



**DLA PIPER RUDNICK
GRAY CARY**

3619 062

DATED *24 November* 2005

(1) THE VENDORS named in Schedule 1

- and -

(2) SHED PRODUCTIONS PLC

AGREEMENT
relating to

the sale and purchase of the
whole of the issued share capital
of Ricochet Limited



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24 November

BETWEEN:

- (1) **THE PERSONS** whose names and addresses are set out in schedule 1 ("**Vendors**");
- (2) **SHED PRODUCTIONS PLC** a company registered in England and Wales with number 03617464 whose registered office is at 3 Mills Studios, Three Mill Lane, London E3 3DU ("**Purchaser**").

BACKGROUND

- A Ricochet Limited ("**Company**") is a private company limited by shares. Further information relating to the Company and its Subsidiaries and associated companies 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;

"Accounts" means:

(a) the audited accounts of the Company and Ricochet Productions Limited comprising in respect of each such company (inter alia) the audited balance sheet as at the Accounts Date and the audited profit and loss account for the financial year ended on the Accounts Date and the notes relating thereto and the reports of the directors thereon in the form attached to the Disclosure Letter; and

(b) the unaudited accounts of each of the Subsidiaries other than Ricochet Productions Limited comprising in respect of each such company (inter alia) the unaudited balance sheet as at the Accounts Date and the unaudited profit and loss

account for the financial year ended on the Accounts Date and the notes relating thereto and the reports of the directors thereon in the form attached to the Disclosure Letter;

"Accounts Date" means 30 April 2005;

"Additional Consideration" means the additional consideration which may be payable by the Purchaser to the Vendors as calculated and to be satisfied in accordance with Schedule 7;

"Additional Consideration Shares" means any Purchaser Shares which may be issued and allotted to the Vendors in satisfaction of the Additional Consideration in accordance with schedule 7;

"AIM" means the AIM market of the London Stock Exchange;

"Associated Company" means Fightbox;

"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 (including without limitation all Intellectual Property in any television programme formats) used, or required by the terms of any agreement binding on any member of the Group to be used, by any member of the Group 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 as set out in Schedule 5;

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

"Completion Date" means close of business on the date of this agreement or such other date as shall be agreed in writing by the parties;

"Computer Systems" means the computer systems owned by, or leased or licensed to the Company at Completion, including any 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 prior to Completion;

"Confidential Information" means know-how, inventions, trade secrets and other information of a confidential nature relating to or connected with the business or financial or other affairs of any member of the Group;

"Consideration" means the consideration payable by the Purchaser to the Vendors in respect of the sale of the Shares as set out in clause 3;

"Disclosure Letter" means the letter of even date with this agreement from the Vendors to the Purchaser relating to the Warranties;

"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;

"Enlarged Group" means the Purchaser and each of its subsidiary undertakings after Completion and references to a "member of the Enlarged Group" or an "Enlarged Group member" shall be construed accordingly

"FSMA" means Financial Services and Markets Act 2000;

"Fightbox" means Fightbox Limited, a company incorporated in England and Wales under registered number 4267814 of which the Company holds 50% of the issued share capital;

"Further Cash Consideration" means in respect of each Vendor the cash amount set opposite his name in column 5 of schedule 1;

"Group" means the Company and its subsidiary undertakings at the date of this agreement and references to a "member of the Group" or a "Group member" shall be construed accordingly;

"Guarantee" means the guarantee in the agreed form to be provided by the Guarantor in respect of the Purchaser's obligations under the Loan Notes;

"Guarantor" means Barclays Bank plc;

"Initial Cash Consideration" means in respect of each Vendor the cash amount set opposite his name in column 4 of schedule 1;

"Initial Consideration Shares" means in respect of each person listed in the first column of schedule 1, the number of Purchaser Shares set opposite their name in column 3 of schedule 1;

"Intellectual Property" means copyright, design rights, trade marks, trade names, domain names, patents, and database rights, in each case whether registered or unregistered and including all registrations and applications for registration or grant of any such right, together with all rights having equivalent or similar effect anywhere in the world;

"Loan Notes" means the secured loan notes in the aggregate principal sum of £7,500,000 to be issued by the Purchaser to the Sellers on Completion as established by way of loan note instrument in the agreed form and guaranteed under the terms of the Guarantee;

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

"Management Accounts" means the unaudited consolidated balance sheets and profit and loss accounts of the Company and the Subsidiaries in the agreed form and attached to the Disclosure Letter as at and for (a) the 4 month period ending on 31 August 2005, (b) the 1 month period ending on 30 September 2005 and (c) the one month period ending on 31 October 2005;

"Pension Schemes" means the Ricochet Limited Retirement Benefits Scheme (as originally established by way of a deed dated 8 April 1997) and the stakeholder pension scheme established by the Company with Scottish Widows;

"Post Completion Board Minutes" means minutes of a meeting of the board of directors of the Purchaser in the agreed form;

"Properties" means the leasehold land and premises held by the Group and situated at:

(a) Second Floor, Cairo Studios, 4-6 Nile Street, London N1

(b) Second Floor, Pavilion House, 6-7 Old Steine, Brighton BN1 1EJ;

(c) and Second and Third Floors, 126 Dyke Road, Brighton; and

(d) Suite 210, 3800 Barham Boulevard, Los Angeles, California 90068

and any part or parts thereof;

"Purchaser Shares" means ordinary shares of 0.1 pence each in the capital of the Purchaser;

"Purchaser's Accountants" means Baker Tilly;

"Purchaser's Group" means the Purchaser and each of its subsidiary undertakings at the date of this agreement and references to a "member of the Purchaser's Group" or a "Purchaser's Group member" shall be construed accordingly;

"Purchaser's Solicitors" means DLA Piper Rudnick Gray Cary UK LLP of 3 Noble Street, London EC2V 7EE;

"Purchaser Warranties" means the warranties contained or referred to in clause 8 and schedule 10;

"Relevant Proportion" means 25% with respect to Nick Southgate and 75% with respect to Nick Powell;

"Restricted Business" means the business of the independent production of factual and entertainment television programmes for broadcast;

"Service Agreements" means service agreements in the agreed form to be entered into between each of the Vendors and the Purchaser on the Completion Date;

"Share Warranties" means the warranties contained or referred to in clause 6 and schedule 3;

"Shares" means the 200 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;

"Subsidiaries" means all the subsidiary undertakings of the Company at the date hereof further details of which are set out in part 2 of schedule 2 and "Subsidiary" shall mean any of them;

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

"Tax Warranties" means the warranties on the part of the Vendors 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;

"VAT" means value added tax;

"Vendors' Accountants" means Victor Boorman & Co of Europa House, Goldstone Villas, Hove, East Sussex BN3 3RQ;

"Vendors' Solicitors" means Harbottle & Lewis LLP of Hanover House, 14 Hanover Square, London W1S 1HP;

"Vendors' Solicitors' Bank Account" means the bank account maintained by the Vendors' Solicitors with National Westminster Bank Plc with account name "Harbottle & Lewis Client Account", sort code 50-41-06 and account number 12465186;

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

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 except to the extent that any modification, amendment, consolidation, re-enactment or replacement made after the date of this agreement would increase the liability of any of the parties hereto;

- 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 and legislation in any other relevant jurisdiction where the context so permits;
- 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, undertakings and indemnities given or made by the Vendors in this agreement are given or made jointly and severally and shall be subject to the individual limitations on liability specified in schedule 9;
- 1.2.14 in clause 6 and schedules 3 and 4 references to "the Company" shall, in addition to the Company, include every Subsidiary to the intent and effect that the provisions of clause 6 and the Warranties and schedule 4 shall apply to and be given in respect of each 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 Vendors" or "so far as the Vendors

are aware" or any similar expression, each Vendor shall be deemed to have knowledge of:

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

1.2.15.2 anything of which he would have had knowledge had he made reasonable enquiry of Daniel Crunkhorn, Sarah Stinchcombe and Charlotte Street 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 on Completion 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 the date of this agreement.

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

General Provisions

3.1 The Consideration payable by the Purchaser for the purchase of the Shares from the Vendors shall be:

3.1.1 the sum of £17,500,000 which shall be payable on the Completion Date and satisfied:

3.1.1.1 as to £8,715,000 by payment to the Vendors of the cash amounts set opposite their respective names in column 4 of schedule 1; and

- 3.1.1.2 as to £8,785,000 by the allotment to those persons listed in the first column of schedule 1 of the number of Initial Consideration Shares set out opposite their respective names in the third column of schedule 1;
- 3.1.2 the Further Cash Consideration which shall be paid to the Vendors in the Relevant Proportions on Completion;
- 3.1.3 a further sum equal to £7,500,000 which shall be satisfied by the issue and allotment to the Vendors in the Relevant Proportions of the Loan Notes at Completion; and
- 3.1.4 the Additional Consideration, not exceeding £5,000,000, which shall be calculated and satisfied in accordance with the provisions of schedule 7.

Cash Consideration

- 3.2 Unless the Vendors instruct the Purchaser in writing to the contrary not less than 7 days prior to the due date for payment of any Consideration which is required to be satisfied in cash, all amounts payable in cash by the Purchaser to the Vendors shall be paid on their due date by telegraphic transfer in immediately available funds into the Vendors' Solicitors' Bank Account and each Vendor hereby confirms that the receipt by the Vendors' Solicitors of such monies shall be a full and sufficient discharge to the Purchaser therefor and the Purchaser shall be under no obligation to enquire as to the application of such monies.

Initial Consideration Shares and Additional Consideration Shares

- 3.3 The Initial Consideration Shares and Additional Consideration Shares shall on issue rank pari passu with the then existing ordinary shares in the capital of the Purchaser 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 respective dates of issue and without limiting the generality of the foregoing, the Initial Consideration Shares shall not rank for the dividend declared by the Purchaser on 16 November 2005 in respect of its financial year ended 31 August 2005.

4. ORDERLY MARKETING

- 4.1 For the purposes of this clause 4:

- 4.1.1 a "**Disposal**" means any of the following transactions which is entered into in relation to any shares of the Purchaser or any Interest therein namely a sale, an offer or agreement to sell, the grant of any option, rights or warrant to purchase from a Vendor a swap or other agreement or transaction which transfers economic ownership in whole or in part, a gift, a lending, the creation of any option, lien, mortgage, charge, equity, trust or any right or interest of any third party or other encumbrance of any kind, the exercise of any option to sell, the public announcement of any intention to enter into any of the foregoing transactions and any other transaction whereby the relevant Vendor disposes of any Interest he has in any Purchaser Shares whether absolutely or by way of security or agrees to do so, whether conditionally or unconditionally; and
- 4.1.2 an "**Interest**" in relation to any Purchaser Shares means an interest of any kind, whether direct or indirect, legal or beneficial, conditional or absolute, joint or sole including:
- (a) any option to acquire such shares;
 - (b) any right to subscribe for such shares or to convert or exchange other securities of rights into such shares;
 - (c) any contract, conditional or otherwise, to acquire such shares or to call for delivery of such shares;
 - (d) any interest in such shares held through a trust or settlement; or
 - (e) the ability to exercise or direct the exercise of any voting rights attached to any such shares; and
- 4.1.3 a "**Family Member**" means the spouse, parent, widow, widower, cohabitee, adult sibling, adult child or grandchild (including a step child or a child or grandchild by adoption) of the relevant Vendor;
- 4.1.4 references to Initial Consideration Shares or Purchaser Shares shall include any shares held by the Vendors for the time being arising out of the consolidation, division, conversion or subdivision of any such shares and any shares acquired by reference thereto, whether by way of bonus or rights issue, pre-emption right or otherwise or in exchange or substitution for any such shares.

- 4.2 Subject to Clauses 4.3 and 4.5, each Vendor severally covenants and undertakes to and with the Purchaser that, save with the written consent of the Purchaser (not to be unreasonably withheld or delayed):
- 4.2.1 he will not, during the period commencing on the Completion Date and expiring on the first anniversary of Completion ("**Restricted Period**") effect or permit any Disposal of any Initial Consideration Shares which are allotted to him on Completion or which he may otherwise become entitled to;
- 4.2.2 he will not, if any Additional Consideration Shares to which he may entitled are issued and allotted to him prior to the second anniversary of Completion, during the period commencing on the date of allotment and issue to him of such shares and expiring on the date which is half way between the date of the allotment and issue of such shares and the second anniversary of Completion ("**Second Restricted Period**") effect or permit any Disposal of Additional Consideration Shares; and
- 4.2.3 (without prejudice to the requirement to obtain the written consent of the Purchaser to any Disposal of Initial Consideration Shares proposed to be effected during the Restricted Period or of any Additional Consideration Shares proposed to be effected during the Second Restricted Period) during the period commencing on the date hereof and expiring on the second anniversary of Completion ("**Expiry Date**") all Disposals by him of Initial Consideration Shares and Additional Consideration Shares shall only be effected through the nominated broker to the Purchaser for the time being, being Bridgewell Securities Limited, at the date hereof, provided that if such nominated broker is unable to effect such Disposal on a best execution basis within 30 days of it being instructed to effect such disposal the Vendor shall be at liberty to instruct another broker of his choice and to effect such Disposal having due regard to the interests of the Purchaser in ensuring an orderly market in its shares at all times.
- 4.3 The restrictions contained in clause 4.2 shall not apply to:
- 4.3.1 a Disposal pursuant to a general offer made by any person (other than a party to this agreement) to acquire the entire issued share capital of the Purchaser (other than shares already owned by such person or any person acting in concert with such person) or the provision of an irrevocable undertaking to accept such offer or a sale of shares to an offeror or potential offeror (or any person acting in concert with such offeror or potential offeror) during an

'offer period' (the expressions 'acting in concert' and 'offer period' being as defined in the City Code on Takeovers and Mergers in force from time to time);

4.3.2 a Disposal made pursuant to any compromise or arrangement under section 425 of the 1985 Act which is agreed to by the requisite majority of the members of the Purchaser and sanctioned by the Court;

4.3.3 a Disposal pursuant to an offer by the Purchaser to purchase its own shares, which is made on identical terms to all holders of its shares in compliance with the Companies Acts;

4.3.4 a Disposal in connection with a scheme or reconstruction pursuant to section 110 of the Insolvency Act 1986;

4.3.5 a Disposal by way of gift (other than by a Trustee):

(a) to a Family Member of the relevant Vendor;

(b) to any person or persons acting as trustees of a trust created by the relevant Vendor ("**Trustees**") provided that the trust is established for charitable purposes only or that there are no persons beneficially interested in the trust other than that Vendor's Family Members

provided that the Family Member or the Trustee to whom the Disposal is made first undertakes to the Purchaser, in a form previously approved by the Purchaser, to be bound by the restrictions contained in this clause 4;

4.3.6 any Disposal made pursuant to a Court order involuntarily imposed on a Vendor

provided in every such case that the Purchaser is given reasonable notice of the proposed Disposal prior to any Disposal falling within the provisions of this clause being effected.

4.4 Without limiting any of the other provisions of this agreement, the provisions of this clause 4 shall apply mutatis mutandis to any personal representatives or other successors in title of the Vendors.

4.5 The Purchaser shall not withhold its consent to any Disposal of the Initial Consideration Shares or any Additional Consideration Shares to the extent that the disposal proceeds (net of incidental costs) are required (due account being taken of

any cash consideration received by the relevant Vendor) to meet any liability of any Vendor arising in respect of any breach of any of the Warranties or under the Tax Covenant or under any other provisions of this Agreement. The Vendors will give the Purchaser at least 10 Business Days notice of any such Disposal which is to be effected during the Restricted Period.

5. COMPLETION

- 5.1 Completion shall take place at the offices of the Purchaser's Solicitors on the date of this agreement when each of the parties shall comply with the provisions of schedule 5.
- 5.2 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).
- 5.3 The Purchaser shall procure that a board meeting of the Purchaser shall be convened and held on the day immediately after the date on which Completion occurs (such meeting to be held before 9.00am on such date) at which resolutions in the form set out in the Post Completion Board Minutes are duly passed.

6. VENDORS' WARRANTIES

- 6.1 The Vendors on a joint and several basis warrant and undertake to the Purchaser that, at the date of this agreement, each of the Warranties is true, accurate and complete in all material respects and not misleading.
- 6.2 The Vendors acknowledge that the Purchaser is entering into this agreement in reliance on each Warranty and that the Purchaser may rely on the Warranties in warranting to any subsequent purchaser of all or any of the Shares.
- 6.3 Subject to the provisions of clause 7, 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.
- 6.4 The rights and remedies of the Purchaser in respect of any breach of any of the Warranties shall survive Completion.

- 6.5 Each of the Vendors 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 Vendors to give the Warranties or to prepare the Disclosure Letter.
- 6.6 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 the provisions of clause 7 and such information as is fairly disclosed in the Disclosure Letter.
- 6.7 The Purchaser confirms that it is not aware of anything at the date of this Agreement which is or would be a breach of any of the Warranties.
- 6.8 The Purchaser accepts the benefit of clause 6 (including, without limitation, the Warranties) for itself and as trustee for each undertaking which is and remains at any time a subsidiary undertaking of the Purchaser.
- 6.9 The Vendors covenant to pay to the Purchaser an amount equal to all and any losses, damages, reasonable costs and expenses or other liabilities suffered, arising or incurred by any member of the Group ("**Losses**") in connection with any:
- 6.9.1 claim against any member of the Group by any broadcaster to have any right title or interest in the format of any of the programmes listed in schedule 8 save for any such right, title or interest which is granted to any broadcaster under the terms of any agreement relating to any of such programmes which is disclosed in and/or attached to the Disclosure Letter but only if and to the extent that in respect of any such claim the amount of any such losses, damages, reasonable costs and expenses or other liabilities (including the reasonable costs of defending and/or settling such claim) exceed the sum of £25,000; and
 - 6.9.2 claim against any member of the Group by any person mentioned in those documents attached to the Disclosure Letter and numbered 1, 2, 3, 4, 6, 7 and 8 of Binder F1 with respect to the specific subject matter of the potential claims identified in those documents including any losses, damages, reasonable costs and expenses or other liabilities (including the reasonable costs incurred in defending and/or settling such claim) but only if and to the extent that the amount of such claims shall exceed the sum of £25,000.

- 6.10 All sums payable by the Vendors under clause 6.9 shall be paid gross, free and without any deduction or withholding unless the deduction or withholding is required by law, in which event the Vendors 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.
- 6.11 If any amount payable under clause 9 is subject to Tax in the hands of the Purchaser the amount so payable shall be grossed up by such amount as will ensure that, after deduction and payment of the Tax in question, the Purchaser shall be left with an amount equal to the amount that would otherwise be payable under clause 6.9 provided that there shall be no gross up in relation to any part of the Losses which represents money which the Group would have received and upon which it would have been subject to Tax.
- 6.12 The rights of the Purchaser under clause 6.9 shall be in addition and without prejudice to any other right or remedy available to it under this agreement or otherwise.

7. LIMITATION ON THE VENDORS' LIABILITY

The provisions of Schedule 9 shall apply to limit the liability of the Vendors in respect of any and all claims arising under this Agreement.

8. PURCHASER'S WARRANTIES

- 8.1 The Purchaser warrants to the Vendor that, at the date of this agreement, each of the Purchaser Warranties are true, accurate and complete in all material respects and not misleading.
- 8.2 The Purchaser acknowledges that the Vendors are entering into this agreement in reliance on each of the Purchaser Warranties.
- 8.3 Each of the Purchaser 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 Purchaser Warranty.

- 8.4 The rights and remedies of the Vendors in respect of any breach of any of the Purchaser Warranties shall survive Completion.
- 8.5 The Purchaser Warranties shall not be deemed in any way modified or discharged by reason of any investigation made by or on behalf of the Vendors or by reason of any information relating to the Purchaser of which the Vendors have knowledge (actual, implied or constructive).

9. VENDORS' COVENANTS

- 9.1 Each of the Vendors severally undertakes to and covenants with the Purchaser that (except with the consent in writing of the Purchaser or in the course of the business of the Group or the Enlarged Group after Completion) he will not at any time after Completion:
- 9.1.1 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 "Ricochet", "Shed", "Supernanny" or names identical or similar to those programme titles set out in schedule 8 or any colourable imitation thereof in connection with any activity whatsoever;
- 9.1.2 except as required by law or any regulatory body or securities exchange disclose or divulge to any person (other than to officers or employees of the Purchaser whose province it is to know the same or to his personal advisers, provided that such advisers are made aware of the confidentiality obligations contained in this document with respect to such information and, if requested by the Vendor, enter into a separate confidentiality agreement on terms similar to those binding the Purchaser under this document) 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;
- 9.1.3 knowingly do or say anything which is likely or intended to damage the goodwill or reputation of the Company or any other member of the Group or of any business carried on by any member of the Group or which is likely to lead any person to cease to do business with the Company or any other member of the Group on substantially equivalent terms to those previously offered or not to engage in business with the Company or any other member of the Group.

- 9.2 Each of the Vendors severally undertakes to and covenants with the Purchaser that he will not, other than in the course of the business of the Group or the Enlarged Group after Completion, for a period of three 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:
- 9.2.1 approach, canvass, solicit or otherwise act with a view to enticing away from or seeking in competition with any business of any member of the Enlarged Group for the benefit of any person carrying on a Restricted Business 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 any member of the Enlarged Group is or has been a customer of any member of the Enlarged Group and during such period he shall not use his knowledge of or influence over any such customer to or for the benefit of any person (including himself) carrying on any Restricted Business in competition with any member of the Enlarged Group or otherwise use his knowledge of or influence over any such customer to the detriment of the Enlarged Group;
- 9.2.2 seek to contract with or engage (in such a way as adversely to affect the business of the Enlarged Group 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 Enlarged Group 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 any member of the Enlarged Group ;
- 9.2.3 approach, canvass, solicit, engage or employ or otherwise endeavour to entice away any person who at any time during the period of 12 months preceding the Completion Date or (if later) the date of his ceasing to be employed by any member of the Enlarged Group shall be or shall have been an employee, officer, manager, consultant, sub-contractor or agent of any member of the Enlarged Group with a view to the specific knowledge or skills of such person being used by or for the benefit of any person carrying on a Restricted Business;
- 9.2.4 be engaged, concerned or interested, whether as an employee or in any other capacity, in carrying on any Restricted Business within the United Kingdom or the United States of America in competition with the Enlarged Group.

- 9.3 Each of the covenants contained in clauses 9.1 and 9.2 shall constitute an entirely separate and independent restriction on each of the Vendors.
- 9.4 Nothing in this clause 9 shall prohibit any of the Vendors 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.
- 9.5 References in this clause 9 to the "business of the Enlarged Group" shall include the business of any member of the Enlarged Group as at the date of this document
- 9.6 The Vendors and each of them agree and acknowledge that the restrictions contained in this clause 9 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.

10. TAXATION

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

11. FURTHER ASSURANCE AND ATTORNEY

- 11.1 On and after Completion, the Vendors shall, at the reasonable request and cost 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.
- 11.2 On and after Completion, at the request of the Purchaser, the Vendors 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.

12. 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:

- 12.1 announcements to employees, customers, suppliers and agents of the Company and/or any of the Subsidiaries and/or the Purchaser and/or any company which is a member of Purchaser's Group in such form as may be reasonably required by the Purchaser; and
- 12.2 such announcements as may be required by the London Stock Exchange and/or the Panel on Takeovers and Mergers.

13. COSTS

Each of the parties shall bear and pay its own legal, accountancy 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.

14. SUCCESSORS AND ASSIGNMENT

- 14.1 This agreement shall be binding on and enure for the benefit of each party's successors and personal representatives. Neither party may assign, transfer or otherwise dispose of any rights under this Agreement except that:
 - 14.1.1 the Purchaser may assign its rights under this agreement to any company of which it is a holding company except that where the assignee ceases to be a group undertaking of the Purchaser, it will, on or before the cessation, assign such rights back to the Purchaser or to another group undertaking of the Purchaser; and
 - 14.1.2 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.
- 14.2 If the Purchaser assigns its rights in accordance with clause 14.1, the liability of the Vendors shall be no greater than it would have been if there had been no such assignment.
- 14.3 Except as otherwise expressly provided, all rights and benefits under this agreement are personal to the parties and may not be assigned or otherwise disposed of at law or in equity without the prior written consent of each other party.

15. ENTIRE AGREEMENT

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

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

15.2.1 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;

15.2.2 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;

15.2.3 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.

16. VARIATIONS

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

17. WAIVER

No waiver by any party of any breach or non-fulfilment by the other party 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 parties provided in this agreement are cumulative and not exclusive of any rights and remedies provided by law.

18. 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.

19. 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.

20. 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 20. 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.

21. 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.

22. 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.

23. GOVERNING LAW AND JURISDICTION

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

23.2 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 23 referred to as "**Proceedings**") arising out of or in connection with this agreement shall be brought in such courts.

23.3 The parties 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 23 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 parties and may be enforced in the courts of any other jurisdiction.

23.4 The parties expressly and specifically agree and accept the terms of this clause 23 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.

SCHEDULE 1

Details of the Vendors, the Shares and the Consideration

(1) Name and address	(2) No. and class of shares	(3) Initial Consideration Shares	(4) Initial Cash Consideration	(5) Further Cash Consideration
Nicholas Powell Arbour Vitae The Street Fulking West Sussex BN5 9LU	150 ordinary	4,836,785	£6,536,250	1,47501.25
Nihal Limited ICOMA House Hope Street Douglas Isle of Man IM1 1AP	0	1,749,289	0	0
Nicholas Southgate 1 Royal Crescent Brighton	50 ordinary	2,195,358	£2,178,750	491,671.75

SCHEDULE 2

Part 1

The Company

1. Registered number: 4053062
2. Date of incorporation: 15 August 2000
3. Place of incorporation: England and Wales
4. Registered office: Europa House, Goldstone Villas, Hove, East Sussex BN3 3RQ
5. Principal business: Television programme production
6. Authorised share capital: £100,000
Description: ordinary shares of £1 each
Number of shares: 100,000
7. Issued share capital: £200
Description: ordinary shares of £1 each
Number of shares: 200
Amount paid up: £200
8. Issued loan capital: None
9. Directors - full names and usual residential addresses:
Nicholas Powell
Arbour Vitae
The Street Fulking
West Sussex
BN5 9LU

Nicholas Adam Southgate
1 Royal Crescent
Brighton BN2 1AL
10. Secretary - full name and usual residential address: Nicholas Adam Southgate
1 Royal Crescent
Brighton BN2 1AL
11. Accounting reference date: 30 April
12. Auditors: Victor Boorman & Co, Europa House,
Goldstone Villas, Hove, East Sussex BN3 3RQ
13. Tax residence: United Kingdom
14. VAT registration number: 768573965
15. Bank account - details: See part 4 of this schedule
16. Loan facilities: None
17. Charges: Rent Deposit Deed in favour of Security Pacific
Eurofinance Inc (UK Branch) created 24
February 2005 and registered 16 March 2005

Part 2

The Subsidiaries

Name and registered no.	Date and place of incorporation	Directors and secretary	Authorised share capital (£ and no.)	Issued share capital (£ and no.)	Percentage owned by the Company
Ricochet Digital Limited	15/08/00 England and Wales	Nicholas Powell (director) Nicholas Adam Southgate (director and secretary)	£100,000 divided into 100,000 ordinary shares of £1 each	£100 divided into 100 ordinary shares of £1 each	100%
Ricochet Films Limited	26/04/93 England and Wales	Nicholas Powell (director) Abigail Dooley (secretary)	£1,000 divided into 1,000 ordinary shares of £1 each	£2 divided into 2 ordinary shares of £1 each	100%
Ricochet Productions Limited	11/08/04 England and Wales	Nicholas Powell (director) Nicholas Adam Southgate (director and secretary)	£1,000 divided into 1,000 ordinary shares of £1 each	£1 ordinary share of £1 each	100%
Ricochet South Limited	25/06/04 England and Wales	Nicholas Powell (director) Nicholas Adam Southgate (director and secretary)	£100 divided into 100 ordinary shares of £1 each	£2 divided into 2 ordinary shares of £1 each	100%
Supernanny USA Inc.	11/08/2004 California	Nicholas Powell (president and treasurer) Nicholas Adam Southgate (vice president) Kirsty Robson (secretary)	\$100 divided into 100 ordinary shares of \$1 each	\$100 divided into 100 ordinary shares of \$1 each	100% owned by Ricochet Productions Limited

Name and registered no.	Date and place of incorporation	Directors and secretary	Authorised share capital (£ and no.)	Issued share capital (£ and no.)	Percentage owned by the Company
Ricochet Television Inc.	30/06/05 California	Nicholas Powell (president and treasurer) Nicholas Adam Southgate (vice president and secretary)	\$100 divided into 100 ordinary shares of \$1 each	\$100 divided into 100 ordinary shares of \$1 each	100% owned by Ricochet Productions Limited

Part 3

Associated Company

Name and registered no.	Date and place of incorporation	Directors and secretary	Authorised share capital (£ and no.)	Issued share capital (£ and no.)	Percentage owned by the Company
Fightbox Limited	21/08/01	Michael Dicks (director and secretary) Finbar Hawkins (director) Nicholas Powell (director) Nicholas Adam Southgate (director)	£1,000,000 divided into 1,000,000 ordinary shares of £1 each	£100 divided into 100 ordinary shares of £1 each	50% owned by Ricochet Digital Limited

Part 4

Bank Account Details

Ricochet Limited

Account name	Type	Sort code	Account number
SELLING HOUSES SPECIAL EU	DEP	201280	00536784
BORN TO BE DIFFERENT 5	DEP	201280	90767026
ITS ME OR THE DOG 2	DEP	201280	80126829
I'M NOT A NUMBER	DEP	201280	30804524
OFF THE GRID	DEP	201280	00010855
HOUSETRAPPED IN THE SUN 2	DEP	201280	80487015
SELLING HOUSES SPECIAL UK 2	DEP	201280	70779512
SELLING HOUSES SPECIAL UK	DEP	201280	00285986
OFF THE GRID	C/A	201280	90759759
MIRROR SIGNAL MANOUVRE	DEP	201280	40583200
MIRROR SIGNAL MANOUVRE	C/A	201280	80056901
JUNK AND DISORDERLY	C/A	201280	90307815
HOW NOT TO DECORATE UPDATES	C/A	201280	50742910
WHO RULES THE ROOST 3	DEP	201280	00423033
WHO RULES THE ROOST 3	C/A	201280	00106232
FORENSICS PILOT	C/A	207898	60683345
ADMISSION IMPOSSIBLE	DEP	207898	20840068
ADMISSION IMPOSSIBLE	C/A	207898	00264768
NGB BIARRITZ	DEP	201280	20948217
NGB BIARRITZ	C/A	201280	90916110
BORN TO BE DIFFERENT 5	C/A	207898	00573507
FORENSICS SERIES	DEP	201280	60500399
FORENSICS SERIES	C/A	201280	60198293
HAPPY FAMILIES	C/A	207898	50018031
HAPPY FAMILIES	C/A	201280	30088129
RICOCHET LIMITED	C/A	201280	47355844
IT'S ME OR THE DOG 2	C/A	201280	40657921
MY NEW HOME	C/A	207898	20885568
MY NEW HOME	DEP	207898	80901164
I'M NOT A NUMBER	C/A	201280	30386820
IT'S ME OR THE DOG 1	DEP	201280	50498505
HOUSETRAPPED IN THE SUN 2	C/A	201280	60345415
SELLING HOUSES SPECIAL EU	C/A	201280	50698385
SELLING HOUSES SPECIAL UK	C/A	201280	00564281

SELLING HOUSES SPECIAL UK 2	C/A	201280	00990817
LIVING IN THE SUN 2	C/A	201280	10360902
RICOCHET LIMITED	DEP	201280	60402877
RICOCHET LIMITED	C/A	201280	60641391
IT'S ME OR THE DOG 1	C/A	201280	30399302
20 WAYS	C/A	201280	70147397
20 WAYS BUILDERS	DEP	207898	10661953
BORN TO BE DIFFERENT 4	DEP	201280	30065846
BORN TO BE DIFFERENT 4	C/A	201280	00317144
HOUSETRAPPED IN THE SUN	DEP	201280	30370592
HOUSETRAPPED IN THE SUN	C/A	201280	00438650
RISKING IT ALL 2	DEP	201280	60654329
RISKING IT ALL 2	C/A	201280	70950394
JUNK AND DISORDERLY	DEP	201280	50151815
20 WAYS FASHION	C/A	207898	10523666
20 WAYS FASHION	DEP	207898	00929964
MORE SEX TIPS	DEP	201280	20766569
DREAM BUSINESS	C/A	201280	90001392
SUPERNANNY 2	C/A	207898	10473367
WEDDING PLANNERS	C/A	207898	70710369
WEDDING PLANNERS	DEP	207898	60214760
20 WAYS BUILDERS	C/A	207898	30205559
ADOPTION	C/A	207898	20605867
CHANNEL 4 MAIN ACCOUNT	C/A	207898	20875163
HOW NOT TO DECORATE 2&3	C/A	207898	10164461

Ricochet Digital Limited

Account name	Type	Sort code	Account number
RICOCHET DIGITAL	C/A	207898	90663697
RICOCHET DIGITAL	DEP	207898	80523364

Ricochet Productions Limited

Account name	Type	Sort code	Account number
RIC/SUPERNANNY 2 USD	C/A	207898	62068177
RICO/DEVELOPMENT	C/A	207898	43522722
RICOCHET DEVELOP	C/A	207898	80755826
RICOCHET PROD LTD	C/A	207898	50324140
RICOCHET PRODUCTION	C/A	207898	82476844
RICOCHET SUPERNA	C/A	207898	40225126

Fightbox Limited

Account name	Type	Sort code	Account number
FIGHTBOX LIMITED	DEP	207898	20701963
FIGHTBOX LIMITED	C/A	207898	30019992
FIGHTBOX ONLINE	C/A	207898	10401269
FIGHTBOX LTD BBC	C/A	207898	70980269

SCHEDULE 3

The Warranties

Part 1

General

1. DISCLOSURE OF INFORMATION

- 1.1 The facts set out in Schedule 2 are true and accurate.
- 1.2 So far as the Vendors are aware:
 - (a) to the extent that the replies to enquiries attached to the Disclosure Letter given by the Vendors Solicitors on behalf of the Vendors constituted statements of fact, such replies were, when given, true, complete and accurate in all material respects and not misleading; and
 - (b) to the extent that the replies to enquiries attached to the Disclosure Letter given by the Vendors Solicitors on behalf of the Vendors constituted matters of opinion, forecasts or projections, such replies constituted when given opinions, forecasts or projections honestly and reasonably held or made by the Vendors.

2. CAPACITY AND OWNERSHIP OF SHARES

- 2.1 The Vendors 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 Vendors in accordance with their terms.
- 2.2 None of the Vendors nor any person connected with any Vendor has any interest, directly or indirectly, in any business other than that now carried on by the Company which is 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 Subsidiaries 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 Vendors in respect of the Shares or the shares in the Subsidiaries or the Vendors' entitlement to dispose of the Shares or the shares in the Subsidiaries and there are no facts known to the Vendors 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 within the 2 year period ending on Completion.
- 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 ("**Relevant Accounting Standards**") and give a true and fair view of the state of affairs of the Company as at the Accounts Date and its profits and losses for the financial year period ended on the Accounts Date.
- 3.2 The Accounts
- 3.2.1 make adequate reserve or provision for all actual liabilities;
 - 3.2.2 make, to the extent required by Relevant Accounting Standards, appropriate provision or reserve for (or, as appropriate, disclose in a note to the Accounts) all contingent, unquantified or disputed liabilities and all capital commitments of the Company as at the Accounts Date;
 - 3.2.3 contain appropriate provision for bad and doubtful debts;
 - 3.2.4 make, to the extent required by Relevant Accounting Standards, sufficient provision 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;
 - 3.2.5 include fixed assets at a level which is net of depreciation; and
 - 3.2.6 do not include any asset (whether fixed, intangible, investment or current) which has been revalued upwards in the Accounts.
- 3.3 No surplus on any pension arrangements has been written back in the Accounts or brought into reserves and appropriate provision has been made in the Accounts for pension obligations.
- 3.4 The balance sheets and profit and loss accounts of the Company for each of the last three preceding financial years of the Company ended on the Accounts Date (copies of which have been provided to the Purchaser) complied with the requirements of all relevant laws then in force and with all statements of standard accounting practice, all

financial reporting standards and generally accepted accounting principles and practices of the United Kingdom then in force.

- 3.5 Except as stated in the balance sheets and profit and loss accounts of the Company for each of the last three preceding financial years of the Company ended on the Accounts Date, no changes in the policies of accounting have been made therein for any of those three financial years and the basis of depreciation and amortisation adopted has been consistent during each of these three financial years.
- 3.6 The profits shown by the profit and loss accounts of the Company for each of the last three preceding financial years ended on the Accounts Date (copies of which have been provided to the Purchaser) have not (except as disclosed therein) been affected by any extraordinary or exceptional item or by any transactions entered into other than on normal commercial terms.
- 3.7 The Management Accounts:
- 3.7.1 were to the extent and level of detail appropriate for management accounts of a company of the size and nature of the Company, prepared in accordance with the accounting policies applied to the Accounts, to the extent applicable; and
- 3.7.2 state with reasonable accuracy the assets, liabilities and the profits of the Company for the periods in respect of which they were prepared.

4. POSITION SINCE ACCOUNTS DATE

Since the Accounts Date:

- 4.1 the business of the Group 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 material deterioration either in turnover or in the financial or trading position or in the prospects of the Group 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 occurred which has had or is likely to have a material adverse effect on the volume or level of trading of the Group;

- 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 (other than other members of the Group) in accordance with their respective credit terms and there are no amounts exceeding £5,000 owing by the Company (other than to other members of the Group) which have been overdue for more than 60 days;
- 4.5 no material debtor has been released by the Company on terms that he pays less than the book value of his debt and no material debt owing to the Company has been deferred, subordinated or written off or has proved to any extent irrecoverable;
- 4.6 the book debts shown in the Accounts have (save for any differences caused by exchange rate fluctuations) realised not less than their nominal amount less any reserve for bad or doubtful debts included in the Accounts.
- 4.7 neither the turnover nor the expenses (direct and indirect) of the Group shows any material deterioration by comparison with the turnover and expenses of the Group for the corresponding period in its last completed accounting reference period;
- 4.8 there has not been any material change in the assets or liabilities (including contingent liabilities) of the Group as shown in the Accounts except for changes arising from the normal course of trading;
- 4.9 all payments, receipts and invoices of the Company which are required to be recorded in the books of the Company have been accurately recorded in such books;
- 4.10 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;
- 4.11 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; and

4.12 the Company has not changed its accounting reference period.

5. BUSINESS NAME

Except for the names of actual or planned television programmes, the Company does not use any name for any purpose other than its full corporate name or the names of the Subsidiaries and Associated Company listed in Schedule 2 parts 2 and 3.

6. LICENCES AND CONSENTS

The Company has obtained all necessary governmental, statutory and/or regulatory licences, permissions, authorisations and consents required to own and operate its assets and for the proper carrying on of its business as currently carried on. All such licences, permissions, authorisations and consents are in full force and effect and the Company is not in breach of any of the terms and conditions attached thereto and the Company has not received any written notice from any person which indicates that any of such licences, permissions, authorisations or consents may be revoked or not renewed in the ordinary course of events. This Warranty 6 shall not apply to any licences, permissions, authorisations and/or consents required in relation to any of the Properties or any Intellectual Property.

7. ASSETS

- 7.1 All of the material physical assets owned by the Company are the sole, absolute property of the Company and there is not now outstanding any Encumbrance over the whole or any part of any material physical assets of the Company and none of the material physical assets now owned or used by the Company is subject of any Encumbrance or any hire purchase, leasing, lease, purchase or credit sale agreement.
- 7.2 All of the material physical assets owned by the Company, or in respect of which the Company has a right of use, are in the possession or under the control of the Company.
- 7.3 The Company owns, leases or licences all the physical assets necessary for the effective operation of its business as it is currently conducted.
- 7.4 Where any material physical assets are used but not owned by the Company or any material facilities or services are provided to the Company by any third party, there has not, so far as the Vendors are aware, occurred any event of default or any other event or circumstance which would entitle any third party to terminate any agreement or licence in respect of the provision of such facilities or services (or any event or

circumstance which with the giving of notice and/or the lapse of time and/or a relevant determination would constitute such an event or circumstance).

8. DEBTS

- 8.1 The Company is not owed any sums in excess of £50,000 other than trade debts incurred in the ordinary course of business.

9. INSURANCE

- 9.1 Details of all current and subsisting 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 material 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 is likely to 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 result in an increase in the rate of premiums on the said policies; there are no claims outstanding and so far as the Vendors are aware no circumstances which will give rise to any claim under any of such policies of insurance.
- 9.3 All the physical assets of the Company of an insurable nature are and have at all material times been insured against fire and other risks to the extent 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 insured against other risks to the extent normally insured against by persons carrying on similar businesses to the business of the Company.
- 9.4 The Company has effected all insurances required by commissioning broadcasters and distributors and has complied with all contractual obligations to add additional named insureds to those policies.
- 9.5 The Company has not made any claim under any errors & omissions insurance policy.

10. RECORDS

All the accounts, books, registers, ledgers and financial and other material records which are required to be kept by 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 properly kept and compiled and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

11. CONFIDENTIAL INFORMATION

- 11.1 The Company has never received in writing (nor are the Vendors aware of) any notification, allegation or claim that it has used any programme concept ideas or formats which were given or made available to the Company in confidence or that any programme produced by the Company copies or is derived from any third party devised or owned television programme format.
- 11.2 The Company is not aware of any unlawful misuse by any person of any of its Confidential Information or any of its television programme formats, concepts or ideas.
- 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.
- 11.4 Except for the disclosure of Confidential Information in the normal course of the Company's business, the Company uses all reasonable endeavours to procure that Confidential Information used by the Company is kept strictly confidential.

12. INTELLECTUAL PROPERTY

- 12.1 The Company is the sole unencumbered legal and beneficial owner or (as the case may be) has the right to use under a valid and subsisting licence, the Business Intellectual Property.
- 12.2 All warranties given to broadcasters in all production commissioning agreements entered into by any member of the Group are true and accurate in all material respects and the Company is not in breach of the same.
- 12.3 All grants of rights in relation to the programmes listed in Schedule 8 made by the Company to third parties are on an arm's length basis on industry standard terms and conditions.
- 12.4 Save for any of the agreements relating to those programmes listed in schedule 8 which are attached to the Disclosure Letter, there is no underlying rights agreement

relating to nor any contract with contributors appearing in any of the programmes listed in Schedule 8 which prevents, limits or restricts any of the said programmes from being exploited in any and all media whether now known or hereafter to be devised for the full period of copyright in the said programmes.

- 12.5 As at Completion there are no claims by any contributors of services, rights, facilities and equipment in relation to the production of all programmes produced by the Company for any sums due and payable to such contributors including all royalties, repeats, residuals and other payments arising out of the use or exploitation of the programmes up to the date of Completion.
- 12.6 The material particulars as to ownership and registration of all registered Business Intellectual Property, including priority and renewal dates and details of any current applications, where applicable, are set out in the Disclosure Letter and such details are complete and correct.
- 12.7 No third party has any right, title or interest in the format of any of the television programmes listed in schedule 8 other than (a) those set out in the agreements relating to such programmes which are disclosed in or attached to the Disclosure Letter and (b) the right for any commissioning broadcaster to commission or licence further programmes produced by the Company based on such television programme format.
- 12.8 None of the registered Business Intellectual Property is the subject of any existing or pending or threatened proceedings of which the Company has received notice for opposition, cancellation, revocation or rectification or claims by any person (including, without limitation, from any employees or former employees of the Company) and there are no facts or matters in existence (including but without limitation acquiescence in the activities of third parties) of which the Vendors are aware which are likely to give rise to any such proceedings or to any threat to the validity or enforceability of the registered Business Intellectual Property.
- 12.9 All application and renewal fees and costs and charges regarding any registered Business Intellectual Property due on or before Completion have been duly paid in full.
- 12.10 Other than in the ordinary course of the Company's business or as disclosed in the Disclosure Letter, the Company has not granted or entered into, and is not obliged to grant or enter into, any agreement, arrangement or understanding (whether legally enforceable or not) for the licensing or otherwise permitting or authorising the use or

exploitation of any of the Business Intellectual Property related to those programmes listed in schedule 8 by third parties or which prevent, restrict or otherwise inhibit the Company's freedom to use and fully exploit the Business Intellectual Property (whether now or in the future). Insofar as the Business Intellectual Property related to those programmes listed in schedule 8 is licensed by the Company to third parties, its use is licensed by the Company under the agreements already provided to the Purchaser (and there are no other agreements whether written or oral relating thereto) which agreements are valid and subsisting (and will continue to be so notwithstanding Completion). The Company is not and, so far as the Vendors are aware (without having made any specific enquiry) no other party to these agreements, are in material breach of any of the provisions thereof.

- 12.11 To the best knowledge and belief of the Vendor none of the Business Intellectual Property is currently being infringed or has been so infringed in the six year period preceding Completion and no third party has threatened the Company with any such infringement and nor is the Company the subject of any claim for ownership or compensation by any third party or any criminal investigation or prosecution in relation thereto.
- 12.12 To the best knowledge and belief of the Vendors, the Company is not engaged in any activities which infringe any Intellectual Property or other rights belonging to or vested in any third party.
- 12.13 The Company has not received written notice (nor are either of the Vendors aware) of any claim against it alleging any infringement of any Intellectual Property used (or which has been used) by it and no such claims have been settled by the giving of any undertakings which remain in force.
- 12.14 The Company has not received any written notice from (nor are either of the Vendors aware of) any person alleging that anything contained in any programme produced by the Company is defamatory or otherwise unlawful or violates any rights (including without limitation rights of privacy or publicity) of third parties or infringes the personal proprietary rights (including Intellectual Property rights) of third parties.

13. COMPUTER SYSTEMS

- 13.1 Save for the Company's payroll system (which is operated by Victor Boorman & Co on its behalf), none of the Company's material records, systems, controls, data or information are recorded, stored, maintained, operated or otherwise wholly or partly

dependent upon or held by any means (including any electronic, mechanical or photographic processes whether computerised or not) which (including all means of access thereto and therefrom) are not under the exclusive ownership and direct control of the Company.

- 13.2 The Computer Systems have been satisfactorily maintained and have the benefit of the maintenance agreements specified in the Disclosure Letter.
- 13.3 The Computer Systems have adequate capability and capacity for the current requirements of the business of the Company.
- 13.4 Details of the Company's disaster recovery plans in relation to the Computer System are set out in the Disclosure Letter.
- 13.5 In the event that any person providing maintenance or support services for the Computer Systems ceases or is unable to do so, the Company has all necessary rights to obtain the source code and all related technical and other information to procure the carrying out of such services by the Company's own employees or by a third party.
- 13.6 The Company has sufficient technically competent and trained employees to ensure the proper handling operation monitoring and use of the Computer Systems.
- 13.7 The Company has adequate procedures to ensure internal and external security of the Computer Systems including procedures for taking and storing, on-site and off-site, back-up copies of computer programs and data.
- 13.8 No person is in a position, by virtue of his rights in, knowledge of or access to any part of the Computer Systems and databases used and operated by the Company or any part of them (including software), lawfully to prevent or impair the proper and efficient function of the Computer Systems or to demand any payment materially in excess of any current licence fee or in excess of reasonable remuneration for services rendered or to impose any onerous conditions, in order to preserve the proper and efficient functioning of the Computer Systems.
- 13.9 The Company is not currently in breach of the terms of any warranty (express or implied), licence, systems supply, data supply, maintenance, service or services agreement with any of its suppliers or customers in relation to the Computer Systems.

- 13.10 The Company has duly complied with and currently complies with all requirements under the Data Protection Acts 1984 and 1998 and no individual has claimed compensation from the Company under the Data Protection Acts 1984 and 1998.

14. EMPLOYEES

- 14.1 None of the officers or employees of the Company at the date of this Agreement 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 Save as set out in the Disclosure Letter, no current or past employee or other individual receives or is contractually entitled to receive any direct participation in revenues derived from any exploitation of any television programme format concept or idea originated, devised or created by that employee or in respect of which that individual or employee has made a contribution.
- 14.3 Particulars of the remuneration, incentives, bonuses, expenses, profit-sharing arrangements and other payments, share option schemes and other benefits whatsoever payable to all the officers or employees of the Company and, where an employee is currently absent and has been continuously absent from work for more than one month for any reason other than maternity leave, the reason for the absence are set out in the Disclosure Letter.
- 14.4 Save as set out in the Disclosure Letter, 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.
- 14.5 In relation to each of the Employees of the Company, save as set out in the Disclosure Letter, the Company has not received notice (whether written or otherwise) from any Employee or third party that it has not:
- 14.5.1 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;
- 14.5.2 maintained adequate and suitable records regarding the service of each of its employees;
- 14.5.3 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
- 14.5.4 complied with all relevant orders and awards made under any statute affecting the conditions of service of its employees.
- 14.6 The Company is not involved in any disputes and so far as the Vendors are aware:
- (a) there are no circumstances which are likely to result in any dispute involving any of the Employees; and
 - (b) none of the provisions of this agreement is likely to lead to any such dispute.
- 14.7 Save as set out in the Disclosure Letter or disclosed in relation to Warranty 14.2, there is no agreement or arrangement between the Company and any of its Employees 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 and save as set out in the Disclosure Letter, 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 20 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 Save for the Pension Schemes and as set out in the Disclosure Letter, there is no agreement, arrangement, scheme or legal obligation for the payment by the Company 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 and neither the Company nor the

Subsidiaries are, nor have been, connected with or an associate of an employer within the meaning of sections 249 and 435 Insolvency Act 1986 respectively, in relation to a defined benefit occupational pension scheme.

- 14.11 Details of the Pension Schemes including details of membership and rates at which the Company is obliged to contribute in respect of each employee or officer who is a member of the Pension Schemes are set out in the Disclosure Letter.
- 14.12 The Pension Schemes have been and are administered in accordance with all applicable laws and regulatory requirements and in accordance with their governing provisions.
- 14.13 All benefits (other than lump sum benefits on death in service) payable under the Pension Schemes are money purchase benefits (as defined in section 181 of the Pension Schemes Act 1993).
- 14.14 There are no circumstances which could result in any material penalty for failure to comply with the Welfare Reform and Pensions Act 1999 or the Stakeholder Pension Schemes Regulation 2000 becoming payable by the Company.
- 14.15 Save as set out in the Disclosure Letter, the Company has not been a party to a relevant transfer (as defined in the Transfer of Undertakings (Protection of Employment) Regulations 1981) within the two years preceding Completion.
- 14.16 No amounts due to or in respect of any of the Employees (including PAYE and national insurance and pension contributions) are in arrears or unpaid.
- 14.17 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 are not at present proceedings in issue, and so far as the Vendors are aware and save as set out in the Disclosure Letter there is not at present an occurrence or state of affairs which is likely hereafter to 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 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.

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 agreement or arrangement entered into by the Company otherwise than by way of bargain at arm's length or in the ordinary course of business;
 - 15.1.3 any agreement or contract containing any terms to be observed or performed by the Company which the Company cannot comply with on time or without undue or unusual expenditure of money, resources or effort;
- 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.
- 15.3 No breach of contract, event or omission has occurred which would entitle any third party to terminate any material 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 Disclosure Letter contains full details of all agreements, arrangements or contracts (whether oral or in writing) made between the Company and any employee of the Company other than in the ordinary course of business.
- 15.5 Save as set out in the Disclosure Letter, the Company has not entered into any so-called "first-look" or "output" agreements or similar arrangements as such terms are understood in the television production and distribution industries.
- 15.6 The only programmes produced by the Company in which any third party (including, without limitation, talent featuring any such programmes but excluding any commissioning broadcaster or distributor) has an entitlement to a share of the profits made by the Company in relation to such programme (other than repeat, residual and subsequent use payments pursuant to any applicable standard talent union or guild agreements, shares of profits due to any commissioning broadcaster or customary

commissions or shares of revenues due to any distributor) are *Supernanny* in respect of the disclosed arrangements with Jo Frost and Nick Emmerson, *It's me or the Dog* being the agreement with Victoria Stilwell and *Leave no Trace* in respect of the agreement with Forensic Alliance.

15.7 The Company has not received any written notice from any broadcaster or Ofcom that any programme produced by it contains any examples of product placement or otherwise infringes the Ofcom programme code.

15.8 In respect of the programmes being developed by the Group and provisionally entitled "Off The Grid", "Ben Fogle's Extreme Dreams" and "Life Or Debt", no member of the Group has:

15.8.1 entered into any signed agreement relating to the acquisition by any third party from the Group of any format rights or Intellectual Property rights in respect of such programmes or which prevents, limits or restricts the Company's right to exploit such programmes in any and all media whether now known or hereafter to be devised for the full period of copyright in the said programmes;

15.8.2 entered into any signed agreement which grants to any third party any rights or interest in the copyright or format of the programmes; or

15.8.3 entered into any signed agreement under which any third party has been granted any right to participate in revenues derived from the exploitation of the format of the programmes.

16. TRADING

16.1 Save as set out in the Disclosure Letter, no material dispute exists between the Company and any programme contributor, freelance personnel, broadcaster or distributor in respect of any programme produced by the Company prior to Completion 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 goods or services supplied or contracted to be supplied by it (save for any guarantee or warranty implied by law or any industry standard warranties contained in commissioning broadcasters production agreements) and (save as aforesaid) has not accepted any liability or obligation in respect of any goods or services that would

apply after any such goods or services have been supplied by it other than industry standard warranties contained in commissioning broadcasters production agreements.

- 16.3 The Company is not restricted by contract from carrying on any activity in any part of the world.
- 16.4 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.
- 16.5 The Company has not received notice of breach of any of its warranties in any production commissioning or distribution agreement.

17. JOINT VENTURES ETC

The Company is not:

- 17.1 a party to any joint venture, consortium or partnership arrangement or agreement (other than relating to its investment in Fightbox); 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.

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 over any of its physical assets or any obligation (including a conditional obligation) to create an Encumbrance over its physical assets.

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 £15,000), neither the Company nor any person for

whose acts or defaults the Company is vicariously liable is claimant, defendant or otherwise a party to any litigation, arbitration or administrative proceedings which are in progress have been threatened in writing or are so far as the Vendors are aware 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 are so far as the Vendors are aware pending.

- 19.2 Neither the Company nor so far as the Vendors are aware (without any obligation to make any enquiry into the same) 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 in contravention of any statutory obligation or any other law of the United Kingdom 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 governmental 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.
- 19.5 The Shares were not purchased or subscribed for by the Vendors with funds derived from criminal proceeds.
- 19.6 To the best of the Vendors' knowledge, information and belief:
- 19.6.1 none of the assets owned by the Group has been acquired with monies representing the proceeds of crime;
- 19.6.2 neither the Company nor any other member of the Group has at any time received monies representing criminal proceeds.
- 19.7 The Office of Communications (including any predecessor regulatory bodies) have not notified the Company and/or any Commissioning Broadcaster of any complaints

regarding any of the Company's television programmes which required any response to be given by the Company to either Ofcom or the Commissioning Broadcaster.

20. RESTRICTIVE AGREEMENTS AND COMPETITION

- 20.1 The Company has not notified any agreements or other arrangements to the European Commission for negative clearance or an exemption under Article 81(3) of the Treaty establishing the European Community.
- 20.2 The Company has not notified any agreement or other arrangement to the Office of Fair Trading, the Director General of Fair Trading, any sector regulator or any other authority having jurisdiction under the Competition Act 1998 for a decision or guidance in relation to the Competition Act 1998.
- 20.3 The Company has not received any state aid or other public or government grant subsidy, tax relief, exemption, privilege or indulgence that is likely to be subject to any proceedings or process challenging the propriety or lawfulness of such government grant, subsidy, tax relief, exemption privilege or indulgence.

21. SUBSIDIARIES

The Company has not since its incorporation had any subsidiary or subsidiary undertaking apart from the Subsidiaries and has not been the subsidiary of any other company and the Company is not the legal or beneficial owner of any shares of any other company other than the Subsidiaries and the Associated Company listed in schedule 2.

22. ADMINISTRATION

- 22.1 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.
- 22.2 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.

- 22.3 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.
- 22.4 All legal requirements in connection with the formation of the Company have been observed.
- 22.5 All special resolutions passed by the Company have been filed with Companies House or disclosed to the Purchaser in writing.
- 22.6 The Company has not at any time carried on any business other than the business carried on at the date hereof.
- 22.7 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).
- 22.8 From 29 April 1988 to 30 November 2001 inclusive, the Company did not:
- 22.8.1 carry on or purport to carry on investment business (within the meaning of section 1(2) of the Financial Services Act 1986 ("FSA"));
 - 22.8.2 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;
 - 22.8.3 issue or cause to be issued any investment advertisement in the United Kingdom in contravention of section 57 of the FSA;
 - 22.8.4 enter into any investment agreement in contravention of section 56 of the FSA; or
 - 22.8.5 otherwise commit any breach or do any act or thing prohibited by the FSA or any rules made pursuant to its provisions.
- 22.9 Since and including 1 December 2001, the Company has not:
- 22.9.1 carried on a regulated activity (within the meaning of section 22 of the FSMA);

- 22.9.2 made any false claim to be authorised or exempt in the manner specified in section 24 of the FSMA;
- 22.9.3 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;
- 22.9.4 contravened the financial promotion restriction contained in section 21 of the FSMA;
- 22.9.5 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
- 22.9.6 otherwise committed any breach or done any act or thing prohibited by the FSMA or any rules made pursuant to its provisions.

23. INSOLVENCY

- 23.1 No resolution has been passed nor meeting called to consider such resolution, no petition has been presented and no order has been made for the winding up of or for the appointment of a provisional liquidator to the Company.
- 23.2 No application has been made to court for an administration order in respect of the Company and no notice of an intention to appoint an administrator of the Company has been given or filed.
- 23.3 No liquidator, administrator, receiver, receiver and manager, administrative receiver or similar officer has been appointed in relation to the Company or in relation to the whole or any part of its assets, rights or revenues.
- 23.4 In relation to the Company:
 - 23.4.1 no voluntary arrangement has been proposed or implemented under section 1 of the Insolvency Act 1986;
 - 23.4.2 no scheme of arrangement has been proposed or implemented under section 425 of the Companies Act 1985;

23.4.3 no scheme for the benefit of creditors has been proposed or implemented, whether or not under the protection of the court and whether or not involving a reorganisation or rescheduling of debt; and

23.4.4 no proceedings have been commenced under any law, regulation or procedure relating to the reconstruction or adjustment of debts.

23.5 The Company has not stopped or suspended payment of its debts, and the Company unable or capable of being deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986.

23.6 No distress, execution or other process has been levied on an asset of the Company and no unsatisfied judgment, order or award is outstanding against the Company.

23.7 No action has been or is being taken by the Registrar of Companies to strike the Company off the register under section 652 of the Companies Act 1985.

23.8 None of the Vendors have been made bankrupt, and no petition has been presented to make any of the Vendors bankrupt.

24. PROPERTIES

24.1 The Properties comprise:

24.1.1 all the land and premises currently owned or occupied by the Company whether in the United Kingdom or elsewhere; and

24.1.2 all the estate, interest, title whatsoever (including for the avoidance of doubt interests in the nature of options, rights of pre-emption or other contractual relationships) of the Company in respect of any land or premises.

24.2 The Properties are at Completion free from any mortgage, debenture or charge (whether specific or floating, legal or equitable), lien or other encumbrance securing the repayment of monies or other obligation or liability by the Company.

24.3 The Company has paid the rent and is not aware of any material breach of any covenants on the part of the lessee contained in any leases (which expression includes underleases) under which the Properties are held and the last demands for rent (or receipts if issued) were unqualified and all such leases are valid and in full force.

- 24.4 So far as the Vendors are aware, all licences, consents and approvals required from the lessors and any superior lessors under the leases of the Properties have been obtained and the Vendors are not aware of any notice of breach of any of the covenants on the part of the lessee contained in such licences, consents and approvals and, subject thereto, there are so far as the Vendors are aware no collateral agreements, undertakings, waivers or concessions which are binding upon either the landlords or the Company.
- 24.5 So far as the Vendors are aware, there is not outstanding and unobserved or unperformed any material obligation necessary to comply with any notice or other requirement given by the landlord under any leases of the Properties.
- 24.6 So far as the Vendors are aware, there are no breaches of covenant which would entitle any lessor to exercise any powers of entry or take possession or which would otherwise restrict the continued possession and enjoyment of the Properties.
- 24.7 The Company is in actual occupation of all parts of the Properties.
- 24.8 The Vendors are not aware of any major item of expenditure already incurred by the lessor of any of the Properties or expected to be incurred by any such lessor within the next 12 months which is recoverable in whole or in part from the Company.
- 24.9 The Company does not have any continuing liability in respect of any other property formerly owned or occupied by the Company either as original contracting party or by virtue of any direct covenant having been given on a sale or assignment to the Company or as a guarantor of the obligations of any other person in relation to such property.

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 as an asset in computing a provision for tax (including 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 as previously defined in section 14(1) of the Taxes Act (now repealed);

"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 1990" means the Capital Allowances Act 1990;

"CAA 2001" means the Capital Allowances Act 2001;

"Claim for Tax" means any claim, notice, demand, assessment, letter or other document issued or any action taken by 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" means any act, omission, event or transaction and without limitation, the 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 and Completion;

"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 any amount eligible for relief under sections 402-413 of the Taxes Act, advance corporation tax which is capable of being surrendered under section 240 of the Taxes Act, any tax refund which is capable of being surrendered under section 102 of the FA 1989, any relievable tax which is capable of being surrendered pursuant to regulations made under section 806H of the Taxes Act or utilisation of any losses pursuant to an election under section 171A of the TCGA;

"ITEPA" means the Income Tax (Earnings and Pensions) Act 2003;

"intangible asset" shall have the same meaning as in paragraph 3 of schedule 29 to the FA 2002

"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 or to which Part 11 of the ITEPA and regulations made under section 684 of the ITEPA apply and Class 1, Class 1A and Class 1B 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 after Completion;

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

"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;

"Schedule 28AA" means Schedule 28AA to the Taxes Act;

"SDLT" means Stamp Duty Land Tax;

"**Taxation**" or "**Tax**" means any form of taxation, duty, 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, profit, gain, 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, levy or tariff;

"**Tax Authority**" means any taxing authority or body, whether of the United Kingdom or elsewhere, having the power or authority to impose any Tax Liability;

"**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 and Associated Company to the intent and effect that the provisions of this schedule shall apply to and be given in respect of each Subsidiary and Associated Company 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 Vendors would have been liable to the Purchaser under this schedule 4. For the avoidance of doubt, the utilisation or set-off of any Accounts Relief against any Tax or against income, profit or gains in circumstances where no Actual Tax Liability would have arisen for which the Vendors would have been liable to the Purchaser under this schedule 4 shall not be an Effective Tax Liability.
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 on or 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 on or before Completion outside the ordinary course of business of the Company and the other or others shall have taken place after Completion within the ordinary course of business of the Company.
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 within the last six years submitted all computations and returns and supplied all other material information required to be supplied to all relevant Tax Authorities by the requisite dates for the purpose of Tax however required and each such computation and return and all such information was and so far as the Vendors are aware remains true, complete and accurate and leaves no material matter unresolved regarding the Tax affairs of the Company and so far as the Vendors are aware 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, falling due from the Company directly or indirectly in connection with any Event occurring on or before Completion and so far as the Vendors are aware 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.
4. 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.
5. 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.
6. No Tax Authority has agreed to operate any special arrangement in relation to the Company other than an arrangement which is wholly in accordance with a strict interpretation of the

relevant law, published statements of practice or published extra-statutory concessions of a relevant Tax Authority.

7. The Company has not been and, so far as the Vendors are aware, is not likely to be subject to any investigation or non-routine audit or visit by any Tax Authority.

Instalment payments

8. The Company is a "large company" within the meaning of regulation 3 of the Corporation Tax (Instalment Payments) Regulations 1998.
9. No instalment payments have been made or are required to be made by the Company under the Corporation Tax (Instalment Payments) Regulations 1998 since the Accounts Date, and no 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 HM Revenue & Customs.
10. 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.

Computation of profits and losses

11. Since the Accounts Date:
 - 11.1 no Event has occurred which has given or may give rise to any Tax Liability (or would or may have given rise to a Tax Liability but for the availability of a Relief) other than corporation tax (or its equivalent in California, USA where appropriate) on trading profits of the Company (and not chargeable gains, balancing charges or deemed income or profits) or any other Tax arising from transactions entered into in the ordinary course of business of the Company carried on at the Accounts Date;
 - 11.2 no material expenditure has been incurred which, so far as the Vendors are aware, 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; and

- 11.3 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.

Chargeable gains

12. No chargeable profit or gain would arise in respect of any asset of the Company:
- 12.1 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;
 - 12.2 acquired after the Accounts Date if that asset were to be disposed of for consideration equal to the consideration given for its acquisition;
 - 12.3 in each case disregarding any statutory right to claim any allowance or relief other than amounts deductible under section 38 of the TCGA.

Capital allowances

13. If all the assets in respect of which allowances have been claimed under Parts 2 of the CAA 2001 or Part II of the CAA 1990 (Plant and Machinery Allowances) and Part 3 of the CAA 2001 or Part I of the CAA 1990 (Industrial Buildings Allowances) 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 material balancing charge would be made on the Company.

Close companies

14. 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.
15. 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.
16. 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

17. 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

18. The Company has not:
- 18.1 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 or as defined in paragraphs 46 to 54 of Schedule 29 to the FA 2002) as the Company or was an associated company (as defined in section 774(4) of the Taxes Act);
 - 18.2 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;
 - 18.3 incurred any material 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;
 - 18.4 entered into or become subject to any arrangement under section 36 of the FA 1998 for the payment of corporation tax; or
 - 18.5 been a party to or agreed to make an election under section 179A of the TCGA to reallocate any gain or loss arising under section 179 of the TCGA within a group.
19. In respect of every:
- 19.1 surrender or claim for group or consortium relief pursuant to sections 402 to 413 of the Taxes Act;

19.2 surrender or claim for surrender of any amount of surplus ACT pursuant to section 240 of the Taxes Act; or

19.3 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

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

Corporate debt

21.

21.1 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.

22. No credit would need to be brought into account pursuant to Part II of Chapter IV of the FA 1996 (Loan relationships) as a result of any debt being settled in full or in part at Completion.

23. 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 and commencing before 1 January 2005 operated, an accruals basis of accounting authorised under section 85 of the FA 1996, and in respect of each accounting period commencing on or after 1 January 2005 has accounted for its loan relationships on an amortised cost basis.

24. 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.

25. 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 to the FA 1996.

26. The Company:

26.1 does not hold any asset or liability in respect of which section 84A of the FA 1996 (exchange gains and losses) applies in respect of profits and gains arising from it;

26.2 is not a party to a contract in respect of which profits arising are chargeable to tax as income in accordance with Schedule 26 to the FA 2002 (derivative contracts),

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.

Intangible fixed assets

27. The Company has sufficient records to identify which (if any) of the intangible fixed assets shown in the Accounts are "existing assets" within the meaning of paragraph 118(3) of Schedule 29 to the FA 2002.

Tax avoidance

28. The Company has never been party to any scheme or arrangement of which the main purpose or one of the main purposes was the avoidance of Tax.

Stamp duty, SDRT and SDLT

29. 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 and which, in the United Kingdom or elsewhere, requires any stamp or mark has been properly stamped or marked, as appropriate

30. The Company does not hold directly or indirectly any interest in real property situated in the United Kingdom which was granted or transferred to it on or after 24 April 2002 and where such grant or transfer was the subject of an application for relief from stamp duty under section 42 of the FA 1930, section 151 of the FA 1995 or section 76 of the FA 1986 or for relief from SDLT under Schedule 7 of the FA 2003..

31. 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.

32. The Company has complied in all respects with the provisions of Part 4 of and Schedules 3 and 20 to the FA 2003 (Stamp Duty Land Tax) and any regulations made under such legislation.
33. The Company has not made an application under section 90 of the FA 2003 to defer any payment of SDLT.

Value added tax

34. 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.
35. The Company:
- 35.1 has complied in all material 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, materially correct and up-to-date records and invoices and other documents appropriate or requisite for the purposes of such Tax Statutes and guidance;
 - 35.2 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;
 - 35.3 has not been and, so far as the Vendors are aware, is not likely to be required by the Commissioners of HM Revenue and Customs to give security under paragraph 4 of schedule 11 to the VATA;
 - 35.4 is not at the date of this agreement liable under Parts XIX or XIXA of the VAT Regs to repay any VAT refunded to it;
 - 35.5 is not nor has it been at any time partially exempt for VAT purposes and there are no circumstances pursuant to which regulations 107 to 110 of the VAT Regs apply or may apply to the Company;
 - 35.6 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;

- 35.7 has not purchased or agreed to purchase any asset to which article 5 of the Value Added Tax (Special Provisions) Order 1995 (SI 1995/1268) applied or would apply;
- 35.8 has not at any time made any supply of goods or services, or acquired any goods or services from a place outside the UK;
- 35.9 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;
- 35.10 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;
- 35.11 has not been denied credit for any input tax under section 26A of the VATA and will not be denied such credit in respect of any supplies made to it prior to Completion;
- 35.12 has not made any election under section 26B of the VATA to participate in the flat-rate scheme;
- 35.13 has not been served a notice, and is not likely to be served a notice, under section 77A of the VATA; and
- 35.14 is not liable, and is not likely to be liable, to a penalty under sections 25, 26 or 28 of the FA 2003.
36. No Event has occurred as a result of which the provisions of Schedule 9A to the VATA have been applied, apply or may apply.

Overseas dealings

37. The Company and those Subsidiaries listed in Part 2 of Schedule 2 as being registered in England and Wales have always exclusively been resident in the UK for tax purposes and the Vendors are aware of no circumstance or arrangement which would or may cause the Company to cease to be resident in the UK for Tax purposes.

38. Save for any activities undertaken by those Subsidiaries listed in Part 2 of schedule 2 as being registered outside of England and Wales, the Company:

38.1 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; and

38.2 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.

Transfer Pricing

39.

39.1 The Company has not entered into nor is it at Completion a party to any transaction (within the meaning in paragraph 3 of Schedule 28AA) or a series of transactions with any person with which it is Related other than on fully arm's length terms and there are no circumstances which could cause any Tax Authority to make or require to be made any material adjustment for Tax purposes to any provision made by means of any such transaction or transactions and no such adjustment has actually been made.

39.2 The Company has in its possession all such records as may be needed to enable it to deliver a correct and complete return in relation to any transaction with any Related Person and without prejudice to the generality of the forgoing, such records include evidence which demonstrate that the terms of any transaction entered into at any time by the Company with a Related Person is or was on fully arm's length terms.

39.3 For the purposes of this warranty 39, two persons are "Related" if one participates directly or indirectly in the management, control or capital of the other or the same person or persons participate in the management, capital or control of both and "Related Person" shall be construed accordingly. The question of whether one person participates in the management, control or capital of another shall be determined in accordance with paragraph 4 of Schedule 28AA.

SDLT

Miscellaneous

40. 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.

Part 3

Tax Covenant

1. Covenant

1.1 The Vendors jointly and severally covenant to pay to the Purchaser an amount, equal to:

1.1.1 any Actual Tax Liability 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, 190 or 191 of the TCGA or section 132 of the FA 1988, paragraph 68 of Schedule 29 to the FA 2002, paragraph 8 of Schedule 34 to the FA 2002, paragraph 9 of Schedule 35 to the FA 2002, paragraphs 1 or 2 of Schedule 39 to the FA 2002, section 77A of the VATA, sections 25, 26 or 28 of the FA 2003 or paragraphs 5 or 12 of Schedule 7 to the FA 2003 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 the Vendors or any person (other than the Company) which is or has been connected with the Vendors;

1.1.4 any stamp duty (together with any interest and penalties) (such sum being recoverable from the Vendors 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 of this schedule 4 part 2;

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 any successful claim under this schedule 4 part 3; and

1.1.7 any Actual Tax Liability arising as a consequence of any arrangements implemented immediately following Completion for the conferring by any Vendor out of the Initial Cash Consideration of financial benefits on any current employee of the Company.

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 determined by the auditors of the Company for the time being.

2. Deductions from payments

2.1 All sums payable by the Vendors 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 Vendors 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 4.4 of this schedule 4 part 4.

2.2 If any amount payable under a Tax Claim is itself subject to Tax the amount so payable shall be grossed up by such amount as will ensure that, after deduction and

payment 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**

Subject to paragraphs 10.2 and 10.3 of this Schedule 4, Part 4 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 paragraph 1 of this schedule 4, part 3 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:

1.1.1 the Tax Liability was paid or discharged before the Accounts Date; or

1.1.2 the payment or discharge of such liability has been taken into account in the Accounts;

1.2 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;

1.3 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 1.3 shall not apply to any amount payable under paragraph 2.2 of this schedule 4 part 3;

1.4 such liability arises as a result of Events 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:

1.4.1 the acquisition or disposal of any asset other than trading stock for consideration or deemed consideration exceeding £5,000;

1.4.2 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;

1.4.3 the making or declaring of any distribution or deemed distribution for Tax purposes or grant or release of any right in relation to the same;

1.4.4 any Event which results or may result in a Tax Liability primarily attributable to another person or entity;

- 1.4.5 any failure to deduct, charge, recover or account for Tax (including the under deducted tax);
 - 1.4.6 the creation, cancellation, redemption, reorganisation or variation of the share capital of the Company or of any loan relationship; and
 - 1.4.7 any Event of which the main purpose or one of the main purposes was the avoidance of Tax.
- 1.5 Such liability arises or is increased as a result of any voluntary act, transaction or omission of the Company or the Purchaser after Completion which (in each case) the Purchaser or, as appropriate, the Company knew or ought reasonably to have known would give rise to or increase the liability in question, otherwise than any voluntary act, transaction or omission:
- 1.5.1 in the ordinary course of business of the Company as carried on at Completion; or
 - 1.5.2 pursuant to a legally binding obligation entered into by the Company or the Purchaser on or before Completion;
- 1.6 the Tax Liability arises in respect of, by reference to or in consequence of any income, profits or gains earned, accrued or received, or deemed to have been earned, accrued or received, in respect of the period between the Accounts Date and Completion either:
- 1.6.1 to the extent that the Company retains the benefit of such income, profit or gain at Completion; or
 - 1.6.2 to the extent that such income, income, profit or gain has been expended in the ordinary course of business of the Company;
- 1.7 the Tax Liability comprises interest or penalties arising by virtue of an underpayment of Tax prior to Completion, insofar as such underpayment would not have been an underpayment but for a bona fide estimate made prior to Completion of the amount of income, profits or gains to be earned, accrued or received after Completion proving to be incorrect as a result of any event or events occurring after Completion; or
- 1.8 the Tax Liability arises as a result of a change after Completion in the length of any accounting period for Tax purposes of the Company, or (other than a change which is necessary in order to comply with the law or generally accepted accounting principles

applicable to the Company at Completion) a change after Completion in any accounting policy or tax reporting practice of the Company other than a change required to comply with GAAP; or

- 1.9 the Tax Liability is a liability to tax comprising interest, penalties, charges or costs in so far as attributable to the unreasonable delay or default of the Purchaser or the Company after Completion provided that this paragraph 1.9 shall not apply to the extent that the delay or default is caused by the Vendors or where, in accordance with paragraph 5 of this schedule 4, part 4 the Vendors are responsible for the Company tax affairs ; or
- 1.10 the Tax Liability arises as a result of the sale of an asset or as a result of any other Event (including the expiry of a time period) which causes the crystallisation of a chargeable gain by the Purchaser or the Company, or any other person connected with any of them, at any time after Completion.
- 1.11 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.

2. Duration and extent

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, provided that:

- 2.1 where the Tax Claim relates to any Claim for Tax in connection with sections 29 or 36 of the TMA, the said period shall be 20 years; and
- 2.2 where the Tax Claim relates to any Claim for Tax in connection with paragraph 46(2) of Schedule 18 to the FA 1998, the said period shall be 22 years; and
- 2.3 where such notification in respect of the Tax Claim has arisen under paragraph 2.1 and or 2.2 above has been given, the Vendors agree not to exercise any of their rights under the Limitation Act 1980 or to invite any court to apply the provisions of such Act in respect of the Tax Claim.

3. Conduct of claims

- 3.1 If the Purchaser receives instructions or comments under this paragraph 3 from more than one of the Vendors it shall only be obliged to have regard to the first set of comments or instructions received.
- 3.2 If the Purchaser or the Company becomes aware of any Claim for Tax which gives or may give rise to a Tax Claim, the Purchaser 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 five 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 and such notice shall be a condition precedent to the liability of the Vendors under this schedule 4 part 3.
- 3.3 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 3.3) 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 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 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.
- 3.4 The Vendors shall have the right to have any action mentioned in paragraph 3.2 of this schedule 4 part 4 conducted by their nominated professional advisers provided that:
- 3.4.1 the appointment of such professional advisers shall be subject to the approval of the Purchaser (such approval not to be unreasonably withheld or delayed) and shall be deemed to be given in the event that the Purchaser does not give a fully reasoned written response within ten Business Days of receiving a request for approval by the Vendors;
- 3.4.2 the Vendors shall procure that the Purchaser is kept fully informed of the progress of the relevant action and provided with copies of all relevant

correspondence and documents sent by and to the Vendors and its professional advisers;

3.4.3 the Vendors shall procure that any reasonable comments made by the Purchaser in relation to the relevant action are adopted by the Vendors and their professional advisers; and

3.4.4 the Vendors shall not be entitled to or to procure that their professional advisers take any action referred to in paragraph 3.4 of this Schedule 4 part 4 or take any action or make any representation which is not lawful or not true and accurate in all respects.

3.5 The Purchaser shall not be obliged to take or procure the taking of the following action pursuant to paragraph 3.4 of this schedule 4 part 4:

3.5.1 agreeing to the settlement or compromise of any Claim for Tax or any proposal for the same which is reasonably likely to materially affect the 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;

3.5.2 the Purchaser shall not be obliged to procure the contesting of any Claim for Tax before any court or other appellate body (excluding the General Commissioners of HM Revenue and Customs, the Special Commissioners of HM Revenue and Customs 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 leading Tax counsel 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;

3.5.3 complying with any unreasonable instruction of the Vendors .

3.6 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 conduct relating to Tax paragraph 3.3 of this schedule 4 part 4 shall not apply and the Vendors shall cease to have any right under that paragraph.

4. Date for payment

- 4.1 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 tenth 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.
- 4.2 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 tenth 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.
- 4.3 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 tenth Business Day after the date on which the Tax in question would have arisen but for such utilisation or set-off and the tenth Business Day after demand is made for such amount to be paid.
- 4.4 Where the Vendors are liable to make any payment under paragraph 1.1.6 of the Tax Covenant or under any other Tax Claim, the date of the payment of which is not determined under paragraphs 4.1, 4.2 or 4.3 of this schedule 4 part 5, the Vendors shall pay to the Purchaser the amount in question on the tenth Business Day after demand is made for such amount to be paid.
- 4.5 Any sum not paid by the Vendors on a date determined under paragraphs 4.1, 4.2 and 4.3 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 in respect of such sum) at the rate of 2% per annum over the base rate of Barclays Bank Plc or in the absence of such 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.

5. Tax affairs

- 5.1 The Vendors or their duly authorised agents or advisers shall, at the expense of the Vendors prepare, submit and agree the corporation tax computations and returns of the Company for its accounting periods (within the meaning of section 12 of the Taxes Act 1988) ended on or before the Accounts Date ("Relevant Accounting Period(s)") ("**Tax Computations**").
- 5.2 The Vendors shall deliver to the Purchaser for comments any Tax Computation, return, document or correspondence and details of any information or proposal ("**Relevant Information**") which it intends to submit to HM Revenue and Customs before submission to HM Revenue and Customs and, subject to paragraph 5.3 of this schedule 4 part 4 shall take account of the reasonable comments of the Purchaser and make such amendments to the Relevant Information as the Purchaser may require in writing within 30 days of the date of delivery of the Relevant Information prior to its submission to HM Revenue and Customs.
- 5.3 The Vendors shall not and shall procure that no other person shall submit to HM Revenue and Customs any Relevant Information or agree any matter with HM Revenue and Customs where the Purchaser has notified the Vendors in writing that it reasonably considers that:
- 5.3.1 such Relevant Information or matter is not true, accurate and lawful in all respects; or
- 5.3.2 such Relevant Information or matter is likely to prejudice the amount of a future Tax Liability.
- 5.4 The Vendors shall deliver to the Purchaser copies of any correspondence sent to, or received from, HM Revenue and Customs relating to the Tax computations and returns and shall keep the Purchaser fully informed of their actions under this paragraph 5.
- 5.5 Subject to paragraphs 5.2 to 5.4 of this schedule 4 part 4, the Purchaser shall or shall procure that:
- 5.5.1 the Company properly authorises and signs the Tax Computations;
- 5.5.2 the Company provides to the Vendors such information and assistance, including without limitation such access to its books, accounts and records

which may reasonably be required to prepare, submit negotiate and agree the Tax Computations;

- 5.5.3 any correspondence which relates to the Tax Computations shall, if received by the Purchaser or any company or their agents or advisers be copied to the Vendors,

provided that in respect of any matter which gives or may give the Purchaser a right to make a Tax Claim, the provisions of paragraph 4 of this schedule 4 part 4, with respect to appeals and the conduct of disputes shall apply instead of the provisions of this paragraph 5 and provided further that the Purchaser shall not be obliged to procure that the Company makes any election, claim or surrender or provides any notice or withdraws or amends any election, claim, surrender or notice unless such making, provision, withdrawal or amendment was taken into account in the accounts for the period to which such action relates.

- 5.6 The Vendors shall use all reasonable endeavours to agree the Tax Computations as soon as reasonably practicable and shall deal with all such matters promptly and diligently and within applicable time limits.

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 (including deferred Tax) in the Accounts proves to be an over-provision;
- 6.1.2 the amount by which any right to repayment of Tax which has been treated as an asset in the Accounts proves to have been understated; or
- 6.1.3 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, understated right to repayment of Tax 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 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 If the Purchaser or the Company becomes aware of any circumstances which shall or may give rise to the application of paragraph 6.1 of this schedule 4 part 4, the Purchaser shall or shall procure that the Company shall, as soon as reasonably practicable, give notice of the same to the Vendors. For the avoidance of doubt, the Purchaser or the Company shall have full discretion over the utilisation of the Corresponding Relief and shall not be under any obligation to utilise any Corresponding Relief in priority to any Post Completion Relief.

6.4 The Vendors 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 seventh anniversary of the date of this agreement entitled to recover from another person (excluding any other company within the definition of Company (or the Purchaser's Group) 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 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 Tax Liability 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, understatement, 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 Vendor or grant time or other indulgence to any Vendor without releasing or reducing the liability of any other Vendor. Where a liability of one of the Vendors under any obligation which is both joint and several is released or compromised the remaining Vendor shall continue to be severally and shall together be jointly liable on that obligation.

10. Miscellaneous

10.1 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.

10.2 The Purchaser shall not be entitled to recover any amount pursuant to this schedule 4 part 3 in respect of any Tax Claim to the extent that the Purchaser or the Company has already recovered in full and in cleared funds any amount in respect of such claim

under this schedule 4 part 2 or pursuant to any other provision of this agreement or pursuant to any other agreement with the Vendors, or to the extent that recovery has already been made under this schedule 4 part 3 in respect of the same matter.

- 10.3 The Purchaser shall not be entitled to recover any amount pursuant to schedule 4 part 2 in respect of any Tax Claim to the extent that the Purchaser or the Company has already recovered in full and in cleared funds any amount in respect of such claim under this schedule 4 part 3 or pursuant to any other provision of this agreement or pursuant to any other agreement with the Vendors, or to the extent that recovery has already been made under this schedule 4 part 2 in respect of the same matter.

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 any of the Subsidiaries.
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 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 resignation in the agreed form of the auditors of the Company and each of the Subsidiaries;
 - 2.4 all certificates of incorporation and certificates of incorporation on change of name for the Company and the Subsidiaries;
 - 2.5 the common seal and statutory books (including minute books) of the Company and the Subsidiaries made up to the Completion Date;
 - 2.6 share certificates in respect of all the issued shares of each of the Subsidiaries and the Associated Company held by the Company or any of the Subsidiaries;
 - 2.7 service agreements in the agreed form duly executed by each of the Vendors;
 - 2.8 copies of all bank mandates given by the Company and/or any of the Subsidiaries;
 - 2.9 bank statements dated not earlier than two Business Days before Completion for all bank accounts (other than bank accounts set up in respect of specific productions) of the Company and/or the Subsidiaries together with cash book balances of the Company and/or the Subsidiaries as at a date no earlier than two Business Days before Completion and reconciliation statements reconciling such balances with the bank statements;
 - 2.10 the documents of title to the Properties (or in respect of any individual property charged to a third party where the charge is to stay in place certified true copies thereof) as shown in the schedule of deeds in the agreed form;

- 2.11 duly executed deeds of release in the agreed form releasing the Company and/or any of the Subsidiaries 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 any such Subsidiary save for any liabilities owing to the Vendors under their contracts of employment with the Company; and
- 2.12 a duly executed deed of termination of the shareholders agreement relating to the Company entered into between each of the Vendors and the Company on 1 May 2005.
3. The Vendors shall procure that meetings of the boards of directors of the Company and each of the Subsidiaries are convened and held at which resolutions in the form set out in the Completion Board Minutes are duly passed.
4. The Purchaser shall apply for the Initial Consideration Shares to be admitted to trading on AIM.
5. The Purchaser shall pay to the Vendors' Solicitors by way of telegraphic transfer in immediately available funds to the Vendors' Solicitors' Bank Account the sum of £8,715,000 in respect of the Initial Cash Consideration and the sum of £1,966,687 in respect of the Further Cash Consideration. The Vendors' Solicitors' receipt of such sum shall be a sufficient discharge for such sums and the Purchaser shall not be concerned to see to the application thereof.
6. The Purchaser shall:
- 6.1 allot and issue to those persons listed in the first column of schedule 1 the number of Initial Consideration Shares set opposite their respective names in the third column of schedule 1 and shall instruct the Purchaser's Registrars to deliver definitive certificates in respect of such shares to those persons promptly following Completion; and
- 6.2 deliver to the Vendors a certified copy of a resolution of the board of directors of the Purchaser in the agreed form allotting the Initial Consideration Shares to those persons listed in the first column of schedule 1.

SCHEDULE 6

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SCHEDULE 7

Part 1

Additional Consideration

1. DEFINITIONS

The following definitions shall apply for the purposes of this schedule 7:

- 1.1 **"Auditors"** means the auditors for the time being of the Company or, if the Auditors are unable or unwilling to provide the services required of them pursuant to this schedule, such other firm of chartered accountants of at least the same size as Baker Tilly with relevant experience and knowledge as may be nominated by the Company;
- 1.2 **"Committed Worldwide Production Revenues"** means the aggregate amount of:
 - 1.2.1 the consolidated Production Revenues of each member of the Group during the part of the Revenue Assessment Period ending on 31 October 2006;
 - 1.2.2 all amounts which are reasonably expected to be part of the consolidated Production Revenues of the Group during the part of the Revenue Assessment Period commencing on 1 November 2006 pursuant to the terms of any contracts which have been entered into on or before 31 October 2006;
 - 1.2.3 other Production Revenues which although not the subject of formal contracts relate to programmes where the title and/or concept has been agreed with the broadcaster and could reasonably be regarded as more likely than not to be receivable and treated as Production Revenues of the Group during the part of the Revenue Assessment Period commencing on 1 November 2006 (and for such purpose account may be taken of communications between broadcasters and the Group and to the conduct of the parties concerned); and
 - 1.2.4 any additional sums which may be added in accordance with the provisions of paragraphs 4.3 and 4.4 of this part 1 of this schedule;
- 1.3 **"EBIT 2006"** means the consolidated earnings before interest and tax of the Group in respect of the 16 month period ending on 31 August 2006 as calculated by applying the policies and after making the adjustments referred to in paragraph 4 of this schedule;

- 1.4 **"EBIT 2007"** means the consolidated earnings before interest and tax of the Group in respect of the 12 month period ending on 30 April 2007 as calculated by applying the policies and after making the adjustments referred to in paragraph 4 of this schedule;
- 1.5 **"Employment Condition"** means in relation to each Vendor that that Vendor is either still employed by the Company, the Purchaser or any other member of the Enlarged Group on 31 October 2006 or has ceased to be so employed but is a Good Leaver;
- 1.6 **"Good Leaver"** means in respect of a Vendor that that Vendor has ceased to be employed by the Company, the Purchaser or any other member of the Enlarged Group in circumstances where the reason for such cessation of employment is other than by reason of:
- 1.6.1 the Vendor being guilty of conduct which would entitle the Purchaser to terminate the Service Agreement of that Vendor in accordance with the provisions of clauses 13.1 other than 13.1.3 (termination on bankruptcy) of such Service Agreement; or
- 1.6.2 the Vendor serving notice on the Company, the Purchaser or any other member of the Enlarged Group to terminate his Service Agreement other than in circumstances of constructive dismissal;
- 1.7 **"Production Revenues"** means in respect of any period all gross revenues (including, without limitation, any bonus or incentive payments) receivable during that period by any member of the Group under the terms of any agreement or arrangement with any broadcaster in respect of the production or commissioning of any programme which would be included as part of turnover in accounts of the Company prepared on a basis consistent with and using the same accounting principles, practices, treatments and categorisations as were used in the preparation of the Accounts (so far as then consistent with generally accepted accounting principles then prevailing in the United Kingdom) including in relation to the exercise of accounting discretion and judgement;
- 1.8 **"Revenue Assessment Period"** means the period commencing on 1 May 2006 and expiring on 30 April 2007.

2. AMOUNT OF ADDITIONAL CONSIDERATION

- 2.1 Subject to clause 2.2 of this schedule, Additional Consideration shall be payable to each Vendor in the Relevant Proportions if and only if in respect of that Vendor the Employment Condition is satisfied and both of the following conditions are satisfied:

2.1.1 EBIT 2006 is not less than £4,900,000; and

2.1.2 the Group has as at 31 October 2006, Committed Worldwide Production Revenues of not less than £23,014,508.

The aggregate amount of Additional Consideration shall, in these circumstances, be £5,000,000 and shall be satisfied in accordance with the provisions of part 2 of this schedule.

- 2.2 If either of the conditions set out in clauses 2.1 of this schedule are not satisfied but EBIT 2007 is £4,300,000 or more then Additional Consideration will be payable to each Vendor in the Relevant Proportions, as long as, in the case of each Vendor, that Vendor satisfies the Employment Condition. The amount of Additional Consideration in these circumstances will be calculated in accordance with paragraphs 2.3 and 2.4 below and shall be satisfied in accordance with the provisions of part 2 of this schedule.

- 2.3 If EBIT 2007 is equal to or greater than £5,300,000 then Additional Consideration in the amount of £5,000,000 will be payable to the Vendors in the Relevant Proportions, as long as, in the case of each Vendor, that Vendor satisfies the Employment Condition.

- 2.4 If EBIT 2007 is equal to or greater than £4,300,000 but less than £5,300,000 the Vendors shall be entitled to an aggregate amount of Additional Consideration determined by the formula:

$$ACI = £2,500,000 + ((EE/1,000,000) \times 2,500,000)$$

where:

ACI is the amount of Additional Consideration payable in relation to satisfaction of that condition

BB the lower of £5,300,000 and EBIT 2007

EE is BB less £4,300,000

2.5 For the avoidance of doubt, if EBIT 2007 is less than £4,300,000 then no Additional Consideration shall be payable to the Vendors.

2.6 The amount of the Additional Consideration shall not exceed £5,000,000.

3. CALCULATION OF ADDITIONAL CONSIDERATION

3.1 The Purchaser will procure that not later than 30 November 2006 the Company shall deliver to each of the Vendors:

3.1.1 a statement from the Auditors setting out the amount which is, in their opinion, on the basis of any assumptions and qualifications which they may wish to specify in the statement, the EBIT 2006 ("**EBIT 2006 Certificate**");

3.1.2 a statement from the Auditors setting out the amount which is, in their opinion, on the basis of any assumptions and qualifications which they may wish to specify in the statement, the Committed Worldwide Production Revenues ("**Committed Worldwide Production Revenues Certificate**"); and

3.1.3 copies of the management accounts of the Group (and all material information) from which the EBIT 2006 and the Committed Worldwide Production Revenues figures have been extracted or derived and all related working papers.

3.2 In the event that either or both of the Vendors disagree with the EBIT 2006 Certificate and/or the Committed Worldwide Production Revenues Certificate either of them may not later than 30 Business Days after the date of receipt by them of the relevant certificates serve written notice on the Purchaser that they so disagree ("**Review Notice**").

3.3 The Purchaser shall during the period of 30 Business Days following receipt by the Vendors of the EBIT 2006 Certificate and the Committed Worldwide Production Revenues Certificate, give the Vendors and their accountants such access to and provide such copy documents as may reasonably be requested by them for the purpose of enabling them to review the EBIT 2006 Certificate and/or the Committed Worldwide Production Revenues Certificate and the basis of calculation of the amounts in the relevant certificate(s).

3.4 If no Review Notice is served by either Vendor within the period of 30 Business Days referred to in paragraph 3.2 of this schedule then the EBIT 2006 and the Committed

Worldwide Production Revenues shall be conclusively deemed to be the amounts set out in the EBIT 2006 Certificate and Committed Worldwide Production Revenues Certificate respectively and the parties shall be deemed to have reached agreement thereon.

- 3.5 In the event that a Review Notice is served on the Purchaser within the period provided in paragraph 3.2 of this schedule the Vendors and the Purchaser will negotiate in good faith with a view to agreeing any adjustments to the EBIT 2006 Certificate and Committed Worldwide Production Revenues Certificate and the amount of the EBIT 2006 and/or Committed Worldwide Production Revenues for a further period of 15 Business Days following the date of service of the Review Notice and during such time the Purchaser shall again give the Vendors and their accountants such access to and provide such copy documents as may reasonably be requested by them for the purpose of enabling them to review the EBIT 2006 Certificate and/or the Committed Worldwide Production Revenues Certificate and the basis of calculation of the amounts in the relevant certificate(s). If agreement is reached between the parties within such period then the Purchaser and the Vendors shall thereupon initial the final agreed form of the 2006 EBIT Certificate and Committed Worldwide Production Revenues Certificate (as the case may be) and the EBIT 2006 and Committed US Revenues as detailed therein shall be deemed to be agreed between the parties.
- 3.6 In the event that the Vendors and the Purchaser are unable to agree the form of the 2006 EBIT Certificate and/or Committed Worldwide Production Revenues Certificate and amount of the EBIT 2006 and/or Committed Worldwide Production Revenues within the further period of 15 Business Days referred to in paragraph 3.5 of this schedule, the calculation of the amount of the EBIT 2006 and/or Committed Revenues shall be referred to an independent Chartered Accountant ("Expert") nominated by agreement between the Vendors and the Purchaser or, failing such agreement within 10 Business Days after the expiration of that period, nominated by the President for the time being of the Institute of Chartered Accountants in England and Wales upon the application of the Vendors or the Purchaser.
- 3.7 The following provisions shall apply in the event that the calculation is referred to the Expert:
- 3.7.1 the Vendors and the Purchaser shall use their respective reasonable endeavours to procure that the Expert shall as soon as practicable after the reference to him determine the amount which is in his opinion the EBIT 2006

and/or Committed Worldwide Production Revenues and notify the Vendors and the Purchaser in writing of his determination;

- 3.7.2 the Expert shall have the right to such access on reasonable notice to the books and accounts of the Company and other members of the Group and such other relevant information as may be requested by the Expert to enable him to make that determination;
- 3.7.3 the Expert shall act as an expert and not as an arbitrator and his written determination of the EBIT 2006 and/or Committed Worldwide Production Revenues shall (in the absence of clerical or manifest error) be final and binding on the Vendors and the Purchaser;
- 3.7.4 the parties shall give the Expert all such facilities and information as he may require for the purposes of his determination of the matter(s) referred to him;
- 3.7.5 if the Expert shall experience any difficulty in applying any of the assumptions and bases for determining the EBIT 2006 and/or Committed Worldwide Production Revenues, then such difficulty shall be resolved by the Expert in such manner as he shall in his absolute discretion think fit; and
- 3.7.6 the costs and expenses of the Expert shall be paid in such allocations as the Expert shall determine or in default of such determination, in equal shares as between the Vendors on the one hand and the Purchaser on the other hand.

- 3.8 In the event that either of the conditions set out in clause 2.1 of this schedule are not satisfied the Purchaser will procure that not later than 30 June 2007 the Company shall deliver to each of the Vendors a statement from the Auditors setting out the amount which is, in their opinion, on the basis of any assumptions and qualifications which they may wish to specify in the statement, the EBIT 2007 ("**EBIT 2007 Certificate**").
- 3.9 If the EBIT 2007 Certificate shall specify that the EBIT 2007 is a sum equal to or greater than £5,300,000 then for the purposes of this agreement each of the parties shall be deemed to have agreed such sum as being the EBIT 2007 with immediate effect.
- 3.10 If the EBIT 2007 Certificate shall specify that the EBIT 2007 is a sum lower than £5,300,000 then the provisions of paragraphs 3.2 to 3.7 of this part 1 of this schedule shall apply mutatis mutandis (but ignoring the references to Committed Worldwide

Production Revenues and replacing the references to EBIT 2006 with references to EBIT 2007) with respect to the determination of the EBIT 2007.

- 3.11 The provisions of Part 3 of this schedule will apply during the period between Completion and the Payment Date.

4. ACCOUNTING POLICIES AND ADJUSTMENTS TO BE APPLIED IN THE CALCULATION OF EBIT 2006, EBIT 2007 AND COMMITTED WORLDWIDE PRODUCTION REVENUES

- 4.1 Subject to paragraph 4.2 of this part 1 of this schedule, the EBIT 2006 and EBIT 2007 shall be calculated on the basis of consolidated accounts to be prepared by the Company in respect of the Group (on a basis consistent with and using the same accounting principles, practices, treatments and categorisations as were used in the preparation of the Accounts (so far as then consistent with generally accepted accounting principles then prevailing in the United Kingdom) including in relation to the exercise of accounting discretion and judgement). For the avoidance of doubt, the consolidation will be undertaken in accordance with UK generally accepted accounting principles with the elimination of intercompany profits and losses and balance sheet items but not intercompany transactions between members of the Group and members of the Enlarged Group which are not members of the Group.

- 4.2 The following adjustments shall be made when calculating the EBIT 2006 and EBIT 2007 and preparing the EBIT 2006 and EBIT 2007 Certificates:

- 4.2.1 there shall be added back any management or other charges made to any member of the Group by the Purchaser or any other member of the Enlarged Group (other than to the extent that such charges do not exceed the market value of the services to which they relate and provided that an approximate amount (not exceeding £150,000) in respect of each of the Vendors may be charged to the Company in respect of the emoluments of the Vendors to reflect the proportion of the Vendors' time which is spent on the activities of the Group);
- 4.2.2 where services have been provided to any member of the Enlarged Group by any member of the Group at less than full market value, there shall be added the difference between the charges made for such services and the market value thereof;

- 4.2.3 there shall be added back any losses attributable to the sale of any capital asset by any member of the Group;
- 4.2.4 there shall be deducted any gains attributable to the sale of any capital asset by any member of the Group;
- 4.2.5 if and to the extent that EBIT 2006 and/or EBIT 2007 would be reduced because of circumstances which are the basis of any claim against the Vendors under this agreement or any of the other Acquisition Documents and the Vendors satisfy their liability in respect of such claim then the amount of the reduction shall be added back to the extent that such reduction has been so satisfied;
- 4.2.6 there shall be added back an amount equal to any expenditures which are exceptional items;
- 4.2.7 there shall be disregarded an amount equal to any income which are exceptional items;
- 4.2.8 there shall be added back any post-acquisition restructuring costs (including, without limitation, any redundancy costs) incurred by any member of the Group;
- 4.2.9 if the Purchaser or any member of the Enlarged Group shall breach any of the provisions of part 3 of this schedule then there shall be added back an appropriate sum to compensate for the net adverse effect of the relevant breach;
- 4.2.10 there shall be added back in respect of accounting fees incurred by the Group in the period 2005/2006 a sum of £29,250; and
- 4.2.11 there shall be added back in respect of a staff bonus to be paid by the Company in December 2005 the sum of £990,442.
- 4.3 If the Purchaser or any member of the Enlarged Group shall breach any of the provisions of part 3 of this schedule then an appropriate upward adjustment shall be made to the amount of the Committed Worldwide Production Revenues to compensate for the net adverse effect of the relevant breach.
- 4.4 If any decision is made in relation to the Group which is in the interests of the Enlarged Group as a whole but which would adversely affect the Committed

Worldwide Production Revenues if no adjustment was made then an appropriate upward adjustment shall be made to the amount of the Committed Worldwide Production Revenues to compensate for the net adverse effect of the relevant decision.

Part 2

Payment of Additional Consideration

1. PAYMENT OF ADDITIONAL CONSIDERATION

- 1.1 If the conditions set out in paragraph 2.1 of part 1 of this schedule are satisfied then the Additional Consideration payable to the Vendors shall be satisfied by the Purchaser in accordance with paragraph 1.3 of this part 2 of this schedule on the first anniversary of the date of this Agreement, or if later, within 10 Business Days of the date on which the EBIT 2006 and Committed Worldwide Production Revenues are agreed or otherwise determined in accordance with the provisions of part 1 of this schedule.
- 1.2 If either of the conditions set out in paragraph 2.1 of part 1 of this schedule are not satisfied but Additional Consideration shall nevertheless be payable to the Vendors pursuant to the provisions of paragraphs 2.2 to 2.4 of part 1 of this schedule then such Additional Consideration shall be satisfied by the Purchaser in accordance with paragraph 1.3 of this part 2 of this schedule within 10 Business Days of the date on which the EBIT 2007 is agreed or otherwise determined in accordance with the provisions of part 1 of this schedule.
- 1.3 The Additional Consideration shall be satisfied by the allotment and issue to the Vendors in the Relevant Proportions of such number of Purchaser Shares as shall have an aggregate value equal (as nearly as may be) to the amount of Additional Consideration payable and for such purpose each Purchaser Share shall have a value equal to the average of the closing price for a Purchaser Share (as derived from the AIM list maintained by London Stock Exchange plc) for each of the 20 dealing days ended on the day prior to the date on which such shares are allotted and issued (the "Payment Date").
- 1.4 The Purchaser shall procure that:
 - (a) any necessary meetings of the board of directors and/or shareholders of the Purchaser which are required for the purposes of the issue and allotment of any Additional Consideration Shares are so held;
 - (b) any Additional Consideration Shares to which either of the Vendors may become entitled under this agreement are admitted to trading on AIM with effect from the Payment Date or as soon as possible thereafter; and

- (c) share certificates in respect of any Additional Consideration Shares are delivered to the Vendor or Vendors entitled to the same promptly following the Payment Date.

Part 3

Conduct and Management of the Company and the Group Pending Determination of the Additional Consideration

It is agreed by the parties that from the date of this Agreement until 30 April 2007 or, if earlier, the Payment Date:

1.1 Subject to 1.2 below:

1.1.1 the Vendors will be entitled to remain on the board of directors of each member of the Group and the Purchaser will use its powers as shareholder consistently with this paragraph; and

1.1.2 the Vendors will be entitled to decide and control the management and day to day operation of the business of the Company and each other member of the Group (provided that they shall at all times carry on the business of the Company and each other member of the Group using sound commercial principles and shall not when making any decisions relating to the management and day to day operation of the Company and/or any member of the Group do or omit to do anything which is likely to materially prejudice the business and operations of any member of the Enlarged Group unless the Purchaser shall have approved the relevant act or omission)

1.1.3 the Purchaser will not exercise any right conferred upon it by the relevant Service Agreement to require any Vendor to cease to be a director of any member of the Group (including, without limitation, the rights conferred by clauses 4.1.9 and 13.3.1) nor will it exercise any of the rights conferred by clause 13.5 (payment in lieu of notice) or 13.8.2 (no duty to provide work during notice period) of the relevant Service Agreement;

1.2 If the employment of a Vendor is terminated pursuant to the provisions of clause 13.1 of his Service Agreement or where a Vendor serves notice to terminate his employment under clause 3.2 of the Service Agreement, paragraph 1.1 will cease to apply to that Vendor

1.3 the Purchaser shall procure that each of the Vendors shall (except in the case of an emergency) be given not less than five Business Days' written notice of all board meetings of any member of the Group provided that he is at the relevant time a director of such member of the Group;

1.4 the Purchaser will not do nor omit to do and the Purchaser will procure that no member of the Enlarged Group (including the Company and the other members of the Group) does or omits to do any act or thing which is likely to prejudice the ability of the Company or the Group to achieve the targets applicable to the Additional Consideration (including, without limitation, any act or omission which may result in the timing of any activities or proposed activities of

any member of the Group (including, without limitation the entry into by the Company or any other member of the Group of any commissioning or other agreement) or any accounting entry being delayed to a time falling outside any reference period to be taken into account in determining the Additional Consideration) provided that nothing in this paragraph will prevent the Purchaser or any other member of the Enlarged Group (other than members of the Group) from carrying on its business in the ordinary course and in accordance with best commercial practice or be construed as requiring the Purchaser to do any act which would be likely to prejudice the business and prospects of the Purchaser and the Enlarged Group (other than members of the Group) and for the avoidance of doubt it is agreed that neither the Purchaser nor any member of the Enlarged Group (other than any member of the Group) shall be under any obligation to provide any financial facilities to any member of the Group and if such facilities are made available, a rate of interest will be payable in respect of any monies advanced which is equivalent to the rate at which the Purchaser borrows or would be able to borrow money from its bankers on an overdraft basis;

- 1.5 the Purchaser will not and shall procure that no member of the Enlarged Group (other than any member of the Group) will seek to exploit any rights of any nature or enter into any agreement or arrangements in relation to any programme produced or developed by the Company or any member of the Group, other than where such rights are not actually being exploited by the Company or any member of the Group and the Vendors agree to such exploitation (in which case a balancing adjustment shall be made to EBIT 2006, EBIT 2007 and/or the Committed Worldwide Production Revenues (as appropriate) to reflect an arms' length fee for the use of such rights by the relevant member of the Enlarged Group);
- 1.6 the Purchaser will not and shall procure that no member of the Enlarged Group (other than any member of the Group) will seek to solicit away from the Company or any other member of the Group for the benefit of the Purchaser or any other member of the Enlarged Group or any other third party any business, opportunity or potential business or opportunity which would otherwise be offered to the Company or any other member of the Group;
- 1.7 if the Enlarged Group or any member of it shall be offered any development or commissioning opportunity in respect of any programme by any broadcaster then if the nature of such programme is such that it is of a type which would, when considering the nature of programmes produced by the Company and the other members of the Group and the Purchaser prior to Completion, be of a type which is more similar to the type of programmes produced by the Company and/or any other member of the Group prior to Completion then such opportunity shall in the first instance be offered to the Company and/or any member of the Group and if each of the Vendors shall decide that such opportunity should be taken up by the Company or any member of the Group then the parties shall procure that the relevant Group company shall do so;

- 1.8 except with the prior consent of the Vendors (such consent not to be unreasonably withheld or delayed) the Purchaser shall procure that no member of the Group shall pay any management or other charges (other than bona fide management charges for goods or services provided where such charges are made on an arms length basis and such goods and/or services are necessary or commercially desirable for the conduct of the business of the relevant member of the Group) or any dividend or make any distribution to any member of the Enlarged Group (other than to the Company or another member of the Group) or redeem or repurchase any shares without the relevant company receiving an interest free loan to cover the effect on working capital of such dividend or distribution;
- 1.9 the Purchaser shall procure that all transactions between a member of the Enlarged Group on the one hand and a member of the Group on the other hand shall be carried out at arm's length under normal commercial terms (without regard to common ownership of the companies involved); and
- 1.10 the Purchaser shall insofar as it is reasonable able to do so and save where the Vendors have agreed to the contrary, procure that:
- 1.10.1 the business of the Group shall be conducted and managed in the normal and usual course;
 - 1.10.2 no changes shall be made in the nature of the businesses of any members of the Group;
 - 1.10.3 no significant business asset or rights are transferred outside the Group;
 - 1.11.4 no liability is assumed by any Group member outside the normal course of its business as presently carried on;
 - 1.10.5 the accounting principles and policies of the companies within the Group shall not be changed without written agreement of the Vendors (save to correct any improper practices); and
 - 1.10.6 no steps are taken for any Group member to undergo any kind of formal insolvency procedure save where such procedure is necessary for the protection of creditors of the relevant member of the Group.

SCHEDULE 8

List of prohibited names

"Supernanny"

"Supernanny USA"

"It's Me or the Dog"

"Who Rules the Roost"

"How Not to Decorate"

"Selling Houses"

"Mirror Signal Manoeuvre"

"Living in the Sun"

"Risking It All"

"Leave No Trace"

"House Trapped"

SCHEDULE 9

Limitations on the Liability of the Vendors

1. SCOPE

Save as otherwise expressly provided in this schedule, the provisions of this schedule shall operate to limit the liability of the Vendors in respect of any claim under the Warranties, the covenants in clause 6.9, clause 6.10, clause 6.11, the Tax Warranties and, but only where expressly stated in this schedule, under the Tax Covenant and references in this Schedule to "claim" and "claims" shall be construed accordingly.

2. LIMITATIONS OF QUANTUM

2.1 The maximum aggregate liability of the Vendors in respect of all and any claims and any claims under the Tax Covenant shall not exceed the amount of the Consideration actually received by the Vendors at the time the relevant claim or claims are made.

2.2 The maximum aggregate liability of each Vendor in respect of all and any claims and any other claims of any nature under the terms of this agreement (including, for the avoidance of doubt, under the Tax Covenant) and the other Acquisition Documents shall not exceed the amount of the Consideration actually received by that Vendor at the time the relevant claim or claims are made.

2.3 No liability shall attach to the Vendors in respect of any claim (other than a claim pursuant to the covenants in clause 6.9 (which shall be subject to the minimum level of claim referred to in that clause) or pursuant to the Tax Covenant):

- (a) unless the loss sustained which is the subject matter of the claim shall exceed £15,000; and
- (b) unless and until the aggregate amount of all claims for which they would, in the absence of this provision 2.3(b), be liable shall exceed £350,000 and in such event Vendors shall be liable for the whole of such amount and not merely the excess over £350,000.

3. TIME LIMITS

3.1 The provisions of this paragraph 3 shall not apply in respect of a Tax Claim.

3.2 The Vendors shall be under no liability in respect of any claim unless notice of such claim giving reasonable details of the relevant facts, matters or circumstances giving rise to the claim (including an estimate of the amount of such claim) shall have been served upon the

Vendors by the Purchasers and in the case of a claim under the Warranties, a claim under the covenants in clause 6.9, a claim under clause 6.10 and/or a claim under clause 6.11 by no later than the second anniversary of the Completion Date.

- 3.3 Any claim notified in accordance with paragraph 3.1 of this Schedule and not satisfied, settled or withdrawn shall be unenforceable against the Vendors on the expiry of the period of 9 months starting on the date of notification of the claim unless proceedings in respect of such claim have been issued and served on the Vendors in accordance with the terms of this agreement.

4. GENERAL

- 4.1 The provisions of this paragraph 4 shall not apply in respect of a Tax Claim unless specifically indicated herein.

- 4.2 The Purchaser shall not be entitled to make any claim (including any claim in respect of the Tax Warranties) under the Warranties in respect of any facts, matters or circumstances if such facts, matters or circumstances have been disclosed to it in the Disclosure Letter (or any document attached to the Disclosure Letter).

- 4.3 The Vendors shall not be liable

(a) in respect of any claim:

- (i) if and to the extent that such claim arises directly or indirectly from any act, omission, transaction or arrangement after Completion by the Purchaser, the Company or any member of the Enlarged Group;
- (ii) if and to the extent that the claim arises directly or indirectly from any act, omission, transaction or arrangement authorised by or carried out at the request of the Purchaser;
- (iii) to the extent that the Purchaser has recovered under an indemnity against any loss or damage arising out of such breach or claim under the terms of any insurance policy of the Purchaser;
- (v) to the extent that the Purchaser, the Company and/or any member of the Group fail to take reasonable steps to mitigate any loss arising in respect of the claim.

5. CONDUCT OF CLAIMS

- 5.1 The provisions of this paragraph 5 shall not apply in respect of a Tax Claim.

- 5.2 If the Purchaser becomes aware that any claim has been made against the Company or any member of the Group by a third party after Completion which is likely to result in the Purchaser being entitled to make a claim against the Vendors the Purchasers shall, and shall procure that any relevant member of the Enlarged Group shall:
- (a) give notice of such claim to the Vendors as soon as reasonably practicable;
 - (b) not make any admission of liability, agreement or compromise with any person, body or authority in relation thereto without the prior written agreement of the Vendors (not to be unreasonably withheld or delayed);
 - (c) give the Vendors and their professional advisers reasonable access to the premises and personnel of the Purchasers, the Company and any member of the Group and to any relevant chattels, documents and records within the power, permissions or control of the Purchaser, the Company and any member of the Group to enable the Vendors and their professional advisers to examine such chattels, accounts, documents and records and take copies or photocopies of them at their own expense;
 - (d) take such action as the Vendors shall reasonably request to avoid, dispute, resist, compromise, defend or mitigate any such claim (other than any claim the defence of which would be likely to materially adversely affect the goodwill of the business of the relevant member of the Group or any claim which seeks or in respect of which there has been granted injunctive relief) (and subject to the relevant member of the Group being entitled to employ its own legal advisers and being indemnified and secured to its reasonable satisfaction by the Vendors) against all losses incurred in connection with such claim) provided that the Vendors shall indemnify and hold harmless all members of the Enlarged Group against all losses incurred by any of them arising from any action taken by any member of the Enlarged Group at the request of the Vendors pursuant to this paragraph; and
 - (e) consult as fully as is reasonably practicable with the Vendors as regards the conduct of any proceedings arising out of such claim.
- 5.3 Notwithstanding the preceding provisions of this Schedule, if at any time any of the Vendors pay to the Purchaser an amount in respect of any claim and the Purchaser, the Company and/or any member of the Enlarged Group subsequently becomes entitled to recover from any third party any sum in respect of the facts, matters or circumstances giving rise to the claim then the Purchaser shall or shall procure that the Company and/or any member of the Enlarged Group shall take all necessary steps to enforce such recovery. If the Purchaser, the Company and/or any Enlarged Group Company shall at any time recover any sum from a

third party which is referable to the facts, matters or circumstances giving rise to any claim in respect of which any of the Vendors have paid any sum to the Purchaser then:

- (a) if the amount paid by the Vendors in respect of the claim is more than the Sum Recovered, the Purchaser shall immediately pay to the Vendors the Sum Recovered; and
- (b) if the amount paid by the Vendors in respect of the claim is less than or equal to the Sum Recovered, the Purchaser shall immediately pay to the Vendors an amount equal to the amount paid by the Vendors.

For the purpose of this Clause "**Sum Recovered**" means an amount equal to the total of the amount recovered from the relevant third party plus any repayment, supplement or interest in respect of the amount recovered from the person under Section 825 or 826 of ICTA less any tax computed by reference to the amount recovered from the person payable by the Purchaser or the Vendors in recovering the amount from the third party or reasonable costs payable by the Purchaser, the Company and/or any member of the Enlarged Group in making any such recovery.

6. CHANGE IN LEGISLATION

The provisions of this paragraph 6 shall not apply in respect of a Tax Claim.

No liability shall attach to any of the Vendors in respect of any claim to the extent that such claim would not have arisen (or the amount of the claim would not have been increased) but for a change in legislation made after the date of this agreement or a change in the interpretation of the law after the date of this agreement (whether or not such change purports to be effective retrospectively in whole or in part) or if such claim would not have arisen (or the amount of the claim would not have been increased) but for any judgement delivered after the date of this agreement.

7. CONTINGENT AND UNQUANTIFIABLE LIABILITIES

No liability shall attach to either of the Vendors in respect of any claim to the extent that the claim is based upon a liability which is contingent only or is otherwise not capable of being quantified unless and until such liability ceases to be contingent and becomes an actual liability or becomes capable of being quantified, as the case may be, provided that this paragraph shall not operate to avoid a claim made in respect of a contingent or unquantifiable liability within the applicable time limits specified in paragraph 3 of this schedule or in the case of a Tax Claim, paragraph 2, Part 4 of Schedule 4, if the notice of such claim has been

served before the expiry of the relevant period (even if such liability does not become an actual or quantifiable liability, as the case may be, until after the expiry of such period).

8. NO DOUBLE RECOVERY

8.1 The Vendors shall not be liable in respect of any claim if and to the extent that the loss occasioned thereby has been recovered under the Tax Covenant and they shall not be liable in respect of any claim under the Tax Covenant if and to the extent that such claim has been recovered under the Warranties.

8.2 The Purchaser shall not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity more than once for the same loss.

9. PAYMENT OF CLAIM TO BE IN REDUCTION OF CONSIDERATION

If either of the Vendors pay any sum to the Purchaser pursuant to a claim, that part of the Consideration received by such Vendor for the sale of his Shares shall be deemed to be reduced by the amount of such payment.

10. WAIVER

The provisions of this paragraph 10 shall not apply to a claim under the Tax Covenant.

The Purchaser irrevocably and unconditionally waives any right it may have to rescind this agreement and acknowledges that damages will be its sole remedy for any claim for misrepresentation, negligent misstatement, breach of any Warranty or any other breach of this agreement.

11. SURVIVAL OF THESE PROVISIONS

The provisions of this Schedule shall apply notwithstanding any other provision of this agreement and will not be discharged or cease to have effect in consequence of any termination or rescission of any other provisions of this agreement.

12. MITIGATION NOT AFFECTED

The provisions of this paragraph 12 shall not apply to a claim under the Tax Covenant.

Nothing in this agreement shall affect the application of the common law rules on mitigation in respect of any claim or any matter giving rise to a claim.

13. FRAUD

None of the limitations on the liability of the Vendors set out in this schedule (whether as to the quantum of the claim, the time limit for notification of the claim, the procedures or

requirements for making a claim or otherwise) shall apply to any claim against a Vendor to the extent that the liability of any of that Vendor in respect of that claim arises from fraud, wilful default, concealment, dishonesty or deliberate non-disclosure on the part of any of that Vendor.

SCHEDULE 10

Purchaser's Warranties

1. DEFINITIONS

For the purposes of this schedule the following words and phrases shall have the following meanings:

"Admission"	means the admission of the Purchaser to AIM;
"Admission Document"	means the admission document issued by the Purchaser as part of its application for Admission;
"AIM Rules"	means the rules made from time to time by the London Stock Exchange relating to AIM;
"FSA"	means the Financial Services Authority;
"Prospectus Rules"	means The Prospectus Regulations 2005 and the FSA's Prospectus Rules;
"Purchaser Accounts"	means the audited, consolidated accounts of the Purchaser in respect of the financial year ending on the Purchaser Accounts Date comprising (inter alia) the audited consolidated balance sheet of the Purchaser as at the Purchaser Accounts Date and the audited consolidated profit and loss account for the period ending on Purchaser Accounts Date and the notes and cash flow statement relating thereto and the reports of the directors and auditors thereon; and
"Purchaser Accounts Date"	means 31 August 2005.

2. CAPACITY

- 2.1 The Purchaser has full power and authority and has taken all actions necessary to execute and deliver and to exercise its rights and perform its 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 the Purchaser in accordance with their terms.
- 2.2 The Purchaser's entry into and performance of any obligations under this agreement and each of the documents in the agreed form to be executed on or before Completion will not result in any breach of or default under any agreement or other obligation binding upon the Purchaser or any of its subsidiaries or any of their respective property.

3. INFORMATION RELATING TO THE PURCHASER

- 3.1 The current authorised and issued share capital of the Purchaser is as described in paragraph 2 of Part IV of the Admission Document and all sums due in respect of the issued share capital of the Purchaser have been paid.
- 3.2 Compliance has been made with all legal requirements in connection with the formation of the Purchaser and any issues and grants of shares, debentures, notes, mortgages or other securities of the Purchaser.
- 3.3 The copy of the memorandum and articles of association of the Purchaser provided by the Purchaser to the Vendors prior to Completion is accurate and complete in all respects.
- 3.4 To the best of the Purchaser's knowledge and belief after making reasonable enquiry, the Admission Document was when issued true and not misleading in any material respect and contained all information required under all applicable legislation, rules and regulations (including, without limitation, the AIM Rules and the Prospectus Rules) and there are no facts known to the Purchaser or any of its officers which are not disclosed in the Admission Document which by reason of this omission make any statement in the Admission Document false or misleading.
- 3.5 Since Admission:
- 3.5.1 the Purchaser and its officers have complied with all of their obligations under the AIM Rules and have notified to the London Stock Exchange and, where necessary, published all information required under the AIM Rules and/or any other applicable legislation, regulations or rules and/or required by the London Stock Exchange or any other regulatory body within any applicable time periods and all of such information was, when supplied and/or published, true, complete and not misleading in all respects;
- 3.5.2 the Purchaser has carried on its business in the normal and usual course;
- 3.6 No resolution has been passed nor meeting called to consider such resolution, no petition has been presented and no order has been made for the winding up of or for the appointment of a provisional liquidator to the Purchaser.
- 3.7 No application has been made to court for an administration order in respect of the Purchaser and no notice of an intention to appoint an administrator of the Purchaser has been given or filed and no liquidator, administrator, receiver, receiver and manager, administrative receiver or similar officer has been appointed in relation to the Purchaser or in relation to the whole or any part of its assets, rights or revenues.

- 3.8 In relation to the Purchaser, no voluntary arrangement has been proposed or implemented under section 1 of the Insolvency Act 1986, no scheme of arrangement has been proposed or implemented under section 425 of the Companies Act 1985, no scheme for the benefit of creditors has been proposed or implemented (whether or not under the protection of the court and whether or not involving a reorganisation or rescheduling of debt) and no proceedings have been commenced under any law, regulation or procedure relating to the reconstruction or adjustment of debts.
- 3.9 The Purchaser has not stopped or suspended payment of its debts, and the Purchaser unable or capable of being deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986 and no distress, execution or other process has been levied on an asset of the Purchaser and no unsatisfied judgment, order or award is outstanding against the Purchaser
- 4. INITIAL CONSIDERATION SHARES AND ADDITIONAL CONSIDERATION SHARES**
- 4.1 There is no Encumbrance on, over or affecting the Initial Consideration Shares or any of them 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.
- 4.2 At the time of the issue and allotment of any Additional Consideration Shares to which the Vendors or either of them may become entitled under the terms of this Agreement there shall not be any Encumbrance on, over or affecting such Additional Consideration Shares or any of them and there shall not be any 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.
- 4.3 The creation, issue and allotment of the Consideration Shares and any Additional Consideration Shares in the manner proposed by this agreement will comply with the Purchaser's articles of association, Companies Act, the AIM Rules, the Prospectus Rules and all other statutes and governmental and regulatory authorities and regulations applicable to such creation, issue and allotment and the Purchaser has obtained all necessary authorisations and consents which are required in relation to such creation, issue and allotment.
- 4.4 The Consideration Shares and any Additional Consideration Shares will rank pari passu in all respects with the existing issued Purchaser Shares including the right to receive all dividends declared, made or paid after the date of issue of such shares.

- 4.5 The creation, allotment and issue of the Consideration Shares and any Additional Consideration Shares will not exceed or infringe any borrowing limits, powers or restrictions of, or the terms of any contract, agreement, security, obligation or commitment or arrangement by or binding upon the Purchaser or any of its respective properties, revenues or assets, or result in the imposition or variation of any rights or obligations of the Purchaser.

5. ACCOUNTS

- 5.1 The Purchaser 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 Purchaser for each of the last three preceding financial years of the Purchaser 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 state of affairs of the Purchaser as at the Purchaser Accounts Date and its profits and losses for the financial year period ended on the Purchaser Accounts Date and to the extent required by generally accepted accounting principle, provision or reserve was made in the Purchaser Accounts in respect of all Tax for which the Purchaser at the Purchaser Accounts Date was or may have been liable or accountable whether or not such Tax was or is a primary liability of the Purchaser and whether or not the Purchaser has had or may have any right of reimbursement against any other person.

6. POSITION SINCE THE PURCHASER ACCOUNTS DATE

- 6.1 Since the Purchaser Accounts Date the business of the Purchaser has been carried on in the ordinary and usual course and so as to maintain the same as a going concern.

7. DIRECTORS' SHAREHOLDINGS IN THE PURCHASER

- 7.1 Save as disclosed to the Purchaser in writing:
- 7.1.1 No associate (within the meaning of section 417 of the Taxes Act) of any director of the Purchaser owns, or will own at Completion any shares or any right or option to acquire any shares in the capital of the Purchaser; and
- 7.1.2 In the period from 22 June 2005 up to and including Completion, no director of the Purchaser nor any person who is an associate (within the meaning of section 417 of the Taxes Act) of any such director has acquired any shares or any right or option to acquire any shares in the capital of the Purchaser.

SIGNED (but not delivered until the date hereof)
as a deed by **NICHOLAS POWELL** in the
presence of:

) *N Powell*
)
)

.....
Witness signature

RHYS LLEWELLYN
.....

Witness name

14 HANOVER SQUARE, LONDON W1S 1HP
.....

Witness address

SOLICITOR
.....

Occupation

SIGNED (but not delivered until the date hereof)
as a deed by **NICHOLAS ADAM**
SOUTHGATE in the presence of:

) *N Southgate*
)
)

.....
Witness signature

RHYS LLEWELLYN
.....

Witness name

14 HANOVER SQUARE, LONDON W1S 1HP
.....

Witness address

SOLICITOR
.....

Occupation

EXECUTED (but not delivered until the date
hereof) as a deed by **SHED PRODUCTIONS**
PLC by the affixing of its Common Seal in the
presence of:

)
)
)
)

Director

[Signature]

Director/Secretary

[Signature]