

DATED

16th March

2000

(1) ANTHONY ERNEST CAMPLIN
AND KEVIN MCGRELLIS

- and -

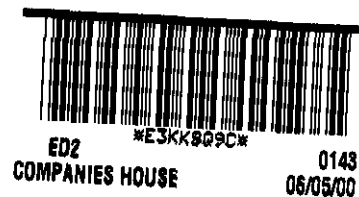
(2) AMS HOLDINGS LIMITED

3912000

AGREEMENT

relating to

the sale and purchase of the entire issued share
capital of Allied Mechanical Services Limited



**WE HEREBY CERTIFY THIS
TO BE A TRUE COPY OF
THE ORIGINAL.**

DIA

Friday 5 May 2000



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 6. Service Agreements
 7. Release(s) of guarantees given to third parties
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EX-1001
535 6.2.1999
THIS AGREEMENT is made on

16th March



2000

BETWEEN

(1) ANTHONY ERNEST CAMPLIN of Windermere, Crockford Road, Newmarket, Suffolk CB8 9BG and KEVIN MCGRELLIS of 13 Cherry Orchard, Oakington, Suffolk CB4 5AY ("Vendors")

(2) AMS HOLDINGS LIMITED of Oxford Road, Ryton-on-Dunsmore, Coventry a company incorporated in England and Wales with registered number 3912000 ("Purchaser")

BACKGROUND

- A Allied Mechanical Services Limited ("Company") is a private company limited by shares. Further information relating to the Company 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 the audited accounts of the Company comprising (inter alia) the audited balance sheet and the audited profit and loss account for the period as at and to the Accounts Date the notes and the cash flow statement relating thereto and the reports of the directors and auditors thereon.

"Accounts Date" means 31 March 1999.

"Additional Consideration" means any sum which may become payable under clause 3.6 and Schedule 3.

"Borrowings" means all indebtedness of the Company as shown in the unaudited balance sheet of the Company as at and for the 11 month period to 29 February 2000 (whether due or not) and whether subject to any contingency or not but excluding trade creditors incurred in the ordinary course of trading._____

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

"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 hereto set out in clause 4 and Schedule 7.

"Completion Net Cash Statement" means the statement to be prepared pursuant to clause 3 as agreed or determined in accordance with the provisions of schedule 4.

"Completion Board Minutes" means minutes of a meeting of the board of directors of the Company in the agreed form.

"Completion Date" means the date of this agreement.

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

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

- (a) the Intellectual Property and any other property of the Company in the nature of intellectual property;

- (b) any technical processes, future projects, business development or planning, commercial relationships and negotiations; and
- (c) the marketing of goods or services including, without limitation, customer, client and supplier lists, price lists, sales targets, sales statistics, market share statistics, market research reports and surveys and advertising or other promotional materials and details of contractual arrangements and any other matters concerning the clients or customers of or other persons having dealings with the Company.

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

"Consideration Shares" means the 100,000 5% cumulative redeemable preference shares of £1 each of the Purchaser to be allotted and issued at par credited as fully paid by the Purchaser to the Vendors as part of the Initial Consideration for the Shares.

"Croft Homes Limited Agreement" means the agreement in the agreed form (undated) and executed by Croft Homes Limited in favour of the Company relating to the Croft Homes Property Investment.

"Croft Homes Property Investment" means the investment by the Company of £100,000 towards the purchase and development by Croft Homes Limited of a property known as Holy Family Church, Restons Crescent, Eltham, London, SE9 as acknowledged in the Croft Homes Limited Agreement.

"Disclosure Letter" means the letter of even date herewith from the Vendors to the Purchaser relating to the Warranties together with any documents annexed thereto.

"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.

"Guaranteed Loan Notes" means the series A guaranteed loan notes in the agreed form of an aggregate principal amount of £2,700,000 to be issued by the Purchaser to the Vendors as part of the Initial Consideration for the Shares.

"Initial Consideration" means that part of the Consideration which is payable as set out in clause 3.2.

"Intellectual Property" includes patents, inventions, know-how, trade secrets and other confidential information, registered designs, copyrights, database rights, design rights, rights affording equivalent protection to copyright, database rights and design rights, topography rights, trade marks, service marks, business names, trade names, domain names, moral rights, registration of an application to register any of the aforesaid items, rights in the nature of any of the aforesaid items in any country, rights in the nature of unfair competition rights and rights to sue for passing-off.

"Intellectual Property Rights" means all Intellectual Property used, or required to be used, by the Company in, or in connection with, its business.

"know-how" means trade secrets and business information and all other information relating to the Company including details of supply arrangements, customer lists and pricing policy; sales targets, sale statistics, market share statistics, marketing surveys and reports; marketing research; unpatented technical or other information including inventions, improvements, design techniques, improvements, discoveries, processes and procedures, ideas and concepts, formulae, specifications procedures for experiments and tests and results of experimentation and testing.

"Lease" means the sub-lease of the Premises in the agreed form to be entered into at Completion.

"Loan Notes" means the series B guaranteed loan notes in the agreed form of an aggregate principal amount required to satisfy the amount of Additional Consideration and to be issued by the Purchaser to the Vendors at the time set out herein.

"Management Accounts" means the unaudited balance sheet and profit and loss account of the Company in the agreed form as at and for the 10 month period to 31 January 2000.

"Net Cash" means the aggregate of the cash in hand and at the bank of the Company less the aggregate of the Borrowings as shown in the Completion Net Cash Statement.

"New Articles of Association" means the new articles of association of the Company in the agreed form to be adopted at Completion.

"Option" means an option exercisable or exercised pursuant to the Option Deed.

"Option Deed" means the option deed to be entered into at Completion between each of the Vendors and Keller Group plc granting Keller Group plc the right to acquire, inter alia, the Consideration Shares.

"Premises" means the premises occupied by the Company at Depot Road, Newmarket, Suffolk CB8 0AP.

"Product" means any product, item of equipment, hardware, software, micro-processor or embedded control system (or other item containing, using or dependent upon any of the foregoing) supplied by the Company.

"Purchaser's Group" means the Purchaser and any holding company of the Purchaser and any subsidiary undertaking of the Purchaser or any such holding company.

"Purchaser's Accountants" means KPMG Audit, 2 Cornwall Street, Birmingham, B3 2DL.

"Purchaser's New Articles of Association" means the new articles of association of the Purchaser in the agreed form to be adopted at Completion.

"Purchaser's Solicitors" means Dibb Lupton Alsop of 3 Noble Street, London EC2V 7EE.

"Service Agreements" means the service agreements in the agreed form to be entered into by each of the Vendors and the Company at Completion.

"Services" means any service supplied by the Company under any agreement with any third party and includes any product, item of equipment, microprocessor,

embedded control system, hardware or software provided to that third party by the Company as part of the Services, or used by the Company as part of the Services.

"Share Warranties" means the warranties contained or referred to in clause 5 and schedule 5.

"Shares" means the 25,000 issued and allotted ordinary shares of £1 each in the capital of the Company comprising the whole of the issued share capital of the Company.

"Tax Covenant" means any covenant set out in part 3 of schedule 6.

"Tax Warranties" means the representations and warranties on the part of the Vendors in relation to Taxation set out in part 2 of schedule 6.

"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 Prentis & Co, 115c Milton Road, Cambridge CB4 1XE.

"Vendors' Solicitors" means Hewitson Becke + Shaw, Shakespeare House, 42 Newmarket Road, Cambridge CB5 8EP.

"Warranties" means the Share Warranties and the Tax Warranties.

"Written Resolution" means the written resolution of the members of the Company in the agreed form to be passed at Completion.

"Year 2000 Compliant" means that the relevant item (including any item used to provide the Services) will perform in accordance with the British Standards Institution's definition of Year 2000 Conformity including the Amplification of the Definition and Rules (DISC PD 2000-1:1998), as amended from time to time. Such definition currently requires that neither performance nor functionality is affected by dates prior to, during and after the year 2000 and, in particular:

- (a) no value for current date will cause any interruption in operation;
- (b) date-based functionality must behave consistently for dates prior to, during and after the year 2000;
- (c) in all interfaces and data storage, the century in any date must be specified either explicitly or by unambiguous algorithms or inferencing rules; and
- (d) the year 2000 must be recognised as a leap year.

1.2 In this agreement where the context admits:

- 1.2.1 save in relation to schedule 6, 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 schedule 1 to the Interpretation Act 1978 apply in the same way as they do to statutes;
- 1.2.3 reference to a statutory provision includes reference to:
 - 1.2.3.1 any order, regulation, statutory instrument or other subsidiary legislation at any time made under it for the time being in force (whenever made);
 - 1.2.3.2 any modification, amendment, consolidation, re-enactment or replacement of it or provision of which it is a modification, amendment, consolidation, re-enactment or replacement;
- 1.2.4 reference to statutory obligations shall include obligations arising under Articles of the Treaty of Rome 1957 and regulations and directives of the European Union as well as United Kingdom acts of Parliament and subordinate legislation;
- 1.2.5 reference to a clause, schedule or paragraph is to a clause, schedule or a paragraph of a schedule of or to this agreement respectively;

- 1.2.6 reference to the parties to this agreement includes their respective successors, permitted assigns and personal representatives;
- 1.2.7 reference to any party to this agreement comprising more than one person includes each person constituting that party;
- 1.2.8 reference to any gender includes the other genders;
- 1.2.9 reference to any professional firm or company includes any firm or company effectively succeeding to the whole, or substantially the whole, of its practice or business;
- 1.2.10 the index, headings and any descriptive notes are for ease of reference only and shall not affect the construction or interpretation of this agreement;
- 1.2.11 this agreement incorporates the schedules to it;
- 1.2.12 a person shall be deemed to be connected with another if that person is so connected within the meaning of section 839 of the Taxes Act;
- 1.2.13 unless otherwise expressly provided, all covenants, warranties, representations, undertakings and indemnities given or made by the Vendors in this agreement are given or made jointly and severally;
- 1.2.14 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:
- 1.2.14.1 anything of which the other Vendors have knowledge or are deemed by clause 1.2.14.2 or clause 1.2.14.3 to have knowledge;
- 1.2.14.2 anything of which he ought reasonably to have knowledge given his particular position in and responsibilities to the Company and his relationship with the business of the Company; and
- 1.2.14.3 anything of which he would have had knowledge had he made due and careful enquiry immediately before giving the Warranties;

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

2. SALE AND PURCHASE OF SHARES

- 2.1 Each of the Vendors shall sell with full title guarantee the number of Shares set opposite his name in column (2) of schedule 1 and the Purchaser shall purchase the Shares free from all Encumbrances and together with all rights of any nature which are now or which may at any time become attached to them or accrue in respect of them including all dividends and distributions declared paid or made in respect of them on or after the Accounts Date other than the dividend declared on 15 March 2000 payable to the Vendors on 6 April 2000 of an aggregate amount of £800,000.
- 2.2 Each of the Vendors hereby waives any right of pre-emption or other restriction on transfer in respect of the Shares or any of them conferred on him under the articles of association of the Company or otherwise and agrees to procure before Completion the irrevocable waiver of any such right or restriction conferred on any other person.

3. CONSIDERATION

- 3.1 The Consideration payable by the Purchaser to the Vendors for the purchase of the Shares is the aggregate of the Initial Consideration and such part (if any) of the Additional Consideration as may become payable to the Vendors. The Consideration shall be apportioned between the Vendors in the proportions set out opposite their names in column (3) of schedule 1.
- 3.2 The Initial Consideration payable by the Purchaser to the Vendors for the purchase of the Shares shall be £3,600,000 subject to the following adjustments:
- 3.2.1 there shall be added an amount, if any, by which the Net Cash is greater than £425,000; or
- 3.2.2 there shall be deducted an amount if any, by which the Net Cash is less than £425,000.
- 3.3 Within seven days starting on the day after agreement or determination of the Completion Net Cash Statement in accordance with schedule 4:

- 3.3.1 if the Initial Consideration payable pursuant to clause 3.2 exceeds £3,600,000, the Purchaser shall pay to the Vendors the amount of the excess, such excess to be satisfied by the issue to each of the Vendors of Guaranteed Loan Notes in principal amount equal to 50 per cent. of the excess; or
- 3.3.2 if the Initial Consideration payable pursuant to clause 3.2 is less than £3,600,000, the Vendors shall repay to the Purchaser the amount of the shortfall in cash.
- 3.4 The parties shall comply with the provisions of schedule 4 with respect to the matters contained therein.
- 3.5 To the extent that the corporation tax payable by the Company in respect of the year ending 31 March 2000 and any additional Tax payable in respect of the two years ended 31 March 1998 (including any interest and/or penalties in respect thereof) is less than £220,000 in aggregate ("**Tax Underpayment**"), the Purchaser shall within 5 days of the date the tax computations for the four years ended 31 March 2000 are agreed with the Inland Revenue pay to the Vendors' Solicitors in cash an amount equal to the Tax Underpayment together with interest thereon at a rate of 5% per annum from the Completion Date to the date of payment thereof to the Vendors' Solicitors. The Vendors' Solicitors' receipt shall be sufficient discharge for such amount and the Purchaser shall not be concerned to see to the application thereof.
- 3.6 The Initial Consideration payable at Completion to the Vendors for the purchase of the Shares shall be satisfied as follows:
- 3.6.1 as to the sum of £875,000 by payment in accordance with paragraph 4 of schedule 7;
- 3.6.2 as to the sum of £2,625,000 by the allotment to the Vendors of the Guaranteed Loan Notes in the amounts set opposite their respective names in column (6) of schedule 1;
- 3.6.3 as to the sum of £100,000 by the allotment to the Vendors of the number of Consideration Shares set opposite their respective names in column (4) of schedule 1.

- 3.7 The Additional Consideration shall be calculated and shall be satisfied in accordance with the provisions of schedule 3.

4. COMPLETION

- 4.1 Completion shall take place at the offices of the Purchaser's Solicitors on the Completion Date when each of the parties shall comply with the provisions of schedule 7.

- 4.2 The Purchaser shall not be obliged to complete the purchase of the Shares hereunder unless the Vendors comply fully with their obligations under schedule 7 and unless the purchase of all the Shares is completed simultaneously (but so that completion of the purchase of some of the Shares will not affect the rights of the Purchaser with respect to the others).

- 4.3 If Completion does not take place on the Completion Date because the Vendors fail to comply with any of their obligations under schedule 7, the Purchaser may by notice to the Vendors:

4.3.1 proceed to Completion to the extent reasonably practicable;

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

4.3.3 terminate this agreement.

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

- 4.5 If the Purchaser shall terminate the agreement pursuant to clause 4.3.3, each party's further rights and obligations shall cease immediately on termination, but termination shall not affect a party's accrued rights and obligations as at the date of termination.

5. WARRANTIES

- 5.1 The Vendors warrant and undertake to the Purchaser that at the date of this agreement save as fairly and to the extent disclosed in the Disclosure Letter each of

the statements set out in schedule 5 and part 2 of schedule 6 is true, accurate and complete in all respects and not misleading.

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

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

5.4 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 and any representations or to prepare the Disclosure Letter.

5.5 The rights of the Purchaser under clause 5 shall be in addition and without prejudice to any other right or remedy available to it under this agreement or otherwise.

6. LIMITATION ON THE VENDORS' LIABILITY

6.1 The aggregate liability of the Vendors in respect of all claims under the Warranties and the Tax Covenant shall not exceed the Consideration. The Vendors shall not, however, be required to pay on the relevant Payment Date (defined below) in respect of all claims under the Warranties and the Tax Covenant then unsatisfied in full ("**Total Claims**") an amount exceeding the amount of Consideration received by them by the date for payment of such claims ("**Payment Date**") provided that if prior to the date on which any Additional Consideration becomes due ("**Relevant Date**") the amount the Vendors have paid to the Purchaser in respect of Total Claims is less than the amount of the Total Claims ("**Claims Payment Deficit**"), the Purchaser shall be entitled to deduct from the Additional Consideration due to the Vendors on the Relevant Date an amount equal to the Claims Payment Deficit and to treat its obligation to pay the Additional Consideration as being reduced pro tanto.

6.2 No amount shall be payable by the Vendors in respect of any claim under the Warranties unless and until the aggregate cumulative liability of the Vendors in

respect of all such claims exceeds £50,000 in which case the Vendors shall be liable only for the excess over £50,000.

6.3 The Vendors shall not be liable for any claim under the Share Warranties unless the Vendors are given notice of that claim stating in reasonable detail the nature of the claim and, if practicable, the amount claimed on or before the second anniversary of Completion.

6.4 Subject to clause 6.10 the Purchaser shall have no right to rescind or terminate this agreement for breach of any of the Warranties or for any other reason whatsoever and the sole remedy of the Purchaser shall be in damages and shall be subject to the limitations hereinafter set out.

6.5 The Warranties are given subject to:

6.5.1 any exceptions or matters fairly and to the extent disclosed in the Disclosure Letter or in this agreement;

6.5.2 any matter expressly provided for under the terms of this agreement or arising from the implementation of the same;

6.5.3 any matter or thing done or omitted prior to Completion by the Vendors or the Company at the written request of or with the written approval of the Purchaser or its authorised representatives.

6.6 The Purchaser confirms that it has not relied on any representation, warranty, covenant or undertaking of the Vendors or any other person save for any representation, warranty, covenant or undertaking expressly set out in this agreement.

6.7 No liability shall attach to the Vendors in respect of a breach of any of the Share Warranties to the extent that such claim arises as a consequence of a change in the law enacted after the date hereof.

6.8

6.8.1 In this clause 6.8, "Company Policy" means any insurance policy maintained at any time before Completion by the Company and "Purchaser's or Keller

Group plc's PI Policy" means the professional indemnity insurance policy maintained by the Purchaser or, if applicable, by Keller Group plc for the benefit of the Purchaser, after Completion, if any.

6.8.2 Where the Company is entitled under any Company Policy or under the Purchaser's or Keller Group plc's PI Policy to recover any sum in respect of any loss, damage or liability which is the subject of a claim against the Vendors under the Share Warranties ("**Claim**") subject to the Purchaser and/or the Company being indemnified and secured by the Vendors to the reasonable satisfaction of the Purchaser against all reasonable costs and charges and expenses incurred in connection with making and pursuing a claim under such insurance policy in respect of the Claim the Purchaser shall procure that the Company shall take all reasonable steps to make and pursue such insurance claim provided that, if the Purchaser shall so decide, the Purchaser shall:

6.8.2.1 procure that the Company delegates the conduct of such insurance claim under a Company Policy to the Vendors; or

6.8.2.2 enable the Vendors to conduct such insurance claim under the Purchaser's or Keller Group plc's PI Policy (as the case may be).

6.8.3 The party conducting the insurance claim shall provide the other with all such information and reports concerning the conduct of the insurance claim as it may from time to time reasonably request.

6.8.4 If any sum shall be recovered by the Company under a Company Policy or under the Purchaser's (or Keller Group plc's) PI Policy (as the case may be) in respect of the Claim, there shall be deducted from the Claim against the Vendors the amount so recovered under such insurance policy less:

6.8.4.1 the reasonable costs charges and expenses incurred by the Purchaser and/or the Company in respect of making and pursuing the insurance claim; and

6.8.4.2 the aggregate over a projected period of 2 years of any additional and/or increased costs which, in the reasonable opinion of Keller

Group plc's insurance broker, Keller Group plc may incur thereafter in respect of insurance for the Purchaser's Group, including, but not limited to, increased premium or excesses.

- 6.9 In addition to the duty of the Purchaser and the Company under the general law to mitigate loss or damage in relation to any claim by a third party which will or may give rise to a claim for breach of a Share Warranty, the Purchaser shall consult at all material stages with the Vendors in respect of such claim.
- 6.10 Clauses 6.1 to 6.9 (inclusive) shall not apply to any claim where it can be proved that such claim is based on a dishonest or fraudulent act or omission or fraudulent misrepresentation of or by any of the Vendors prior to Completion.

7. VENDORS' COVENANTS

- 7.1 Each of the Vendors severally undertakes to and covenants with the Purchaser that (save with the consent in writing of the Purchaser) he will not at any time after Completion:
- 7.1.1 use or procure or cause or (so far as he is able) permit the use of any name or names identical or similar to or including the words "Allied Mechanical Services" or "AMS", "Allied Electrical Services" or "AES", "Allied Technical Services" or "ATS", or "Allied Air Conditioning Services" or "AACS" or any colourable imitation thereof in connection with any activity whatsoever other than in the course of his ongoing employment with the Company;
- 7.1.2 (save as required by law) disclose or divulge to any person (other than to officers or employees of the Purchaser whose province it is to know the same) or use (other than for the benefit of the Purchaser) any Confidential Information which may be within or have come to his knowledge and he shall use all reasonable endeavours to prevent such publication, disclosure or misuse of any Confidential Information.
- 7.2 Each of the Vendors severally undertakes to and covenants with the Purchaser (save with the consent in writing of the Purchaser) that he will not for a period of 4 years after the Completion Date either on his own behalf or jointly with or as an officer,

manager, employee, adviser, consultant or agent for any other person directly or indirectly;

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

7.2.2 disclose to any person whatsoever or use to the detriment of the Company or otherwise make use of, through any failure to exercise all due care and diligence cause any unauthorised use of any know-how relating to or belonging to the Company or in respect of which the Company is bound by an obligation of confidence to a third party save as required by law or any court of competent jurisdiction.

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

7.3.1 approach, canvass, solicit or otherwise act with a view to enticing away from or seeking in competition with any business of the Company the custom of any person who at any time during the period of 12 months preceding the Completion Date or at any time thereafter prior to his ceasing to be employed by the Company is or has been a customer of the Company and during such period he shall not use his knowledge of or influence over any such customer to or for his own benefit or the benefit of any other person carrying on business in competition with the Company or otherwise use his knowledge of or influence over any such customer to the detriment of the Company;

7.3.2 seek to contract with or engage (in such a way as adversely to affect the business of the Company as carried on at the date of this agreement) any person who has been contracted with or engaged to manufacture, assemble, supply or deliver products, goods, materials or services to the Company at any time during the period of 12 months prior to the date of this agreement

or at any time thereafter prior to his ceasing to be employed by the Company;

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

7.3.4 be engaged, concerned or interested whether as an employee or in any other capacity in carrying on any business within 100 miles of the Premises in competition with the business carried on by the Company as carried on at the date of this agreement.

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

7.5 Nothing in this clause 7 shall prohibit any of the Vendors from holding shares in a private company which does not compete with the business of the Company or holding an interest as an investment amounting to not more than five per cent of the share capital of any company which is traded on an recognised investment exchange (as defined in the Financial Services Act 1986) and which does not carry on and of which no company which is a member of the same group carries on any business which competes with the business carried on by the Company as at the Completion Date.

7.6 References in this clause 7 to the "business of the Company" shall include the business of the Company that may from time to time be transferred to any company within the Purchaser's Group.

7.7 The Vendors and each of them agree and acknowledge that the restrictions contained in this clause 7 are fair and reasonable and necessary to assure to the Purchaser the full value and benefit of the Shares and in particular the goodwill and know-how of the business of the Company but, in the event that any such restriction shall be found

by, inter alia, a court of competent jurisdiction to be void or unenforceable but would be valid and effective if some part or parts thereof were deleted or amended, such restriction shall apply with such deletion or amendment as may be necessary to make it valid and effective.

8. TAXATION

The provisions of schedule 6 shall apply with respect to the matters contained or referred to therein.

9. TRANSFER OF ASSETS

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

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

10. FURTHER ASSURANCE AND ATTORNEY

- 10.1 Upon and after Completion, the Vendors shall, at the request of the Purchaser, do and execute or procure to be done and executed all such acts, deeds, documents and things as may be necessary to give effect to this agreement.
- 10.2 Upon 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.

11. INFORMATION

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

12. ANNOUNCEMENTS

No announcement, communication or circular concerning this agreement shall be made by or on behalf of any party hereto without the prior approval of the other parties (such approval not to be unreasonably withheld or delayed).

13. COSTS

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

14. SUCCESSORS AND ASSIGNMENT

14.1 This agreement shall be binding upon and enure for the benefit of each party's successors and personal representatives and shall not be assignable until the Additional Consideration (if any) has been paid to the Vendors and all rights and benefits under this agreement are personal to the parties and during such period may not be assigned at law or in equity without the prior written consent of each other party.

15. ENTIRE AGREEMENT

15.1 This agreement (including the schedules hereto) and any documents in the agreed form and the Disclosure Letter (the "**Acquisition Documents**") constitutes 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 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 upon such acknowledgement) that it has not been induced to enter into any such documents by nor relied upon any representation or warranty other than the representations and/or warranties contained therein;

15.2.3 each party hereby irrevocably and unconditionally waives any right it may have to claim damages by reason of any misrepresentation and/or warranty not set forth in any such document.

15.3 Each of the parties acknowledges and agrees for the purposes of the Misrepresentation Act 1967 and the Unfair Contract Terms Act 1977 that the provisions of this clause 15 are reasonable.

16. TIME FOR PERFORMANCE

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

17. VARIATIONS

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

18. WAIVER

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

19. 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.

20. 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.

21. 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 21. 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.

22. 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.

23. GOVERNING LAW

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 Vendors and may be enforced in the courts of any other jurisdiction.

23.4 Nothing contained in this clause 23 shall limit the right of the Purchaser to take Proceedings against the Vendors in any court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings by the Purchaser in any other jurisdiction, whether concurrently or not.

23.5 The Vendors 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 Initial Consideration

(1) Names and address of Vendors	(2) No. and class of shares	(3) Percentage Entitlement to Consideration	(4) Consideration Shares	(5) Cash	(6) Guaranteed Loan Notes (Principal Amount)
Anthony Ernest Camplin Windermere Crockford Road Newmarket Suffolk, CB8 9BG	12,500 ordinary shares of £1 each	50%	50,000	£875,000	£875,000 plus additional amount for 50% of cash over £425,000 (if any) pursuant to clause 3.3.1
Kevin McGrellis 13 Cherry Orchard Oakington Suffolk CB4 5AY	12,500 ordinary shares of £1 each	50%	50,000	Nil	£1,750,000 plus additional amount for 50% of cash over £425,000 (if any) pursuant to clause 3.3.1

SCHEDULE 2

Part 1

The Company

- | | | |
|----|---|---|
| 1 | Registered number: | 01955725 |
| 2 | Date of incorporation: _____ | 7 November 1985 |
| 3 | Place of incorporation: | England and Wales |
| 4 | Registered office: | Depot Road
Newmarket
Suffolk CB8 0AL |
| 5 | Principal business: | Heating services, domestic water services, ventilation, process pipework, sanitary and soil installations, air conditioning general electrical installations, power distribution and control and maintenance relating to the foregoing. |
| 6 | Authorised share capital: | 100,000 |
| | Description: | Ordinary shares of £1 each |
| | Number of shares: | 100,000 |
| 7 | Issued share capital: | 25,000 |
| | Description: | Ordinary shares of £1 each |
| | Number of shares: | 25,000 |
| | Amount paid up: | 25,000 |
| 8 | Issued loan capital: | None |
| | Description: | |
| | Principal amount: | |
| 9 | Directors - full names and usual residential addresses: | Anthony Ernest Camplin
Windermere
Crockford Road
Newmarket
Suffolk, CB8 9BG

Kevin McGrellis
13 Cherry Orchard
Oakington
Suffolk CB4 5AY |
| 10 | Secretary - full name and usual residential address: | Anthony Ernest Camplin
Windermere
Crockford Road
Newmarket
Suffolk, CB8 9BG |
| 11 | Accounting reference date: | 31 March |

12	Auditors:	Prentis & Co
13	Tax residence:	United Kingdom
14	VAT registration number:	360385458
15	Bank account - details:	Lloyds TSB and National Westminster Bank plc
16	Loan facilities:	None
17	Charges	None

SCHEDULE 3

Part 1

Calculation of Additional Consideration

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

"Consideration Accounts" means accounts of the Company for the Consideration Years prepared in accordance with part 2 of this schedule;

"Consideration Years" means the 12 month periods ending 31 March 2001 and 31 March 2002;

"Eligible Profit" means the aggregate of the operating profits of the Company for the Consideration Years as agreed or determined in accordance with this Schedule;

"Independent Accountants" means a firm of independent accountants agreed by the Vendors and the Purchaser or in default of agreement within ten days of either party requesting an appointment appointed on the application of either party (following notice to the other) by the President for the time being of the Institute of Chartered Accountants in England and Wales;

"Operating Profits Certificate" means the certificate by the Purchaser specified in paragraph 2 of part 4 of this schedule;

"Purchaser Group" means the Purchaser and any subsidiary of it and any company constituting a holding company of it and any subsidiary of such holding company but excluding the Company;

2.

2.1 The Additional Consideration payable to the Vendors shall be £1,400,000 if the Eligible Profit is £2,000,000 or more.

2.2 If the Eligible Profit is less than £2,000,000 the Additional Consideration shall be a sum equal to £1,400,000 reduced by £2.33 for every £1 by which the Eligible Profit is less than £2,000,000 subject to a maximum reduction of £1,400,000.

3. The Additional Consideration shall not be payable in cash but instead within seven days of the agreement or determination of the Additional Consideration in accordance with this schedule 3 the Purchaser shall issue to the Vendors (and between them according to that percentage entitlement to consideration as shown in column (3) of schedule 1) Loan Notes in an amount equal to the Additional Consideration.
4. The Purchaser hereby covenants with and undertakes to the Vendors that during the period from the Completion Date until 31 March 2002 (the "**Relevant Period**") it will not do and shall procure (so far as it is able) that no member of the Purchaser Group or the Company does anything the commission of which is intended to materially and adversely affect the Eligible Profit unless an appropriate adjustment to the operating profits would be made pursuant to the provisions of Part 2 of this Schedule and, specifically, the Purchaser further covenants with and undertakes to the Vendors to procure that the Company will not during the Relevant Period (save in each case with the prior written consent of each of the Vendors or as recorded in minutes of a meeting of the board of directors of the Company in relation to a resolution of the board in respect of which both Vendors voted in favour)
- 4.1 make or procure any other person to make any substantial alteration (including cessation) or addition to the general nature or scope of its business as compared to that carried on by it at the Completion Date;
- 4.2 permit or allow to be put to the Company in General Meeting any resolution to wind up or liquidate the Company save in circumstances where the Company is insolvent or the Purchaser and/or its directors and/or the Company and/or its directors have received advice to the effect that it is their duty to cause the Company to be wound-up having regard to its financial position;
- 4.3 change from the Premises resources and location for processing prime accounting data, save for obvious changes in circumstances of the business, thereby ensuring continued access to source documentation by local management of the Company. The preparation of periodic management and financial accounts data will be carried out at the Purchaser's offices in Coventry using appropriately qualified personnel and adequate systems for the task. Access to such management and financial accounts data will be made available at all times to local management of the Company;
- 4.4 permit the Company to give any form of guarantee in support of any member of the Purchaser's Group;

- 4.5 transfer or seek to transfer any shares in the capital of the Company nor allot any shares in the capital of the Company if, after such allotment, the Purchaser's shareholding in the Company would be less than 51% of the issued ordinary share capital;
- 4.6 enter into any transaction or employ or engage any person otherwise than on arm's length terms other than solely for the benefit of the Company and with no beneficial consequences for any other members of the Purchaser's Group.

Part 2

Consideration Accounts

1. Subject to paragraph 2 of this part 2 the Consideration Accounts shall be prepared:
 - 1.1 in accordance with the requirements of all relevant statutes and statements of standard accounting practice and generally accepted accounting principles applicable in the United Kingdom;
 - 1.2 so as to show a true and fair view of the consolidated profit on ordinary activities before taxation items and extraordinary items of the Company for the period to which they relate; and
 - 1.3 so as to show the operating profits of the Company on a basis consistent with the accounting policies as set out in part 3 of this schedule.
2. The operating profits shall be calculated by making the following adjustments (to the extent not already taken into account in the preparation of the Consideration Accounts):
 - 2.1 there shall be excluded therefrom:
 - 2.1.1 all extraordinary and/or exceptional items;
 - 2.1.2 any taxation calculated by reference to the profits or gains of the Company in respect of such period;
 - 2.1.3 any interest paid or received;
 - 2.1.4 any charge or provision made for any dividends declared paid or made in or in respect of such period;
 - 2.1.5 any surplus or deficit arising on the revaluation of any fixed assets;
 - 2.1.6 any profit or loss on the disposal of fixed asset of a capital nature;
 - 2.1.7 any increase in the fees charged by the Purchaser's Accountants for the preparation and audit of annual accounts and management accounts when compared with the fees charged for these services by the Vendors' Accountants in 1999;

- 2.1.8 the costs incurred by the Company (if any) in connection with the preparation of the Consideration Accounts by the Purchaser's Accountants.
- 2.2 there shall be added back any management charges which are paid or payable to the Purchaser Group except for work undertaken on an arm's length basis; and
- 2.3 adding in relation to any transactions entered into by the Company with any member of Purchaser Group on less than arm's-length terms (in terms of reward to the Company) a reasonable sum as profit which might reasonably have been expected to accrue to the Company had the transaction been on arm's-length terms.

Part 3

Accounting policies to be used in preparing the Consideration Accounts

1. ACCOUNTING POLICIES

1.1 Basis of preparation of Consideration Accounts

The Consideration Accounts will be prepared under the historical cost convention and in accordance with applicable accounting standards that include the results of the Company's operations.

1.2 Turnover

Turnover will represent net invoiced sales of goods and services, excluding VAT.

1.3 Depreciation

Depreciation will be provided on all tangible fixed assets at rates calculated to write off the costs less estimated residual value of each asset evenly over its expected useful life as follows:

Property improvements	-	20% straight line basis
Equipment	-	20% straight line basis
Office equipment	-	25% straight line basis
Fixtures and fittings	-	20% straight line basis
Motor vehicles	-	25% straight line basis

1.4 Stocks and work in progress

Stocks and work in progress will be stated at the lower of cost and net realisable value, after making due allowance for obsolete or slow moving items. Costs will include all direct costs and all appropriate proportion of fixed and variable overheads.

1.5 Hire purchase agreements

Assets held under hire purchase agreements will be capitalised at their fair value and depreciated using the methods and rates disclosed above. The obligation to make future payments will be recorded as a liability on the balance sheet, net of hire purchase interest. Repayments under hire purchase agreements will be apportioned between capital repayments and hire purchase interest on a straight line basis over the period of the agreement.

1.6 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor, will be charged against profits as incurred.

Part 4

Preparation of Consideration Accounts and Operating Profits Certificate

1. The Purchaser shall procure that the Consideration Accounts for each of the Consideration Years are prepared within 90 days of the end of that particular year and are submitted together with the Operating Profits Certificate specified in paragraph 2 of this part to the Vendors.
2. The Purchaser shall issue a certificate in respect of each Consideration Year stating the operating profits for that year and any adjustments made by it to the operating profits of the Company as required by the provisions of Part 2 of this Schedule and having attached to it a copy of the relevant Consideration Accounts.
3. The Vendors may by notice to the Purchaser delivered within 30 days of receipt by the Vendors of the Operating Profits Certificate require that the calculation of the Operating Profits specified in it (including the Consideration Accounts on which the calculation is based) be reviewed by the Vendors' Accountants.
4. The Purchaser and the Vendors' Accountants shall endeavour to agree any matters relating to the Operating Profits Certificate or Consideration Accounts within 30 days of the notice given pursuant to paragraph 3 above.
5. If the Purchaser and the Vendors' Accountants fail to agree any matter referred to in paragraph 4 of this part within the time specified in it the matter in dispute shall be referred to Independent Accountants (acting as experts) for determination. The decision of the Independent Accountants on any matter referred to them shall (except in the case of manifest error) be final and binding on the parties. The costs of the Independent Accountants shall be borne as they direct (save that the costs shall never be borne by the Company and the terms of reference to the Independent Accountants shall so specify) or in default of a direction by them by the Vendors and the Purchaser equally.
6. The Purchaser and (so far as they are able) the Vendors shall procure that the Vendors' Accountants and any Independent Accountants are each given access to all working papers prepared by the Company and given any information and explanations they may reasonably request to carry out their respective functions under this schedule.

7. Upon the agreement (or determination under paragraph 5 of any matter disputed) of the operating profits the parties shall jointly sign a report confirming the amount of operating profits for the relevant Consideration Year.

SCHEDULE 4

Completion Net Cash Statement

Preparation and Agreement of Completion Net Cash Statement

1. After Completion the Purchaser shall prepare a draft Completion Net Cash Statement of the Company at close of business on the Completion Date showing the Net Cash.
2. The cash in hand and at the bank shall be a sum equal to the aggregate of the balances of the Company's accounts with its banks as at close of banking business hours on the Completion Date as shown in bank statements as at that date ("Completion Bank Statements ") less the aggregate of all cheques issued and all BACs payment transfers requested by the Company up to and including the Completion Date which have not been presented by the payee (in the case of cheques) or are not reflected in the Completion Bank Statements plus any cheques received by the Company up to and including the Completion Date less the aggregate of any such cheques so received which have not cleared within 14 days of Completion less the aggregate of the dividends referred to in clause 2.1 plus any BACs payment receipts in respect of which BACs notifications have been received by the Company up to and including the Completion Date to the extent the same are credited to the Company's bank accounts on or before 20 March 2000.
3. The Purchaser shall within 14 days starting on the day after Completion then submit to the Vendors' Accountants a draft Completion Net Cash Statement. The Vendors shall ensure that within 14 days starting on the day after receipt of the same, the Vendors' Accountants certify whether or not they agree with the draft Completion Net Cash Statement. The Purchaser and (so far as they are able) the Vendors shall ensure that the Vendors' Accountants are given all assistance and access to all additional information they may reasonably require to enable them to make their decision.
4. If the Vendors' Accountants certify their agreement with the draft completion net cash statement, the draft completion balance sheet shall constitute the Completion Net Cash Statement. If the Vendors' Accountants certify that they disagree with the draft Completion Net Cash Statement, paragraph 5 shall apply and unless the Vendors' Accountants and the Purchaser agree on the Completion Net Cash Statement, the decision of the independent firm of chartered accountants produced in accordance with paragraph 5 shall constitute the Completion Net Cash Statement. If the Vendors' Accountants do not give the Purchaser the

certificate required by paragraph 3 within the prescribed period, the draft completion balance sheet shall constitute the Completion Net Cash Statement.

5. If within 7 days starting on the day after receipt of the certificate referred to in paragraph 4 the Vendors' Accountants and the Purchaser have not agreed on the Completion Net Cash Statement, the following provisions shall apply. Either party may refer the matter to Independent Accountants (as defined in part 1 of schedule 3), on the basis that the Independent Accountants make a decision on the matter. In a reference, the Independent Accounts shall act as experts and not as arbitrators. The decision of the Independent Accountant is, in the absence of fraud or manifest error, final and binding on all parties and their costs will be paid by the Vendors or the Purchaser as the Independent Accountants direct or in default equally.

SCHEDULE 5

The Warranties

Part 1

General

1. DISCLOSURE OF INFORMATION

- 1.1 There are fully and accurately disclosed in the Disclosure Letter all matters the subject of the Warranties which might materially and adversely affect the present or future value of the Company or which might otherwise reasonably affect the willingness of the Purchaser to purchase the Shares or to purchase them for the consideration and upon the terms set out in this agreement.
- 1.2 All information which has been given in writing by any of the directors or officers or professional advisers of the Company or the Vendors to any of the directors or officers or professional advisers of the Purchaser in the course of the negotiations leading to the signing of this agreement was so far as the Vendors are aware, when given, true, complete and accurate in all respects and there is no fact or matter not disclosed in writing to the Purchaser which renders any such information untrue, inaccurate or misleading.
- 1.3 The facts set out in the Disclosure Letter, the recitals and schedules 1 and 2 are true, complete and accurate in all respects and not misleading.

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 or is likely to be or become competitive with the business of the Company.

- 2.3 The Shares constitute the whole of the allotted and issued share capital of the Company and have been properly allotted and issued.
- 2.4 There is no Encumbrance on, over or affecting the Shares or any of them or 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 Vendors' entitlement to dispose of the Shares 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.
- 2.9 The Company has not received any notice or any application or notice of any intended application under the provisions of the Companies Acts for the rectification of the register of members of the Company.
- 2.10 The Company has not exercised nor purported to exercise or claim any lien over the Shares and no call on the Shares is outstanding and all the Shares are fully paid up.

- 2.11 The Company has not at any time given any financial assistance in connection with the purchase of shares as would fall within the provisions of sections 151 to 157 of the 1985 Act.

3. ACCOUNTS

- 3.1 The Accounts have been prepared in accordance with the requirements of the relevant statutes and on a basis consistent with that adopted in the preparation of the audited accounts of the Company for each of the last three preceding financial years of the Company and in accordance with all financial reporting standards, statements of standard accounting practice and generally accepted accounting principles and practices in the United Kingdom and give a true and fair view of the assets and liabilities and state of affairs of the Company as at the Accounts Date and its profits and losses for the relevant period ended on the Accounts Date.
- 3.2 The Accounts disclose all the assets and either make full provision or reserve for or, as appropriate, disclose all bad and doubtful debts and all accruals and liabilities whether actual, contingent, unquantified or disputed and all capital commitments whether actual or contingent of the Company as at the Accounts Date.
- 3.3 Any slow-moving stock included in the Accounts has been written down appropriately and any damaged, redundant, obsolete or unsaleable stock has been wholly written off and the value attributed to the remaining stock and work in progress does not exceed the lower of cost or net realisable value as at the Accounts Date.
- 3.4 The audited 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 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 The rate of depreciation adopted in the audited balance sheets of the Company for each of the last three preceding financial years of the Company ended on the Accounts Date was sufficient for each of the fixed assets of the Company to be written down to nil by the end of its useful life.

- 3.6 Except as stated in the audited 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 method of valuing stock and work in progress and the basis of depreciation and amortisation adopted has been consistent during each of these three financial years.
- 3.7 The profits shown by the audited profit and loss accounts of the Company for each of the last three preceding financial years ended on the Accounts Date have not (except as disclosed therein) been affected by any extraordinary or exceptional item or by any other factor rendering such profits for all or any of such periods unusually high or low.
- 3.8 Sufficient provision has been made in a deferred taxation account for any corporation tax on chargeable gains and balancing charges which would arise on a sale of all fixed assets at the values attributed to them in the Accounts and the value of none of the assets is overstated in the Accounts.
- 3.9 No value has been attributed to any type or category of stock which has previously been attributed no value.
- 3.10 No asset (whether fixed intangible investment or current) has been revalued upwards in the Accounts and no intangible asset has been brought into the Accounts.
- 3.11 The Management Accounts have been carefully prepared on a basis consistent with the previous monthly management accounts of the Company and in accordance with the accounting policies applied to the Accounts and fairly present in all respects of the assets and liabilities, trading, profits and losses of the Company for the period as at and to 31 January 2000.

4. POSITION SINCE ACCOUNTS DATE

Since the Accounts Date:

- 4.1 the business of the Company has been carried on in the ordinary and usual course and so as to maintain the same as a going concern;

- 4.2 there has been no deterioration either in turnover or in the financial or trading position or in the prospects of the Company compared with the same periods during each of the two preceding years and the Vendors are not aware of any matter or circumstance which has affected or is likely to affect adversely the volume or level of trading of the Company;
- 4.3 the Company has not acquired or disposed of or agreed to acquire or dispose of any business or any material asset or assumed or acquired any material liability (including a contingent liability) otherwise than in the ordinary course of business;
- 4.4 the Company has paid its creditors in accordance with their respective credit terms and there are no amounts owing by the Company which have been due for more than 45 days;
- 4.5 no debtor has been released by the Company on terms that he pays less than the book value of his debt and no debt owing to the Company has been deferred, subordinated or written off or has proved to any extent irrecoverable and all book debts at the date hereof are good and will be recoverable in full on their respective due dates in the ordinary course;
- 4.6 neither the turnover nor the expenses (direct and indirect) nor the trading position nor the margin of profitability of the Company shows any material deterioration by comparison with the turnover, expenses, trading position and margin of profitability of the Company for the corresponding period in its last completed accounting reference period;
- 4.7 there has not been any material change in the assets or liabilities (including contingent liabilities) of the Company as shown in the Accounts except for changes arising from routine payments and from routine supplies of goods or of services in the normal course of trading;
- 4.8 all payments, receipts and invoices of the Company have been fully and accurately recorded in the books of the Company;
- 4.9 there has not been any capitalisation of reserves of the Company and the Company has not issued or agreed to issue any share or loan capital other than that issued at the Accounts Date and has not granted or agreed to grant any option in respect of any

share or loan capital and the Company has not repaid any loan capital in whole or in part nor has it, by reason of any default by it in its obligations, become bound or liable to be called upon to repay prematurely any loan capital or borrowed monies;

4.10 there has been no resolution of or agreement by the members of the Company or any class thereof (except as provided in this agreement or with the prior written consent of the Purchaser) and in particular there has been no capital reorganisation or other change in the capital structure of the Company;

4.11 the Company has not changed its accounting reference period; and

4.12 no customer of the Company who accounted for more than £250,000 of the Company's annual turnover in the last financial year has terminated a contract with the Company prior to its completion or notified the Company of its dissatisfaction with the Company's services and the Company's business has not been materially adversely affected by any change in the terms of contract with such a customer and the Company has not been notified of any such proposed change.

5. BUSINESS NAME

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

6. LICENCES AND CONSENTS

So far as the Vendors are aware the Company has obtained all licences, permissions, authorisations and consents required to own and operate its assets and for the proper carrying on of its business. All such licences, permissions, authorisations and consents are in full force and effect, the Company is not in breach of any of the terms and conditions attached thereto and there are no circumstances which indicate that any of such licences, permissions, authorisations or consents may be revoked or not renewed in the ordinary course of events nor are there any circumstances which indicate that equivalent licences, permissions, authorisations or consents on no less favourable terms would not be granted to the Company following the acquisition of the Shares by the Purchaser.

7. ASSETS

7.1 All the property and assets which are described and included in the Accounts and/or in the books of account or records of the Company or which are used in connection

with the business of the Company or which are in the reputed ownership of the Company or are situated on the Premises are:

7.1.1 legally and beneficially owned by the Company with good and marketable title free from all questions or doubts;

7.1.2 in the possession or under the control of the Company;

7.1.3 free from all Encumbrances and there is not any agreement or commitment to give or create, and no claim has been made by any person entitled to any Encumbrance; and

7.1.4 situated in the United Kingdom.

7.2 The Company owns all the assets necessary or desirable for the operation of its business as presently carried on.

7.3 None of the assets referred to in paragraph 7.1 are the subject of any assignment, royalty, overriding royalty, factoring arrangement, leasing or hiring agreement, hire purchase agreement for payment on deferred terms or any similar agreement or arrangement.

7.4 All the plant, machinery, equipment and vehicles owned or used by the Company are in good repair and working order and have been regularly and properly maintained and are safe and no substantial repairs are in hand or are necessary.

7.5 The plant registers of the Company comprise a complete and accurate record of all the plant, machinery, equipment and vehicles owned or used by the Company.

8. DEBTS, STOCK AND WORK IN PROGRESS

8.1 All the stock of raw materials, packaging, materials and finished goods is of satisfactory quality and in good repair and condition and is capable of being sold on an arm's-length basis in accordance with the Company's current price list without rebate or allowance and none of such stock is damaged, obsolete, slow moving or unsaleable.

- 8.2 The stock referred to in paragraph 8.1 is sufficient for the normal requirements of the business of the Company having regard to current and reasonably anticipated demand.
- 8.3 The work in progress is at its normal level for the time of year having regard to current and reasonably anticipated demand.
- 8.4 The book debts shown in the Accounts have realised their nominal amount less any reserve for bad or doubtful debts included in the Accounts and none of the book debts incurred since the Accounts Date and which is outstanding at the Completion Date is overdue by more than 21 days or is the subject of an arrangement not made in the usual course of the Company's business.
- 8.5 The Company is not owed any sums other than trade debts incurred in the ordinary course of business.

9. YEAR 2000

The Company's own internal systems and procedures are and will remain Year 2000 Compliant and the continuity of supply of Products and Services by the Company to third parties will not be affected by any failure of the Company's internal systems and procedures to be Year 2000 Compliant.

10. INSURANCE

- 10.1 Full details of all insurance policies effected by the Company or by any other person in relation to any of the Company's assets have been disclosed to the Purchaser and all such details are true and correct in all respects and all such insurance policies are currently in full force and effect.
- 10.2 The Company has not done or omitted to do or suffered anything to be done or not to be done which has or might render any policies of insurance taken out by it or by any other person in relation to any of the Company's assets void or voidable or which would or might result in an increase in the rate of premiums on the said policies and there are no claims outstanding and no circumstances which would or might give rise to any claim under any of such policies of insurance.

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

11. RECORDS

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

12. CONFIDENTIAL INFORMATION

- 12.1 The Company does not use any processes and is not engaged in any activities which involve the misuse of any confidential information belonging to any third party or alleged misuse.
- 12.2 The Company is not aware of any actual or alleged misuse by any person of any of its Confidential Information.
- 12.3 The Company has not disclosed to any person any of its Confidential Information except where such disclosure was properly made in the normal course of the Company's business and was made subject to an agreement under which the recipient is obliged to maintain the confidentiality of such Confidential Information and is restrained from further disclosing or using it other than for the purposes for which it was disclosed by the Company.

- 12.4 Confidential Information used by the Company is kept strictly confidential and the Company operates and fully complies with procedures which maintain such confidentiality, which confidentiality has not been breached.

13. INTELLECTUAL PROPERTY

- 13.1 The Company is the sole unencumbered legal and beneficial owner and, where registered, the sole registered proprietor of all the Intellectual Property Rights.
- 13.2 The material particulars as to ownership registration (and applications therefor) of the Intellectual Property Rights, including priority and renewal dates where applicable, are set out in the Disclosure Letter and such details are complete and correct. Such Intellectual Property comprises all Intellectual Property which the Purchaser will require in order fully to carry on and exploit the business of the Company and deal with the assets of the Company.
- 13.3 Each of the Intellectual Property Rights is valid and enforceable and not restricted in any way and the Company is not in breach of any of the provisions thereof.
- 13.4 The Intellectual Property Rights are not the subject of any pending or threatened proceedings 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 which might give rise to any such proceedings.
- 13.5 The Company has taken all steps necessary or desirable for the maintenance and full protection of all the Intellectual Property Rights and all rights therein including, without limitation, applying for and maintaining in force all possible letters patent, trade marks, service marks, copyright registrations and registered designs in all relevant countries.
- 13.6 All application and renewal fees and costs and charges regarding the Intellectual Property Rights due on or before Completion have been duly paid in full.
- 13.7 Save for those agreements listed 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 the Intellectual Property Rights or which prevent, restrict or otherwise inhibit the Company's freedom to use and exploit the Intellectual Property Rights.

13.8 None of the Intellectual Property Rights is currently being infringed by any third party or has been so infringed in the six-year period preceding Completion and no third party has threatened any such infringement.

13.9 The carrying on of the Company's business or businesses as presently constituted does not require, and has not at any time required, any licences or consents from or the making of royalty or similar payments to any third party and the Company is not engaged in any activities which and none of the Company's processes or products infringe any Intellectual Property belonging to any third party.

13.10 There are no outstanding claims against the Company for 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.

14. COMPUTER SYSTEMS

14.1 None of the Company's 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.

14.2 The Computer Systems have been satisfactorily maintained and have the benefit of the maintenance agreements specified in the Disclosure Letter.

14.3 The Computer Systems have adequate capability and capacity for the projected requirements of the Company for not less than 12 months following Completion for the processing and other functions required to be performed for the purposes of the business of the Company.

14.4 Disaster recovery plans are in effect and in the opinion of the Company's directors are adequate to ensure that the Computer Systems can be replaced or substituted without material disruption to the business of the Company.

- 14.5 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.
- 14.6 The Company has sufficient technically competent and trained employees to ensure the proper handling operation monitoring and use of the Computer Systems.
- 14.7 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.

15. EMPLOYEES

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

- 15.4.1 complied with all obligations imposed on it by articles of the Treaty of Rome, 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;
- 15.4.2 maintained adequate and suitable records regarding the service of each of its employees;
- 15.4.3 complied with all collective agreements and customs and practices for the time being dealing with such relations or the conditions of service of its employees; and
- 15.4.4 complied with all relevant orders and awards made under any statute affecting the conditions of service of its employees.
- 15.5 The Company is not involved in any disputes and there are no circumstances which may result in any dispute involving any of the officers or employees or former employees of the Company and none of the provisions of this agreement including the identity of the Purchaser is likely to lead to any such dispute.
- 15.6 There is not outstanding any agreement or arrangement to which the Company is party for profit sharing or for payment to any of its officers or employees or former employees of bonuses or for incentive payments or other similar matters.
- 15.7 There is no agreement or arrangement between the Company and any of its employees or officers or former employees or officers with respect to his employment, his ceasing to be employed or his retirement which is not included in the written terms of his employment or previous employment.
- 15.8 Since the Accounts Date, no change has been made in the terms of employment by the Company (other than those required by law) of any of the officers or employees of the Company and the Company is not obliged to increase and has not made provision to increase the total annual remuneration payable to its officers and employees.

- 15.9 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.
- 15.10 The Company has complied with all recommendations made by the Advisory Conciliation and Arbitration Service and with all awards and declarations made by the Central Arbitration Committee.
- 15.11 There is no agreement, arrangement, scheme or obligation (whether legal or moral) for the payment of any pensions, allowances, lump sums or other like benefits on redundancy on retirement or on death or during periods of sickness or disablement for the benefit of any of the officers or employees of the Company or former officers or employees or for the benefit of dependants of such persons.
- 15.12 Within the two years preceding Completion, the Company has not been a party to a relevant transfer (as defined in the Transfer of Undertakings (Protection of Employment) Regulations 1981).
- 15.13 No amounts due to or in respect of any of the officers or employees or former employees of the Company (including PAYE and national insurance and pension contributions) are in arrears or unpaid.
- 15.14 No monies or benefits other than in respect of contractual emoluments are payable to any of the officers or employees of the Company and there is not at present a claim, occurrence or state of affairs which may hereafter give rise to a claim against the Company arising out of the employment or termination of employment of any employee or former employee for compensation for loss of office or employment or otherwise and whether under the Employment Rights Act 1996, Race Relations Act 1976, Equal Pay Act 1970, Sex Discrimination Act 1975, Sex Discrimination Act 1986, Disability Discrimination Act 1995, Working Time Regulations 1998, National Minimum Wage Act 1998 and the regulations made under such acts or regulations or any other act or otherwise.

16. CONTRACTS

- 16.1 There is not outstanding in connection with the business of the Company:

- 16.1.1 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;
- 16.1.2 any agency, distributorship, marketing, purchasing, manufacturing or licensing agreement or arrangement pursuant to which any part of the business of the Company has been carried on;
- 16.1.3 any agreement or arrangement entered into by the Company otherwise than by way of bargain at arm's length;
- 16.1.4 any sale or purchase, option or similar agreement, arrangement or obligation affecting any of the assets of the Company or by which the Company is bound;
- 16.1.5 any agreement or contract containing any unusual or onerous terms to be observed or performed by the Company or which the Company cannot comply with on time or without undue or unusual expenditure of money or effort;
- 16.1.6 any agreement or contract which is unusual, unprofitable (that is to say known to have been likely to result in a loss to the Company on completion of performance) or of a long-term nature (that is to say incapable of performance in accordance with its terms within three months after the date on which it was entered into or undertaken);
- 16.1.7 any agreement or arrangement which involves or may involve obligations which by reason of their material nature or magnitude ought to be made known to the Purchaser; or
- 16.1.8 any agreement or contract which has not been completed where the cost of completing the agreement or contract exceeds the amount of work relating to that particular agreement or contract currently invoiced.
- 16.2 Neither the Company nor any party with whom the Company has entered into any agreement or contract is in default being a default which would have a material and

adverse effect on the financial or trading position or prospects of the Company and there are no circumstances likely to give rise to such a default.

- 16.3 So far as the Vendors are aware no breach of contract, event or omission has occurred which would entitle any third party to terminate any contract to which the Company is a party or to call in any money before the date on which payment thereof would normally or otherwise be due and the Company has not received notice of intention to terminate any of such agreements or contracts.
- 16.4 The Vendors have no reason to believe that any customer or supplier of the Company or other person dealing with the Company will refuse to continue to deal with the Company or the Purchaser or will deal with it on a smaller scale than at present as a result of the change of control of the Company to be effected pursuant to this agreement.
- 16.5 The Disclosure Letter contains a list of all offers, tenders or the like where the contract value is greater than £50,000 outstanding the business day before Completion and which are capable of being converted into an obligation of the Company by an acceptance or other act of some other person showing:
- 16.5.1 the other contracting party;
 - 16.5.2 the date by when the offer or tender could be accepted by the other party;
and
 - 16.5.3 contract value.
- 16.6 The Disclosure Letter contains full details of all agreements, arrangements or contracts (whether oral or in writing) made between the Company and any employee or client or customer of the Company other than in the ordinary course of business.
- 16.7 The Disclosure Letter contains a list of the ten largest contracts by turnover to which the Company is a party and which have not been completed to practical completion as at the business day before the date of this agreement.

17. TRADING

- 17.1 There is not outstanding any liability or claim against the Company nor are there any deficiencies or defects or breaches of contract which could result in any claim being made against the Company in relation to any goods or services for which the Company has been or is or may be or become liable or responsible in the course of its business and without prejudice to the generality of the foregoing no dispute exists between the Company and any customer, client or supplier thereof nor are there any *circumstances which are believed likely to give rise to any such dispute.*
- 17.2 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 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.*
- 17.3 The Company has not entered into an agreement or arrangement with a customer or supplier on terms materially different to its standard terms of business, a copy of which is annexed to the Disclosure Letter.
- 17.4 The Company is not restricted by contract from carrying on any activity in any part of the world.
- 17.5 Other than in the ordinary course of business, no offer, tender or the like is outstanding which is capable of being converted into an obligation of the Company by an acceptance or other act of some other person.
- 17.6 No "net profit" or "profit share" would have been payable to the Company pursuant to the Croft Homes Limited Agreement (as such terms are defined in the Croft Homes Limited Agreement) in respect of the Croft Homes Property Investment at or before Completion had the Croft Homes Limited Agreement not been terminated nor would any "net profit" or "profit share" have become payable to the Company within one month of Completion had the Croft Homes Limited Agreement not been terminated.

18. JOINT VENTURES ETC

The Company is not:

- 18.1 a party to any joint venture, consortium, partnership or profit-sharing arrangement or agreement; or
- 18.2 a member of any partnership, trade association, society or other group whether formal or informal and whether or not having a separate legal identity and no such body is relevant to or has any material influence over the business of the Company as now carried on.

19. BORROWINGS

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

- 19.1 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;
- 19.2 any guarantee, indemnity or undertaking (whether or not legally binding) to procure the solvency of any person or any similar obligation; or
- 19.3 any Encumbrance or any obligation (including a conditional obligation) to create an Encumbrance.

20. LITIGATION, OFFENCES AND COMPLIANCE WITH STATUTES

- 20.1 Otherwise than as claimant in the collection of debts arising in the ordinary course of business (none of which exceed £10,000), neither the Company nor any person for whose acts or defaults the Company may be vicariously liable is claimant, defendant or otherwise a party to any litigation, arbitration or administrative proceedings which are in progress or are threatened or pending by or against or concerning the Company or any of its assets; the Company is not being prosecuted for any criminal offence and no governmental or official investigation or inquiry concerning the business or officers of the Company or any of its assets is in progress or pending and so far as

the Vendors are aware there are no circumstances which are likely to give rise to any such proceedings, investigation or inquiry.

20.2 Neither the Company nor any of its officers, agents or employees (during the course of their duties in relation to the business of the Company) has committed or omitted to do any act or thing the commission or omission of which is or could be in contravention of any statutory obligation or any other law of the United Kingdom or any other country giving rise to any fine, penalty, default proceedings or other liability in relation to the business or officers of the Company or any of its assets or any judgment or decision which would materially affect the financial or trading position or prospects of the Company.

20.3 The Company has not done or agreed to do anything as a result of which either any investment or other grant paid to the Company is or may be liable to be refunded in whole or in part or any such grant for which application has been made by it will or may not be paid or may be reduced.

20.4 There is not outstanding any liability for industrial training levy or for any other statutory or governmental levy or charge.

21. RESTRICTIVE AGREEMENTS

21.1 There are no agreements in force restricting the freedom of the Company to provide and take goods and services or to otherwise conduct its trade and business by such means and from and to such persons as it may from time to time think fit.

21.2 The Company is not nor has it been party to any agreement, arrangement, concerted practice or course of conduct which:

21.2.1 is subject to registration under the Restrictive Trade Practices Acts 1976 and 1977 or is non-notifiable by virtue of the provisions of the Competition Act 1998 or contravenes the provisions of the Resale Prices Act 1976 or is or has been the subject of any inquiry, investigation or proceeding under any of these Acts; or

21.2.2 is or has been the subject of an inquiry, investigation, reference or report under the Fair Trading Act 1973 or the Competition Act 1980; or

- 21.2.3 contravenes Article 81(1) or 82 of the Treaty of Rome or which has been notified to the Commission of the European Community for an exemption or in respect of which an application has been made to the said Commission for a negative clearance or infringes any regulation or other enactment made under Article 83 of the said Treaty or is or has been the subject of any inquiry, investigation or proceeding in respect thereof; or
- 21.2.4 contravenes any provision of the Competition Act 1998 (the "1998 Act") or has or is intended to have or is likely to have the effect of restricting, distorting or preventing competition in connection with the production, supply or acquisition of goods in the United Kingdom or any part of it or the supply or securing of services in the United Kingdom or any part of it or which has been notified to the Director General of Fair Trading or any other authority having jurisdiction under the 1998 Act for a decision or guidance or in respect of which a decision or order has been made by the Director General of Fair Trading or any other authority having jurisdiction under the 1998 Act or is or has been the subject of any inquiry, investigation or proceeding under the 1998 Act; or
- 21.2.5 is by virtue of its terms or by virtue of any practice for the time being carried on in connection therewith a "Consumer Trade Practice" within the meaning of section 13 of the Fair Trading Act 1973 and susceptible to or under reference to the Consumer Protection Advisory Committee or the subject matter of a report to the Secretary of State or the subject matter of an order by the Secretary of State under the provisions of part II of that Act; or
- 21.2.6 infringes any other competition, anti-restrictive trade practice, anti-trust or consumer protection law or legislation applicable in the United Kingdom or elsewhere and not specifically mentioned in this paragraph 21.
- 21.3 The Company has not given any assurance or undertaking to the Restrictive Practices Court or the Director General of Fair Trading or the Secretary of State for Trade and Industry or the Commission or the Court of Justice of the European Communities or any other court, person or body and is not subject to any act, decision, regulation or other instrument made by any of them relating to any matter referred to in this paragraph 21.

21.4 The Company is not in default or in contravention of any article, act, decision, regulation or other instrument or of any undertaking relating to any matter referred to in this paragraph 21 (the "**Anti-Trust Rules**") and has received no complaint or threat to complain under or referring to the Anti-Trust Rules from any person and has not received any request for information, investigation or objection relating to the Anti-Trust Rules or been party to any proceedings to which the Anti-Trust Rules (or any of them) were pleaded or relied upon.

21.5 The Company is not in a dominant position in any market in (a) the United Kingdom or any part of it for the purposes of chapter II of the Competition Act 1998; or (b) the European Union or any substantial part of it for the purposes of Article 82 of the Treaty of Rome.

22. SUBSIDIARIES

The Company has not since its incorporation had any subsidiary or subsidiary undertaking 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.

23. ADMINISTRATION

23.1 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.

23.2 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.

23.3 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.

- 23.4 All legal requirements in connection with the formation and conduct of the Company have been observed.
- 23.5 Any special resolutions passed by the Company are annexed to the Disclosure Letter.
- 23.6 The Company has not at any time carried on any business other than the business carried on at the date hereof.
- 23.7 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).
- 23.8 As regards the Company, no order has been made or petition presented or resolution passed for its winding-up, no distress, execution or other process has been levied on any of its assets, it has not suspended payment and is not insolvent or unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986, no receiver has been appointed or could be appointed by any person of its business or assets or undertaking or any part thereof and there is no unfulfilled or unsatisfied judgment, arbitration award or court order or arbitration order outstanding against it.

Part 2

Properties

1. The Premises comprise:

1.1 all the land and premises owned, occupied or otherwise used by the Company; and

1.2 all the estate, interest, right and title whatsoever (including, for the avoidance of any doubt, interests in the nature of options and rights in the nature of contractual licences) of the Company in respect of any land or premises.

2. 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 under an authorised guarantee agreement or as a surety for the obligations of any other person in relation to property.

Environmental matters

In this part 2:

"environmental laws" means any legal requirements for the protection of the environment or of human health or amenity.

"Relevant Authority" means any government, government agency, local authority or any other person or entity having regulatory authority under environmental laws/or any court.

Neither the Company nor any of its officers, agents or employees has committed, whether by act or omission, any breach of environmental laws and they have conformed at all times to relevant codes of practice, guidance notes, standards and other advisory material issued by any Relevant Authority.

SCHEDULE 6

Taxation

Part 1

DEFINITIONS AND INTERPRETATION

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

"ACT" has the meaning given in Section 14(1) Taxes Act;

"Accounts Relief" means any of:

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

"Actual Tax Liability" any liability of the Company to make a payment of or increased payment of or in respect of Tax

"CAA" means the Capital Allowances Act 1990;

"Claim for Tax" includes any claim notice demand assessment letter or other document issued or any action taken by or on behalf of any Tax Authority whether before or after the date hereof 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 thereof) to which sub-paragraph 1.1.4 of the Tax Covenant may apply is or may become payable;

"Effective Tax Liability" shall have the meaning given in paragraph 3 of this Part 1.

"Event" includes any act omission event or transaction and without limitation the receipt or accrual of any income profits or gains, the declaration making or payment of any distribution, membership of or ceasing to be a member of any group or partnership or any other association, death, any residence or change in the residence of any person for Tax purposes, the expiry of any period of time 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 amounts eligible for relief under Sections 240 and 402 of the Taxes Act and Section 102 FA 1989;

"loan relationship" shall have the same meaning as in Section 81(1) 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 Taxes Act and regulations made thereunder apply and Class 1 and Class 1A contributions referred to in Section 1(2) 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;

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

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

"Taxation or Tax" means any form of taxation, duty, impost, levy, tariff of any nature whatsoever whether of the United Kingdom or elsewhere whether or not any such taxation duty impost levy or tariff arises in respect of actual deemed gross or net income profits gains value receipt payment sale use occupation franchise value added property or right and includes, without limitation, any withholding amount subject to PAYE or other amount of or in respect of any of the foregoing payable by virtue of any Tax Statute and any penalty charge surcharge fine or interest payable in connection with any such taxation duty impost levy or tariff;

- 2.1.1 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
- 2.1.2 if the Accounts Relief was or is a right to repayment of Tax, the amount of the right which is not available;
- 2.2 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.
3. The rule known as the ejusdem generis rule shall not apply and accordingly 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;
- 3.1 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
- 3.2 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 (unless otherwise expressly defined in this Schedule).
4. Any reference to an Event or the consequences of an Event occurring on or before Completion shall include the combined effect of:
- 4.1 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
- 4.2 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
5. 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 treated or regarded as having occurred.

Part 2

Tax Warranties

Tax returns and compliance

1. The Company has at all times (or will before Completion have) submitted to all relevant Tax Authorities by the requisite dates every computation return and all information for the purpose of Tax howsoever required and each such computation return and information was and remains true complete and accurate and leaves no material matter unresolved regarding the Tax affairs of the Company and is not likely to be the subject of any dispute with any Tax Authority.
2. The Company has, or will before Completion have discharged every Tax Liability whether or not a primary liability of the Company, due from the Company directly or indirectly in connection with any Event occurring on or before Completion and there is no Tax Liability or potential Tax Liability in respect of which the date for payment has been postponed by agreement with the relevant Tax Authority or by virtue of any right under any Tax Statute or the practice of any Tax Authority.
3. The Company has properly made all deductions withholdings and retentions required to be made in respect of any actual or deemed payment made or benefit provided on or before Completion and has accounted for all such deductions withholdings and retentions to each relevant Tax Authority and complied with all its obligations under Tax Statutes in connection therewith and without prejudice to the generality of the foregoing the Company has properly operated PAYE, the sub-contractors in the construction industry Scheme under Chapter IV Part XIII Taxes Act and all relevant regulations applicable to such scheme.
4. Neither the Company nor any director or officer of the Company (in his capacity as such) has or will at Completion have any liability or potential liability for any interest, fine, penalty or surcharge in connection with Tax.
5. The Company does not and is not likely to have any liability under or by virtue of Sections 29 or 36 TMA.

6. Every computation and return referred to in paragraph 1 of this part 2 has been expressed in sterling and no election under Section 93(1)(b) FA 1993 (computations expressed in currency other than sterling) has been made by the Company.
7. No Relief claimed prior to Completion is likely to be disallowed lost reduced or modified or be the subject of any dispute with any Tax Authority.
8. Every claim election and disclaimer which has been taken into account for the purposes of the Accounts has been duly submitted by the Company within the requisite periods and either has been accepted as valid or its validity has not been and is not likely to be questioned or challenged by the relevant Tax Authority.
9. 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 hereof or which has been disposed of since the Accounts Date.
10. The Disclosure Letter contains full details, of every:
 - 10.1 claim election or disclaimer taken into account for the purposes of the Accounts or return required to be made by the Company, in each case the time limit for the making of which will not have expired on the Completion Date; and
 - 10.2 subsisting formal or informal arrangement or agreement entered into by the Company with any Tax Authority with regard to any of its Tax affairs.
11. The Company has not been and is not likely to be subject to any investigation or non-routine audit or visit by any Tax Authority.

General provisions for tax

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

Computation of profits and losses

13. Since the Accounts Date:

- 13.1 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 on trading profits of the Company (and not chargeable gains balancing charges or deemed income or profits) arising from transactions entered into in the ordinary course of business of the Company carried on at the Accounts Date;
- 13.2 no expense has been incurred which is not deductible by the Company in computing its taxable profits for corporation tax purposes for its accounting period current at the date hereof; and
- 13.3 no dividend has been declared or paid and no distribution or deemed distribution for Tax purposes has been or declared or agreed to be made by the Company.

Distributions

- 14. The Company has paid and properly accounted for all ACT due in respect of any distribution or deemed distribution made on or before the date hereof.
- 15. The Company has not:
 - 15.1 been concerned with or in any distribution for the purposes of Sections 213 to 218 Taxes Act (demergers);
 - 15.2 at any time repaid or redeemed or agreed to repay or redeem any shares of any class of its share capital or otherwise reduced or agreed to reduce its share capital or any class thereof or issued any share capital as paid up otherwise than by the receipt of new consideration (as defined in Section 254(1) and (5) Taxes Act);
 - 15.3 issued any security now outstanding in such circumstances or which is of such a character that the interest payable in respect thereof falls to be treated as a distribution under Section 209 Taxes Act (matters to be treated as distributions);
 - 15.4 made any election under Section 246A Taxes Act to treat any dividends paid by it as foreign income dividends;

- 15.5 received and it is not entitled to receive any foreign income dividend for the purposes of Chapter VA of Part VI Taxes Act.

Chargeable gains

16. No chargeable profit or gain would arise in respect of any asset of the Company:
- 16.1 treated as such in the Accounts if that asset were to be disposed of ~~for~~ consideration equal to the book value attributed thereto in the Completion Balance Sheet;
- 16.2 acquired after the Accounts Date if that asset were to be disposed for consideration equal to the consideration given for its acquisition
- in each case disregarding any statutory right to claim any allowance or relief other than amounts deductible under Section 38 TCGA.
17. The Company has not at any time:
- 17.1 made a claim under any of Sections 152 to 157 TCGA (replacement of business assets), Section 279 TCGA (relief in respect of delayed remittances or gains), Section 23 TCGA (compensation and insurance money), Section 24 TCGA (negligible value) or Section 280 TCGA (consideration payable by instalments);
- 17.2 been party to any Event falling within the terms of Sections 135, 136 or 139 TCGA (company reconstructions and amalgamations);
- 17.3 been party to any Event falling within Section 17 (disposals and acquisitions treated as made at market value) TCGA;
- 17.4 exercised an option under Section 280 TCGA (consideration payable by instalments) in connection with any disposal;
- 17.5 received or become entitled to receive any capital distribution for the purposes of Section 122 TCGA (distribution which is not a new holding within a reorganisation);
or
- 17.6 received any asset by way of gift;

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

Capital Allowances

20. If all the assets in respect of which allowances have been claimed under Parts I (Industrial Buildings and Structures) and II (machinery and plant) of the CAA and owned by the Company at the Accounts Date were to be sold by the Company for an amount equal to the value attributed to such assets in the Accounts then (ignoring any reliefs or allowances available to the Company) no balancing charge would be made on the Company.
21. The Disclosure Letter contains full details of:
- 21.1 all expenditure incurred since the Accounts Date in respect of which allowances can be claimed under Parts I and II of the CAA;
- 21.2 of all capital allowances to which the Company is entitled under Chapter VI of Part II CAA (Fixtures);
- 21.3 of any expenditure incurred on motor cars and expensive motor cars.
22. The Company has not:
- 22.1 incurred any capital expenditure on the provision of machinery or plant for leasing;

- 22.2 made any election under Section 55 CAA;
- 22.3 made and is not likely to be taken to have made an election under Section 37 CAA;
- 22.4 made or agreed to make any election under Section 59A CAA.
23. The Company does not own any asset which is or is capable of being a long-life asset as defined in Section 38A CAA.

Close companies

24. The Company is a close company as defined in Section 414 Taxes Act but has never been a close investment holding company as defined in section 13A Taxes Act or had any interest in possession in settled property
25. 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 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.
26. The Company has never made a distribution or transfer of value or disposition to which sections 418 Taxes Act and 94 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 Inheritance Tax Act applied, applies or may apply.

Inheritance Tax

27. Neither the assets nor the shares of the Company are or may be subject to any charge by virtue of Section 237 Inheritance Tax Act 1984 and no person has or may have the power under Section 212 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

28. The Company has never been a member of a group for any tax purposes whatsoever, been owned by or been a member of a consortium, for the purposes of Chapter IV Part X Taxes Act or been an associated company as defined in section 416 Taxes Act.

ACT and losses

29. The Company has not at any time made a claim under Section 242 Taxes Act (surplus franked investment income).
30. No Event has or series of Events have occurred which will or may cause the disallowance of any carry forward or carry back of losses, excess charges, non trading deficits arising from loan relationships (including such part of any deficit attributable to non trading foreign exchange gains and losses and non trading profits and losses on interest rate and currency contracts) or ACT which would otherwise have been available to the Company under respectively Sections 393, 393A and 239(4) Taxes Act and Schedule 8 to the FA 1996.

Loan relationships, foreign exchange and interest rate and currency contracts

31. No loan relationship of the Company is one to which Sections 93 (Relationships linked to chargeable assets), 94 (Indexed Gilts), 95 (Gilt Strips) or 96 (Other Gilts) of Finance Act 1996 apply or may apply, which has an unallowable purpose as defined in paragraph 13 of Schedule 9 FA 1996 and there is no creditor relationship of the Company which represents an asset to which Section 92 (Convertible Securities) applies or may apply.
32. No Tax Liability or non trading deficit would arise from any loan relationship of the Company as a result of any debt under such loan relationship being settled in full or in part at Completion.
33. In relation to each of its loan relationships, the Company operates and has in each accounting period of the Company ending after 31 March 1996 operated an accruals basis of accounting authorised under Section 85 FA 1996.
34. No interest or other amount treated as a debit by the Company (including imputed interest under Sections 770 to 773 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.
35. 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 Finance Act 1996.

36. The Company:

36.1 does not hold any qualifying asset and nor is it a party to any currency contract for the purposes of Chapter II of Part II of FA 1993 (Exchange Gains and Losses);

36.2 is not a party to a qualifying contract for the purposes of Chapter II of Part IV of FA 1994 (Interest Rate and Currency Contracts and Options)

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

Tax avoidance

37. The Company has never:

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

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

Stamp duty and SDRT

38. 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 on for any purpose whatsoever and which in the United Kingdom or elsewhere requires any stamp or mark to denote that:

38.1 any duty tax or fee required to be paid by law has been paid; or

38.2 a duty tax or fee referred to in sub-paragraph 38 is not required to be paid or that the document in question or the Event evidenced by it qualifies from a relief or exemption from such duty tax or fee; or

38.3 the document has been produced to the appropriate authority

has been properly stamped or marked as appropriate and no such document which is outside the United Kingdom would attract stamp duty if it were to be brought into the United Kingdom.

39. The Company has complied in all respects with the provisions of Part IV Finance Act 1986 (stamp duty reserve tax) and any regulations made thereunder.

Value Added Tax

40. 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 VATA nor applied to be treated as such a member.

41. The Company:

41.1 has complied in all respects with all Tax Statutes relevant to VAT and guidance published by all relevant Tax Authorities in any form whatsoever and has made and obtained full complete correct and up-to-date records and invoices and other documents appropriate or requisite for the purposes of such Tax Statutes and guidance;

41.2 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;

41.3 has not been and is not likely to be required by the Commissioners of Customs and Excise to give security under paragraph 4 of Schedule 11 VATA;

41.4 is not at the date hereof liable under the Parts XVIII or XIX of the VAT Regs to repay any VAT refunded to it;

41.5 is not nor has been at any time partially exempt for VAT purposes and there are no circumstances whereby Regulation 107 to 109 of the VAT Regs apply or may apply to the Company;

41.6 is not operating any special arrangement or scheme relating to VAT, is not and has not agreed to be an agent for any other person in relation to any supply;

- 41.7 has not purchased or agreed to purchase any asset to which Article 5 Value Added Tax (Special Provisions) Order 1995 (SI 1995/1263) applied or would apply;
- 41.8 has not at any time made any supply of goods or services, or acquired any goods or services from a place outside the UK;
- 41.9 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;
- 41.10 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.
42. No Event has occurred as a result of which the provisions of Schedule 9A VATA have been applied, apply or may apply.
43. The Disclosure Letter contains full particulars of any election to waive exemption made or agreed to be made under Schedule 10 VATA by (i) the Company or (ii) any person who in relation to the Company is a relevant associate as defined in paragraph 3(7) of that Schedule in respect of any property in which the Company has an interest and no Event has occurred as a result of which any such election is and may cease to be valid and effective.

Overseas dealings

44. The Company has always exclusively been resident in the UK for tax purposes and no circumstance or arrangement exists which would or may cause the Company to cease to be resident in the UK for Tax purposes.
45. The Company:
- 45.1 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;
- 45.2 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;
- 45.3 has not permitted or entered into any of the transactions specified in Section 765 Taxes Act;

Intellectual property

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

Transactions in land

48. The Company has not:
- 48.1 made any part disposal of land within Sections 242 or 243 TCGA in connection with which a claim has been made under Section 242(2) or as appropriate 243(2);
- 48.2 has not entered into any transaction to which the provisions of Sections 34 to 37 Taxes Act (premiums, leases at undervalue etc.) have or could be applied.

Miscellaneous

49. No Event has or will have been carried out prior to Completion in consequence of which the Company is or may be held liable for any Tax primarily chargeable against or attributable to any person other than the Company.
50. The Company has not at any time been a member of any partnership, European Economic Interest Grouping (as defined in Section 510A Taxes Act) or other unincorporated association and nor has it ever been connected (as defined in Section 839 Taxes Act) with any such person.
51. The Company does not participate in a scheme registered under Chapter III of Part V Taxes Act and no application for the registration of any such scheme has been made.
52. The Company has never granted any right over or in respect of any shares of the Company or any other shares or been party to any arrangement whatsoever in connection with the grant of any such right to or in relation to any employee or officer or former employee or officer of the Company or any other company or to or in relation to any person connected or related to any such employee or officer of the Company.

53. The Company has not during the period beginning six years before the date hereof discontinued a trade in circumstances such that its closing trading stock and work in progress falls to be valued at open market value as provided for in Section 100(1)(b) or Section 101(1)(b) Taxes Act.

54. No Event or arrangement including entering this Agreement has been effected in consequence of which:

54.1 the Company is or may be held liable to refund in whole or in part any investment grant or other grant received by virtue of any statute; or

54.2 any such grant for which application has been made may not be paid or may be reduced.

Part 3

Tax Covenant

1. Covenant

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

1.1.1 any Actual Tax Liability which arises directly, indirectly, before or after 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 Sections 767A or 767AA Taxes Act or Section 132 Finance Act 1988 in circumstances where such Tax Liability arises by reference to an Event occurring prior to Completion or by reference to the non-payment of Tax by any Relevant Person;

1.1.4 any stamp duty (together with any interest and penalties) by way of liquidated damages in respect of which there is a breach of any of the warranties relating to stamp duty given under part 2 of this Schedule;

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, the provisions of Section 213 Inheritance Tax Act 1984 shall not apply to any payment falling to be made under this Schedule;

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

1.2 In the event that there is any dispute over the amount payable under any provision of sub-paragraph 1.1 either party shall be entitled to request the Auditors to determine the amount payable and such determination shall, save in the case of manifest error, be final and binding. The costs of any such determination shall be borne by the Vendors.

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 Purchasers will equal the full amount which would have been received by it had no such deduction or withholding been required provided that this sub-paragraph 2.1 shall not apply to any interest payable under sub-paragraph 5.5 of part 4 of this Schedule.

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

3. Choice of tax claim

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

Part 4

Limitations and Procedure

1. Limitations

The Vendor shall not be liable under any Tax Warranty or any claim under sub-paragraph 1.1.1 of the Tax Covenant in respect of any Tax Liability to the extent that:

- 1.1 provision, reserve or allowance has been made in the Accounts in respect thereof or to the extent that the payment or discharge thereof has been taken into account therein;
- 1.2 the provision for Tax made in the Accounts in relation thereto 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 sub-paragraph shall not apply to any amount payable under sub-paragraph 2.2 of part 3 of this Schedule;
- 1.4 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 where the Purchaser or as appropriate the Company knew or ought to have known that the act, transaction or omission would give rise to or increase in the liability in question;
- 1.5 such liability arises in respect of any matters resulting from a change of accounting policy or practice or change of the date to which accounts are made up in each year by the Company or the Purchaser introduced on or after the Completion Date other than any change necessary to comply with generally accepted accounting principles or policies in force at Completion;
- 1.6 such liability relates to corporation tax for the year ending 31 March 2000 and any additional Tax, interest and/or penalties payable for the two years ended 31 March 1998 and does not exceed £220,000 in aggregate provided that this sub-paragraph

does not apply where such liability is discovered after the tax computations for the four years ended 31 March 2000 have been agreed with the Inland Revenue.

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

3. **Duration and Extent**

- 3.1 No claim shall be admissible and the Vendors shall not be liable in respect of any Tax Claim unless details of the Tax Claim shall have been notified in writing to the Vendors, within seven years of the Completion Date.

4. **Conduct of claims**

- 4.1 The Vendors hereby appoint the Vendors' Accountants as their representative for the purposes of this Schedule ("**the Vendors' Representative**") and any action taken or authorised by and any notice or document given to the Vendors' Representative shall be deemed to be taken or authorised by or given to each of the Vendors and shall be binding on each of them.
 - 4.2 If the Purchaser or the Company becomes aware of any Claim for Tax which gives or may give rise to a Tax Claim the Purchaser shall or shall procure that the Company shall as soon as reasonably practicable give written notice of the Claim for Tax to the Vendors' Representative but such notice shall not be a condition precedent to the liability of the Vendors under this Schedule.
 - 4.3 If the Vendors' Representative in writing reasonably requires the Purchaser shall or shall procure that the Company shall supply the Vendors' Representative with such available and relevant details documentation correspondence and information and shall (subject to sub-paragraph 4.4 below) take such action as the Vendors' Representative may reasonably request in writing to negotiate avoid dispute resist compromise defend or appeal against the Claim for Tax and any adjudication in respect thereof provided that:

- 4.3.1 the Vendors' Representative shall not be entitled to require the Company to delegate the conduct of such action to itself, the Vendors or any agent or professional adviser of the Vendors; and
- 4.3.2 the Vendors shall first indemnify and secure the Company and the Purchaser to the reasonable satisfaction of the Purchaser against all sums for which the Vendors are or may be liable under this Schedule.
- 4.4 If the Vendors' Representative does not request the Purchaser or the Company to take action pursuant to sub-paragraph 4.3 above or shall fail to indemnify and secure the Purchaser or the Company concerned as mentioned therein within fourteen days of the said written notice to the Vendors' Representative the Purchaser or the Company shall be free to pay or settle the Claim for Tax on such terms as it may in its absolute discretion think fit.
- 4.5 The Purchaser shall not be obliged to take or procure the taking of the following action pursuant to sub-paragraph 4.3 above:
 - 4.5.1 agreeing to the settlement or compromise of any Claim for Tax or any proposal for the same which is likely to affect the amount involved or future liability to Tax of the Company, the Purchaser or any member of the Purchaser's Group unless the Vendors indemnify and secure the Purchaser, or the Company to its reasonable satisfaction against any such future liability to Tax;
 - 4.5.2 contesting any Claim for Tax before any court or other appellate body (excluding the General Commissioners of Inland Revenue, the Special Commissioners of Inland Revenue or the Value Added Tax Tribunal in the UK and any equivalent thereof outside the UK) unless at the sole expense of the Vendors, the Vendors' Representative obtains 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;
 - 4.5.3 complying with any unreasonable instruction of the Vendors' Representative or to taking any action or procuring the taking of any action which it considers may be onerous or prejudicial to the Purchaser or the Company;

4.5.4 any action whatsoever requested by any agent or representative of the Vendors other than the Vendors' Representative including without limitation any receiver, administrator or trustee in bankruptcy.

4.6 If it is alleged by any Tax Authority in writing that any Vendor (at any time) or the Company (prior to Completion) has committed any act or omission constituting fraudulent or negligent conduct relating to Tax sub-paragraph 4.3 above shall not apply and the Vendors and the Vendors' Representative shall cease to have any right thereunder.

5. Date for payment

5.1 Where a Tax Claim or any sum to which sub-paragraph 2.2 of part 3 of this Schedule applies involves the Purchaser or the Company being under a liability to make a payment to any Tax Authority the Vendors shall pay to the Purchaser in cleared funds the amount claimed on or before the later of the fifth Business Day after demand is made therefor 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 thereof.

5.2 Where a Tax Claim is made under the Tax Covenant in respect of the non-availability of a right to payment of Tax, the Vendors shall pay to the Purchaser in cleared funds the amount in question on the later of the fifth Business Day after demand is made therefore and the fifth Business Day after the date on which the Tax in question would have been repaid but for that non-availability.

5.3 Where a Tax Claim is made under the Tax Covenant in respect of the utilisation or set-off of a Relief, the Vendors shall pay to the Purchaser in cleared funds the amount in question on the later of the fifth Business Day after the date on which the Tax in question would have arisen but for such utilisation or set-off and the fifth Business Day after demand is made therefor.

5.4 Where the Vendors are liable to make any payment under sub-paragraph 1.1.6 of the Tax Covenant or under any other Tax Claim the date for the payment of which is not determined under sub-paragraphs 5.1 or 5.2 above, the Vendors shall pay to the Purchaser the amount in question on the fifth Business Day after demand is made therefor.

5.5 Any sum not paid by the Vendors on a date determined under sub-paragraphs 5.1, 5.2, 5.3 or 5.4 above ("**the due date**") shall bear interest (which shall accrue from day to day after as well as before any judgment for the same) at the rate of 4% per annum over the base rate of Lloyds Bank Plc or in the absence thereof at such similar rate as the Purchaser shall select from the due date up to and including the day of actual payment of such sum (or the next Business Day if the date of actual payment is not a Business Day) compounded quarterly.—Such interest shall be paid on the demand of the Purchaser.

6. Corresponding benefit

6.1 If before the sixth anniversary of the date hereof 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) ("**the Corresponding Relief**") then an amount equal to the Tax saved by the Corresponding Relief at the date such Corresponding Relief is utilised ("**the Relevant Amount**") shall be dealt with in accordance with sub-paragraph 6.2 below 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 thereof under sub-paragraph 6.2.1 above, a refund shall be made to the Vendors of any previous payment or payments made by the Vendors under a Tax Claim in respect of the matter or thing giving rise to the Relevant Amount and not previously refunded under this sub-paragraph up to the amount of such excess; and

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

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

7. Third party claims

- 7.1 If the Company or the Purchaser is before the sixth anniversary of the date hereof entitled to recover from another person (excluding any other company within the definition of Company or any current or ex-employees of the Company) or a Tax Authority a sum in respect of any Tax Liability to which a Tax Claim relates and which has been satisfied in full by the Vendors in cleared funds the Purchaser shall as soon as reasonably practicable give written notice thereof to the Vendors' Representative 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' Representative to enforce recovery against that person or Tax Authority.

- 7.2 In the event that the Purchaser recovers any sum referred to in sub-paragraph 7.1 above after taking any action at the request of the Vendors' Representative under that sub-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. Release

The Purchaser may release or compromise the liability under this Schedule 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 or some but not all of the Vendors under any

obligation which is both joint and several is released or compromised the remaining Vendors shall continue to be severally and shall together be jointly liable on that obligation.

9. **Miscellaneous**

- 9.1 Any payment to the Purchaser or the Company under any Tax Claim shall be deemed to be a reduction of the Consideration.

SCHEDULE 7

Completion

1. Each of the Vendors shall repay or procure the repayment of all sums owed by him or to him or any person connected with him to the Company .
2. The Vendors shall deliver ~~or procure~~ to be delivered to the Purchaser:
 - 2.1 duly executed transfers of the Shares in favour of the Purchaser or its nominee(s) together with duly executed powers of attorney or other authorities pursuant to which any transfers have been executed;
 - 2.2 the relevant share certificates (or an express indemnity in a form satisfactory to the Purchaser in the event of any found to be missing) in respect of the Shares;
 - 2.3 all certificates of incorporation and certificates of incorporation on change of name for the Company;
 - 2.4 the common seal and statutory books (including minute books) and books of account of the Company made up to the Completion Date;
 - 2.5 the Option Deed duly executed by each of the Vendors;
 - 2.6 service agreements in the agreed form duly executed by AE Camplin and K McGrellis and the Company;
 - 2.7 copies of all bank mandates given by the Company and forms of cancellation of such bank mandates duly executed;
 - 2.8 bank statements dated not earlier than two Business Days before Completion for all bank accounts of the Company together with cash book balances of the Company as at Completion and reconciliation statements reconciling such balances with the bank statements;
 - 2.9 the Lease duly executed by the Vendors and the Company;
 - 2.10 the documents of title relating to the Intellectual Property belonging to the Company;

- 2.11 duly executed deeds of release in the agreed form releasing the Company 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;
 - 2.12 Powers of Attorney in the agreed form in relation to the Shares only executed by each of the Vendors;
 - 2.13 such waivers, consents or other documents as the Purchaser may require to enable the full beneficial ownership of the Shares to vest in the Purchaser; and
 - 2.14 such other documents and things as the Purchaser may properly and reasonably request to implement this transaction.
3. The Vendors shall procure that:
- 3.1 a meeting of the board of directors of the Company is convened and held at which resolutions in the form set out in the Completion Board Minutes are duly passed; and
 - 3.2 the members of the Company pass the Written Resolution to adopt the New Articles of Association;
 - 3.3 the members of Allied Air Conditioning Services Limited pass a special resolution (whether by written resolution or at a meeting of the members of that company duly convened and held) changing the Company's name to Deilla Limited; and
 - 3.4 a meeting of the board of directors of Allied Air Conditioning Services Limited passes a resolution changing that company's registered office..
4. The Purchaser shall:
- 4.1 pay to the Vendors' Solicitors by transfer of funds through a UK clearing bank the sum of £875,000 in respect of the cash consideration comprising part of the Initial Consideration payable at Completion. The Vendors' Solicitors' receipt shall be a sufficient discharge for such sum and the Purchaser shall not be concerned to see to the application thereof;
 - 4.2 deliver to the Vendors:

- 4.2.1 a certified copy of a resolution of the board of directors of the Purchaser in the agreed form creating the Guaranteed Loan Notes and allotting the Consideration Shares and issuing the Guaranteed Loan Notes to the Vendors;
- 4.2.2 a certified copy of the Written Resolution of the Purchaser in the agreed form together with a copy of the New Articles of Association of the Purchaser in the agreed form initialled by the members of the Purchaser;
- 4.2.3 definitive certificates in respect of the Consideration Shares to the Vendors;
- 4.2.4 definitive certificates in respect of the Guaranteed Loan Notes to the Vendors duly executed by the Purchaser and (in the case of the Guarantee) by Bank of Scotland; and
- 4.2.5 the Option Deed duly executed by Keller Group plc.

SIGNED (but not delivered until the date hereof))
as a deed by ANTHONY ERNEST CAMPLIN)
in the presence of:)



Witness Signature



Witness Name

BRENDAN FARREN

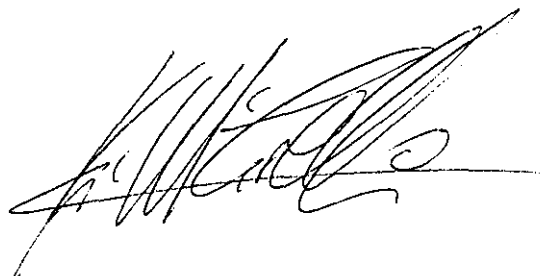
Address

90 KENNINGS RD
ST ADAMS
HERTS AL14 1NT

Occupation

Accountant

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



Witness Signature



Witness Name

BRENDAN FARREN

Address

90 KENNINGS RD
ST ADAMS
HERTS AL14 1NT

Occupation

Accountant.

EXECUTED (but not delivered until the date)
hereof) as a deed by AMS HOLDINGS)
LIMITED acting by two directors or one)
director and the secretary:)

Director

Director/Secretary

