

DATED

8 April

2002

3369634

(1) THE PERSONS NAMED IN SCHEDULE 1

- and -

(2) DECHRA PHARMACEUTICALS PLC

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## AGREEMENT

relating to  
the sale and purchase of the  
whole of the issued share capital  
of North Western Laboratories Limited

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COMPANIES HOUSE



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24/4/04

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1. Completion Board Minutes of the Company and the Subsidiary
2. Management Accounts
3. Power of Attorney
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5. Resignation of Auditors
6. Service Agreements
7. Release(s) of bank guarantees and charges
8. Release(s) of guarantees given to third parties
9. Letter(s) of non-crystallisation
10. Schedule of deeds
11. Release(s) of liabilities owed to the Vendors
12. Board Minutes of the Purchaser allotting the Consideration Shares and issuing the Loan Notes

NCL duty

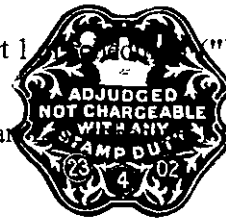
THIS AGREEMENT is made on

18 April

2002

**BETWEEN:**

- (1) **THE PERSONS** whose names and addresses are set out in part 1 of schedule 1 ("Vendors");
- (2) **THE PERSONS** whose names and addresses are set out in part 2 of schedule 1 together with the Vendors ("Warrantors");
- (3) **DECHRA PHARMACEUTICALS PLC** a company registered in England and Wales with number 3369634 whose registered office is at Dechra House, Jamage Industrial Estate, Talke Pits, Stoke-on-Trent ST7 1XW ("**Purchaser**").



**BACKGROUND**

- A North Western Laboratories Limited ("**Company**") is a private company limited by shares. Further information relating to the Company and its Subsidiary is set out in schedule 2.
- B The Vendors are the beneficial owners or are otherwise able to procure the transfer of the numbers of Shares set opposite their respective names in column (2) of schedule 1.
- C The Vendors have agreed to sell and the Purchaser has agreed to purchase the Shares for the consideration and upon the terms and conditions set out in this agreement.

**IT IS HEREBY AGREED:**

**1. DEFINITIONS AND INTERPRETATION**

- 1.1 In this agreement the following words and expressions shall (except where the context otherwise requires) have the following meanings:

"1985 Act" means the Companies Act 1985;

"1989 Act" means the Companies Act 1989;

"1993 Act" means the Pension Schemes Act 1993;

"1995 Act" means the Pensions Act 1995;

"Accounts" means the audited accounts of the Company and the Subsidiary comprising (inter alia) the audited balance sheet of each as at the Accounts Date and the audited profit and loss account of each for the period ended on the Accounts Date,

the notes and the cash flow statement relating thereto and the reports of the directors and auditors thereon;

**"Accounts Date"** means 31 March 2001;

**"Approved"** means exempt approved within the meaning of the Taxes Act.

**"Approval"** should be construed accordingly;

**"Business Day"** means a day other than a Saturday or Sunday on which banks are open for commercial business in the City of London;

**"Business Intellectual Property"** means all Intellectual Property used, or likely or required to be used, by the Company or the Subsidiary in, or in connection with, its business;

**"Companies Acts"** means the 1985 Act, the 1989 Act and the Companies Consolidation (Consequential Provisions) Act 1985;

**"Completion"** means the performance of all the obligations of the parties to this agreement set out in clause 4;

**"Completion Board Minutes"** means minutes of meetings of the boards of directors of the Company and the Subsidiary in the agreed form;

**"Completion Date"** means the date of this agreement;


**"Computer Systems"** means the computer systems used by or for the benefit of the Company at any time, or computer processors, associated and peripheral equipment, computer programs, technical and other documentation and data entered into or created by the foregoing from time to time;

**"Confidential Information"** means information (however stored) relating to or connected with the business, customers or financial or other affairs of the Company or the Subsidiary details of which are not in the public domain including, without limitation, information concerning or relating to:

- (a) the Business Intellectual Property and any other property of the Company or the Subsidiary in the nature of intellectual property;
- (b) any technical processes, future projects, business development or planning, commercial relationships and negotiations; and

- (c) the marketing of goods or services including, without limitation, customer, client and supplier lists, price lists, sales targets, sales statistics, market share statistics, market research reports and surveys and advertising or other promotional materials and details of contractual arrangements and any other matters concerning the clients or customers of or other persons having dealings with the Company or the Subsidiary.

**"Consideration"** means the consideration for the Shares set out in clause 3.



**"Consideration Shares"** means the 468,750 ordinary shares of 1 pence each in the capital of the Purchaser to be allotted and issued credited as fully paid by the Purchaser to the Vendors as part Consideration for the Shares;

**"Disclosure Letter"** means the letter of even date with this agreement from the Warrantors to the Purchaser relating to the Warranties together with any documents annexed to it;

**"Employee"** means any director, former director, employee or former employee of the Company;

**"Encumbrance"** means a mortgage, charge, pledge, lien, option, restriction, equity, right to acquire, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind or any other type of preferential arrangement (including, without limitation, a title transfer and retention arrangement) having similar effect;

**"Environment"** means all or any part of the following media, namely, air, water and land (including without limitation the marine environment) and any and all living organisms or systems supported by those media;

**"Environmental Laws"** means all applicable common, criminal or civil law statutes and subordinate legislation in force at the date of this agreement, licences, permits, authorisations, consents, common law and local laws, all judgements, decrees, orders, instructions, demands or awards of any court which are directly applicable in the United Kingdom, insofar as they relate to or apply to Environmental Matters;

**"Environmental Liability"** means any criminal or civil liability under Environmental Laws or in relation to any matter concerning in any way the Environment;

**"Environmental Matters"** means

- (i) the disposal, release, spillage, deposit, escape, discharge, leak or emission (whether actual or potential) of Hazardous Materials or Waste;
- (ii) exposure of any person (whether actual or potential) to Hazardous Materials or Waste;
- (iii) the creation of any noise, vibration, radiation or other adverse impact on the Environment;
- (iv) any other matters relating to the condition, protection, maintenance, restoration or replacement of the Environment or any part of it arising directly out of the manufacturing, processing, treatment, keeping, handling, use, transportation or presence of Hazardous Materials or Waste;

**"FSMA"** means Financial Services and Markets Act 2000;

**"Hazardous Materials"** means any natural or artificial substance (whether in solid or liquid form or in the form of a gas or vapour) capable of causing harm (whether alone or in combination with any other substance) to man or any other living organism supported by the Environment, or capable of damaging the Environment or public health including but not limited to any pollutants and any controlled hazardous, toxic, radioactive, noxious, corrosive or dangerous substances;

**"Health and Safety Laws"** means all or any laws, approved codes of practice and guidance notes which relate to the health and safety of those who work for the Company (whether as employees or otherwise), visit the Property or are in any way affected by the activities or processes carried on at the Property or by persons working for the Company;

**"Intellectual Property"** includes domain names patents, inventions, know-how, trade secrets and other confidential information, registered designs, copyrights, data, database rights, design rights, rights affording equivalent protection to copyright, database rights and design rights, semiconductor topography rights, trade marks, service marks, logos, domain names, business names, trade names, moral rights, and all registrations or applications to register any of the aforesaid items, rights in the nature of any of the aforesaid items in any country or jurisdiction, rights in the nature of unfair competition rights and rights to sue for passing-off;



**"Listing Rules"** means the listing rules of the UK Listing Authority for the time being in force;

**"Loan Notes"** means the loan notes in the agreed form of an aggregate principal amount of £500,000 to be issued by the Purchaser to the Vendors as part of the Consideration;

**"London Stock Exchange"** means the London Stock Exchange plc;

**"Management Accounts"** means the unaudited balance sheet and profit and loss account of each of the Company and the Subsidiary in the agreed form as at and for the period to the Management Accounts Date

**"Management Accounts Date"** means 31 March 2002;

**"Official List"** means the official list of the UK Listing Authority;

**"Properties"** means the leasehold land and premises described in schedule 6 and any part or parts thereof;

**"Purchaser's Solicitors"** means DLA of Victoria Square House, Victoria Square, Birmingham B2 4DL;

**"Service Contracts"** means the service contracts in the agreed form to be entered into on Completion between each of Alistair Joseph Parker and Thomas Williams and the Company;

**"Share Warranties"** means the warranties contained or referred to in clause 5 and schedule 3;

**"Shares"** means the 2 issued and allotted ordinary shares of £1.00 each in the capital of the Company comprising the whole of the issued share capital of the Company;

**"Subsidiary"** means the subsidiary undertaking of the Company at the date hereof further details of which are set out in part 2 of schedule 2;

**"Tax Covenant"** means any covenant set out in part 3 of schedule 4;

**"Tax Warranties"** means the representations and warranties on the part of the Warrantors in relation to taxation set out in part 2 of schedule 4;

**"Taxes Act"** means the Income and Corporation Taxes Act 1988;

**"TCGA"** means the Taxation of Chargeable Gains Act 1992;

**"Trustees"** means Thomas Williams and Mark Feeney (acting jointly) of the Thomas Williams Voluntary Settlement and Alistair Parker and Mark Feeney (acting jointly) of the Alistair Joseph Parker Voluntary Settlement;

**"Trusts"** means the Thomas Williams Voluntary Settlement (as constituted by the deed of settlement dated 29 March 1999) between Thomas Williams and Mark Feeney and the Alistair Joseph Parker Voluntary Settlement (as constituted by the deed of settlement dated 29 March 1999 between Alistair Parker and Mark Feeney, being the Trusts upon which the Trustees hold the shares to be sold under this agreement;

**"UK Listing Authority"** means the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and including where the context so permits, any committee, employee, officer or servant to whom any function of the UK Listing Authority may for the time being be delegated;

**"VAT"** means value added tax;

**"Vendors' Accountants"** means Duncan Sheard Glass, Castle Chambers, 43 Castle Street, Liverpool L42 9TL;

**"Vendors' Solicitors"** means Leonard Haworth & Sons, 6 Crescent East, Thornton, Cleveleys, Lancashire FY5 3LX;

**"Warranties"** means the Share Warranties and the Tax Warranties;

**"Waste"** means any natural or artificial substance or material (whether in solid or liquid form or in the form of a gas or vapour) to the extent that it is defined, prescribed, controlled or regulated as a waste under Environmental Laws.

1.2 In this agreement where the context admits:

1.2.1 save in relation to schedule 4, words and phrases which are defined or referred to in or for the purposes of the Companies Acts have the same meanings in this agreement (unless otherwise expressly defined in this agreement);

- 1.2.2 sections 5, 6, 8 and 9 of and schedule 1 to the Interpretation Act 1978 apply in the same way as they do to statutes;
- 1.2.3 reference to a statutory provision includes reference to:
  - 1.2.3.1 any order, regulation, statutory instrument or other subsidiary legislation at any time made under it for the time being in force (whenever made);
  - 1.2.3.2 any modification, amendment, consolidation, re-enactment or replacement of it or provision of which it is a modification, amendment, consolidation, re-enactment or replacement;
- 1.2.4 reference to statutory obligations shall include obligations arising under Articles of the Treaty establishing the European Community and regulations and directives of the European Union as well as United Kingdom acts of Parliament and subordinate legislation;
- 1.2.5 reference to a clause, schedule or paragraph is to a clause, schedule or a paragraph of a schedule of or to this agreement respectively;
- 1.2.6 reference to the parties to this agreement includes their respective successors, permitted assigns and personal representatives;
- 1.2.7 reference to any party to this agreement comprising more than one person includes each person constituting that party;
- 1.2.8 reference to any gender includes the other genders;
- 1.2.9 reference to any professional firm or company includes any firm or company effectively succeeding to the whole, or substantially the whole, of its practice or business;
- 1.2.10 the index, headings and any descriptive notes are for ease of reference only and shall not affect the construction or interpretation of this agreement;
- 1.2.11 this agreement incorporates the schedules to it;
- 1.2.12 a person shall be deemed to be connected with another if that person is so connected within the meaning of section 839 of the Taxes Act;

1.2.13 unless otherwise expressly provided, all covenants, warranties, representations, undertakings and indemnities given or made by the Warrantors or Vendors in this agreement are given or made jointly and severally;

1.2.14 in clause 5 and schedules 3 and 4 references to "the Company" shall, in addition to the Company, include the Subsidiary to the intent and effect that the provisions of clause 5 and the Warranties and schedule 3 and 4 shall apply to and be given in respect of the Subsidiary as well as the Company;

1.2.15 where any statement is qualified by the expression "to the best of the knowledge information and belief of the Warrantors" or "so far as the Warrantors are aware" or any similar expression each Warrantor shall be deemed to have knowledge of:

1.2.15.1 anything of which the other Warrantor has knowledge or is deemed by clause 1.2.15.2 or clause 1.2.15.3 to have knowledge; and

1.2.15.2 anything of which he ought reasonably to have knowledge given his particular position in and responsibilities to the Group and his relationship with the business of each member of the Group; and

1.2.15.3 anything of which he would have had knowledge had he made due and careful enquiry immediately before giving the Warranties;

1.2.16 the "agreed form" in relation to any document means the form agreed between the parties to this agreement and, for the purposes of identification only, initialled by or on behalf of the parties.

## **2. SALE AND PURCHASE OF SHARES**

2.1 Each of the Vendors shall sell with full title guarantee the number of Shares set opposite his name in column (2) of schedule 1 and the Purchaser shall purchase the Shares free from all Encumbrances and together with all rights of any nature which are now or which may at any time become attached to them or accrue in respect of them including all dividends and distributions declared paid or made in respect of them on or after Completion.

2.2 Each of the Vendors hereby waives any right of pre-emption or other restriction on transfer in respect of the Shares or any of them conferred on him under the articles of

association of the Company or otherwise and agrees to procure before Completion the irrevocable waiver of any such right or restriction conferred on any other person.

### 3. CONSIDERATION


3.1 The Consideration payable by the Purchaser to the Vendors for the purchase of the Shares shall be two million seven hundred and fifty thousand pounds (£2,750,000) which shall be paid and satisfied as follows:

3.1.1 £750,000 (seven hundred and fifty thousand pounds) by the issue and allotment of the Consideration Shares; and


3.1.2 £500,000 (five hundred thousand pounds) by the issue and allotment of the Loan Notes; and

3.1.3 £1,500,000 (one million five hundred thousand pounds) in cash on Completion; and

in each case to be apportioned between the Vendors in the proportions set out opposite their names in columns 3, 4 and 5 of schedule 1 respectively.

 3.2 Based on the profits for the year ended 31 March 2002 set out in the Management Accounts the Company has declared a dividend by which the sum of ~~£150,000~~ <sup>£123,000</sup> is due to the Vendors. Subject to clause 3.3 below the Purchaser shall procure the Company pays the dividend declared and due to the Vendors within 2 business days of Completion.

*(calculated on a basis of adopting policies consistent with those used in the Accounts)*

 3.3 Notwithstanding clause 3.2 above if following the payment of the declared dividend <sup>or the Subsidiary's aggregated</sup> the Company's net assets as at Completion are less than £ 70,000 ~~for the Company's net cash position (as in cash at bank less any long term borrowings including inter company borrowings) as at Completion is less than £~~ the Vendors agree to indemnify the Purchaser in full for any net asset ~~net cash~~ shortfall.

3.4 For the purposes of this clause 3 the Consideration Shares shall rank pari passu with the existing ordinary shares of 1 pence each in the capital of the Purchaser including the right to receive all dividends declared made or paid after the date of this agreement save that they will not rank for any dividend or other distribution of the Purchaser declared made or paid by reference to a record date before their date of issue.

*if as a result the Vendor or the Warrantors*

3.5 The Vendors undertake that during a period of two years after Completion, they will not dispose of or create any interest in any of the Consideration Shares (or agree to do so) ~~so as to~~ cease to be the absolute beneficial owner of it without the prior written consent of the Purchaser, where "Consideration Shares" shall include any shares held by the Vendors for the time being arising out of the consolidation, division, conversion or subdivision of Consideration Shares and any shares acquired by reference to the Consideration Shares, whether by way of bonus or rights issue, pre-emption right or otherwise or in exchange or substitution for any such shares.

3.6 Without limiting any of the other provisions of this agreement, the provisions of clause 3.5 apply mutatis mutandis ~~to any personal representatives or other successors~~ *to the* in title of the Vendors *(one then the personal representative of a deceased shareholder)*

3.7 The Purchaser shall not unreasonably withhold its consent to any disposal of Consideration Shares to the extent that the disposal proceeds (net of incidental costs) are required to meet any liability of the Vendors in respect of breach of any of the Warranties or under the Tax Covenant. ~~or in the case of any personal representatives to the extent that a restriction on disposal shall incur an increased inheritance tax liability~~

#### COMPLETION

4.1 Completion shall take place at the offices of the Purchaser's Solicitors on the Completion Date when each of the parties shall comply with the provisions of schedule 5.

4.2 The Purchaser shall not be obliged to complete the purchase of the Shares under this agreement unless the Vendors comply fully with their obligations under schedule 5 and unless the purchase of all the Shares is completed simultaneously (but so that completion of the purchase of some of the Shares will not affect the rights of the Purchaser with respect to the others).

4.3 If Completion does not take place on the Completion Date because the Vendors fail to comply with any of their obligations under schedule 5, the Purchaser may, by notice to the Vendors:

4.3.1 proceed to Completion to the extent reasonably practicable;

4.3.2 postpone Completion to a date not more than 5 Business Days after the Completion Date; or

4.3.3 terminate this agreement.

4.4 If the Purchaser postpones Completion to another date in accordance with clause 4.3.2, the provisions of this agreement apply as if that other date is the Completion Date.

## **5. WARRANTIES**

5.1 The Warrantors represent warrant and undertake to the Purchaser that, at the date of this agreement, each of the statements set out in schedule 3 and part 2 of schedule 4 is true, accurate and complete in all respects and not misleading.

5.2 The Warrantors acknowledge that the Purchaser is entering into this agreement in reliance on each Warranty which has also been given as a representation and with the intention of inducing the Purchaser to enter into this agreement and that the Purchaser has been induced to enter into this agreement on the basis of and in full reliance upon them and that the Purchaser may rely on the Warranties in warranting to any subsequent purchaser of all or any of the Shares.

5.3 Each of the Warranties shall be construed as a separate and independent warranty and (except where this agreement provides otherwise) shall not be limited or restricted by reference to or inference from any other term of this agreement or any other Warranty.

5.4 The rights and remedies of the Purchaser in respect of any breach of any of the Warranties shall survive Completion.

5.5 Each of the Warrantors waives and may not enforce any right which he may have in respect of any misrepresentation, inaccuracy or omission in or from any information or advice supplied or given by the Company or its officers or employees in enabling the Warrantors to give the Warranties and any representations or to prepare the Disclosure Letter.

5.6 The Warranties shall not be deemed in any way modified or discharged by reason of any investigation made or to be made by or on behalf of the Purchaser or by reason of any information relating to the Company of which the Purchaser has knowledge (actual, implied or constructive) except that the Warranties shall be qualified by such information as is fully, fairly and specifically disclosed in the Disclosure Letter.

5.7 If there is any breach or non-fulfilment of any of the Warranties resulting in:

5.7.1 the value of any of the Company's assets being or becoming less than it would have been had the relevant circumstances been as so warranted; or

5.7.2 the Company having incurred or incurring any liability or an increase in a liability which it would not have incurred had the relevant circumstances been as so warranted,

then the Warrantors agree to pay to the Purchaser on demand (at the option of the Purchaser) an amount equal to either:

5.7.3 the reduction in value of the assets or (as the case may be) the liability or increased liability thereby incurred by the Company; or

5.7.4 an amount equal to the reduction caused in the value of the Shares .

5.8 The Warrantors agree to indemnify the Purchaser in full for and against all costs (including legal costs) and expenses incurred by the Purchaser either before or after the commencement of any action in connection with:

5.8.1 the settlement of any claim that any of the Warranties has been breached or is untrue, inaccurate or misleading;

5.8.2 any legal proceedings arising out of or in connection with any claim for breach of Warranty in which judgment is given in favour of the Purchaser; or

5.8.3 the enforcement of any such settlement or judgment.

5.9 If on the date on which any principal amount is due for payment under the Loan Notes there is an outstanding claim under this agreement ("**Relevant Claim**") then the Purchaser shall pay to the Vendors only the amount by which the outstanding amount exceeds the Purchaser's reasonable estimate amount of the Relevant Claim made.

5.10 The balance of the Loan Notes representing the amount of the Relevant Claim estimated in accordance with clause 5.9 above shall be used by the Purchaser to satisfy such Relevant Claim at the time of final withdrawal, agreement, settlement or determination of such Relevant Claim and when such Relevant Claim has been either so withdrawn, agreed, settled or determined then any remaining balance of the Loan Notes shall be paid in accordance with clause 3.1.2.



- 5.11 For the purpose of this clause a Relevant Claim shall be deemed to be determined when and only when either:
- 5.11.1 judgment has been given by a Court competent jurisdiction and the time limit for appeal has expired; or
- 5.11.2 final appellate judgment has been given with no further right of appeal or any right of appeal has been waived.
- 5.12 For the avoidance of doubt, if at the time the Loan Notes become payable there are no such Relevant Claims then the whole of the Loan Notes shall be payable by the Purchaser.
- 5.13 The rights of the Purchaser under clauses 5.7 to 5.10 (inclusive) shall be in addition and without prejudice to any other right or remedy available to it under this agreement or otherwise.
- 5.14 The Purchaser accepts the benefit of clause 5 (including, without limitation, the Warranties) for itself and as trustee for each undertaking which is at any time a subsidiary undertaking of the Purchaser.

## **6. LIMITATION ON THE WARRANTORS' LIABILITY**

- 6.1 The aggregate liability of the Warrantors in respect of all claims under the Warranties shall not exceed £2,750,000 but the amount of any claim in respect of a fine, penalty, surcharge or interest related to tax (as defined in schedule 4) is not to be counted for this purpose.
- 6.2 No amount shall be payable by the Warrantors in respect of any claim under the Share Warranties unless and until the aggregate cumulative liability of the Warrantors in respect of all such claims exceeds £27,500 in which case the Warrantors shall be liable for both the initial £27,500 and the excess.
- 6.3 The Warrantors shall not be liable for any claim under the Warranties unless the Warrantors are given notice of that claim stating in reasonable detail the nature of the claim and, if practicable, the amount claimed on or before 30 September 2003 in the case of the Share Warranties and the seventh anniversary of Completion in the case of the Tax Warranties.

- 6.4      Clauses 6.1 to 6.3 (inclusive) shall not apply to any claim where it can be proved that such claim is based on a dishonest or fraudulent act or omission or fraudulent misrepresentation of or by any of the Warrantors prior to Completion.

## **7.      WARRANTORS' COVENANTS**

- 7.1      Each of the Warrantors severally undertakes to and covenants with the Purchaser that (except with the consent in writing of the Purchaser) he will not at any time after Completion:

7.1.1    use or procure or cause or (so far as he is able) permit the use of any name or names identical or similar to or including the words "North Western Laboratories Limited" or "Cambridge Specialist Laboratory Services Limited" or any colourable imitation thereof in connection with any activity whatsoever;

7.1.2    (except as required by law) disclose or divulge to any person (other than to officers or employees of the Purchaser whose province it is to know the same) or use (other than for the benefit of the Purchaser) any Confidential Information which may be within or have come to his knowledge and he shall use all reasonable endeavours to prevent such publication, disclosure or misuse of any Confidential Information;

7.1.3    do or say anything which is likely or intended to damage the goodwill or reputation of the Company or the Subsidiary or which may lead any person to cease to do business with the Company or the Subsidiary on substantially equivalent terms to those previously offered or not to engage in business with the Company or the Subsidiary.

- 7.2      Each of the Warrantors severally undertakes to and covenants with the Purchaser that he will not, for a period of two years after the date of this agreement, either on his own behalf or jointly with or as an officer, manager, employee, adviser, consultant or agent for any other person, directly or indirectly:

7.2.1    approach, canvass, solicit or otherwise act with a view to enticing away from or seeking in competition with any business of the Company or the Subsidiary the custom of any person who at any time during the period of 12 months preceding the Completion Date or at any time thereafter prior to his ceasing to be employed by the Company is or has been a customer of the Company or the Subsidiary and during such period he shall not use his

knowledge of or influence over any such customer to or for his own benefit or the benefit of any other person carrying on business in competition with the Company or the Subsidiary or otherwise use his knowledge of or influence over any such customer to the detriment of the Company or the Subsidiary;

7.2.2 seek to contract with or engage (in such a way as adversely to affect the business of the Company or the Subsidiary as carried on at the date of this agreement) any person who has been contracted with or engaged to supply or deliver products, goods, materials or services to the Company or the Subsidiary at any time during the period of 12 months preceding the date of this agreement or, at any time after that, before he ceases to be employed by the Company;

7.2.3 approach, canvass, solicit, engage or employ or otherwise endeavour to entice away any person who at any time during the period of six months preceding the Completion Date or (if later) the date of his ceasing to be employed by the Company or the Subsidiary shall be or shall have been an employee, officer, manager, consultant, sub-contractor or agent of the Company or the Subsidiary with a view to the specific knowledge or skills of such person being used by or for the benefit of any person carrying on business in competition with the business carried on by the Company or the Subsidiary;

7.2.4 be engaged, concerned or interested, whether as an employee or in any other capacity, in carrying on any business within the United Kingdom in competition with the business carried on by the Company as carried on at the date of this agreement.

7.3 Each of the covenants contained in clauses 7.1 and 7.2 shall constitute an entirely separate and independent restriction on each of the Warrantors.

7.4 Nothing in this clause 7 shall prohibit any of the Warrantors from holding shares or stock quoted or dealt in on a recognised investment exchange (as defined in the FSMA so long as not more than three per cent of the shares or stock of any class of any one company (other than the Purchaser) is so held.

7.5 References in this clause 7 to the "business of the Company or the Subsidiary" shall include the business of the Company and/or the Subsidiary that may from time to time be transferred to any company within the Group.

- 7.6 The Warrantors and each of them agree and acknowledge that the restrictions contained in this clause 7 are fair and reasonable and necessary to assure to the Purchaser the full value and benefit of the Shares but, in the event that any such restriction shall be found to be void or unenforceable but would be valid and effective if some part or parts thereof were deleted, such restriction shall apply with such deletion as may be necessary to make it valid and effective.

## 8. ENVIRONMENTAL INDEMNITY

- 8.1 The Warrantors shall indemnify and hold harmless the Purchaser from and against all damages, losses, costs, expenses, liability, actions, demands and claims whatsoever and howsoever arising which the Purchaser may incur wholly or partly arising from or consequent upon:

8.1.1 the breach by the Subsidiary of condition 9a of schedule 1 of authorisation reference BB9555 granted under the Radioactive Substances Act 1993 and dated 29 October 1998; and

*prior to the Completion Date*

8.1.2 the Vendors failure to address and remedy the non compliances identified by the United Kingdom Accreditation Service between 19 and 21 March 2002 and any consequent withdrawal of accreditation.

## 9. INTELLECTUAL PROPERTY INDEMNITY

- 9.1 The Warrantors shall indemnify and keep indemnified the Purchaser from and against any and all claims, demands, actions, costs (including, without limitation, legal costs), expenses, losses and damages suffered or incurred by the Purchaser as a result of any claim against the Purchaser or any group company brought by a third party of an infringement to that third party's intellectual property rights arising as a result of any act or omission of the Warrantors prior to Completion.

## 10. TAXATION

The provisions of schedule 4 shall apply with respect to the matters contained or referred to therein.

## 11. TRANSFER OF ASSETS

The Warrantors hereby undertake to the Purchaser to procure that, in the event that the Warrantors own any assets which are used by the Company or the Subsidiary, then the Warrantors shall:

- 11.1 if such assets are used exclusively by the Company or the Subsidiary transfer gratuitously such assets absolutely to the Purchaser or the Company as the Purchaser shall so direct; or
- 11.2 if such assets are not used exclusively by the Company or the Subsidiary grant to the Purchaser or the Company as the Purchaser shall so direct a gratuitous perpetual worldwide licence to use such assets.

## **12. FURTHER ASSURANCE AND ATTORNEY**

- 12.1 On and after Completion, the Warrantors shall, at the request of the Purchaser, do and execute or procure to be done and executed all such acts, deeds, documents and things as may be necessary to give effect to this agreement.
- 12.2 On and after Completion, at the request of the Purchaser, the Warrantors shall execute or procure the execution under seal or as a deed of a power of attorney in the agreed form in favour of the Purchaser or such person as may be nominated by the Purchaser generally in respect of the Shares and in particular to enable the Purchaser (or its nominee) to attend and vote at general meetings of the Company during the period prior to the name of the Purchaser (or its nominee) being entered on the register of members of the Company in respect of the Shares.

## **13. INFORMATION**

The Vendors shall provide or procure to be provided to the Purchaser all such information in their possession or under their control as the Purchaser shall from time to time reasonably require (both before and after the Completion Date) relating to the business and affairs of the Company and the Subsidiary and in any case where such information is not the exclusive property of the Company and the Subsidiary will give or procure to be given to the Purchaser, its directors and agents access to such information and will permit the Purchaser to take copies of the same.

## **14. ANNOUNCEMENTS**

No announcement, communication or circular concerning this agreement shall be made (whether before or after the Completion Date) by or on behalf of the parties hereto without the prior approval of the other or others (such approval not to be unreasonably withheld or delayed) save for:

- 14.1 announcements to employees, customers, suppliers and agents of the Company and/or the Subsidiary and/or the Purchaser and/or any company which is a member of the

same group as the Purchaser in such form as may be reasonably required by the Purchaser; and

14.2 such announcements as may be required by the UK Listing Authority and/or the London Stock Exchange and/or the Panel on Takeovers and Mergers.

## **15. COSTS**

Each of the parties shall bear and pay its own legal, accountancy, actuarial and other fees and expenses incurred in and incidental to the preparation and implementation of this agreement and of all other documents in the agreed form.

## **16. SUCCESSORS AND ASSIGNMENT**

16.1 This agreement shall be binding on and enure for the benefit of each party's successors and personal representatives but shall not be assignable except that:

16.1.1 the Purchaser may assign the whole or any part of the benefit of this agreement and the Warranties and the Tax Covenant to any transferee of any shares in the capital of the Company;

16.1.2 the Purchaser may assign its rights under this agreement to any company of which it is a subsidiary or of which it is a holding company; and

16.1.3 the Purchaser may assign the whole or any part of the benefit of this agreement (either entirely or jointly with itself) to any person providing the Purchaser with finance for the Consideration.

16.2 Except as otherwise expressly provided, all rights and benefits under this agreement are personal to the parties and may not be assigned at law or in equity without the prior written consent of the other party.

## **17. ENTIRE AGREEMENT**

17.1 This agreement (including the schedules to it) and any documents in the agreed form and the Disclosure Letter ("**Acquisition Documents**") constitute the entire agreement between the parties with respect to the subject matter of this agreement.

17.2 Except for any misrepresentation or breach of warranty which constitutes fraud:

17.2.1 the Acquisition Documents supersede and extinguish all previous agreements between the parties relating to the subject matter thereof and any

representations and warranties previously given or made other than those contained in the Acquisition Documents;

17.2.2 each party acknowledges to the other (and shall execute the Acquisition Documents in reliance on such acknowledgement) that it has not been induced to enter into any such documents by nor relied on any representation or warranty other than the representations and/or warranties contained in such documents;

17.2.3 each party hereby irrevocably and unconditionally waives any right it may have to claim damages or to rescind this agreement or any of the other Acquisition Documents by reason of any misrepresentation and/or warranty not set forth in any such document.

17.3 Each of the parties acknowledges and agrees for the purposes of the Misrepresentation Act 1967 and the Unfair Contract Terms Act 1977 that the provisions of this clause 17 are reasonable.

## **18. TIME FOR PERFORMANCE**

Time shall not be of the essence of this agreement but following failure by any party to comply with any provision of this agreement time may be made of the essence by any other party giving to the party in default two Business Days' notice to that effect.

## **19. VARIATIONS**

No variation of this agreement or any of the documents in the agreed form shall be valid unless it is in writing and signed by or on behalf of each of the parties to this agreement.

## **20. WAIVER**

No waiver by the Purchaser of any breach or non-fulfilment by the Warrantors of any provisions of this agreement shall be deemed to be a waiver of any subsequent or other breach of that or any other provision and no failure to exercise or delay in exercising any right or remedy under this agreement shall constitute a waiver thereof. No single or partial exercise of any right or remedy under this agreement shall preclude or restrict the further exercise of any such right or remedy. The rights and remedies of the Purchaser provided in this agreement are cumulative and not exclusive of any rights and remedies provided by law.

**21. AGREEMENT CONTINUES IN FORCE**

This agreement shall remain in full force and effect so far as concerns any matter remaining to be performed at Completion even though Completion shall have taken place.

**22. SEVERABILITY**

The invalidity, illegality or unenforceability of any provisions of this agreement shall not affect the continuation in force of the remainder of this agreement.

**23. NOTICES**

Any notice to be given pursuant to the terms of this agreement shall be given in writing to the party due to receive such notice at (in the case of a company) its registered office from time to time or (in the case of an individual) at his address set out in this agreement or such other address as may have been notified to the other parties in accordance with this clause 23. Notice shall be delivered personally or sent by first class prepaid recorded delivery or registered post (airmail if overseas) or by facsimile transmission and shall be deemed to be given in the case of delivery personally on delivery and in the case of posting (in the absence of evidence of earlier receipt) 48 hours after posting (six days if sent by airmail) and in the case of facsimile transmission on completion of the transmission provided that the sender shall have received printed confirmation of transmission.

**24. COUNTERPARTS**

This agreement may be executed in any number of counterparts each of which when executed by one or more of the parties hereto shall constitute an original but all of which shall constitute one and the same instrument.

**25. THIRD PARTY RIGHTS**

A person who is not party to this agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement. This clause does not affect any right or remedy of any person which exists or is available otherwise than pursuant to that Act.

**26. GOVERNING LAW AND JURISDICTION**

26.1 This agreement shall be governed by and construed in accordance with the laws of England.



- 26.2 The parties 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 and that accordingly, any suit, action or proceedings (together in this clause 26 referred to as "**Proceedings**") arising out of or in connection with this agreement shall be brought in such courts.
- 26.3 The Vendors irrevocably waive any objection which they may have now or hereafter to the laying of the venue of any Proceedings in such court as is referred to in this clause 26 and any claim that any such Proceedings have been brought in an inconvenient forum and further irrevocably agree that a judgment in any Proceedings brought in the English courts shall be conclusive and binding upon the Vendors and may be enforced in the courts of any other jurisdiction.
- 26.4 Nothing contained in this clause 26 shall limit the right of the Purchaser to take Proceedings against the Vendors in any court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings by the Purchaser in any other jurisdiction, whether concurrently or not.
- 26.5 The Vendors expressly and specifically agree and accept the terms of this clause 26 and sign this agreement in recognition of this fact.

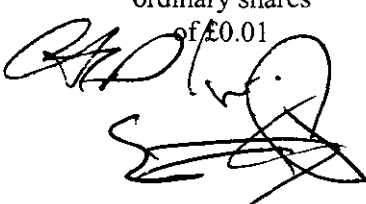

IN WITNESS of which the parties or their duly authorised representatives have executed this agreement as a deed.

The Purchaser agrees that if it receives any offer to <sup>purchase</sup> ~~acquire~~ the Shares or the business of the Company or one Subsidiary from a third party it shall, prior to accepting such offer, allow the Vendors a warrant of attorney to purchase such Shares or the business or one some material part (including price) as offered by such third party.

# SCHEDULE 1

## Part 1

### Details of the Vendors, the Shares and the Consideration

(1)	(2)	(3)	(4)	(5)
Name and address	No. and class of shares	Consideration Shares	Loan Notes	Cash
Thomas Williams 23 Lime Grove Thornton Cleveleys Lancashire FY5 4DE and Mark Feeney 1 Dale Street Liverpool L2 2ET (jointly) as trustees of the Thomas Williams Voluntary Settlement	1 ordinary share of £1.00	234,375 ordinary shares of £0.01 	£250,000	£750,000
Alistair Joseph Parker 175 High Cross Road Poulton-le-Fylde Lancashire FY66 8BX and Mark Feeney 1 Dale Street Liverpool L2 2ET (jointly) as trustees of the Alistair Joseph Parker Voluntary Settlement	1 ordinary share of £1.00	234,375 ordinary shares of £0.01 	£250,000	£750,000

## **Part 2**

### **Details of the Warrantors**

Thomas Williams  
23 Lime Grove  
Thornton Cleveleys  
Lancashire  
FY5 4DE

Alistair Joseph Parker  
175 High Cross Road  
Poulton-le-Fylde  
Lancashire  
FY66 8BX

## SCHEDULE 2

### Part 1

#### The Company

- |    |   |  |
|----|---|--|
| 1. | Registered number:                                      | 1701886  |
| 2. | Date of incorporation:                                  | 23 February 1983   |
| 3. | Place of incorporation:                                 | England and Wales  |
| 4. | Registered office:                                      | Duncan Sheard Glass<br>Castle Chambers<br>43 Castle Street<br>Liverpool<br>L2 9TL  |
| 5. | Principal business:                                     | Diagnostic and analytical laboratory   |
| 6. | Authorised share capital:                               | £10,000  |
|    | Description:  | Ordinary shares of £1.00 each  |
|    | Number of shares:                                       | 10,000   |
| 7. | Issued share capital:                                   | £2   |
|    | Description:  | Ordinary   |
|    | Number of shares:                                       | 2  |
|    | Amount paid up:   | £2   |
| 8. | Directors - full names and usual residential addresses: | Alistair Joseph Parker<br>175 High Cross Road<br>Poulton-le-Fylde<br>Lancashire<br>FY66 8BX<br><br>Thomas Williams<br>23 Lime Grove<br>Thornton Cleveleys<br>Lancashire<br>FY5 4DE |

9. Secretary - full name and usual residential address: Thomas Williams  
23 Lime Grove  
Thornton Cleveleys  
Lancashire  
FY5 4DE
10. Accounting reference date: 31 March
11. Auditors: Duncan Sheard Glass  
Chartered Accountants  
Castle Chambers  
43 Castle Street  
Liverpool L2 9TL
12. Tax residence: United Kingdom
13. Charges: Registered 6 May 1983, created 29 April 1983  
All monies debenture in favour of Barclays Bank Plc
- Registered 24 May 1991, created 16 May 1991  
All monies legal charge secured on land at Aldon Road, Poulton-le-Fylde, Blackpool, Lancashire in favour of Barclays Bank Plc
- Registered 1 September 1999, created 24 August 1999  
All monies debenture in favour of Barclays Bank Plc

**Part 2**

**The Subsidiary**

<b>Name and registered no. and registered office</b>	<b>Date and place of incorporation</b>	<b>Directors</b>	<b>Secretary</b>	<b>Authorised share capital (£ and no.)</b>	<b>Issued share capital (£ and no.)</b>	<b>Percentage owned by the Company</b>	<b>Charges</b>
Cambridge Specialist Laboratory Services Limited (3599495) Duncan Shard Glass Castle Chambers 43 Castle Street Liverpool Merseyside L2 9TL	17 July 1998 England and Wales	Alistair Parker Thomas Williams	Thomas Williams	£10,000 Ordinary Shares of £1.00 each 10,000	£100 100	100%	Registered 21 September 1998, created 11 September 1998. All monies debenture in favour of Barclays Bank Plc

## **SCHEDULE 3**

### **The Warranties**

#### **Part 1**

##### **General**

#### **1. DISCLOSURE OF INFORMATION**

- 1.1 All information which has been given by any of the directors or officers or professional advisers of the Company or the Warrantors to any of the directors or officers or professional advisers of the Purchaser in the course of the negotiations leading to the signing of this agreement was, when given, true, complete and accurate in all respects and there is no fact or matter not disclosed in writing to the Purchaser which renders any such information untrue, inaccurate or misleading.
- 1.2 The copies of the deeds relating to the Trusts attached to the disclosure letter are true, accurate and complete copies and accurately reflect the terms on which the Shares are currently held.
- 1.3 The facts set out in the Disclosure Letter, the recitals and schedules 1 2 and 6 are true, complete and accurate in all respects and not misleading.

#### **2. CAPACITY AND OWNERSHIP OF SHARES**

- 2.1 The Warrantors have full power and authority and have taken all action necessary to execute and deliver and to exercise their rights and perform their obligations under this agreement and each of the documents in the agreed form to be executed on or before Completion which constitute valid and binding obligations on each of the Warrantors in accordance with their terms.
- 2.2 None of the Warrantors nor any person connected with any Warrantors has any 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 the business of the Company.
- 2.3 The Shares constitute the whole of the allotted and issued share capital of the Company and have been properly allotted and issued.

- 2.4 There is no Encumbrance on, over or affecting the Shares or any of them or the shares in the Subsidiary or any unissued shares in the capital of the Company and there is no agreement or commitment to give or create any Encumbrance or negotiations which may lead to such an agreement or commitment and no claim has been made by any person to be entitled to an Encumbrance in relation thereto.
- 2.5 The Vendors are entitled to sell and transfer the full legal and beneficial ownership in the Shares to the Purchaser and such sale will not result in any breach of or default under any agreement or other obligation binding upon the Vendors or any of them or any of their respective property.
- 2.6 Other than this agreement, there is no agreement, arrangement or obligation requiring the creation, allotment, issue, transfer, redemption or repayment of, or the grant to any person of the right (whether conditional or not) to require the allotment, issue, transfer, redemption or repayment of, any shares in the capital of the Company (including, without limitation, an option or right of pre-emption or conversion).
- 2.7 There is no litigation, arbitration, prosecution, administrative or other legal proceedings or dispute in existence or threatened against any of the Warrantors in respect of the Shares or the shares in the Subsidiary or the Warrantors' entitlement to dispose of the Shares or the shares in the Subsidiary and there are no facts known to the Warrantors or any of them which might give rise to any such proceedings or any such dispute.
- 2.8 Neither the Shares nor any of the Company's assets have been the subject of a transaction at an undervalue within the meaning of part IX or part VI of the Insolvency Act 1986.
- 2.9 The Company has not received any notice or any application or notice of any intended application under the provisions of the Companies Acts for the rectification of the register of members of the Company.
- 2.10 The Company has not exercised nor purported to exercise or claim any lien over the Shares and no call on the Shares is outstanding and all the Shares are fully paid up.
- 2.11 The Company has not at any time given any financial assistance in connection with the purchase of shares as would fall within the provisions of sections 151 to 157 of the 1985 Act.



### 3. ACCOUNTS

- 3.1 The Accounts have been prepared in accordance with the requirements of the relevant statutes and on a basis consistent with that adopted in the preparation of the audited accounts of the Company for each of the last three preceding financial years of the Company and in accordance with all financial reporting standards, statements of standard accounting practice and generally accepted accounting principles and practices in the United Kingdom and give a true and fair view of the assets and liabilities and state of affairs of the Company as at the Accounts Date and its profits and losses for the relevant period ended on the Accounts Date.
- 3.2 The Accounts disclose all the assets and either make full provision or reserve for or, as appropriate, disclose all bad and doubtful debts and all accruals and liabilities whether actual, contingent, unquantified or disputed and all capital commitments whether actual or contingent of the Company as at the Accounts Date.
- 3.3 Any slow-moving stock included in the Accounts has been written down appropriately and any damaged, redundant, obsolete or unsaleable stock has been wholly written off and the value attributed to the remaining stock and work in progress does not exceed the lower of cost or net realisable value as at the Accounts Date.
- 3.4 The profits shown by the audited profit and loss accounts of the Company for each of the last three preceding financial years ended on the Accounts Date have not (except as disclosed therein) been affected by any extraordinary or exceptional item or by any other factor rendering such profits for all or any of such periods unusually high or low.
- 3.5 Sufficient provision has been made in a deferred taxation account for any corporation tax on chargeable gains and balancing charges which would arise on a sale of all fixed assets at the values attributed to them in the Accounts and the value of none of the assets is overstated in the Accounts.
- 3.6 No value has been attributed to any type or category of stock which has previously been attributed no value.
- 3.7 No asset (whether fixed intangible investment or current) has been revalued upwards in the Accounts and no intangible asset has been brought into the Accounts.

- 3.8 The Management Accounts have been carefully prepared in good faith on a basis consistent with the Management Accounts of the Company for the preceding 24 months and in accordance with the accounting policies applied to the Accounts and give a true and fair view in all respects of the assets and liabilities, profits and losses of the Company for the period as at and to Completion.

#### 4. POSITION SINCE ACCOUNTS DATE

Since the Accounts Date:

- 4.1 the business of the Company has been carried on in the ordinary and usual course and so as to maintain the same as a going concern;
- 4.2 there has been no deterioration either in turnover or in the financial or trading position or in the prospects of the Company compared with the same periods during each of the two preceding years and the Vendors are not aware of any matter or circumstance which has affected or is likely to affect adversely the volume or level of trading of the Company;
- 4.3 the Company has not acquired or disposed of or agreed to acquire or dispose of any business or any material asset or assumed or acquired any material liability (including a contingent liability) otherwise than in the ordinary course of business;
- 4.4 the Company has paid its creditors in accordance with their respective credit terms and there are no amounts owing by the Company which have been due for more than six weeks;
- 4.5 no debtor has been released by the Company on terms that he pays less than the book value of his debt and no debt owing to the Company has been deferred, subordinated or written off or has proved to any extent irrecoverable and all book debts at the date hereof are good and will be recoverable in full on their respective due dates in the ordinary course;
- 4.6 neither the turnover nor the expenses (direct and indirect) nor the trading position nor the margin of profitability of the Company shows any material deterioration by comparison with the turnover, expenses, trading position and margin of profitability of the Company for the corresponding period in its last completed accounting reference period;

- 4.7 there has not been any material change in the assets or liabilities (including contingent liabilities) of the Company as shown in the Accounts except for changes arising from routine payments and from routine supplies of goods or of services in the normal course of trading;
- 4.8 all payments, receipts and invoices of the Company have been fully and accurately recorded in the books of the Company;
- 4.9 there has not been any capitalisation of reserves of the Company and the Company has not issued or agreed to issue any share or loan capital other than that issued at the Accounts Date and has not granted or agreed to grant any option in respect of any share or loan capital and the Company has not repaid any loan capital in whole or in part nor has it, by reason of any default by it in its obligations, become bound or liable to be called upon to repay prematurely any loan capital or borrowed monies;
- 4.10 there has been no resolution of or agreement by the members of the Company or any class thereof (except as provided in this agreement or with the prior written consent of the Purchaser) and in particular there has been no capital reorganisation or other change in the capital structure of the Company;
- 4.11 the Company has not changed its accounting reference period; and
- 4.12 no supplier to or customer of the Company who accounted for more than five per cent of the Company's annual turnover in the last financial year has ceased to trade with the Company or notified the Company of its intention to do so and the Company's business has not been materially affected by any change in the terms of business with such a supplier or customer and the Company has not been notified of any such proposed change.

## **5. BUSINESS NAME**

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

## **6. LICENCES AND CONSENTS**

- 6.1 The Company has obtained all licences, permissions, authorisations and consents required to own and operate its assets and for the proper carrying on of its business including but not limited to those required under the Radioactive Substances Act 1993 and the Methylated Spirits Regulations 1983 (full details of which are set out in

the Disclosure Letter). All such licences, permissions, authorisations and consents are in full force and effect and have been obtained on a permanent and unconditional basis and the Company is not in breach of any of the terms and conditions attached thereto and there are no circumstances which indicate that any of such licences, permissions, authorisations or consents may be revoked or not renewed in the ordinary course of events nor are there any circumstances which indicate that equivalent licences, permissions, authorisations or consents on no less favourable terms would not be granted to the Company following the acquisition of the Shares by the Purchaser.

- 6.2 The Company holds accreditation confirming compliance with the requirements of the International Standard BS EN ISO/IEC 17025 (full details of which are set out in the Disclosure Letter) and has not received notification of any major or material non-compliances which have not been resolved to the satisfaction of the United Kingdom Accreditation Service as at the date of this agreement.
- 6.3 The Company receives samples as a member of the United Kingdom National External Quality Assessment Schemes ("UKNEQAS") on a monthly basis and returns the results to an external quality assessment centre and has not received any indication from the UKNEQAS of concerns regarding the Company's competence or performance.

## **7. ASSETS**

- 7.1 All the property and assets which are described and included in the Accounts and/or in the books of account or records of the Company or which are used in connection with the business of the Company or which are in the reputed ownership of the Company or are situated on the Properties are:
  - 7.1.1 legally and beneficially owned by the Company with good and marketable title free from all questions or doubts;
  - 7.1.2 in the possession or under the control of the Company;
  - 7.1.3 free from all Encumbrances and there is not any agreement or commitment to give or create, and no claim has been made by any person entitled to any Encumbrance; and
  - 7.1.4 situated in the United Kingdom.

- 7.2 The Company owns all the assets necessary or desirable for the effective operation of its business.
- 7.3 None of the assets referred to in paragraph 7.1 are the subject of any assignment, royalty, overriding royalty, factoring arrangement, leasing or hiring agreement, hire purchase agreement for payment on deferred terms or any similar agreement or arrangement.
- 7.4 All the plant, machinery, equipment and vehicles owned or used by the Company are in good repair and working order and have been regularly and properly maintained and no substantial repairs are in hand or are necessary and none of the plant, machinery, equipment or vehicles is out of date, dangerous, inefficient, unsuitable or in need of renewal or replacement or fails to comply with all the applicable safety standards.
- 7.5 The plant registers of the Company comprise a complete and accurate record of all the plant, machinery, equipment and vehicles owned or used by the Company and necessary for the continuation of the business of the Company.

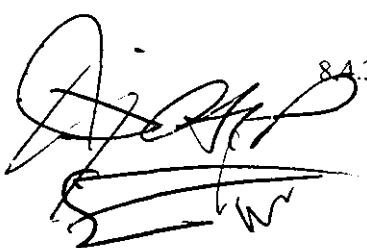
## **8. DEBTS, STOCK AND WORK IN PROGRESS**

- 8.1 All the stock of raw materials, packaging, materials and finished goods is of satisfactory quality and in good repair and condition and is capable of being sold on an arm's-length basis in accordance with the Company's current price list without rebate or allowance and none of such stock is damaged, obsolete, slow moving or unsaleable.
- 8.2 The book debts shown in the Accounts have realised their nominal amount less any reserve for bad or doubtful debts included in the Accounts and none of the book debts incurred since the Accounts Date and which is outstanding at the Completion Date is overdue by more than 12 weeks or is the subject of an arrangement not made in the usual course of the Company's business.
- 8.3 The Company is not owed any sums other than book debts incurred in the ordinary course of business.
- 8.4

8.4.1 The Company has only two bank accounts which are held at Barclays Bank plc Corporate Banking, 4 Water Street, Liverpool being:

- (a) account number 90664502 in the name of the Company; and
- (b) account number 50621021 in the name of the Subsidiary.

8.4.2 Provided the Purchaser shall pay into the Company sufficient funds to enable the Company to pay the dividend referred to in clause 3.2, on Completion both of the bank accounts referred to above in clauses (a) and (b) above shall be in credit.

 8.4.3 The book debts and the credit balances in the bank accounts of the Company and the Subsidiary on the Completion Date shall exceed the monies due to trade creditors of the Company and the Subsidiary, on the basis that all debts of an ongoing nature shall be apportioned up to the Completion Date.

## 9. INSURANCE

9.1 Full details of all insurance policies effected by the Company or by any other person in relation to any of the Company's assets have been disclosed to the Purchaser and all such details are true and correct in all respects and all such insurance policies are currently in full force and effect.

9.2 The Company has not done or omitted to do or suffered anything to be done or not to be done which has or might render any policies of insurance taken out by it or by any other person in relation to any of the Company's assets void or voidable or which would or might result in an increase in the rate of premiums on the said policies and there are no claims outstanding and no circumstances which would or might give rise to any claim under any of such policies of insurance.

9.3 All the assets (including stock-in-trade) of the Company of an insurable nature are and have at all material times been insured in amounts representing their full replacement or reinstatement value (with no provision for deduction or excess) against fire and other risks normally insured against by persons carrying on similar businesses to the business of the Company. The Company is and has at all material times been adequately insured against accident, third party and other risks normally or presently insured against by persons carrying on similar businesses to the business of the Company.

## **10. RECORDS**

All the accounts, books, registers, ledgers and financial and other material records of whatsoever kind of the Company (including all invoices and other records required for VAT purposes) are up to date, in its possession or under its control and have been fully properly and accurately kept and compiled; there are no material inaccuracies or discrepancies of any kind contained or reflected therein and they give and reflect a true and fair view 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, creditors and stock-in-trade and work in progress.

## **11. CONFIDENTIAL INFORMATION**

- 11.1 The Company does not use any processes and is not engaged in any activities which involve the misuse of any confidential information belonging to any third party or alleged misuse.
- 11.2 The Company is not aware of any actual or alleged misuse by any person of any of its Confidential Information.
- 11.3 The Company has not disclosed to any person any of its Confidential Information except where such disclosure was properly made in the normal course of the Company's business and was made subject to an agreement under which the recipient is obliged to maintain the confidentiality of such Confidential Information and is restrained from further disclosing or using it other than for the purposes for which it was disclosed by the Company.
- 11.4 Confidential Information used by the Company is kept strictly confidential and the Company operates and fully complies with procedures which maintain such confidentiality, which confidentiality has not been breached.

## **12. INTELLECTUAL PROPERTY**

The Company owns no Intellectual Property.

## **13. COMPUTER SYSTEMS**

- 13.1 The Company's Computer Systems have the benefit of the maintenance agreements specified in the Disclosure Letter.

- 13.2 The Company is registered under the Data Protection Act 1984 and, to the extent necessary, has notified the Data Protection Commissioner under the Data Protection Act 1998 and, no individual has claimed compensation from the Company under the Data Protection Acts 1984 and 1998.
- 13.3 The Company has not received written notice from the Data Protection Registrar or Commissioner regarding non-compliance or alleged non-compliance by the Company with any provision of the Data Protection Acts 1984 and 1998. There are no facts or circumstances in existence which may cause such a notice to be issued.

#### **14. EMPLOYEES**

- 14.1 None of the officers or employees of the Company has given or received notice terminating his employment or will be entitled to give notice as a result of the provisions of this agreement.
- 14.2 Full particulars of the terms and conditions of employment of all the officers or employees of the Company (including, without limitation, all remuneration, incentives, bonuses, expenses, profit-sharing arrangements and other payments, share option schemes and other benefits whatsoever payable) and, where an employee has been continuously absent from work for more than one month, the reason for the absence are set out in the Disclosure Letter.
- 14.3 There is not in existence any contract of employment with any director or employee of the Company (or any contract for services with any individual) which cannot be terminated by the Company giving three months' notice or less without giving rise to the making of a payment in lieu of notice or a claim for damages or compensation (other than a statutory redundancy payment or statutory compensation for unfair dismissal) or which is in suspension or has been terminated but is capable of being revived or enforced or in respect of which the Company has a continuing obligation.
- 14.4 In relation to each of the present officers or employees of the Company (and so far as relevant to each of its former employees) the Company has:
- 14.4.1 complied with all obligations imposed on it by articles of the Treaty establishing the European Community, European Commission regulations and directives and all statutes, regulations and codes of conduct relevant to



the relations between it and its employees or it and any recognised trade union or appropriate representatives;

14.4.2 maintained adequate and suitable records regarding the service of each of its employees;

14.4.3 complied with all collective agreements and customs and practices for the time being dealing with such relations or the conditions of service of its employees; and

14.4.4 complied with all relevant orders and awards made under any statute affecting the conditions of service of its employees.

14.5 The Company is not involved in any disputes and there are no circumstances which may result in any dispute involving any of the officers or employees or former employees of the Company and none of the provisions of this agreement including the identity of the Purchaser is likely to lead to any such dispute.

14.6 There is not outstanding any agreement or arrangement to which the Company is party for profit sharing or for payment to any of its officers or employees or former employees of bonuses or for incentive payments or other similar matters.

14.7 There is no agreement or arrangement between the Company and any of its employees or officers or former employees or officers with respect to his employment, his ceasing to be employed or his retirement which is not included in the written terms of his employment or previous employment.

14.8 Since the Accounts Date, no change has been made in the terms of employment by the Company (other than those required by law) of any of the officers or employees of the Company and the Company is not obliged to increase and has not made provision to increase the total annual remuneration payable to its officers and employees by more than 3 per cent.

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

14.10 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.

- 14.11 There is no agreement, arrangement, scheme or obligation (whether legal or moral) for the payment of any pensions, allowances, lump sums or other like benefits on redundancy on retirement or on death or during periods of sickness or disablement for the benefit of any of the officers or employees of the Company or former officers or employees or for the benefit of dependants of such persons.
- 14.12 Within the two years preceding Completion, the Company has not been a party to a relevant transfer (as defined in the Transfer of Undertakings (Protection of Employment) Regulations 1981).
- 14.13 No amounts due to or in respect of any of the officers or employees or former employees of the Company (including PAYE and national insurance and pension contributions) are in arrears or unpaid.
- 14.14 No monies or benefits other than in respect of contractual emoluments are payable to any of the officers or employees of the Company and there is not at present a claim, occurrence or state of affairs which may hereafter give rise to a claim against the Company arising out of the employment or termination of employment of any employee or former employee for compensation for loss of office or employment or otherwise and whether under the Employment Rights Act 1996, Race Relations Act 1976, Equal Pay Act 1970, Sex Discrimination Act 1975, Sex Discrimination Act 1986, Disability Discrimination Act 1995, Working Time Regulations 1998, National Minimum Wage Act 1998 and the regulations made under such acts or regulations or any other act or otherwise.

## **15. CONTRACTS**

- 15.1 There is not outstanding in connection with the business of the Company:
- 15.1.1 any agreement or arrangement between the Company and any third party which the signature or performance of this agreement will contravene or under which the third party will acquire a right of termination or any option as a result of the signature or performance of this agreement;
- 15.1.2 any agency, distributorship, marketing, purchasing, manufacturing or licensing agreement or arrangement pursuant to which any part of the business of the Company has been carried on;
- 15.1.3 any agreement or arrangement between the Company and the Subsidiary;

- 15.1.4 any agreement or arrangement entered into by the Company otherwise than by way of bargain at arm's length;
- 15.1.5 any sale or purchase, option or similar agreement, arrangement or obligation affecting any of the assets of the Company or by which the Company is bound;
- 15.1.6 any agreement or contract containing any unusual or onerous terms to be observed or performed by the Company or which the Company cannot comply with on time or without undue or unusual expenditure of money or effort;
- 15.1.7 any agreement or contract which is unusual, unprofitable (that is to say known to have been likely to result in a loss to the Company on completion of performance) or of a long-term nature (that is to say incapable of performance in accordance with its terms within three months after the date on which it was entered into or undertaken); or
- 15.1.8 any agreement or arrangement which involves or may involve obligations which by reason of their material nature or magnitude ought to be made known to the Purchaser.
- 15.2 Neither the Company nor any party with whom the Company has entered into any agreement or contract is in default being a default which would have a material and adverse effect on the financial or trading position or prospects of the Company and there are no circumstances likely to give rise to such a default.
- 15.3 No breach of contract, event or omission has occurred which would entitle any third party to terminate any contract to which the Company is a party or to call in any money before the date on which payment thereof would normally or otherwise be due and the Company has not received notice of intention to terminate any of such agreements or contracts.
- 15.4 The Warrantors have no reason to believe that any customer or supplier of the Company or other person dealing with the Company will refuse to continue to deal with the Company or the Purchaser or will deal with it on a smaller scale than at present as a result of the change of control of the Company to be effected pursuant to this agreement.

- 15.5 The Disclosure Letter contains full details of all agreements, arrangements or contracts (whether oral or in writing) made between the Company and any employee or client or customer of the Company other than in the ordinary course of business.

## **16. TRADING**

- 16.1 There is not outstanding any liability or claim against the Company nor are there any deficiencies or defects or breaches of contract which could result in any claim being made against the Company in relation to services for which the Company has been or is or may be or become liable or responsible in the course of its business and without prejudice to the generality of the foregoing no dispute exists between the Company and any customer, client or supplier thereof nor are there any circumstances which are believed likely to give rise to any such dispute.
- 16.2 The Company has not given any guarantee or warranty or made any representation in respect of services supplied or contracted to be supplied by it save for any guarantee or warranty implied by law and (save as aforesaid) has not accepted any liability or obligation in respect of services that would apply after any such services have been supplied by it.
- 16.3 The Company has not entered into an agreement or arrangement with a customer or supplier on terms materially different to its standard terms of business, a copy of which is annexed to the Disclosure Letter.
- 16.4 The Company is not restricted by contract from carrying on any activity in any part of the world.
- 16.5 Other than in the ordinary course of business, no offer, tender or the like is outstanding which is capable of being converted into an obligation of the Company by an acceptance or other act of some other person.

## **17. JOINT VENTURES ETC**

The Company is not:

- 17.1 a party to any joint venture, consortium, partnership or profit-sharing arrangement or agreement; or

- 17.2 a member of any partnership, trade association, society or other group whether formal or informal and whether or not having a separate legal identity and no such body is relevant to or has any material influence over the business of the Company as now carried on.

## **18. BORROWINGS**

Except as disclosed in the Accounts the Company does not have outstanding:

- 18.1 any borrowing or indebtedness in the nature of borrowing including any bank overdrafts, liabilities under acceptances (otherwise than in respect of normal trade bills) and acceptance credits other than borrowing or indebtedness arising in the ordinary course of business;
- 18.2 any guarantee, indemnity or undertaking (whether or not legally binding) to procure the solvency of any person or any similar obligation; or
- 18.3 any Encumbrance or any obligation (including a conditional obligation) to create an Encumbrance.

## **19. LITIGATION, OFFENCES AND COMPLIANCE WITH STATUTES**

- 19.1 Otherwise than as claimant in the collection of debts arising in the ordinary course of business (none of which exceed £1,000), neither the Company nor any person for whose acts or defaults the Company may be vicariously liable is claimant, defendant or otherwise a party to any litigation, arbitration or administrative proceedings which are in progress or are threatened or pending by or against or concerning the Company or any of its assets; the Company is not being prosecuted for any criminal offence and no governmental or official investigation or inquiry concerning the business or officers of the Company or any of its assets is in progress or pending and there are no circumstances which are likely to give rise to any such proceedings, investigation or inquiry.
- 19.2 Neither the Company nor any of its officers, agents or employees (during the course of their duties in relation to the business of the Company) has committed or omitted to do any act or thing the commission or omission of which is or could be in contravention of any statutory obligation or any other law of the United Kingdom or any other country giving rise to any fine, penalty, default proceedings or other liability in relation to the business or officers of the Company or any of its assets or

any judgment or decision which would materially affect the financial or trading position or prospects of the Company.

- 19.3 The Company has not done or agreed to do anything as a result of which either any investment or other grant paid to the Company is or may be liable to be refunded in whole or in part or any such grant for which application has been made by it will or may not be paid or may be reduced.
- 19.4 There is not outstanding any liability for industrial training levy or for any other statutory or governmental levy or charge.

## **20. ADMINISTRATION**

- 20.1 Every document required by the Companies Acts to be filed with the Registrar of Companies has been duly filed and compliance has been and is being made by the Company with the Companies Acts.
- 20.2 The copy of the memorandum and articles of association of the Company annexed to the Disclosure Letter is accurate and complete in all respects, includes copies of all resolutions and documents required to be incorporated therein and fully sets out all rights attaching to each class of the share capital of the Company and the register of members and other statutory books of the Company have been properly kept and contain a true, accurate and complete record of all the matters which should be dealt with therein and no notice or allegation that any of the same is incorrect or should be rectified has been received.
- 20.3 The Company was incorporated in accordance with its memorandum and articles of association and is validly existing and is entitled to carry on the business now carried on by it.
- 20.4 All legal requirements in connection with the formation and conduct of the Company have been observed.
- 20.5 All special resolutions passed by the Company have been disclosed to the Purchaser in writing.
- 20.6 The Company has not at any time carried on any business other than the business carried on at the date hereof.

- 20.7 The Company has not given any power of attorney or any other authority (express, implied or ostensible) which is still outstanding or effective to any person to enter into any contract or commitment or do anything on its behalf (other than any authority of directors or employees to enter into routine trading contracts in the normal course of their duties).
- 20.8 As regards the Company, no order has been made or petition presented or resolution passed for its winding-up, no distress, execution or other process has been levied on any of its assets, it has not suspended payment and is not insolvent or unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986, no receiver has been appointed or could be appointed by any person of its business or assets or undertaking or any part thereof and there is no unfulfilled or unsatisfied judgment, arbitration award or court order or arbitration order outstanding against it.
- 20.9 From 29 April 1988 to 30 November 2001 inclusive, the Company did not:
- 20.9.1 carry on or purport to carry on investment business (within the meaning of section 1(2) of the Financial Services Act 1986 ("FSA"));
  - 20.9.2 make any statement, promise or forecast, conceal any material facts, do any act or engage in any course of conduct in the relevant circumstances specified in sections 47(1) or 47(2), as the case may be, of the FSA;
  - 20.9.3 issue or cause to be issued any investment advertisement in the United Kingdom in contravention of section 57 of the FSA;
  - 20.9.4 enter into any investment agreement in contravention of section 56 of the FSA; or
  - 20.9.5 otherwise commit any breach or do any act or thing prohibited by the FSA or any rules made pursuant to its provisions.
- 20.10 Since and including 1 December 2001, the Company has not:
- 20.10.1 carried on a regulated activity (within the meaning of section 22 of the FSMA);
  - 20.10.2 made any false claim to be authorised or exempt in the manner specified in section 24 of the FSMA;

20.10.3 made any statement, promise or forecast, concealed any material facts, done any act or engaged in any course of conduct in the relevant circumstances specified in sections 397(1) and 397(2) or section 397(3), as the case may be, of the FSMA;

20.10.4 contravened the financial promotion restriction contained in section 21 of the FSMA;

20.10.5 engaged in market abuse as defined in part VIII of the FSMA or, by taking or refraining from taking any action, required or encouraged another person or persons to engage in behaviour which if engaged in by the Company would amount to market abuse; or

20.10.6 otherwise committed any breach or done any act or thing prohibited by the FSMA or any rules made pursuant to its provisions.



## **Part 2**

### **Properties and environmental matters**

1. The Company is not and has not at any time since the date of incorporation been the original lessee of any land and premises (other than the Properties) or given a guarantee or entered into any direct covenant with either a lessor or assignor or other owner of any land and premises (other than the Properties).
2. The Properties comprise all the land and premises owned occupied or otherwise used by the Company or in which the Company has any estate interest or liability (including for the avoidance of doubt any interest in the nature of an option pre-emption or contractual licence).
3. All title deeds and agreement to which the Company is a party and other documents owned by or which ought to be in the possession of the Company are in the possession of the Company and are properly executed and stamped.
4. The Company has good and marketable title to the Properties free from any encumbrance.
5. The Company is the legal and beneficial owner of the Properties.
6. There is appurtenant to the Properties all rights and easements necessary for their existing and continued use and enjoyment.
7. The particulars of the Properties as shown in Schedule 6 are true complete and accurate in all respects.
8. There is no person in possession or occupation of or who has or claims any right or interest of any kind in the Properties (whether adversely to the interest of the Company or otherwise) and the Company is entitled to and has exclusive vacant possession of the Properties.
9. The Properties are free from any mortgage debenture or charge (whether specific or floating legal or equitable) rent charge lien or other encumbrance securing the repayment of monies or other obligation or liability whether of the Company or any other party.
10. The Properties are not subject to any agreement or right to acquire the same nor any option right of pre-emption or right of first refusal.
11. None of the Properties are affected by or likely to become affected by -

- 11.1 any outstanding dispute or notice of complaint;
  - 11.2 any exception reservation right covenant restriction or condition which is of an unusual or onerous nature or which affects or might in the future affect the use of the Properties for the purpose of which they are now used;
  - 11.3 any notice order or proposal made or issued by or on behalf of any government or statutory authority;
  - 11.4 the carrying out of any work upon any building the modification of any planning permission the discontinuance of any use or the imposition of any building or improvement line;
  - 11.5 any compensation received as a result of any refusal of any application for planning consent of the imposing of any restriction in relation to any planning consent
  - 11.6 the payment of any outgoings other than the normal rates and taxes (and all such outgoings have been paid to date and none are subject to appeal or dispute;
  - 11.7 any commutations of rent or payment of rent in advance of the due date of payments.
12. For the purposes of this and the next following paragraphs "the Planning Acts" means;
- the Town and Country Planning Act 1990;
- the Planning (Listed Buildings and Conservation Areas) Act 1990;
- the Planning (Hazardous Substances) Act 1990;
- the Planning (Consequential Provisions) Act 1990 and;
- the Planning and Compensation Act 1991;
- as the same are from time to time varied or amended and any other statute or subordinate legislation relating to planning matters.
13. The respective existing uses of the Properties are the permitted uses under the Planning Acts and the existing permitted use is not temporary or personal or subject to planning conditions of an onerous or unusual nature.

14. Planning permission has been granted or is deemed to have been granted for the purposes of the Town and Country Planning Acts in respect of all development of the Properties and any subsequent alternation extension or other improvement of the same and no planning permission is of a personal or temporary nature or subject to unusual or onerous conditions.
15. No agreements or undertakings relating to the Properties have been entered into or are contemplated under the provisions.
  - 15.1 Section 104 of the Water Industries Act 1991;
  - 15.2 Sections 38 and 278 of the Highways Act 1980;
  - 15.3 Section 106 of the Town and Country Planning Act 1990 or any similar legislation or earlier legislation of the same nature.
16. All restrictions conditions and covenants (including any imposed by or pursuant to the Town and Country Planning Acts) affecting the Properties have been observed and performed up to date.
17. No planning contravention notices breach of condition notices enforcement notices or stop notices have been issued by any local planning authority in respect of the Properties nor has any other enforcement action (including the exercise of any right of entry) been taken by any such authority and the Company is not aware of any circumstances which may lead to the same.
18. Compliance is being made and has at all times been made with all applicable statutory and byelaw requirements (including the requirement of any competent authority exercising statutory or delegated powers) and in particular (but without limitation) with requirement as to fire precautions and means of escape in case of fire and with requirements under the Public Health Acts the Housing Acts and the Highways Acts the Office Shops and Railway Premises Act 1963 the Health and Safety at Work etc Act 1974 the Factory Acts and (if applicable) the London Building Acts with respect to the Properties and their use.
19. The Properties are insured in their respective full reinstatement value against usual comprehensive risks for property of the nature and location of the Properties and against third party and public liability claims to an adequate extent and all premiums payable which have become due have been duly paid and no circumstances have arisen which would vitiate or permit the insurers to avoid such policies.

20. Any Fire Certificate necessary for the Properties has been obtained and complied with in all respects.
21. The Properties are in good and substantial repair and condition and in particular:
  - 21.1 No flooding subsidence or settlement or structural or other material defect of any kind affects or has affected the Properties;
  - 21.2 No building or other works on or comprising the Properties contain any deleterious substance or substance not in accordance with currently accepted good building practice and there is currently no dispute over the quality of the construction and the materials used.
  - 21.3 No building or other material construction work has been carried out upon the Premises in the last six years.
22. No part of the Properties is near to an existing or closed landfill site.
23. The Company and its officers agents and employees comply and have at all times complied with Environmental Laws and the Company has not received any notice, order, demand or other communication from any relevant authority from which it appears that it may be or is alleged to be in breach of any Environmental Laws or failure to comply with which could constitute a breach of any Environmental Laws or compliance with which could be secured by further proceedings. There are no circumstances which might give rise to such notice, order or other communication being received and the Warrantors are not aware of any intention on the part of any such authority to give such notice.
24. No proceedings or other action, claim or investigation are or have been in existence or pending or threatened against the Company arising from or in relation to the Environmental Authorisations or otherwise concerning Environmental Laws.
25. The Properties are free from any contamination which could give rise (whether on the relevant site or elsewhere) to any actual or potential Environmental Liability or otherwise give rise to any harm to human health or safety, damage to property or pollution of surface or groundwater or soil.
26. There are no circumstances which may require expenditure (whether by the Company or by any other person or authority) in cleaning up or decontaminating or otherwise on the

Properties or in relation to any sites formerly owned or occupied by the Company in order to comply with Environmental Laws or otherwise for the protection of the Environment.

27. The Company has not used, disposed of, generated, stored, transported, dumped, released, deposited or emitted any Hazardous Materials at, on, from or under the Properties or any sites formerly owned or occupied by the Company other than in accordance with Environmental Laws.
28. There are no facts or circumstances which may give rise to any actual or potential Environmental Liability on the part of the Company or otherwise form any claim or action related to the pollution or protection of the Environment.
29. The Company has not received any notice or intimation of any complaint or claim from any person in respect of any matter concerning the Environment.
30. The Company has at all times supplied to the competent authorities such information as is required by Environmental Laws to be supplied; all such information given (whether under a legal obligation or otherwise) was correct at the time the information was supplied and all information contained on public registers relating to such matters is correct.
31. Full details of any remedial work carried out at the Properties or at any sites formerly owned or occupied by the Company and of any environmental assessment, audit, review or investigation conducted by or on behalf of the Company or otherwise in relation to the Properties or any sites formerly owned or occupied by the Company are contained in or annexed to the Disclosure Letter.
32. The Company is not currently and has not in the past, carried on any process or activity which has or might result in a claim under Health and Safety Laws against the Company except those past, present and threatened claims which are fully, fairly and specifically detailed in the Disclosure Letter.
33. All past and current processes and activities carried on by the Company have been carried out in such a manner as to comply with relevant Health and Safety Laws in force at the time and where any such process or activity has been or is currently being carried out in a manner which contravenes the relevant Health and Safety Laws, any liability which may attach itself to the Company in respect of existing or future claims arising as a result of those processes or activities carried on prior to Completion is covered by the existing employer's liability insurance.

34. The Properties are not reclaimed land.
35. The Properties are held under the terms of the Lease briefly referred to in Schedule 6 and no licences or collateral assurances undertakings or concessions have been granted in relation to such Lease.
36. The documents of title to the Lease which are in possession and control of the Company or the Subsidiary include all necessary consents for the grant of the Lease satisfactory evidence of the reversioner's title and any superior title of the current annual rent having been agreed to determined where it is not the same as that originally reserved by the Lease and of the consents of the reversioner and all superiors in title required under the Lease having been obtained.
37. The receipt for the payment of rent which fell due immediately prior to the date hereof is unqualified.
38. No alternations improvements or additions have been made to the Properties since the grant of the Lease or in respect of all such alterations improvements or additions actually made all necessary consents and approvals have first been obtained.
39. There are no notices negotiations or proceedings pending in relation to rent reviews nor is any rent liable at the date hereof to be reviewed.
40. The Company has not received any notice alleging any breach or non observance of any of the covenants or conditions on the part of the Tenant or the conditions contained in the Lease under which the Properties are held.
41. No notice or requests have been served or received under Section 25 or Section 26 of the Landlord and Tenant Act 1954 nor are there any outstanding notices (whether served by or on behalf of the reversioner on by or on behalf of the Company) of any other nature.
42. The Company has not for any reason anticipating the expenditure of any substantial sum of money in respect of the Properties.
43. The Company has not received any adverse surveyors' engineers' or other professional's report in respect of the Properties.

44. The Company has not elected to waive VAT exemption (exercised the option to tax) in respect of the Properties and no part of the Properties are currently standard rated because of the construction of a "new building" or new civil engineering works on the Properties.
45. The Company has obtained all licences permissions and consents which may be required or ought to be obtained to enable it to carry on its business from the Properties.
46. All information relating to the Properties which has been given by the Warrantors, the Company or their professional advisors to the Purchaser or its professional advisors in the course of the negotiations leading to this Agreement is true and accurate in all material respects. After making all proper and reasonable enquiries the Company, and the Warrantors are not aware of any fact matter or thing not disclosed to the Purchaser in writing which either:
- 46.1 renders any such information incomplete untrue incorrect or misleading; or
- 46.2 might reasonably affect the willingness of a purchaser to purchase any of the Properties.

### Part 3

#### Pensions

1. In this section the "**Disclosed Schemes**" means each of the following:
  - 1.1 North Western Laboratories Limited Directors Pension Scheme (SSAS).
  - 1.2 Standard Life Group Personal Pension - North Western Laboratories Limited GPP.
  - 1.3 North Western Laboratories Limited No. 2 Retirement Benefit Scheme.
  - 1.4 Virgin Personal Pension of Dr Geraldine Hale.
2. Save for the Disclosed Schemes, there is not in operation, and no proposal has been announced to enter into or establish, and the Company does not contribute and has not contributed to, any agreement, arrangement, custom or practice (whether legally enforceable or not, whether or not Approved and whether or not funded for in advance) for the payment of any pensions, allowances, lump sums or other benefits on retirement, death, termination of employment (whether voluntary or not) or during period of sickness or disablement, for or in respect of any Employees.
3. Relevant details of each Disclosed Scheme are set out in or annexed to the Disclosure Letter including (without prejudice to the generality of the foregoing):
  - 3.1 true and complete copies of all deeds, rules, policies and agreements governing or relating to the Disclosed Scheme;
  - 3.2 true and complete copies of all and any announcements, booklets, and other explanatory literature issued to any Employees;
  - 3.3 a true and complete copy of the audited accounts of the Disclosed Scheme for the last scheme year;
  - 3.4 full particulars of the assets of the Disclosed Scheme, including particulars of any employer - related investments within the meaning of Section 40(2) of the 1995 Act;
  - 3.5 a list of the Employees who are members of the Disclosed Scheme, with all particulars of them relevant to their membership of the Disclosed Scheme and necessary to



calculate the contributions payable to the Disclosed Scheme, with all relevant particulars in relation to them;

3.6 true and complete copies of all policies effected with and agreements with any insurance company for the purposes of the Disclosed Scheme; and

3.7 true and complete copies of any agreement with any person providing services of any nature in connection with a Disclosed Scheme, including (without limitation) investment management or advisory services, administration and data processing services;

4. Each of the Disclosed Schemes provides money purchase benefits only within the meaning of Section 181 of the 1993 Act and there are no target or other defined benefits which form the basis for the setting of the rate at which the Company is obliged to contribute to the Disclosed Scheme.

5. All contributions and other amounts which are payable to any Disclosed Scheme and which have fallen due for payment have been made.

6. Each Disclosed Scheme is Approved and there are no circumstances which might give the Board of Inland Revenue reason to withdraw Approval

7. Each Disclosed Scheme complies with and has been administered in accordance with all applicable laws, including, without limitation, all relevant statutes and subordinate legislation of the Parliament of the United Kingdom including the requirements of the Pension Act 1995 (where relevant), the requirements of Section 111A of the Pension Schemes Act 1993 and all relevant provisions of the law of the European Communities (including, without prejudice to the generality of the foregoing, Articles 141 of the Treaty of Amsterdam) and including the requirements of trust law, and, subject to all applicable laws, in accordance with the trusts, powers and provisions of the Disclosed Scheme.

8. There are and will at the Completion Date be no circumstances which might give rise to any liability (then or at any future date) on the Company under Section 75 of the 1995 Act.

9. No actions, suits or claims (including any complaint under any internal dispute resolution procedure or to the Occupational Pensions Advisory Service Limited or to the Pensions Ombudsman and any report to the Occupational Pensions Regulatory Authority) are outstanding, pending or threatened in relation to any Disclosed Scheme and there are no circumstances which might give rise to any such action, suit or claim.

10. All benefits payable on death whilst in service of any Employee or during periods of sickness or disability of any Employee are fully insured under a policy effected with an insurance company within the meaning of Section 659B of the Taxes Act of good repute and each Employee is and has been covered for such insurance by such insurance company at its normal rates and on its normal terms for persons in good health and all insurance premiums payable have been paid.
11. No steps have been taken to terminate or wind up any of the Disclosed Scheme or to terminate the Company's liability to contribute to any of them.
12. No assurance, promise or guarantee (whether oral or written) has been made or given to any Employee who is a member of any Disclosed Scheme which is a defined contribution scheme or a personal pension scheme of a particular level or amount of benefits to be provided for or in respect of him under the Disclosed Scheme on retirement, death or leaving service and the Company may terminate any obligation it may have to contribute to any Disclosed Scheme without incurring any liability to any Employee who is a member of the Disclosed Scheme and without being required to give any period of notice to any other person or obtain the consent of any other person.

## SCHEDULE 4

### Taxation

#### Part 1

##### Definitions and interpretation

1. In this schedule 4 the following words and expressions shall (except where the context otherwise requires) have the following meanings:

**"Accounts Relief"** means any of:

- (a) a Relief which has been treated as an asset in the Accounts; or
- (b) a Relief which has been taken into account in computing a provision for deferred tax which appears in the Accounts or has resulted in no provision for deferred tax being made in the Accounts;

**"ACT"** has the meaning given in section 14(1) of the Taxes Act;

**"Actual Tax Liability"** means any liability of the Company to make a payment of or increased payment of or in respect of Tax (whether or not discharged prior to Completion);

**"CAA"** means the Capital Allowances Act 2001;

**"Claim for Tax"** includes any claim, notice, demand, assessment, letter or other document issued or any action taken by or on behalf of any Tax Authority whether before or after the date of this agreement from which it appears that the Company has or may have a Tax Liability or any circumstances which indicate that stamp duty (and interest and penalties in respect of any such stamp duty) to which paragraph 1.1.4 of the Tax Covenant may apply is or may become payable;

**"Effective Tax Liability"** shall have the meaning given in part 1 paragraph 3;

**"Event"** includes any act, omission, event or transaction and without limitation, the receipt or accrual of any income, profits or gains, the declaration, making or payment of any distribution, membership of or ceasing to be a member of any group or partnership or any

other association, death, any residence or change in the residence of any person for Tax purposes, the expiry of any period of time;

**"FA" followed by a year** means the Finance Act of that year or where there was more than one, **"FA" followed by a number in brackets and a year** shall be construed accordingly;

**"group relief"** means amounts eligible for relief under sections 240 and 402 of the Taxes Act and section 102 FA 1989;

**"loan relationship"** shall have the same meaning as in section 81(1) of the FA 1996;

**"non-availability"** means loss, reduction, modification, cancellation, non-availability or non-availability ab initio;

**"PAYE"** means the mechanism prescribed by Tax Statutes for the collection of tax, sums to which sections 203 to 203L of the Taxes Act and regulations made under such sections apply and Class 1 and Class 1A contributions referred to in section 1(2) of the Social Security Contributions and Benefits Act 1992;

**"Post Completion Relief"** means a Relief to the extent that it arises either:

- (a) after Completion; or
- (b) between the Accounts Date and Completion by reference to the ordinary course of business;

**"Purchaser's Group"** means the Purchasers and any companies within the same group or association of companies as the Purchaser for the purposes of the relevant Tax Statute;

**"Relevant Person"** means the Warrantors and any person (other than the Company) which is or has been connected with the Warrantors;

**"Relief"** includes any loss, relief, allowance, credit, deduction, exemption, set-off or right to repayment of Tax including, without limitation, any deduction in computing income profits or gains for the purposes of any Tax;

**"Taxation" or "Tax"** means any form of taxation, duty, impost, levy, tariff of any nature whatsoever, whether of the United Kingdom or elsewhere, whether or not any such taxation, duty, impost, levy or tariff arises in respect of actual, deemed, gross or net income, profits, gains, value, receipt, payment, sale, use, occupation, franchise, value added property or right

and includes, without limitation, any withholding amount subject to PAYE or other amount of or in respect of any of the foregoing payable by virtue of any Tax Statute and any penalty, charge, surcharge, fine or interest payable in connection with any such taxation, duty, impost, levy or tariff;

**"Tax Authority"** means the Commissioners of Inland Revenue, the Commissioners of Customs and Excise, or any authority or body, whether of the United Kingdom or elsewhere and whether national or otherwise having the power or authority or other function in relation to Tax;

**"Tax Claim"** means a claim under any Tax Warranty or the Tax Covenant;

**"Tax Covenant"** means any covenant set out in this schedule 4 part 3;

**"Tax Liability"** means any Actual Tax Liability, Effective Tax Liability or other liability of the Company which is relevant for the purposes of this schedule 4 part 3;

**"Tax Statute"** means any primary or secondary statute, instrument, enactment, order, law, by-law or regulation making any provision for or in relation to Tax;

**"Taxes Act"** means the Income and Corporation Taxes Act 1988;

**"Tax Warranty"** means any warranty set out in this schedule 4 part 2;

**"TCGA"** means the Taxation of Chargeable Gains Act 1992;

**"TMA"** means the Taxes Management Act 1970;

**"VATA"** means the Value Added Tax Act 1994;

**"VAT Regs"** means the Value Added Tax Regulations 1995 (SI 1995/2518);

2. In this schedule 4 **"Company"** shall in addition to the Company include every Subsidiary to the intent and effect that the provisions of this schedule shall apply to and be given in respect of each Subsidiary as well as the Company.
3. In this schedule **"Effective Tax Liability"** shall mean the following:
  - 3.1. The non-availability in whole or in part of any Accounts Relief;

- 3.2. The utilisation or set-off of any Post Completion Relief or any Accounts Relief against any Tax or against income, profit or gains in circumstances where but for such utilisation or set-off an Actual Tax Liability would have arisen in respect of which the Warrantors would have been liable to the Purchaser under this schedule 4.
4. The value of an Effective Tax Liability shall be as follows:
- 4.1. Where the Effective Tax Liability involves the non-availability of any Accounts Relief:
- 4.1.1 if the Accounts Relief was not or is not a right to repayment of Tax, the amount of Tax which would have been saved but for the non-availability of the Accounts Relief on the assumption that the Company would have been able to fully utilise that Accounts Relief in the accounting period during which Completion falls; or
- 4.1.2 if the Accounts Relief was or is a right to repayment of Tax, the amount of the right which is not available.
- 4.2. Where the Effective Tax Liability involves the utilisation or set-off of a Post Completion Relief or an Accounts Relief, the value of the Effective Tax Liability shall be the amount of Tax saved by such utilisation or set-off.
5. The rule known as the ejusdem generis rule shall not apply and accordingly:
- 5.1. general words introduced by the word "other" shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things;
- 5.2. general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words; and
- 5.3. words and phrases which are defined or referred to in or for the purposes of the Taxes Acts have the same meanings in this schedule 4 (unless otherwise expressly defined in this schedule 4).
6. Any reference to an Event or the consequences of an Event occurring on or before Completion shall include the combined effect of:

- 6.1. any two or more Events all of which shall have taken place or be deemed (for the purposes of Tax) to have taken place before Completion; or
  - 6.2. any two or more Events at least one of which shall have taken place or be deemed for the purposes of any Tax to have occurred before Completion where the Event or one of the Events occurring before Completion occurred outside of the ordinary course of business.
7. Any reference to a Tax Liability in respect of income, profits or gains earned, accrued or received shall include a Tax Liability in respect of income, profits or gains deemed to have been or treated or regarded as earned, accrued or received and any reference to Tax Liability on the happening of any Event shall include Tax Liability where such Event (for the purposes of the Tax Statute in question) is deemed to have occurred or is treated or regarded as having occurred.

## **Part 2**

### **Tax Warranties**

#### **Tax returns and compliance**

1. The Company has at all times submitted to all relevant Tax Authorities by the requisite dates every computation, return and all information for the purpose of Tax however required and each such computation, return and information was and remains true, complete and accurate and leaves no material matter unresolved regarding the Tax affairs of the Company and is not likely to be the subject of any dispute with any Tax Authority.
2. The Company has discharged every Tax Liability, whether or not a primary liability of the Company, due from the Company directly or indirectly in connection with any Event occurring on or before Completion and there is no Tax Liability or potential Tax Liability in respect of which the date for payment has been postponed by agreement with the relevant Tax Authority or by virtue of any right under any Tax Statute or the practice of any Tax Authority.
3. The Company has properly made all deductions, withholdings and retentions required to be made in respect of any actual or deemed payment made or benefit provided on or before Completion and has accounted for all such deductions, withholdings and retentions to each relevant Tax Authority and complied with all its obligations under Tax Statutes in connection with the same and, without prejudice to the generality of the foregoing, the Company has properly operated PAYE, the Construction Industry Scheme under chapter IV part XIII Taxes Act and all relevant regulations applicable to such scheme.
4. Neither the Company nor any director or officer of the Company (in his capacity as such) has or will at Completion have any liability or potential liability for any interest, fine, penalty or surcharge in connection with Tax.
5. The Company does not and is not likely to have any liability under or by virtue of section 29 or section 36 of the TMA.
6. No Relief claimed prior to Completion is likely to be disallowed, lost, reduced or modified or be the subject of any dispute with any Tax Authority.
7. Every claim, election and disclaimer which has been taken into account for the purposes of the Accounts has been duly submitted by the Company within the requisite periods and either



has been accepted as valid or its validity has not been and is not likely to be questioned or challenged by the relevant Tax Authority.

8. The Company has maintained and has in its possession and under its control all records and documentation that it is required by any Tax Statute to maintain and preserve and the Company has complete and accurate records and/or information to calculate its future Tax Liability or relief from Tax including, without limitation, arising upon the disposal of any asset owned by the Company at the date of this agreement or which has been disposed of since the Accounts Date.
9. The Disclosure Letter contains full details of every subsisting formal or informal arrangement or agreement entered into by the Company with any Tax Authority with regard to any of its Tax affairs.
10. The Company has not been and is not likely to be subject to any investigation or non-routine audit or visit by any Tax Authority.

#### **Instalment payments**

11. The Disclosure Letter correctly identifies whether or not the Company is a "large company" within the meaning of regulation 3 of the Corporation Tax (Instalment Payments) Regulations 1998.
12. The Disclosure Letter contains details of all instalment payments which have been made or which are required to be made by the Company under the Corporation Tax (Instalment Payments) Regulations 1998 since the Accounts Date, and of all repayments claimed by the Company under those regulations since the Accounts Date. All such payments or repayments have been duly made or received, and the computations of each such payment or claim for repayment took full and proper account of all relevant estimates and other information available to the Company at the time when any such payment was required to be made or (as the case may be) at the time when any such claim for repayment was submitted to the Inland Revenue.
13. The Company has sufficient books, documents, records and other information to enable it promptly to comply in full with any notice served on it under regulation 10 or 11 of the Corporation Tax (Instalment Payments) Regulations 1998 in respect of any accounting period commencing before Completion.

14. No action has been taken by the Company before Completion such that the provisions of regulation 14 of the Corporation Tax (Instalment Payments) Regulations 1998 could have effect in respect of the Company at any time.

#### **General provisions for tax**

15. To the extent required by generally accepted accounting principles, provision or reserve was made in the Accounts in respect of every Tax Liability for which the Company at the Accounts Date was or may have been liable or accountable whether or not such Tax Liability was or is a primary liability of the Company and whether or not the Company had has or may have any right of reimbursement against any other person.

#### **Computation of profits and losses**

16. Since the Accounts Date:
- 16.1. no expense has been incurred which is not deductible by the Company in computing its taxable profits for corporation tax purposes for its accounting period current at the date of this agreement other than expenses of entertainment not exceeding £5,000; and
  - 16.2. no dividend has been declared or paid and no distribution or deemed distribution for Tax purposes has been made or declared or agreed to be made by the Company other than the dividend referred to in clause 3.2 of this agreement.

#### **Distributions**

17. The Company has not:
- 17.1. been concerned with or in any distribution for the purposes of sections 213 to 218 of the Taxes Act (demergers);
  - 17.2. at any time repaid or redeemed or agreed to repay or redeem any shares of any class of its share capital or otherwise reduced or agreed to reduce its share capital or any class thereof or issued any share capital as paid up otherwise than by the receipt of new consideration (as defined in section 254(1) and (5) of the Taxes Act);
  - 17.3. issued any security now outstanding in such circumstances or which is of such a character that the interest payable in respect thereof falls to be treated as a

distribution under section 209 of the Taxes Act (matters to be treated as distributions).

### **Chargeable gains**

18. No chargeable profit or gain would arise in respect of any asset of the Company:

18.1. treated as such in the Accounts if that asset were to be disposed of for consideration equal to the value attributed thereto in the Accounts;

18.2. acquired after the Accounts Date if that asset were to be disposed for consideration equal to the consideration given for its acquisition;

in each case disregarding any statutory right to claim any allowance or relief other than amounts deductible under section 38 of the TCGA.

19. The Company has not at any time:

19.1. made a claim under any of sections 152 to 157 of the TCGA (replacement of business assets), section 279 of the TCGA (relief in respect of delayed remittances or gains), section 23 of the TCGA (compensation and insurance money), section 24 of the TCGA (negligible value) or section 280 of the TCGA (consideration payable by instalments);

19.2. been party to any Event falling within the terms of sections 135, 136 or 139 of the TCGA (company reconstructions and amalgamations);

19.3. been party to any Event falling within sections 29, 30, 31, 32, 33, 34 (value shifting) or 17 (disposals and acquisitions treated as made at market value) of the TCGA;

19.4. exercised an option under section 280 of the TCGA (consideration payable by instalments) in connection with any disposal;

19.5. received or become entitled to receive any capital distribution for the purposes of section 122 of the TCGA (distribution which is not a new holding within a reorganisation);

19.6. received any asset by way of gift;

- 19.7. made any claim and nor has any claim been made or is entitled to be made by any person in respect of any asset which will or may result in a Tax Liability by virtue of section 154 of the TCGA (new assets which are depreciating assets); or
- 19.8. made a universal capital gains rebasing election under paragraph 8(2) of schedule 3 of the TCGA 1992 which may affect any disposal by the Company.
- 20. The Company does not own any asset in respect of which schedule 7A of the TCGA (restriction on set-off of pre-entry losses) or schedule 2 of the TCGA (assets held on 6 April 1965) has or may have effect.
- 21. All material information relating to any Event falling within the terms of sections 135, 136 or 139 of the TCGA (company reconstructions and amalgamations) to which the Company is or was a party including copies of any prior clearance received from the Inland Revenue have been disclosed in writing to the Purchaser and each such Event was carried out strictly in accordance with the terms described in any application for the said clearance.

#### **Capital allowances**

- 22. If all the assets in respect of which allowances have been claimed under parts 2 (Plant and Machinery Allowances) and 3 (Industrial Buildings Allowances) of the CAA and owned by the Company at the Accounts Date were to be sold by the Company for an amount equal to the value attributed to such assets in the Accounts then (ignoring any reliefs or allowances available to the Company) no balancing charge would be made on the Company.
- 23. The Disclosure Letter contains full details of:
  - 23.1. all expenditure incurred since the Accounts Date in respect of which allowances can be claimed under parts 2 and 3 of the CAA;
  - 23.2. all capital allowances to which the Company is entitled under chapter 14 of part 2 of the CAA (Fixtures);
  - 23.3. any expenditure incurred on motor cars and expensive motor cars.
- 24. The Company has not:
  - 24.1. incurred any capital expenditure on the provision of machinery or plant for leasing;
  - 24.2. made any election under section 183 of the CAA;

- 24.3. made and is not likely to be taken to have made an election under section 85 of the CAA; or
- 24.4. made or agreed to make any election under section 198 of the CAA.
25. The Company does not own any asset which is, or is capable of being, a long-life asset as defined in section 91 of the CAA.

#### **Close companies**

26. The Company is a close company as defined in section 414 of the Taxes Act but has never been a close investment holding company as defined in section 13A of the Taxes Act or had any interest in possession in settled property.
27. No loan or advance has been made or waived or debt incurred or assigned whether by or to the Company or any other person as a result of which section 419 of the Taxes Act has applied, applies or may apply to the Company and there is no agreement or arrangement for such loan advance or debt to be made, waived, incurred or assigned and no such loan advance or debt will be outstanding at Completion.
28. The Company has never made a distribution or transfer of value or disposition to which sections 418 of the Taxes Act and 94 of the Inheritance Tax Act 1984 applied, applies or may apply and there has been no alteration of the share or loan capital of the Company as a result of which section 98 of the Inheritance Tax Act applied, applies or may apply.

#### **Inheritance Tax**

29. Neither the assets nor the shares of the Company are or may be subject to any charge by virtue of section 237 of the Inheritance Tax Act 1984 and no person has or may have the power under section 212 of the Inheritance Tax Act 1984 to raise any capital transfer tax or inheritance tax by sale or mortgage of, or a terminable charge on, any of the Company's assets or shares.

#### **Groups of companies**

30. Save in relation to the other Company falling within the definition of the Company neither Company has never been a member of a group for any tax purposes, been owned by or been a member of a consortium, for the purposes of chapter IV part X of the Taxes Act or been an associated company as defined in section 416 of the Taxes Act.

31. The Company has not:
- 31.1. paid interest without deduction of income tax save under a valid election under section 247 of the Taxes Act;
  - 31.2. acquired any asset from any other company which at any relevant time was a member of the same group of companies (as defined in section 170 of the TCGA) as the Company or was an associated company (as defined in section 774(4) of the Taxes Act);
  - 31.3. made any intra-group transfers of assets in circumstances such that the Company could be regarded as realising a chargeable gain on the appropriation of the asset to or from trading stock under section 173 of the TCGA;
  - 31.4. incurred any liability or contingent liability under section 176 (depreciatory transactions within a group), section 190 (tax on one member of group recoverable from another member or from a controlling director) of the TCGA; or
  - 31.5. entered into or become subject to any arrangement under section 36 of the FA 1998 for the payment of corporation tax.
32. In respect of every:
- 32.1. surrender or claim for group or consortium relief pursuant to sections 402 to 413 of the Taxes Act;
  - 32.2. surrender or claim for surrender of any amount of surplus ACT pursuant to section 240 of the Taxes Act; or
  - 32.3. payment or refund for any group or consortium relief or surplus ACT;

made or received or agreed to be made or received by the Company in the six years ending on Completion, no payment remains due or outstanding, and relevant claims, elections and surrenders will be allowed in full, and no further action is required of the Company.

#### **ACT and losses**

33. The Company does not have any unrelieved surplus ACT.

34. No Event has or series of Events have occurred which will or may cause the disallowance of any carry forward or carry back of losses, excess charges, non-trading deficits arising from loan relationships (including such part of any deficit attributable to non-trading foreign exchange gains and losses and non-trading profits and losses on interest rate and currency contracts) which would otherwise have been available to the Company under respectively sections 393 or 393A of the Taxes Act and schedule 8 FA 1996.

**Loan relationships, foreign exchange and interest rate and currency contracts**

35. Each amount in relation to which the Company is a debtor or creditor and reflected in the Accounts or existing on the date of this agreement constitutes a loan relationship of the Company and no such loan relationship is one to which sections 93 (Relationships linked to chargeable assets), 94 (Indexed Gilts), 95 (Gilt Strips) or 96 (Other Gilts) of the FA 1996 apply or may apply, which has an unallowable purpose as defined in paragraph 13 of schedule 9 FA 1996 and there is no creditor relationship of the Company which represents an asset to which section 92 (Convertible Securities) applies or may apply.
36. No Tax Liability or non-trading deficit would arise from any loan relationship of the Company as a result of any debt under such loan relationship being settled in full or in part at Completion.
37. In relation to each of its loan relationships, the Company operates and has in each accounting period of the Company ending after 31 March 1996, operated an accruals basis of accounting authorised under section 85 of the FA 1996.
38. No interest or other amount treated as a debit by the Company (including imputed interest under section 770A of and Schedule 28AA to the Taxes Act) in relation to any loan relationship remains unpaid and each such debit can be deducted in computing the taxable profits of the Company.
39. No security created by the Company or in which the Company has any interest whatsoever constitutes a relevant discounted security as defined in paragraph 3 of schedule 13 of the FA 1996.
40. The Company:
- 40.1. does not hold any qualifying asset and nor is it a party to any currency contract for the purposes of chapter II of part II of the FA 1993 (Exchange Gains and Losses);

40.2. is not a party to a qualifying contract for the purposes of chapter II of part IV of the FA 1994 (Interest Rate and Currency Contracts and Options),

and it is not liable to any Tax in respect of such asset or contract or entitled to any non-trading loss arising in respect of such asset or contract.

#### **Tax avoidance**

41. The Company has never:

41.1. entered into, been party to or otherwise been concerned with any Event as a result of which any provision of part XVII of the Taxes Act applied, applies or may apply;

41.2. been party to or concerned with any scheme or arrangement of which the main purpose or one of the main purposes was the avoidance of or a reduction in liability to Tax.

#### **Stamp duty and SDRT**

42. Each document in the possession or under the control of the Company or to the production of which the Company is entitled and on which the Company relies or may rely for any purpose whatsoever and which, in the United Kingdom or elsewhere, requires any stamp or mark has been properly stamped or marked, as appropriate, and no such document which is outside the United Kingdom would attract stamp duty if it were to be brought into the United Kingdom.

43. The Company has complied in all respects with the provisions of part IV of the FA 1986 (Stamp Duty Reserve Tax) and any regulations made under such legislation.

#### **Value added tax**

44. The Company is registered as a taxable person for the purposes of VAT and has never been registered as a member of a group of companies under section 43 of the VATA nor applied to be treated as such a member.

45. The Company:

45.1. has complied in all respects with all Tax Statutes relevant to VAT and guidance published by all relevant Tax Authorities in any form whatsoever and has made and obtained full, complete, correct and up-to-date records and invoices and other



documents appropriate or requisite for the purposes of such Tax Statutes and guidance;

- 45.2. is not in arrears with any payment and has not failed to submit any return (fully and properly completed) or information required in respect of VAT and is not liable or likely to become liable to any abnormal or non-routine payment or default surcharge or any forfeiture or penalty or subject to the operation of any penal provision;
  - 45.3. has not been and is not likely to be required by the Commissioners of Customs and Excise to give security under paragraph 4 of schedule 11 to the VATA;
  - 45.4. is not at the date of this agreement liable under parts XVIII or XIX of the VAT Regs to repay any VAT refunded to it;
  - 45.5. is not operating any special arrangement or scheme relating to VAT and is not and has not agreed to be an agent for any other person in relation to any supply;
  - 45.6. does not own any asset and has not incurred any expense in respect of which part XV of the VAT Regs (Capital Goods Scheme) applies;
  - 45.7. is not aware of anything which indicates that any grant to the Company of any interest in or right over land or of any licence to occupy land will not be an exempt supply for VAT purposes.
46. The Disclosure Letter contains full particulars of any election to waive the exemption made or agreed to be made under schedule 10 to the VATA by (i) the Company or (ii) any person who, in relation to the Company, is a relevant associate as defined in paragraph 3(7) of that schedule in respect of any property in which the Company has an interest and no Event has occurred as a result of which any such election is and may cease to be valid and effective.

#### **Overseas dealings**

47. The Company has always exclusively been resident in the UK for tax purposes and no circumstance or arrangement exists which would or may cause the Company to cease to be resident in the UK for Tax purposes.
48. The Company:

- 48.1. has never carried on and does not carry on any trade, business or other activity (including, without limitation, the ownership or entitlement to any asset or interest in any asset or the deriving of any income, profits or gains) outside the UK;
- 48.2. does not have and has not at any time had any branch agency or establishment outside the UK or any interest in any non-resident body corporate or entity.

### **Intellectual property**

49. The Company has not sold or agreed to sell any patent rights for a capital sum (which would be chargeable as income) pursuant to section 524 of the Taxes Act.
50. Since the Accounts Date, the Company has not acquired or disposed of or agreed to acquire or dispose of know-how (whether or not together with a trade or part of trade) in connection with which section 531(1), (2), (4) or (8) of the Taxes Act apply or may apply.

### **Miscellaneous**

51. No Event has or will have been carried out prior to Completion in consequence of which the Company is or may be held liable for any Tax primarily chargeable against or attributable to any person other than the Company.
52. The Company has never granted any right over or in respect of any shares of the Company or any other shares or been party to any arrangement whatsoever in connection with the grant of any such right to, or in relation to, any employee or officer or former employee or officer of the Company or any other company or to, or in relation to, any person connected or related to any such employee or officer of the Company.
53. The Company has not during the period beginning six years before the date of this agreement discontinued a trade in circumstances such that its closing trading stock and work in progress falls to be valued at open market value as provided for in section 100(1)(b) or 101(1)(b) of the Taxes Act.

### **Part 3**

#### **Tax Covenant**

##### **1. Covenant**

1.1 The Warrantors jointly and severally covenant to pay to the Purchaser an amount, whether or not that amount is a liability of or recoverable from another person, equal to:

1.1.1 any Actual Tax Liability (whether or not discharged prior to or on Completion) which arises directly, indirectly, before or after or on Completion by reference to an Event occurring or income, profits or gains earned, accrued or received on or before Completion;

1.1.2 the value of any Effective Tax Liability;

1.1.3 any Actual Tax Liability arising under or by reference to section 767A or 767AA of the Taxes Act, section 179 or 190 of the TCGA or section 132 of the Finance Act 1988 in circumstances where such Tax Liability arises by reference to an Event occurring prior to Completion or by reference to the non-payment of Tax by any Relevant Person;

1.1.4 any stamp duty (together with any interest and penalties) (such sum being recoverable from the Warrantors as a liquidated sum payable as a debt) in respect of which there is a breach of any of the warranties relating to stamp duty given under part 2 of this schedule 4;

1.1.5 any liability for Inheritance Tax which:

1.1.5.1 has, at Completion, given rise to a charge on any of the shares or assets of the Company or given rise to a power to sell, mortgage or charge any of the shares or assets of the Company;

1.1.5.2 after Completion, gives rise to a charge on any of the shares or assets of the Company or gives rise to a power to sell, mortgage or charge any of the shares or assets of the Company and which arises as a result of a transfer of value occurring or being deemed to occur on or before Completion (whether or not in conjunction with the death of

any person whenever occurring) provided that any right to pay tax by instalments shall be disregarded and the provisions of section 213 of the Inheritance Tax Act 1984 shall not apply to any payment falling to be made under this schedule;

1.1.6 the reasonable costs and expenses of the Purchaser or the Company in connection with a claim under this schedule or any Tax Liability.

1.2 In the event that there is any dispute over the amount payable under any provision of paragraph 1.1 of this schedule 4 part 3 either party shall be entitled to request the auditors for the time being of the Company acting as experts and not as arbitrators to determine the amount payable and such determination shall, except in the case of manifest error, be final and binding. The costs of any such determination shall be decided by the auditors.

## **2. Deductions from payments**

2.1 All sums payable by the Warrantors under any Tax Claim shall be paid gross, free and clear of any rights of counterclaim or set-off and without any deduction or withholding unless the deduction or withholding is required by law, in which event the Warrantors shall pay such additional amount as shall be required to ensure that the net amount received and retained (free of any liability) by the Purchaser will equal the full amount which would have been received by it had no such deduction or withholding been required provided that this paragraph 2.1 shall not apply to any interest payable under paragraph 5.5 of this schedule 4 part 4.

2.2 If any amount payable under a Tax Claim is subject to Tax the amount so payable shall be grossed up by such amount as will ensure that, after deduction of the Tax in question, there shall be left an amount equal to the amount that would otherwise be payable under the Tax Claim.

## **3. Choice of tax claim**

The Purchaser shall in its absolute discretion decide whether to make a claim under the Tax Covenant, the Tax Warranties or both.

## **Part 4**

### **Limitations and Procedure**

#### **1. Limitations**

The Vendors shall not be liable under any Tax Warranty or any claim under paragraphs 1.1.1 to 1.1.3 of the Tax Covenant in respect of any Tax Liability to the extent that:

- 1.1 provision, reserve or allowance has been made in the Accounts in respect of such liability or to the extent that the payment or discharge of such liability has been taken into account in the Accounts;
- 1.2 the Tax Liability arises as a result of transactions in the ordinary course of the Company's business (as carried on at Completion) between the Accounts Date and Completion, it being agreed that none of the following Events shall be treated as having been carried out in the ordinary course of business of the Company:
  - 1.2.1 the acquisition or disposal of any asset other than trading stock for consideration or deemed consideration exceeding £5,000 or any deemed disposal for Tax purposes;
  - 1.2.2 any acquisition, disposal, supply or deemed acquisition, disposal or supply of any asset, goods, service or right for consideration deemed for Tax purposes to be different from that (if any) actually received or given by the Company;
  - 1.2.3 the making or declaring of any distribution or deemed distribution for Tax purposes or the grant or release of any right in relation to the same;
  - 1.2.4 any Event which results or may result in a Tax Liability primarily attributable to another person or entity;
  - 1.2.5 any failure to deduct, charge, recover or account for Tax (including the under deducted tax), and for the purposes of this schedule 4 any Tax Liability relating to such Tax shall be treated as arising outside the ordinary course of business;
  - 1.2.6 the creation, cancellation, redemption, reorganisation or variation of the share capital of the Company or of any loan relationship;

- 1.2.7 any Event of which the main purpose or one of the main purposes was the avoidance of (including without limitation any reduction in) Tax;
- 1.2.8 any Event to which the following provisions applied, apply or may apply:
  - 1.2.8.1 part XVII of the Taxes Act;
  - 1.2.8.2 sections 29, 36 or part VIII of the TMA;
  - 1.2.8.3 schedule 9A of the VATA;
  - 1.2.8.4 regulation 108 or part XV of the VAT Regs;
- 1.2.9 any Event which gives rise to any interest, fine, penalty, charge or surcharge in connection with Tax;
- 1.3 the provision for Tax made in the Accounts in relation to such liability is only insufficient by reason of any increase in the rates of Tax after the Completion Date with retrospective effect;
- 1.4 such liability arises or is increased as a result of any change in legislation (primary or delegated) or the published practice of a Tax Authority occurring after the Completion Date (but not announced before that date) but this paragraph 1.4 shall not apply to any amount payable under paragraph 3 of this schedule 4 part 3;
- 1.5 such liability arises or is increased as a direct result of any voluntary act, transaction or omission of the Company or the Purchaser after Completion otherwise than in the ordinary course of business of the Company carried on at Completion which the Purchaser or, as appropriate, the Company knew would give rise to or increase in the liability in question.
- 1.6 such liability would not have arisen but for a transaction, action or omission carried out or effected by any of the Purchaser, the Company or the Subsidiary, or any other person connected with any of them, at any time after Completion; or
- 1.7 such liability arises as a result of a voluntary change after Completion in any accounting policy, any tax reporting practice, or the length of any accounting period for tax purposes, of the Company or the Subsidiary; or

1.9. Such liability arises due to the Company or the Subsidiary becoming an associated company (within the meaning of s13 of the Tax Act) of the Purchaser or any of its subsidiaries or associated companies save in circumstances where the warranties are in breach of the Tax warranties.

1.8 such liabilities arises due to the Company or the Subsidiary changing the nature of its trading activities after Completion.

The Vendors shall not be liable in respect of any breach of the Tax Warranties if and to the extent that the loss incurred is or has been included in any claim under the Tax Covenant which has been satisfied in full in cleared funds, nor shall the Vendors be liable in respect of a claim under the Tax Covenant if and to the extent that the amount claimed is or has been included in a claim for breach of the Tax Warranties which has been satisfied in full.

### 3. Duration and extent

Save in relation to any matter involving fraud no claim shall be admissible and the Vendors shall not be liable in respect of any Tax Claim unless details of the Tax Claim have been notified in writing to the Vendors, within seven years of Completion

### 4. Conduct of claims

4.1 If the Purchaser receives instructions or comments under this paragraph 4 from more than one of the Vendors it shall only be obliged to have regard to the first set of comments or instructions received.

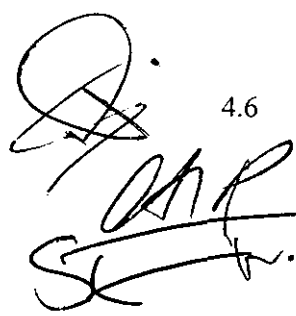
4.2 If the Purchaser or the Company becomes aware of any Claim for Tax which gives or may give rise to a Tax Claim, the Purchasers shall or shall procure that the Company shall, as soon as reasonably practicable (and in any event, in the case of the receipt of a Claim for Tax consisting of any assessment or demand for Tax or for which the time for response or appeal is limited, not less than fourteen clear Business Days prior to the day on which the time for response or appeal expires), give written notice of the Claim for Tax to the Vendors but such notice shall not be a condition precedent to the liability of the Vendors under this schedule 4.

4.3 If the Vendors so request in writing, the Purchaser shall or shall procure that the Company shall supply the Vendors with such available and relevant details documentation correspondence and information and shall (subject to paragraph 4.4) take such action as the Vendors may reasonably request in writing to negotiate, avoid, dispute, resist, compromise, defend or appeal against the Claim for Tax and any adjudication in respect of the Claim for Tax provided that:

- 4.3.1 the Vendors shall not be entitled to require the Company to delegate the conduct of such action to themselves or any agent or professional adviser of the Vendors; and
- 4.3.2 the Vendors shall first indemnify and secure the Company and the Purchaser to the reasonable satisfaction of the Purchaser against all sums for which the Vendors are or may be liable under this schedule 4 and for any reasonable costs, expenses and liabilities (including any additional tax) which may be incurred as a consequence of any action taken in accordance with this paragraph 4.
- 4.4 If the Vendors do not request the Purchaser or the Company to take action pursuant to paragraph 4.3 of this schedule 4 part 4 or fail to indemnify and secure the Purchaser or the Company concerned as provided in that paragraph within fourteen days of the said notice to the Vendors, the Purchaser or the Company shall be free to pay or settle the Claim for Tax on such terms as they may in their absolute discretion think fit.
- 4.5 The Purchaser shall not be obliged to take or procure the taking of the following action pursuant to paragraph 4.3 of this schedule 4 part 4:
  - 4.5.1 agreeing to the settlement or compromise of any Claim for Tax or any proposal for the same which is likely to affect the amount involved or future liability to Tax of the Company, the Purchaser or any member of the Purchaser's Group unless the Vendors indemnify and secure the Purchaser or the Company to the Purchaser's reasonable satisfaction against any such future liability to Tax;
  - 4.5.2 contesting any Claim for Tax before any court or other appellate body (excluding the General Commissioners of Inland Revenue, the Special Commissioners of Inland Revenue or the Value Added Tax Tribunal in the UK and any equivalent of any such body outside the UK) unless at the sole expense of the Vendors, the Vendors obtain the written opinion of Tax counsel (of at least eight years call) after disclosure of all relevant information and documents and having regard to all the circumstances that on the balance of probabilities the action will succeed;
  - 4.5.3 any action whatsoever requested by any agent or representative of the Vendors including, without limitation, any receiver, administrator or trustee



in bankruptcy but not including the personal representatives of a deceased Vendor.

- 
- 4.6 If it is alleged by any Tax Authority in writing that any Vendor (at any time) or the Company (prior to Completion) has committed any act or omission constituting fraudulent ~~or negligent~~ conduct relating to Tax paragraph 4.3 of this schedule 4 part 4 shall not apply and the Vendors shall cease to have any right under that paragraph.

**5. Date for payment**

- 5.1 Where a Tax Claim or any sum to which paragraph 2.2 of this schedule 4 part 3 applies involves the Purchaser or the Company being under a liability to make a payment to any Tax Authority, the Vendors shall pay to the Purchaser in cleared funds the amount claimed on or before the later of the fifth Business Day after demand is made for such payment and the fifth Business Day before the date on which the amount in question is payable to the relevant Tax Authority without any interest, penalty, fine or surcharge arising in respect of it.
- 5.2 Where a Tax Claim is made under the Tax Covenant in respect of the non-availability of a right to repayment of Tax, the Vendors shall pay to the Purchaser in cleared funds the amount in question on the later of the fifth Business Day after demand is made for such amount to be paid and the fifth Business Day after the date on which the Tax in question would have been repaid but for that non-availability.
- 5.3 Where a Tax Claim is made under the Tax Covenant in respect of the utilisation or set-off of a Relief, the Vendors shall pay to the Purchaser in cleared funds the amount in question on the later of the fifth Business Day after the date on which the Tax in question would have arisen but for such utilisation or set-off and the fifth Business Day after demand is made for such amount to be paid.
- 5.4 Where the Vendors are liable to make any payment under any other Tax Claim the date for the payment of which is not determined under paragraphs 5.1 or 5.2 of this schedule 4 part 4, the Vendors shall pay to the Purchaser the amount in question on the fifth Business Day after demand is made for such amount to be paid.
- 5.5 Any sum not paid by the Vendors on a date determined under paragraphs 5.1, 5.2, 5.3 or 5.4 of this schedule 4 part 4 ("**due date**") shall bear interest (which shall accrue

from day to day after as well as before any judgement for the same) at the rate of 2% per annum over the base rate of Barclays Bank Plc or in the absence of the same at such similar rate as the Purchaser shall select from the due date up to and including the day of actual payment of such sum (or the next Business Day if the date of actual payment is not a Business Day) compounded quarterly. Such interest shall be paid on the demand of the Purchaser.

**6. Over-provisions and corresponding benefit**

6.1 If before the sixth anniversary of the date of this agreement:

6.1.1 any provision for Tax (excluding deferred Tax) in the Accounts proves to be an over-provision;

6.1.2 a payment by the Vendors in respect of any Tax Liability under a Tax Claim or the matter giving rise to the Tax Liability in question results in the Company or the Purchaser receiving any Relief (other than an Accounts Relief) which it utilises (including by way of obtaining a repayment of Tax) ("**Corresponding Relief**"),

then an amount equal to such over-provision or the Tax saved by the Corresponding Relief at the date such Corresponding Relief is utilised ("**Relevant Amount**") shall be dealt with in accordance with paragraph 6.2 of this schedule 4 part 4 provided that no account shall be taken of any over-provision or understatement to the extent that they arise as a consequence of the utilisation of any Post Completion Relief or Accounts Relief or any action taken by the Company after Completion or any change in law after Completion.

6.2 The Relevant Amount:

6.2.1 shall first be set off against any payment then due from the Vendors under a Tax Claim;

6.2.2 to the extent there is an excess of the Relevant Amount after any application of it under paragraph 6.2.1 of this schedule 4 part 4 a refund shall be made to the Vendors of any previous payment or payments made by the Vendors under a Tax Claim in respect of the matter or thing giving rise to the Relevant Amount and not previously refunded under this paragraph 6.2.2 up to the amount of such excess; and

6.2.3 to the extent that the excess referred to in paragraph 6.2.2 of this schedule 4 part 4 is not exhausted under that paragraph, the remainder of that excess shall be carried forward and set off against any future payment or payments which become due from the Vendors under a Tax Claim.

6.3 The Vendors Representative may, at their own expense require the Auditors to certify the existence and quantum of any Relevant Amount and the date on which the Corresponding Relief is utilised and in the absence of manifest error, their decision shall be final and binding.

## **7. Third party claims**

7.1 If the Company or the Purchaser is before the sixth anniversary of the date of this agreement entitled to recover from another person (excluding any other company within the definition of Company or any current or ex-employees of the Company) or a Tax Authority a sum in respect of any Tax Liability to which a Tax Claim relates and which has been satisfied in full by the Vendors in cleared funds, the Purchaser shall as soon as reasonably practicable give notice of such fact to the Vendors and if the Vendors indemnify and secure the Purchaser or as appropriate the Company (to the Purchaser's reasonable satisfaction) against the reasonable costs of the Purchaser or as appropriate the Company in connection with taking the following action, the Purchaser shall or shall procure that the Company shall take such action reasonably requested by the Vendors to enforce recovery against that person or Tax Authority.

7.2 In the event that the Purchaser recovers any sum referred to in paragraph 7.1 of this schedule 4 part 4 after taking any action at the request of the Vendors Representative under that paragraph, the Purchaser shall as soon as reasonably practicable account to the Vendors for the lesser of:

7.2.1 the sum recovered net of any Tax on the sum and the costs and expenses of recovering the same; and

7.2.2 any amount paid by the Vendors in respect of the matter giving rise to the relevant Tax Claim.

## **8. Application of this part 4 to Tax Warranties**

The provisions of paragraphs 6 and 7 of this schedule 4 part 4 shall not apply to or in respect of any Tax Warranty to the extent that the relevant over-provision, corresponding benefit or

right to recover has been taken into account in quantifying the liability of the Vendors under the relevant Tax Warranty.

9. **Release**

The Purchaser may release or compromise the liability under this schedule 4 of any Vendors or grant time or other indulgence to any Vendors without releasing or reducing the liability of any other Vendors. Where a liability of one or some but not all of the Vendors under any obligation which is both joint and several is released or compromised the remaining Vendors shall continue to be severally and shall together be jointly liable on that obligation.

10. **Miscellaneous**

Any payment to the Purchaser or the Company under any Tax Claim shall be deemed to be a reduction of the total consideration payable under this agreement for the Shares.

## **SCHEDULE 5**

### **Completion**

1. Each of the Vendors shall repay or procure the repayment of all sums owed by him or any person connected with him to the Company or the Subsidiary.
2. The Vendors shall deliver or procure to be delivered to the Purchaser:
  - 2.1 duly executed transfers of the Shares in favour of the Purchaser or its nominee(s) together with duly executed powers of attorney or other authorities pursuant to which any transfers have been executed;
  - 2.2 the relevant share certificates (or an express indemnity in a form satisfactory to the Purchaser in the event of any found to be missing) in respect of the Shares;
  - 2.3 the written resignations in the agreed form of Thomas Williams as the secretary of the Company and the Subsidiary;
  - 2.4 the written resignation in the agreed form of the auditors of the Company and the Subsidiary;
  - 2.5 all certificates of incorporation and certificates of incorporation on change of name for the Company and the Subsidiary;
  - 2.6 the common seal and statutory books (including minute books) and books of account of the Company and the Subsidiary made up to the Completion Date;
  - 2.7 share certificates in respect of all the issued shares of the Subsidiary held by the Company or the Subsidiary together with duly executed transfers in blank and declarations of trust in respect of all such shares as are beneficially owned by but not registered in the name of the Company or the Subsidiary;
  - 2.8 the Service Agreements duly executed by Alistair Joseph Parker and Thomas Williams and the Company;
  - 2.9 copies of all bank mandates given by the Company and the Subsidiary and forms of cancellation of such bank mandates duly executed;

- 2.10 bank statements dated not earlier than two Business Days before Completion for all bank accounts of the Company and the Subsidiary together with cash book balances of the Company and the Subsidiary as at Completion and reconciliation statements reconciling such balances with the bank statements;
  - 2.11 all cheque books in the possession of or under the control of the Company and the Subsidiary;
  - 2.12 all credit cards in the name of or for the account of the Company and the Subsidiary in the possession of any person resigning from his office or employment on Completion;
  - 2.13 a letter from Barclays Bank plc in the agreed form evidencing the release and discharge of all guarantees and charges of the Company and the Subsidiary to such bank;
  - 2.14 the documents of title to the Properties (or in respect of any individual property charged to a third party certified true copies thereof) as shown in the schedule of deeds in the agreed form;
  - 2.15 duly executed deeds of release in the agreed form releasing the Company and the Subsidiary from any liability whatsoever (actual or contingent) which may be owing to the Vendors or any of them or any person connected with any of them by the Company or the Subsidiary;
3. The Vendors shall procure that meetings of the boards of directors of the Company and the Subsidiary are convened and held at which resolutions in the form set out in the Completion Board Minutes are duly passed including the appointment of Ian Page and Simon Evans as additional directors of the Company and Subsidiary and Stephen Whitehouse as secretary of the Company and Subsidiary.
4. The Purchaser shall pay to the Vendors' Solicitors by transfer of funds through a UK clearing bank the sum of £1,500,000 in respect of the cash consideration payable at Completion. The Vendors' Solicitors' receipt shall be a sufficient discharge for such sum and the Purchaser shall not be concerned to see to the application thereof..

5. The Purchaser shall:

- 5.1 deliver to the Vendors a certified copy of a resolution of the board of directors of the Purchaser in the agreed form allotting the Consideration Shares to the Vendors and issuing the Loan Notes;
- 5.2 allot and issue to the Vendors the number of Consideration Shares set opposite their respective names in column 3 of schedule 1 and shall deliver forthwith definitive certificates in respect of such shares to the Vendors whose receipt shall be a sufficient discharge to the Purchaser for that part of the Consideration to be satisfied by the allotment of the Consideration Shares;
- 5.3 issue to the Vendors the number of Loan Notes set opposite their respective names in column (4) of Schedule 1 and shall deliver forthwith definitive certificates in respect of such Loan Notes to the Vendors whose receipt shall be a sufficient discharge to the Purchaser for that part of the Consideration to be satisfied by the issue of the Loan Notes.

5.4 procure that the Company pays the dividend referred to in clause 3.2 and repays the director's employee loan of £27,000.

## SCHEDULE 6

### The Properties

Property	Date of Lease	Parties	Term	Current Rent	Legal and beneficial owner
Unit C Peek House Business Centre Dales Moor Industrial Estate Sawston Cambridge	14/12/1998	De Fevile Properties Limited (1) SCL Services Limited (2) North Western Laboratories Limited (3)	5 years from 14/12/1998	£8,900pa	Subsidiary
23 Mains Lane Poulton Le Fylde Lancashire	14/5/1998	A J Parker, T Williams and AJ Bell Trustees Limited (1) North Western Laboratories Limited (2)	10 years from 1/4/1998	£26,000pa	Company
Aldon Road, Poulton Le Fylde, Lancashire	3/6/1996	Plant Hire (Poulton) Limited (1) North West Laboratories Limited (2)	5 years from 1/6/1996	£2,880pa	Company



SIGNED (but not delivered until the date hereof) )  
as a deed by Alistair Joseph Parker in the presence )  
of:

*Alistair Joseph Parker*

*[Signature]*

SIGNED (but not delivered until the date hereof) )  
as a deed by Thomas Williams in the presence of: )

*Thomas Williams*

*[Signature]*

SIGNED (but not delivered until the date hereof) )  
as a deed by Mark Feeney in the presence of:

*Mark Feeney*

*[Signature]*

EXECUTED (but not delivered until the date )  
hereof) as a deed by Dechra Pharmaceuticals Plc )  
acting by two directors or one director and the )  
secretary:

Director

*[Signature]*

Director/Secretary

*[Signature]*