation which in respect of the Properties shall be an agreed figure of £97,000.00 such figure being in respect of the surplus on the valuation of the Properties prepared in accordance with the terms of this agreement and not in respect of any other timing differences relating to the Properties;
- 2.7 full provisions shall be made for rebates or discounts that will fall due and fees and commissions that will become payable after Completion in either case in respect of transactions that took place before Completion. No provision shall be made in respect of the cost of making good dilapidations or wants of repair on or to the Properties

- 2.8 Rent from the Properties will be based on the pre-paid income brought forward at 31st March 2003 and will reflect income arising for the remainder of the rent quarter ended 23rd June 2003 the seven days to 30th June 2003 plus one twelfth of the annual rental income for the month of July 2003.
- 2.9 Bureau Income – in relation to income described as bureau income (post, telephone, board room, mail handling, fax, message taking, copy, secretarial/typing, copying storage and miscellaneous) at the Properties, such charges are recorded on a daily basis and charged to the tenants monthly in arrears.
- 2.10 in the event of any other income arising in the period from the 31st March 2003 normal accounting provisions will apply in apportioning the period to which the income arises if paid in advance. The calculations would be based on daily accruals.
- 2.11 all costs whether from suppliers or otherwise will be provided for on the basis of invoices received for periods ending on the date of Completion. For expenditure not covered by invoices and including but not exclusive to salary wages, PAYE/NIC and mortgage interest these will be provided for in accordance with those costs known to arise in the period 1st April to the date of Completion. An accrual will also be made for all known other expenditure incurred to the date of Completion but not covered and in the event of ongoing contracts and maintenance agreements will be provided for on the basis of one twelfth of the annual charge for a complete month and 1/365th for any days forming part of a month.
- 2.12 capital allowances are to be calculated on a pro rata time basis as set out for depreciation of all assets brought forward with a written down value at the 31st March 2003. In the event of new expenditure from the 31st March 2003 qualifying for either 40% or 100% allowance full annual relief will be taken.
- 2.13 Provision for deferred tax – Subject to the provisions of clause 2.6 provision for deferred tax will be made on the basis of the accelerated written down value for capital allowance purposes compared to the net book value of those same assets as computed in accordance with the policies for depreciation.
- 2.14 the corporation tax liability on the trading/estate and taxable investment income will be made in the period 1st April 2003 to the date of Completion using the nil and lower rates of corporation tax applying to small companies given to associated companies as apply to the year ended 31st March 2004. The provision for deferred tax will be calculated at an assumed 30% rate to acknowledge the expected ongoing rate applicable to the Purchaser.

3. TRUE AND FAIR VIEW

The Completion Balance Sheet shall show a true and fair view of the state of affairs of the Company at the close of business on the date of Completion.

4. CHANGES IN ACCOUNTING STANDARDS

Unless otherwise taken into account in accordance with the preceding provisions of this schedule, the Completion Balance Sheet shall be prepared without regard to any changes in Accounting Standards from those applied in the preparation of the Accounts.

SCHEDULE 6
LIMITATION OF VENDOR'S LIABILITY

PART 1
GENERAL LIMITATIONS

1. Notwithstanding the provisions of clause 7 the Vendor shall not be liable in respect of a breach of any of the Warranties if and to the extent that the loss occasioned thereby has been recovered under the Indemnities or the Tax Deed.
2. The Vendor shall not be liable under the Warranties nor under the Indemnities nor the Tax Deed:
 - 2.1 to the extent that the facts which might result in a Claim or possible Claim were Disclosed;
 - 2.2 to the extent that the subject of the Claim is allowed or provided for or reserved in the Accounts or has been included in calculating creditors or deducted in calculating debtors in the Accounts and (in the case of creditors or debtors) is identified in the records of the Company or to the extent such matter was specifically referred to in the notes to the Accounts; or
 - 2.3 to the extent that a Claim arises or is increased:
 - (a) wholly or partly from an act or omission occurring at the request of or with the written consent of the Purchaser or the Company or any of its directors, other officers, employees or agents;
 - (b) wholly or partly from an act or omission compelled by law;
 - (c) as a result of any increase in rates of Taxation since the Balance Sheet Date; or
 - (d) wholly or partly as a result of the passing or coming into force of or any change in any enactment, law, regulation, directive, requirement or any practice of any government, government department or agency or regulatory body (including extra-statutory concessions of the Inland Revenue) after the date hereof whether or not having retrospective effect.
 - 2.4 in respect of a liability which is contingent only unless and until such contingent liability becomes an actual liability and is due and payable.

PART 2
LIMITATIONS UNDER THE WARRANTIES
(OTHER THAN TAX WARRANTIES)

3. The liability of the Vendor in respect of any claim under the Warranties (other than the Tax Warranties):

3.1 shall not arise unless and until the amount of such claim when aggregated with the amount of any other such claim made against the Vendor under this agreement exceeds £10,000 in which event all of such claim or claims shall be recoverable hereunder (and not just the excess);

3.2 shall not (when aggregated with the amount of all other claims under the Warranties and under the Tax Deed) exceed £250,000.

3.3 The liability of the Vendor in respect of any claim under the Warranties shall cease 12 months after Completion, except in respect of matters which have been the subject of a bona fide written claim which is made before the relevant date by or on behalf of the Purchaser to the Vendor giving reasonable details of all material aspects of the Claim including the Purchaser's bona fide estimate of the amount thereof. Any such claim shall (if it has not previously been satisfied, settled or withdrawn) be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by both being issued and served within three months of such notification to the Vendor.

PART 3
LIMITATIONS UNDER THE TAX WARRANTIES

4. The liability of the Vendor in respect of any Claim or the Tax Deed shall cease on the expiry of six years from Completion except in respect of matters which have been the subject of a bona fide written claim which is made before the relevant date by or on behalf of the Purchaser to the Vendor giving reasonable details of all material aspects of the claim including the Purchaser's bona fide estimate of the amount thereof. Any such claim shall (if it has not previously been satisfied, settled or withdrawn) be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by both being issued and served within three months of such notification to the Vendor.

PART 4
OTHER PROVISIONS

5. The rights of the Purchaser in respect of a breach of any of the Warranties shall not be affected by Completion.

6. This schedule 6 which, inter alia, regulates or otherwise affects the liability of the Vendor shall remain in full force and be fully applicable in all circumstances and, in particular (but without limitation), shall not be discharged in whole or in part by any breach of any of the Warranties or any claim against the Vendor in respect of the Warranties, the Indemnities or the Tax Deed, whatever its nature or consequences, nor by any other matter whatsoever.

7. The Purchaser shall not be entitled to recover damages or otherwise obtain reimbursement or restitution more than once in respect of the same loss. In particular the Purchaser shall not be entitled to recover damages or otherwise obtain reimbursement or restitution to the extent that the subject matter of the claim has been taken into account in the Completion Balance Sheet and any payment due by any party to any other party pursuant to clause 6 of this agreement.

8. If the Purchaser is entitled to claim under the Tax Deed or under the Warranties in respect of the same subject matter the Purchaser may claim under either or both but payments under the Tax Deed shall pro tanto satisfy and discharge any claim which is capable of being brought under the Warranties in respect of the same subject matter and vice versa.

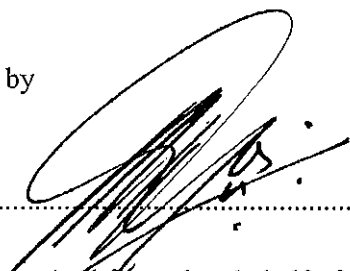
9. The Purchaser undertakes to retain or to procure the retention by the Company of all such books records accounts correspondence and other papers of the Company as are likely to be material in the context of the liability of the Vendor under the Warranties

or the Tax Deed during the subsistence of the liabilities of the Vendor under the Warranties or (as the case may be) the Tax Deed.

10. Where the Purchaser or the Company has a claim against any third party in relation to any matter in respect of which there shall have been a Claim or where the Purchaser or the Company receives any claim from a third party which may result in the Purchaser having a Claim the Purchaser and the Company shall if required by the Vendor) (provided that the Vendor indemnifies the Purchaser and the Company against all and any costs expenses and liabilities incurred or suffered by the Purchaser or the Company as a result of so doing)_ take such action as the Vendor may reasonably request to prosecute or resist such a claim as the case may be. The amount of any liability of the Vendor for a Claim shall be reduced by the amount actually recovered from the said third party in respect of the Claim against it taking into account any cost liability (including tax liability) or expense incurred by the Purchaser or the Company in connection with such action provided always that the Company or the Purchaser shall not be obliged to take any such action (or omit to take any such) if in the reasonable opinion of the Purchaser it would be harmful to the business of the Company or the Purchaser to do so.

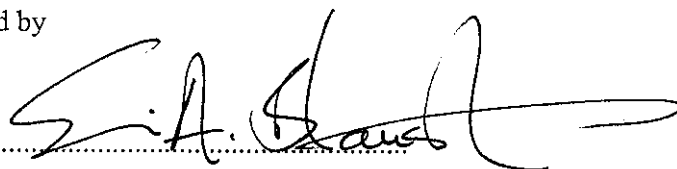
11. In the event that a Claim is recoverable under the Warranties or under a policy of insurance, the Purchaser will first use reasonable endeavours to recover under such policy of insurance provided that the pursuit of a claim under such policy of insurance would not cause the liability of the Vendor to lapse due to the expiry of 12 months from Completion pursuant to clause 3.3 of Part 2 of Schedule 6. To the extent that payment is made by the insurer, the Vendor will not be liable under this agreement in respect of any Claim. To the extent that the Purchaser does not recover its loss in respect of a Claim, the Purchaser may in addition seek to recover under this agreement.

Signed by



duly authorised for and on behalf of
BARNCABIN LIMITED

Signed by



duly authorised for and on behalf of
GROSVENOR LAND HOLDINGS PLC