

6075079

17 January 2005

SUBSCRIPTION AGREEMENT

OLSWANG

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Regulated by the Law Society

- (1) INDEPENDENT TELEVISION NEWS LIMITED
- (2) ESPRESSO BROADBAND LIMITED
- (3) EXECUTIVE DIRECTORS

WE HEREBY CERTIFY THAT
THIS IS A TRUE COPY OF
THE ORIGINAL OF WHICH
IT PURPORTS TO BE A COPY
THIS 16 DAY OF OCTOBER 2005
BIRD & BIRD
90 FETTER LANE
LONDON EC4A 1JP
Bird + Bird
RE: S.M.R.



A15
COMPANIES HOUSE

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27/10/2005

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THIS AGREEMENT is made on

17 JANUARY

2005

BETWEEN:

- (1) **INDEPENDENT TELEVISION NEWS LIMITED**, a company registered in England and Wales with registered number 548648, whose registered office is situated at 200 Gray's Inn Road, London WC1X 8XZ ("Investor");
- (2) **ESPRESSO BROADBAND LIMITED**, a company registered in England and Wales with registered number 40475079 whose registered office is situated at Myrus Smith, Old Inn House, 2 Carshalton Road, Sutton, Surrey SM1 4SR (the "Company"); and
- (3) **THE PERSONS** whose names and addresses are set out in Schedule 4 ("Executive Directors").

WHEREAS:

- (A) The Company is a private company limited by shares incorporated on 15 September 2000 under the Act. The pre-Closing authorised and issued share capital of the Company, the pre-Closing constituted and issued loan note capital of the Company and further particulars relating to the Company are set out in Schedule 1 and the Appendix.
- (B) The Investor wishes to subscribe for A Shares and Ordinary Shares at the Subscription Price per share on the terms and conditions of this Agreement.
- (C) Details of the post-Closing issued share capital of the Company are set out in Schedule 3.

NOW IT IS HEREBY AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Agreement (which expression shall be deemed to include the Schedules and the Appendix), unless the context otherwise requires:

"Accounts" means the Company's statutory accounts for the 12 month period ended on 31 July, together with the notes thereto, and, the directors' and auditors' reports included therewith;

"Accounts Date" means the financial period ended on 31 July 2003;

"Act" means the Companies Act 1985, as amended;

"Anti-dilution Warrants" means warrants to subscribe for up to 21,229,655 B Shares pursuant to the Anti-dilution Warrant Deed;

"Anti-dilution Warrant Deed"	means the warrant deed, in the agreed form, constituting the Anti-dilution Warrants;
"A Loan Notes"	means the £1,086,425 nominal amount of secured A loan notes relating to the Company and originally constituted and issued by the Company on 10 September 2001;
"A Shares"	means A ordinary shares of £0.10 each in the capital of the Company having such rights as are described in the New Articles;
"B Loan Notes"	means the £163,871 nominal amount of secured B loan notes relating to the Company and originally constituted and issued by the Company on 12 March 2002;
"Board"	means the board of directors of the Company from time to time;
"Business Day"	means a day (other than a Saturday or Sunday) on which banks generally are open for the transaction of normal business in London;
"Business Plan"	means the business plan/information memorandum prepared by or on behalf of the Company (and the documents annexed to such plan) entitled Cash Flow 2004 04.xls and the 2005 budget dated 23 November 2004, each in the agreed form;
"B Shares"	means the B ordinary shares of 0.01p each in the capital of the Company having such rights as are described in the New Articles;
"Capitalisation Agreement"	means an agreement, in the agreed form, to be made between the Company and the holders of the D Loan Notes setting out the terms on which the D Loan Notes will be redeemed by the issue of the Conversion Shares;
"C Loan Notes"	means the £1,233,129 nominal amount of secured C loan notes relating to the Company and originally constituted and issued by the Company on 21 October 2002;

"Closing"	means completion of the allotment and issue of the Subscription Shares in accordance with this Agreement;
"Closing Account"	means account number 01095765 in the name of the Company maintained by the Company with HSBC Private Bank (UK) Limited of 78 St James' Street SW1A 1JB, sort code: 40-05-50;
"Closing Conditions"	means the conditions to Closing as set out in clause 2.1;
"Closing Date"	means the day upon which Closing takes place as referred to in clause 4.1;
"Commercial Agreement"	means the 15-year licence for material which is currently part of the Company's service, in the agreed form, to be entered into between the Investor, the Company and Espresso on the Closing Date to which the Investor and the Company have attributed a consideration of £675,000 and which is to be satisfied by the allotment and issue to the Investor of certain of the Subscription Shares;
"Company Option Scheme"	means the share option schemes pursuant to which the Company proposes to grant options to directors and consultants in respect of B Shares, as described in Schedule 6;
"Company System"	means each item of information technology equipment and software programme used in the course of the Company's business;
"connected person"	has the meaning given to that expression in section 839 of the Income and Corporation Taxes Act 1988 (as amended);
"Consenting Shareholders"	means such of the Existing Shareholders whose consent is required to amend the Existing Shareholders' Agreement in accordance with its terms;
"Conversion Shares"	means the 1,902,376 A Shares and 732,700 Ordinary Shares into which the D Loan Notes will convert prior to Closing, such shares to be issued pro rata to the holdings of D Loan Notes and in the proportions of A Shares and Ordinary Shares set out in Schedule 3;

"D Loan Notes"	means the £1 million nominal value amount of secured D loan notes relating to the Company and originally constituted and issued by the Company on 7 March 2003;
"Debentures"	means the debentures referred to in Schedule 1;
"Deed of Adherence"	means the deed of adherence to the Shareholders' Agreement, in the agreed form;
"Disclosure Letter"	means the letter dated the date of this Agreement (and any replacement thereof provided in accordance with clause 3.3) from the Warrantors to the Investor disclosing certain exceptions to the Warranties;
"Encumbrance"	means a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect;
"Existing Company Option Scheme"	means the share option scheme or schemes pursuant to which the Company has granted options to directors, officers, employees and/or consultants in respect of B Shares and the letters relating to cash bonuses granted to the Executive Directors;
"Espresso"	means Espresso Education Limited (company number 3261227);
"Existing Shareholders"	mean all the shareholders of the Company at the date of this Agreement;
"Existing Shareholders' Agreement"	means the agreement of 10 September 2001 between Lewis Bronze and Others, ProVen and Others and the Company, as amended by supplemental and variation agreements dated 16 April 2002, 21 October 2002 and 7 March 2003;
"Group"	means together all Group Companies;

"Group Company" means the Company and each company which is, on or at any time after the date of this Agreement, a subsidiary or holding company of the Company or a subsidiary of a holding company of the Company;

"Intellectual Property" means any and all:

- (a) patents, trade marks, service marks, registered designs, applications for any of those rights, trade and business names (including internet domain names), unregistered trade marks and service marks, trade secrets and other confidential information, copyrights, including copyright in computer software, database rights, know-how, rights in designs and inventions and all other intellectual and industrial property rights of a similar or corresponding nature in any part of the world, *whether registered or not or capable of registration* or not and including the right to apply for any of the foregoing rights and the right to sue for past infringements of the foregoing rights; and
- (b) rights under licences, consents, orders, statutes or otherwise in relation to a right in paragraph (a),

in each case which may now or in the future subsist in any part of the world;

"Loan Notes" means the A Loan Notes, the B Loan Notes and the C Loan Notes, together;

"Management Accounts" means the management accounts of the Company for the period from 1 August 2003 to 30 November 2004;

"Ordinary Shares" means the ordinary shares of £0.10 each in the capital of the Company having such rights as one described in the New Articles;

"New Articles" means the proposed new articles of association of the Company, in the agreed form, to be adopted by the Company on or before Closing;

"Property"	means Units F2 to F9 (inclusive) and Studio 4 as demised under a lease dated 1 December 2004 and made between Riverside Trust and the Company (the "Lease");
"Shareholders' Agreement"	means the Existing Shareholders' Agreement as amended and restated as at Closing following execution of the Supplemental Shareholders' Agreement, in the agreed form;
"Subscription Shares"	means 2,144,034 A Shares and 3,126,126 Ordinary Shares to be subscribed for by the Investor under the terms of this Agreement (which amounts include the A Shares and Ordinary Shares to be issued pursuant to the Commercial Agreement);
"Subscription Price"	means a price per Subscription Share of £0.37950;
"Supplemental Shareholders' Agreement"	means a supplemental and amendment agreement, in the agreed form, to be made between the Company, the Consenting Shareholders and the Investor pursuant to which the Existing Shareholders' Agreement shall be amended and the Investor shall become a party to it;
"Supply Agreement"	means a supply agreement for a 5 year period, in the agreed form, to be entered into between the Investor and the Company on the Closing Date;
"Tax" or "Taxation"	means any form of taxation, levy, duty, charge, contribution, withholding or impost of whatever nature (including any related fine, penalty, surcharge or interest) imposed, collected or assessed by, or payable to, a Tax Authority;
"Tax Authority"	means any government, state, municipality or any local, state, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world including, without limitation, the Inland Revenue and H.M. Customs & Excise;
"Warrant Deed"	means the warrant deed of the Company dated 21 October 2002 constituting warrants to subscribe for up to a maximum of 50,604,275 B Shares;

"Warrantors"

means the Company and the Executive Directors;

"Warranties"

means warranties and representations set out in clause 6 and Schedule 2.

- 1.2 All references express or implied to statutory provisions shall be construed as references to any statutory modification or re-enactment thereof (whether before or after the date of this Agreement) for the time being in force and as the same may be modified or amended from time to time, all statutory instruments or orders made pursuant thereto, and any statutory provisions of which that statutory provision is a re-enactment or modification provided that nothing in this clause 1.2 shall operate to increase the liability of the Warrantors in respect of the Warranties.
- 1.3 Unless otherwise specified, words importing the singular number shall include the plural and vice versa, words importing any gender shall include all other genders, words importing persons shall include bodies corporate, unincorporated associations and partnerships and vice versa and references to the whole shall include the part and vice versa.
- 1.4 In this Agreement, a reference to a **"subsidiary"** or **"holding company"** is to be construed in accordance with sections 736 and 736A of the Act.
- 1.5 References to clauses and other provisions are references to clauses and other provisions of this Agreement and reference to any sub-provision is, unless otherwise stated, a reference to a sub-provision of the provision in which the reference appears.
- 1.6 The headings are inserted for ease of reference only and shall not affect interpretation.
- 1.7 References to any documents being **"in the agreed form"** mean in a form agreed by or on behalf of the parties hereto.
- 1.8 A reference in Schedule 2 to a person's knowledge, belief, or awareness is deemed to include knowledge, belief or awareness which the person would have if the person had made reasonable enquiries.

2. CLOSING CONDITIONS

- 2.1 The obligations of the parties pursuant to this Agreement are conditional upon:
- 2.1.1 the Company having passed resolutions (in the agreed form) in general meeting (i) adopting the New Articles as the articles of association of the Company, (ii) authorising directors to allot and issue the Subscription Shares, the Conversion Shares and B Shares to be issued on the exercise of the Anti-dilution Warrants and (iii) disapplying pre-emption rights relating to the allotment and issue of the

Subscription Shares to the Investor, the Conversion Shares to the holders of the D Loan Notes and the B Shares to the holders of the Anti-dilution Warrants;

- 2.1.2 the holders of the A Shares as a separate class having passed a resolution, in the agreed form, in accordance with the articles of association of the Company in force at the date of this Agreement, approving where necessary the transactions contemplated by this Agreement;
- 2.1.3 all the Consenting Shareholders having executed the Supplemental Shareholders' Agreement and giving all necessary waivers and consents, in the agreed form, relating to the allotment and issue of the Subscription Shares to the Investor, the Conversion Shares to the holders of the D Loan Notes and the B Shares to the holders of the Anti-dilution Warrants;
- 2.1.4 the holders of the D Loan Notes having executed the Capitalisation Agreement;
- 2.1.5 the holders of A Loan Notes, B Loan Notes, C Loan Notes having waived (in the agreed form) any rights to have the A Loan Notes, B Loan Notes, C Loan Notes repaid due to any event of default which has occurred on or prior to Closing, including in relation to the liquidation of Espresso Technology Limited;
- 2.1.6 certain of the options and cash bonus alternatives granted pursuant to the Existing Company Option Scheme being cancelled and new arrangements, in such form as is reasonably satisfactory to the Investor and consistent with Schedule 6, being put in place;
- 2.1.7 there not being a material breach of the heads of agreement dated 18 December 2000 between the Investor and Espresso, as amended by the letter agreement dated 27 August 2002;
- 2.1.8 there not being a material adverse change in the financial or trading position of the Company at or prior to the Closing Date;
- 2.1.9 there not being a Material Breach (as defined in clause 3.4) of the Warranties at or prior to the Closing Date; and
- 2.1.10 no action, proceedings, suit or litigation having been instituted or threatened against the Company by the Closing Date seeking to restrain or otherwise materially affecting the transactions contemplated hereby.

- 2.2 In the event of the Closing Conditions not being fulfilled or waived in writing by the Investor on or before 28 February 2005, or such other later date as the Company, the Executive Directors and the Investor may agree, all liabilities and obligations of the parties pursuant to this

Agreement shall cease and determine (other than in respect of clauses 7, 13 and 14) and no party shall have any claim under this Agreement against the others, except in respect of any rights and liabilities which have accrued before termination of this Agreement.

3. PRE-CLOSING

- 3.1 The Warrantors undertake to the Investor that if, between the date of this Agreement and Closing, anything (including for the avoidance of doubt any omission) occurs which results, or which may result, in any of the Warranties being untrue or inaccurate at Closing then they will as soon as reasonably practicable, and in any event before Closing, give the Investor written notice of that event and its consequences as they perceive them.
- 3.2 If, before Closing, it is found that there has been a Material Breach (as defined in clause 3.4) of any of the Warranties, the Investor shall be entitled, by written notice to the Company, before Closing, to terminate this Agreement.
- 3.3 At Closing, the Warrantors shall deliver to the Investor either an updated Disclosure Letter or a duplicate of the Disclosure Letter dated with the Closing Date. The Warrantors shall provide to the Investor all such further documents and/or information as the Investor may reasonably require in relation to the matters disclosed in the updated Disclosure Letter. The updated Disclosure Letter shall contain, as regards new disclosure, only specific disclosures to the extent that they relate to facts, events or circumstances which have occurred after the date of this Agreement.
- 3.4 If the updated Disclosure Letter discloses a Material Breach or if the Company or the Executive Directors commit a material breach of this Agreement prior to Closing, then the Investor shall have the right, by notice in writing to the Company, before Closing, to terminate this Agreement. A "**Material Breach**" shall be a breach of any of the Warranties which is, or a number of breaches of the Warranties which when taken together are, in the reasonable opinion of the Investor, likely to have a material and adverse impact on the financial or trading position of the Group as a whole.

4. CLOSING

- 4.1 Closing shall occur at the offices of the Investor's solicitors two Business Days after the date on which the Closing Conditions are satisfied or waived in writing by the Investor.
- 4.2 On the Closing Date the Investor shall:
- 4.2.1 remit by bank transfer to the Closing Account the sum of £1,325,000;

- 4.2.2 deliver to the Company the Commercial Agreement and the Supply Agreement, duly executed by the Investor;
- 4.2.3 deliver to the Company the Deed of Adherence, duly executed by the Investor.
- 4.3 On the Closing Date the Company shall
 - 4.3.1 allot and issue the Subscription Shares, credited as fully paid, to the Investor free from any Encumbrance;
 - 4.3.2 register the Investor in its register of members as the holder of the Subscription Shares;
 - 4.3.3 issue to the Investor duly executed share certificates in respect of the Subscription Shares;
 - 4.3.4 duly execute, deliver and complete the Anti-dilution Warrant Deed;
 - 4.3.5 issue to the Investor 13,486,444 Anti-dilution Warrants;
 - 4.3.6 register the Investor in its register of Anti-dilution Warrant holders as the holder of 13,486,444 Anti-dilution Warrants;
 - 4.3.7 issue to the Investor a certificate in respect of 13,486,444 Anti-dilution Warrants issued to it;
 - 4.3.8 execute the Capitalisation Agreement and allot and issue the Conversion Shares (credited as fully paid) and 6,743,211 Anti-dilution Warrants to the holders of D Loan Notes in the proportions set out in Schedule 3;
 - 4.3.9 issue to the D Loan Note holders duly executed certificates in respect of the Conversion Shares and 6,743,211 Anti-dilution Warrants;
 - 4.3.10 register the D Loan Note holders in its register of members as the holders of the Conversion Shares and in its register of Anti-dilution Warrant holders as the holders of the Anti-dilution Warrants set against their names in Schedule 3 and remove the D Loan Note holders from its register of loan note holders;
 - 4.3.11 duly execute and complete, and procure that Espresso duly executes and completes, the Commercial Agreement and shall duly execute and complete the Supply Agreement;
 - 4.3.12 duly execute and complete the Supplemental Shareholders' Agreement;

- 4.3.13 file all requisite companies forms with the registrar of Companies; and
- 4.3.14 appoint Mark Wood as a director of the Company and procure that Espresso appoints Mark Wood as a director of Espresso.

5. USE OF FUNDS

The Company agrees that the proceeds of the Subscription Shares shall be used only for development purposes primarily to acquire and/or subsidise additional caches for the Company service to accelerate subscriber base growth. For the avoidance of doubt, such proceeds shall not be used to repay any principal amounts or interest under the Loan Notes and/or the D Loan Notes.

6. WARRANTIES

- 6.1 The Warrantors severally warrant and represent to the Investor that the Warranties are true and accurate and not misleading at the date of this Agreement and at Closing on the basis that where in a Warranty there is an express or implied reference to the "date of this Agreement", that reference is also to be construed as a reference to the "Closing Date".
- 6.2 The Warranties are qualified by the facts and circumstances fairly and accurately disclosed in this Agreement or the Disclosure Letter.
- 6.3 Each of the Warranties set out in the several paragraphs of Schedule 2 is separate and independent and except as expressly provided to the contrary in this Agreement is not limited by reference to any other paragraphs of Schedule 2.
- 6.4 The Warrantors acknowledge that the Investor has entered into this Agreement in reliance upon the Warranties.
- 6.5 The remedies available to the Investor in respect of any breach of any of the Warranties shall continue to subsist notwithstanding the occurrence of the Closing.
- 6.6 All liability of the Warrantors under the Warranties (other than paragraphs 1.7 and 1.8 of Schedule 2) shall cease on the Expiry Date (as defined below) save in relation to any claim of which notice has been given to the Warrantors in writing specifying the nature of such claim by such date. The "Expiry Date" for these purposes being:
 - 6.6.1 in the case of any claim the subject matter of which relates to Tax, the sixth anniversary of the Closing Date; and
 - 6.6.2 in the case of any other claim, the date which falls on the second anniversary of the Closing Date.

- 6.7 All liability of the Warrantors under the Warranties shall cease unless legal proceedings in respect of any claim under clause 6.6 shall have been issued and served within 9 months of the Expiry Date.
- 6.8 No claim shall be made in respect of any breach of the Warranties unless the amount of the claim when aggregated with all other claims brought previously or in the process of being brought exceeds £50,000, but once any such claim or claims exceeds £50,000 all claims including those which were previously below the limit of £50,000 may be pursued.
- 6.9 The aggregate liability of the Warrantors under the Warranties shall not exceed £2 million and shall not, in the case of the relevant Warrantor, exceed the amount set out next to the respective Warrantor's name:
- 6.9.1 the Company: £2 million;
- 6.9.2 Lewis Bronze: £50,000;
- 6.9.3 Richard McGrath: £50,000.

The limitation on the liability of Lewis Bronze and Richard McGrath as set out in this clause 6.9 shall be inclusive of the proper and reasonable costs of recovery of any damages for breach of the Warranties. For the avoidance of doubt, the limitation on the liability of the Company as set out in this clause 6.9 shall be exclusive of the proper and reasonable costs of recovery of any damages for breach of the Warranties.

- 6.10 Each Warrantor waives and agrees not to enforce any right which he or it may have in respect of a misrepresentation, inaccuracy or omission in or from information or advice supplied or given by any other Warrantor or by an officer or employee of the Company or its subsidiaries, for the purpose of assisting such Warrantor to give a Warranty.
- 6.11 No Warrantor shall be liable in respect of any claim for breach of a Warranty if such a breach occurs by reason of any other matter which would have not arisen but for the coming into force of any legislation not in force at Closing or by reason of any change to any Tax Authority practice occurring after Closing.
- 6.12 The Warrantors shall not be liable in respect of any claim under the Warranties to the extent that the matter giving rise to such claim:
- 6.12.1 is the subject of an express provision, accrual or other liability or reserve in the Accounts;
- 6.12.2 results from any act or omission before Closing by the Warrantors which was made at the written request of the Investor; or

6.12.3 arises from any act, matter or thing done by the Company under the written direction of the Investor after Closing.

6.13 The Warrantors shall not be liable in respect of any claim under the Warranties to the extent that the amount of such claim has already been recovered by the Investor or the Company under any policy of insurance.

6.14 Nothing in this Agreement shall reduce the Investor's common law duty to mitigate any loss in respect of a claim under the Warranties.

6.15 If any third party claim is or may be made against the Investor which to its knowledge may give rise to a claim under the Warranties, the Investor shall as soon as reasonably practicable (and in any event within 30 days of the Investor becoming aware) notify the Warrantors of that claim, specifying in as much detail as possible the nature and amount of the claim (so far as such details are known to the Investor). Any failure to comply with this clause shall not in any circumstances prevent a claim being made by the Investor under the Warranties.

6.16 The Investor shall not be entitled to recover any sum in respect of any claim under the Warranties or otherwise obtain reimbursement or restitution more than once in respect of any one breach of the Warranties.

6.17 Notwithstanding any provision to the contrary, in the absence of fraud or wilful misconduct, the Warrantors shall not be liable in respect of any representations, warranties, covenants, agreements or undertakings or other obligations express, implied, statutory or otherwise which are made or assumed or deemed to have been made or assumed by them or any of them in relation to or in connection with the subject matter of this Agreement which are not contained and expressly given or assumed by them in this Agreement, the Shareholders' Agreement, the Commercial Agreement, the Supply Agreement, the New Articles or any other document in the agreed form.

7. CONFIDENTIALITY

No announcement in relation to this Agreement or the transactions contemplated by it shall be made without the written consent of the other parties to this Agreement, unless required by law, the rules of the London Stock Exchange plc or a relevant regulatory authority, in which case the parties shall consult with each other in advance as to the content of the announcements.

8. COSTS

Each party shall pay its own fees and disbursements (including VAT) of its legal counsel, other financial consultants or otherwise in connection with the preparation and negotiation of this

Agreement, any documents in the agreed form, any due diligence or otherwise in connection with the investment the subject of such documents.

9. WHOLE AGREEMENT

This Agreement, the Shareholders' Agreement, the New Articles, the Commercial Agreement, the Supply Agreement and the other agreements and documents referred to in this Agreement as being in the agreed form contain the whole agreement between the parties relating to the subscription for, and issue of, the Subscription Shares.

10. POST CLOSING

10.1 At any time after the Closing Date, the Company and the Executive Directors, in so far as it lies within their reasonable power to do so, shall execute or procure the execution of all such documents and do or procure the carrying out of such acts and things as the Investor may require for the purpose of vesting in the Investor the full legal and beneficial title to the Subscription Shares in accordance with this Agreement.

10.2 The Company shall pay interest accrued in respect of the Loan Notes as at the date of this Agreement in accordance with the payment schedule set out in Schedule 5, subject to the Board considering there to be sufficient cash in the business to develop and expand the Company.

10.3 The Company undertakes to use its best efforts to procure that Inland Revenue Approval of the Company Option Scheme is obtained as soon as possible after the date of this Agreement. The Company shall procure that the Company Option Scheme shall be adopted within five days after it is approved by the Inland Revenue and that all rights pursuant to the Existing Company Option Scheme and, in the case of the Executive Directors all bonus arrangements granted to them, are waived, in each case in such form as is reasonably satisfactory to the Investor and consistent with Schedule 6.

11. COUNTERPARTS

This Agreement may be executed in any number of counterparts and by the several parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument.

12. GENERAL

12.1 None of the rights or obligations under this Agreement may be assigned or transferred without the prior written consent of, in the case of the Investor, the Company and the Executive Directors and in the case of the Company, the Investor, except that such consent shall not be required where (i) the Investor has also transferred Subscription Shares to a person in

accordance with the terms of the Shareholders' Agreement and the New Articles and (ii) the intended transferee shall have entered into a deed of adherence to the Shareholders' Agreement.

- 12.2 Time is of the essence in relation to this Agreement, both as regards the dates and periods mentioned in this Agreement and as regards any dates and periods which may be substituted for them in accordance with this Agreement or by agreement in writing between the parties.
- 12.3 The Investor's rights under this Agreement are cumulative and not exclusive of rights or remedies provided by law unless otherwise stated.
- 12.4 Except to the extent they have been performed and except where this Agreement provides otherwise, the obligations in this Agreement remain in force after the Closing Date.
- 12.5 A variation of this Agreement is valid only if it is in writing and signed by or on behalf of each party.
- 12.6 The failure to exercise or delay in exercising a right or remedy provided by this Agreement or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Agreement or by law prevents further exercise of the right or remedy or the exercise of another right or remedy.
- 12.7 Except as expressly provided in this Agreement, the parties agree that the provisions of this Agreement are personal to them and are not intended to confer any rights of enforcement on any third party with the exception of any assignee, transferee or successor of any party. The Contracts (Rights of Third Parties) Act 1999 shall not apply to this Agreement.

13. NOTICES

- 13.1 A notice or other communication under or in connection with this Agreement shall be in writing and shall be delivered personally or sent by first class post pre-paid recorded delivery (or air mail if overseas) or by fax to the party due to receive the notice or communication, at the address referred to below or another address specified by that party by written notice to the other:

In the case of the Investor:

For the attention of Mark Wood, Chairman and Chief Executive, Independent Television News Limited

Address: 200 Gray's Inn Road, London WC1X 8XZ

Fax no: 020 7430 4305

with copies to: James Scorer, Director of Business Affairs and Company Secretary

Address: 200 Gray's Inn Road, London WC1X 8XZ

Fax no: 020 7430 4305

In the case of the Company:

c/o Chief Executive Officer

At the registered office of the Company specified at the beginning of this Agreement.

Fax no: 0208 237 1201

In the case of Lewis Bronze:

Address: c/o the Company

Fax no: 0208 237 8201

In the case of Richard McGrath:

Address: c/o the Company

Fax no: 0208 237 1201.

13.2 In the absence of evidence of earlier receipt, a notice or other communication is deemed given:

13.2.1 if delivered personally, when left at the address referred to in clause 13.1;

13.2.2 if sent by mail except air mail, two days after posting it;

13.2.3 if sent by air mail, six days after posting it; and

13.2.4 if sent by fax, when the proper transmission slip showing the time, date and number of pages transmitted is received, subject to receipt of a confirmatory transmission report.

14. GOVERNING LAW AND JURISDICTION

14.1 This Agreement is governed by the laws of England and Wales.

14.2 The courts of England have exclusive jurisdiction to hear and decide any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this

Agreement (respectively, "**Proceedings**" and "**Disputes**") and, for these purposes, each party irrevocably submits to the jurisdiction of the courts of England.

- 14.3 Each party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to hear and decide any Proceedings and to settle any Disputes and agrees not to claim that the courts of England are not a convenient or appropriate forum.
- 14.4 Process by which any Proceedings are begun in England may be served on any of the parties by being delivered to the party's address referred to at clause 13, or such other address as a party may notify in writing from time to time, in accordance with that clause. Nothing contained in this clause 14.4 affects the right to serve process in another manner permitted by law.
- 14.5 Save in respect of a claim in respect of the Warranties, each of the parties acknowledges that damages would not be an adequate remedy for any breach of the covenants by that party contained in this Agreement and that any other party shall be entitled (in addition to damages) to the remedies of injunction, specific performance and equitable relief of any threatened or actual breach of any such undertakings.

IN WITNESS whereof this Agreement has been signed by the parties hereto on the day and year first before written.

SCHEDULE 1

Details relating to the Company (Pre-Closing)

Name: Espresso Broadband Limited

Registered Number: 40475079

Date of Incorporation: 15 September 2000

Status: Private company limited by shares

Authorised Share Capital: £2,806,217.20 divided into 18,002,000 Ordinary Shares of £0.10 each, 10,000,000 A Shares of £0.10 each and 60,172,200 B Shares of 0.01 pence each

Issued Share Capital: £1,976,310.40 divided into 12,553,334 Ordinary Shares and 7,209,770 A Shares

Directors: Lewis Richard Bronze
Timothy Michael Evans
James Farley
Richard John McGrath
David John Montgomery
Stuart Michael Veale

Secretary: Stephen William Tupper

Accounting Reference Date: 31 July

Registered Office Myrus Smith, Old Inn House, 2 Carshalton Road, Sutton,
Surrey SM1 4SR

Shareholders: Appendix

Loan noteholders and Warrantholders: Appendix

Charges:

- (1) Debenture dated 10 September 2001 in favour of Proven Private Equity Limited
- (2) Debenture dated 10 March 2002 in favour of Proven Private Equity Limited
- (3) Debenture dated 21 October 2002 in favour of Proven Private Equity Limited
- (4) Debenture dated 7 March 2003 in favour of Proven Private Equity Limited

Subsidiaries:

Espresso Education Limited

Espresso Technology Limited

SCHEDULE 2

The Warranties

References in this Schedule 2 to the Company shall be construed as referring to the Company and each other member of the Group as at Closing.

1. THE COMPANY, THE SHARES AND THE SUBSIDIARIES

1.1 The Company

The Company is duly incorporated under English law and has been in continuous existence since incorporation.

1.2 The Shares

Other than as provided for in this Agreement, the Shareholders' Agreement and the New Articles and pursuant to the Existing Company Option Scheme, the Anti-dilution Warrant Deed and the Warrant Deed, there is no Encumbrance in relation to any of the unissued shares in the capital of the Company and no person has claimed to the Company to be entitled to an Encumbrance in relation to any of the unissued shares in the capital of the Company. Other than this Agreement, the Shareholders' Agreement, the New Articles and pursuant to the Existing Company Option Scheme, the Anti-dilution Warrant Deed and the Warrant Deed, there is no agreement, arrangement or obligation requiring the creation, allotment, issue, sale, transfer, redemption or repayment of, or the grant to a person of the right (conditional or not) to require the allotment, issue, sale, transfer, redemption or repayment of, a share in the capital of the Company (including an option or right of pre-emption or conversion).

1.3 The shareholdings set out in the Appendix comprise all the allotted and issued share capital prior to the allotment and issue of the Subscription Shares. The holdings of Loan Notes set out in the Appendix comprise all the allotted and issued loan capital of the Company. The information set out in Schedule 1 and the Appendix to this Agreement is true, complete, accurate and not misleading.

1.4 Except as provided in this Agreement, the Company has not agreed to create or issue any share or loan capital whether conditionally or absolutely.

1.5 There is no shadow director of the Company.

1.6 Subsidiaries

The Company has no and has not agreed to acquire any:

- 1.6.1 interest in the share capital of, or other investment in, any body corporate;
- 1.6.2 branch, agency, place of business or permanent establishment outside the United Kingdom ("**overseas branch**") or substantial assets outside the United Kingdom.

1.7 Each of the Warrantors confirms in relation to itself only that it has the right, power and authority and has taken all action necessary to execute and deliver, and to exercise its rights and perform its obligations under this Agreement and each document to be executed by it at or before Closing.

1.8 Each of the Warrantors confirms in relation to itself only that this Agreement constitutes, and the other documents executed by the Warrantors on or prior to Closing, when executed, constitute legal, valid and binding obligations of the Warrantors enforceable in accordance with their respective terms.

2. FINANCIAL INFORMATION

2.1 Off balance sheet financing

The Company is not engaged in any financing (including the incurring of any borrowing or any indebtedness in the nature of acceptances or acceptance credits) of a type which would not be required to be shown or reflected in the audited financial statements of the Company.

2.2 Accounting and other records

The books of account and all other records of the Company (including any which it may be obliged to produce under any contract now in force) are up-to-date, in its possession and are true and complete in accordance with the law and applicable accounting standards, principles and practices generally accepted in the United Kingdom.

2.3 Business Plan

The Business Plan has been drawn up with the due diligence of a prudent businessman and has been reconsidered as at the date of this Agreement. The Warrantors have no knowledge that any significant facts or circumstances, whose existence formed the basis for the preparation of the Business Plan and any related documents, do not or no longer exist and that no factual information actually known to them (or which ought reasonably to be known to them) has been omitted from the Business Plan which would have the effect of making it misleading. The Warrantors further warrant that they honestly believe that the opinions, forecasts and profit and turnover predictions in the Business Plan are at the date of this Agreement fair and reasonable.

2.4 The Accounts

2.4.1 The Accounts comply with the requirements of the Act.

2.4.2 The Accounts have been prepared, under the historical cost convention and in accordance with the Act and other applicable statutes then in force, and the accounting principles, standards and practices generally accepted in England at the Accounts Date and on a basis consistent with preceding accounting periods of the Company.

2.4.3 The Accounts give a true and fair view of the state of affairs of the Company as at the Accounts Date and of the profit or loss of the Company for the financial year ended on the Accounts Date.

2.5 The Management Accounts (a copy of which is attached to the Disclosure Letter) show with reasonable accuracy the profit or loss, balance sheet and cashflow of the Company as at and for the period in respect of which they have been prepared. The Management Accounts have been prepared on a basis consistent with that adopted in the preparation of previous management accounts of the Company, but it is hereby understood that they are not prepared on a statutory basis.

2.6 The Warrantors are not aware that the audited accounts for the year ended 31 July 2004 will be materially different from the Management Accounts.

2.7 Transactions since the Accounts Date

2.7.1 Since the Accounts Date:

2.7.1.1 the assets of the Company have not been depleted by any unlawful act of any of the Warrantors and, so far as the Warrantors are aware, the assets of the Company have not been depleted by any unlawful act of any other person;

2.7.1.2 save for the ordinary business of an annual general meeting, there has been no resolution of or consent by the members or any class of members of the Company;

2.7.1.3 the Company has paid its creditors within the time limits agreed with such creditors;

2.7.1.4 the Company has not declared, made or paid any dividend, bonus or other distribution of capital or income (whether a qualifying distribution or otherwise);

- 2.7.1.5 no loan or loan capital of the Company has been repaid in whole or in part or has become due or is liable to be declared due by reason of either service of a notice or lapse of time or otherwise howsoever (other than the conversion of the D Loan Notes into the Conversion Shares);
- 2.7.1.6 the Company has not repaid or redeemed share capital, or made (whether or not subject to conditions) an agreement or arrangement or undertaken an obligation to do any of those things;
- 2.7.1.7 the Company has not assumed or incurred any material liabilities (including contingent liabilities), save for those already provided for in the Accounts nor has it assumed or incurred any material liabilities (including contingent liabilities) since the Accounts Date, otherwise than in the ordinary course of carrying on its business.

2.8 There are no Encumbrances in existence in relation to the Company's assets, other than by operation of law.

2.9 Other than in respect of the Loan Notes and the Debentures, the Company:

- 2.9.1 does not have outstanding any loan capital;
- 2.9.2 has not incurred or agreed to incur or become liable or agreed to become liable for any indebtedness or borrowing in excess of £50,000 in aggregate which it has not repaid or satisfied;
- 2.9.3 has not lent or agreed to lend any money which has not been repaid to it;
- 2.9.4 does not own the benefit of any debt present or future (other than debts due to it in respect of the sale of products and services in the normal course of business); and
- 2.9.5 is not a party to nor has any obligation under:
 - 2.9.5.1 any loan agreement, debenture, acceptance credit facility, bill of exchange, promissory note, finance lease, debt of inventory financing, discounting or factoring arrangement of sale and lease back arrangement or as otherwise set out in the Disclosure Letter; nor
 - 2.9.5.2 any other arrangement the purpose of which is to raise money or provide finance or credit.

3. THE BUSINESS

3.1 General

Since the Accounts Date:

- 3.1.1 the Company has carried on its business prudently so as to maintain the business as a going concern in, and only in, the ordinary course of business;
- 3.1.2 there has been no material adverse change in the financial or trading position of the Company;
- 3.1.3 the Company has not incurred any liability, other than in the ordinary course of its business;
- 3.1.4 the Company has not entered into (whether in the ordinary course or not) any long term, substantial or unusual obligations or transactions including (without limitation) any capital commitment involving more than £20,000;
- 3.1.5 the Company has not made (or agreed to make) and material change in the basis or amount of the emoluments of, or benefits for, its directors or any of its employees;
- 3.1.6 the Company has not acquired or set up (or agreed so to do) any new business, branch or subsidiary;
- 3.1.7 the Company has not borrowed any monies except from its bankers in the ordinary course of business and within the limits of the facilities available to it from such bankers;
- 3.1.8 the Company has not been affected by the loss of any customer or of any source of supply or by the cancellation or loss of any order or contract or by any other abnormal factor or event in each case which is material in the context of the Group as a whole nor, so far as the Warrantors are aware, are there any circumstances likely to lead thereto.

3.2 Assets

The Company has sole legal and beneficial title to or access to all assets necessary for the conduct of its business pursuant to the Business Plan.

4. INTELLECTUAL PROPERTY

4.1 General

- 4.1.1 Details of all registered Intellectual Property rights, and applications for the same owned by the Company are set out in a schedule to the Disclosure Letter. The

Company is the sole and absolute legal and beneficial owner or licensee of all Intellectual Property used or required in connection with its business and where appropriate such Intellectual Property is registered in or applied for in the name of the Company.

- 4.1.2 Other than pursuant to the Debentures, the Company has not created any Encumbrance over the Intellectual Property used or required by the Company in connection with its business and, so far as the Warrantors are aware, the Intellectual Property used or required by the Company in connection with its business is otherwise free from Encumbrances and, in the case of confidential information, any restriction on disclosure and is subsisting, valid, exercisable and enforceable.

4.2 Renewals/maintenance

- 4.2.1 The Intellectual Property owned by or licensed to the Company and used in the business of the Company as at the date of this Agreement is all the Intellectual Property necessary for the operation of its business and it will not be adversely affected by the transaction contemplated by this Agreement.
- 4.2.2 All registration and renewal fees have been paid in relation to the Intellectual Property which is registered or applied for in the name of the Company. All commercially reasonable steps have been taken for the protection and maintenance of such Intellectual Property and of unregistered Intellectual Property owned by the Company.
- 4.2.3 There has been, or is, no material breach by the Company or, so far as the Warrantors are aware, by any third party nor is there any fact or matter of which the Warrantors are aware which would create a material breach of any licences, rights or undertakings granted to or by the Company.

4.3 Infringement

- 4.3.1 So far as the Warrantors are aware, the use by the Company of any Intellectual Property used in the business of the Company does not infringe any Intellectual Property of a third party.
- 4.3.2 No proceedings claims or complaints have been brought or threatened in writing by any third party or competent authority in relation to the Intellectual Property owned by or licensed to the Company including any concerning title, subsistence, validity or enforceability or grant of any right or interest in such Intellectual Property.

4.3.3 So far as the Warrantors are aware, no third party is infringing or misusing or threatening to infringe or misuse any material Intellectual Property owned by or licensed to the Company.

4.3.4 The Company is not subject to any injunction, undertaking or court order or order of any other authority of competent jurisdiction specifically made in relation to the Company not to use or restricting the use of any Intellectual Property.

4.4 Confidential Information

4.4.1 The Company is entitled to use all material information in its possession and, other than pursuant to the Commercial Agreement, is not restricted in relation to its use within the current services offered by the Company to the educational market.

4.4.2 The Warrantors have not (otherwise than in the normal course of its business) disclosed or permitted or agreed to the disclosure of any confidential information or know-how which is material to the Company to third parties, save under the terms of legally binding confidentiality agreements.

5. EFFECT OF TRANSACTION

5.1 To the best of the Warrantors' knowledge and belief, neither the execution nor performance of this Agreement or any document to be executed at or before Closing will:

5.1.1 result in the Company losing the benefit of a permit or an asset, licence, grant, subsidy, right or privilege which it enjoys at the date of this Agreement; or

5.1.2 conflict with, or result in a breach of, or give rise to an event of default under, or require the consent of a person under, an agreement, arrangement or obligation to which the Company is a party or a legal or administrative requirement; or

5.1.3 (not having made any enquiry of any employee other than the Executive Directors) result in any key management employee leaving the Company.

5.2 The execution and delivery of, and the performance by the Warrantors of their respective obligations under, this Agreement, and any other documents to be executed by the Warrantors pursuant to or in connection with this Agreement will not:

5.2.1 result in a breach of any provision of the memorandum or articles of association of the Company, the New Articles, the Existing Shareholders' Agreement, the Capitalisation Agreement, the Anti-dilution Warrant Deed, the Warrant Deed or the Loan Notes; or

- 5.2.2 result in a breach of, or constitute a default under, any instrument to which any Warrantor is a party or by which any Warrantor is bound; or
- 5.2.3 result in a breach of any order, judgment or decree of any court or governmental agency or regulatory body to which any Warrantor is a party or by which any Warrantor or any of their respective assets is bound; or
- 5.2.4 require the consent of any shareholders or loan noteholders of the Company or of any other person (other than as contemplated by clause 2.1 of this Agreement).

6. CONSTITUTION

6.1 Register of members/loan noteholders

The registers of members and holders of Loan Notes of the Company has been properly kept and contains true and complete records of the members and loan noteholders from time to time of the Company and the Company has not received any notice or allegation that any of them is incorrect or incomplete or should be rectified.

6.2 Statutory books and filing

- 6.2.1 The statutory books of the Company are up to date, in its possession and are true and complete in all material respects and in accordance with the law.
- 6.2.2 All resolutions, annual returns and other documents required to be delivered to the Registrar of Companies (or other relevant company registry or other corporate authority in any jurisdiction) have been properly prepared and filed and are true and complete in all material respects.

7. INSURANCE

The Company maintains insurance cover recommended by its broker and, so far as the Warrantors are aware, such insurance policies are valid and enforceable. All premiums have been paid to date and no claim is outstanding

8. CONTRACTUAL MATTERS

8.1 Validity of agreements

- 8.1.1 The Warrantors have no knowledge of the invalidity of, or a ground for termination, avoidance or repudiation of, an agreement, arrangement or obligation to which the Company is a party including (without limitation) the Existing Shareholders' Agreement, the Capitalisation Agreement, the Anti-dilution Warrant Deed, the Warrant Deed and the Loan Notes. No party with whom the Company has entered

into an agreement, arrangement or obligation has given formal notice of its intention to terminate, or has sought to repudiate or disclaim, such agreement, arrangement or obligation.

- 8.1.2 The Company is not in material breach of any agreement or arrangement to which it is a party.

8.2 Material agreements

- 8.2.1 The Company is not a party to and is not liable under any contract, transaction, arrangement or liability which involves obligations or liabilities which, by reason of their nature or magnitude relative to the Company's business, are of an unusual or abnormal nature, or outside the ordinary and proper course of the Company's business.

- 8.2.2 The Company is not a party to and is not liable under an agreement, arrangement or obligation by which the Company is a member of a joint venture, consortium, partnership or association (other than a bona fide trade association).

- 8.2.3 The Company has not granted or agreed to grant any registration rights, including piggy back rights, to any person or entity in relation to its shares.

8.3 Contracts with connected persons

The Company does not owe any obligation or sum to the Existing Shareholders (other than in respect of the Loan Notes) and the Existing Shareholders do not owe any obligation or sum to the Company. The Company does not, and will not immediately after Closing, have any contractual or other arrangements of any sort with the Existing Shareholders or any of their connected persons, except as contemplated by the New Articles, the Shareholders' Agreement, the Loan Notes or any contracts of employment.

9. INFORMATION TECHNOLOGY AND DATA PROTECTION

9.1 No Company System failure

So far as the Warrantors are aware, in the 12 months prior to the date of this Agreement the Company System has functioned in all material respects, in accordance with the specifications thereof and the Company has not suffered and, so far as the Warrantors are aware, no other person has suffered any failures or technical or other problems in or breakdowns of the Company System which have caused any substantial disruption or interruption in or to its use. Where any services in relation to or conducted through the Company System are supplied by

any third party, such services have been supplied in a timely and satisfactory manner and in accordance with the relevant service agreement.

9.2 Ownership of Company System

9.2.1 All material parts of the Company System, excluding software, is owned and operated by and are under the control of the Company and is not wholly or partly dependent on any facilities which are not under the ownership, operation or control of the Company. So far as the Warrantors are aware, no action (inconsistent with current actions required so to do which actions are taken in the ordinary course of business) will be necessary to enable the Company System to continue to be used in the business of the Company to the same extent and in the same manner as they have been used prior to the date of this Agreement.

9.2.2 The Company has all rights to use, develop, modify and maintain the Company System as are necessary for the conduct of the business of the Company. All such rights are unaffected by change of control of the Company without any consent, payment or other condition having to be obtained, made and fulfilled.

9.3 Back up and Disaster Recovery

9.3.1 All commercially reasonable steps have been taken to back-up electronically stored information used or likely to be used in the business of the Company and the Company has in place adequate disaster recovery provisions and security arrangements in relation to all critical functions of the Company System used or under the control of the Company including provisions and arrangements designed to ensure that, in the event of any fault in the Company System, any resulting loss of data will be minimised as far as reasonably practical.

9.3.2 The Company has in its possession and control complete copies of all source codes of the latest versions of the computer programs (other than open source and commercial off the shelf software) in which it owns the rights to the Intellectual Property.

9.3.3 The Company has taken all commercially reasonable steps to ensure that the Company System includes adequate anti-virus software protection.

9.4 Data Protection Acts 1984 and 1998

The Company materially complies with, and has in place all necessary registrations and procedures under, the Data Protection Acts 1984 and 1998 and any other applicable privacy legislation.

10. LIABILITIES

10.1 Borrowings

The total amount borrowed by the Company from its bankers does not exceed the limits of the applicable facilities and the total amount borrowed by the Company from whatsoever source does not exceed any limitation on its borrowing contained in any debenture or loan stock deed or other instrument.

10.2 Guarantees and indemnities

10.2.1 The Company is not a party to and is not liable (including contingently) under a guarantee, indemnity or other agreement to secure or incur a financial or other obligation with respect to another person's obligation.

10.2.2 No part of the loan capital, borrowing or indebtedness in the nature of borrowing of the Company is dependent on the guarantee or indemnity of, or security provided by, another person.

11. PERMITS

There are no permits, licences (including statutory licences), consents or other permissions, approvals and authorities (public and private) which are required for the proper and effective carrying on of the business of the Company (other than any permits regularly obtained in the ordinary course of the incorporation of a trading company, in relation to which permits the Company is not in material breach).

12. INSOLVENCY

12.1 Winding up

No order has been made, resolution passed, or petition presented for the winding up or for the appointment of a provisional liquidator to the Company.

12.2 Administration

No administration order has been made and no petition for an administration order has been presented in respect of the Company.

12.3 Receivership

No receiver, receiver and manager or administrative receiver has been appointed of the whole or part of the Company's business or assets.

12.4 Compromises with creditors

12.4.1 No voluntary arrangement under section 1 of the Insolvency Act 1986 has been proposed or approved in respect of the Company.

12.4.2 No compromise or arrangement under section 425 of the Act has been proposed, agreed to or sanctioned in respect of the Company.

12.4.3 The Company has not entered into any compromise or arrangement with its creditors.

12.5 Insolvency

The Company is not unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986 (but for this purpose ignoring the reference to "if it is proved to the satisfaction of the court that" in section 123(1)(e) and 123(2)).

12.6 Payment of debts

The Company has not stopped paying its debts as they fall due.

12.7 Distress etc.

No distress, execution or other process has been levied on an asset of the Company.

12.8 Satisfied judgements

There is no unsatisfied judgement or court order outstanding against the Company.

12.9 Bankruptcy

So far as the Warrantors are aware, having made no enquiries, none of the Existing Shareholders has been made bankrupt or a petition presented to make any of the Existing Shareholders bankrupt.

13. LITIGATION AND COMPLIANCE WITH LAW

13.1 Litigation

13.1.1 Neither the Company nor, so far as the Warrantors are aware, any person for whose acts or defaults the Company may be vicariously liable is involved in a civil, criminal, arbitration, administrative or other proceeding in any jurisdiction. No civil, criminal, arbitration, administrative or other proceeding in any jurisdiction is pending or

threatened by or against the Company or, so far as the Warrantors are aware, a person for whose acts or defaults the Company may be vicariously liable.

- 13.1.2 There is no outstanding judgement, order, decree, arbitral award or decision of a court, tribunal, arbitrator or governmental agency in any jurisdiction against the Company or, so far as the Warrantors are aware, any person for whose acts or defaults the Company may be vicariously liable.

13.2 Compliance with law

The Company is conducting and has at all times materially conducted its business and dealt with its assets in accordance with all applicable legal and administrative requirements in the jurisdictions in which it operates.

14. DIRECTORS AND EMPLOYEES

14.1 Operation of the Existing Company Option Scheme and Warrant Deed

- 14.1.1 The Existing Company Option Scheme and the Warrant Deed have at all times and in all material respects been operated in accordance with relevant governing rules or terms and all applicable laws and all documents which are required to be filed with any regulatory authority have been so filed and all tax clearances and approvals necessary to obtain favourable tax treatment for the Company and/or the participants in the Existing Company Option Scheme and the Warrant Deed have been obtained.

- 14.1.2 No past or present director, officer, employee, consultant or any dependant thereof or any other participant in any Existing Company Option Scheme or the Warrant Deed have made any claim against the Company in respect of the Existing Company Option Scheme or the Warrant Deed.

14.2 General

- 14.2.1 So far as the Warrantors are aware, there are no enquiries or investigations existing, pending or threatened affecting the Company in relation to any directors, officers or employees by the Equal Opportunities Commission, the Commission for Racial Equality or the Health and Safety Executive or any other bodies with similar functions or powers in relation to workers.

- 14.2.2 There is attached to the Disclosure Letter a schedule showing in relation to each employee, contractor, consultant or agency staff of the Company earning in excess of £50,000 per annum their name, employer, date of birth, job title, emoluments (including any bonus or commission arrangements and any non-cash benefits),

notice period required to be given by the Company and the employee, and the date and amount of their last increase in salary.

14.2.3 No person previously employed or engaged by the Company has a right to return to work or any right to be reinstated or re-engaged by the Company whether under statute or otherwise.

14.2.4 No employee of the Company earning in excess of £50,000 per annum has given notice terminating his contract of employment or is under notice of dismissal and the Company has not made any offer to employ any person who is not listed as an employee in the schedule referred to in paragraph 14.2.2.

14.2.5 So far as the Warrantors are aware, the Company has in relation to each of its present and former employees:

14.2.5.1 complied in all material respects with all obligations imposed on it under such employees' terms and conditions of employment and any collective agreements and arrangements which relate to any such employees;

14.2.5.2 complied in all material respects with all obligations imposed on it by, and all orders and awards made under, all statutes, regulations, codes of conduct and practice and customs and practices which are relevant to such employees or their terms and conditions of employment; and

14.2.5.3 maintained current adequate and suitable records regarding the service of such employees.

14.2.6 There is no outstanding obligation or ex-gratia arrangement for the Company to make any payments or provide any benefits to any present or former director, officer, employee or consultant (or their respective dependants or relatives).

14.2.7 There is no arrangement to which the Company contributes, or may become liable to contribute, under which benefits of any kind are payable to or in respect of any of the present or former directors, officers, employees or consultants (or their respective dependants or relatives) on retirement, death or in the event of disability or sickness or in other similar circumstances.

14.2.8 There is no existing, pending or threatened litigation or dispute between the Company and any of its employees or any trade union or other organisation formed for a similar purpose or any other employee representative(s) (and, so far as the Warrantors are aware, there are no payments which are due and unpaid in relation

to any such litigation or dispute) and there are no circumstances (including Closing) which are likely to give rise to any such litigation or dispute.

14.2.9 So far as the Warrantors are aware, neither this Agreement nor Closing will or is likely to cause any director, officer, contractor, consultant or senior employee of the Company to terminate his engagement or employment.

15. TAXATION

- 15.1 The Company has duly made all returns and given or delivered all notices, accounts and information which ought to have been made to the relevant Tax Authority and all of the same when made, given or delivered, were complete and accurate in all material respects. The Company is not currently the beneficiary of an extension of time within which to file any Tax return. The Company is not and has not at any time been involved in any dispute with or, so far as the Warrantors are aware, a subject of any enquiry, other than of a routine nature by any Tax Authority concerning any matter likely to affect in any way the liability (whether accrued, contingent or future) of it to Taxation of any nature whatsoever or other sums imposed, charged, assessed, levied or payable under the provisions of the taxation statutes and the Warrantors are not aware of any matter which may lead to such dispute.
- 15.2 The Company has duly paid or fully provided for all Taxation for which it is liable (whether directly or indirectly) and there are no circumstances in which interest or penalties in respect of Tax not duly paid could be charged against it in respect of any period prior to Closing.
- 15.3 No liability of the Company to Taxation has arisen or will arise up to Closing save for income tax deducted under PAYE regulations or national insurance contributions or Value Added Tax or sickness pay for which it is accountable to any Tax Authority and which has where appropriate been deducted or charged and where due paid to the relevant Tax Authority and Tax in respect of normal trading income or receipts of the Company arising from transactions entered into in the ordinary course of business.
- 15.4 The Company will not be liable for national insurance contributions on the exercise of options granted under the Company Option Scheme, the Existing Company Option Scheme, the Anti-dilution Warrant Deed or the Warrant Deed or other share incentives made available to officers or employees of the Company.
- 15.5 The Company has not entered into or been a party to any schemes or arrangements designed mainly or wholly for the purpose of it or (so far as the Warrantors are aware) any other person avoiding Taxation.

15.6 All documents in the possession of the Company or to the production of which it is entitled and which attract stamp or transfer duty in the United Kingdom or elsewhere have been properly stamped.

15.7 The Company is carrying on one or more Qualifying Trades and the shares in the capital of the Company constitute Qualifying Holdings and the Ordinary Shares constitute Eligible Shares. For those purposes, Qualifying Trades, Qualifying Holdings and Eligible Shares have the meanings given to such terms in Schedule 28B of the Income and Corporation Taxes Act 1988.

16. **THE PROPERTY**

16.1 The Property comprises the only property owned by or occupied under lease, licence or otherwise by the Company or in which the Company is otherwise interested.

16.2 The Company has good title to the Property in its possession or under its control all relevant deeds and documents.

16.3 Other than in respect of the Debenture, the Property is free from:

16.3.1 any mortgage, charge, rent-charge, lien, encumbrance or other third party right in the nature of security; and

16.3.2 any Land Charge, Local Land Charge, caution, inhibition or notice;

and, so far as the Warrantors are aware, no matter exists which is capable of registration against the Property.

16.4 The Company has vacant possession of the Property vested in it and there are no circumstances known to the Warrantors which would entitle or require any landlord or any other person to exercise any powers of entry or right to forfeiture or right to take possession or which would otherwise restrict or terminate the continued sole and exclusive possession or occupation of the Property by the Company.

16.5 The Company has paid all rent and all other outgoings which have become due in respect of the Property and has received no notice of any breach of its obligations under all covenants, conditions, agreements, statutory requirements, planning consents, bye laws, orders and regulations affecting the Property and any business of the Company there carried on and, so far as the Warrantors are aware, no use of the Property contravenes any of such covenants, conditions, agreements, statutory requirements, planning consents, bye laws, orders or regulations.

- 16.6 Since the Accounts Date the Company has not acquired or disposed of or agreed to acquire or dispose of the whole or any part of any land or buildings or any interest therein.
- 16.7 The Company has not at any time entered into either the lease of or a licence to assign any leasehold property as a guarantor of the lessee's covenants contained in any such document nor has the Company at any time assigned or otherwise disposed of any leasehold property without receiving a full and effective indemnity in respect of its liability under the same.
- 16.8 There are no obligations on the part of the tenant or the landlord which are outstanding in relation to any agreement for lease in respect of the Lease.

17. BROKERAGE OR COMMISSIONS

There is no agreement under which any Existing Shareholder or any person who is a connected person with any Existing Shareholder is to receive from the Company or, so far as the Warrantors are aware (having made no enquiry) from any other person and, so far as the Warrantors are aware, no other person is entitled to receive from the Company, any finder's or other fee, brokerage or commission in connection with this Agreement or any of the matters contemplated or referred to in this Agreement.

18. EXECUTIVE DIRECTORS' INTERESTS

None of the Executive Directors nor any person connected with either of them has any interest directly or indirectly in any business which is or is likely to be or become competitive with the business of the Company, or in any business of any supplier or customer of the Company.

Share Capital of the Company

	19.0476%	19.0476%	ITN PORTION
	£1,186,349.56054	£813,650.43946	£2,000,000.00000

SCHEDULE 4

Executive Directors

Name	Address
Lewis Bronze	36 Foster Road, London W4 4NY
Richard McGrath	Bracken, Woodland Way, Kingswood, KT20 6NU

SCHEDULE 5

Loan Notes Repayment Schedule

Espresso Broadband Limited – Loan Interest

			Amount £	01.06.03- 30.11.03	01.12.03- 31.05.04	01.06.04- 30.11.04	£
Issue			1,086,425				
	10.9.01	-					
	31.7.02	-					
	1.8.02 - 31.5.03	-					
	1.6.03 - 31.5.04			3% 16,296.38	16,296.00		
	1.6.03 - 31.5.05			4%		21,728.50	
	1.6.03 - 31.5.06			5%			
	1.6.06	-					
	31.12.06			6%			
	(1,938 days)			16,296.38	16,296.00	21,728.50	54,320.88
Issue	2002		150,000	7%	5,250.00	5,250.00	5,250.00
	1.8.2002	-					
	31.7.2003		13,891		486.19	486.19	486.19
					5,736.19	5,736.19	5,736.19
							17,208.56
Issue				8%	01.09.03- 30.11.03	01.12.03- 31.05.04	01.06.04- 30.11.04
Period	21.10.02	(283 days)	736,129		14,682	29,364.49	29,364.49
	18.11.02	(255 days)	200,000		3,989	7,978.08	7,978.08
	21.12.02	(222 days)	200,000		3,989	7,978.08	7,978.08
	27.1.03	(185 days)	100,000		1,995	3,989.04	3,989.04
			1,236,129		24,655	49,310	49,310
							123,274
Issue				20%			
Period	7.3.03 - 31.7.03	(146 days)					
	18.09.03	(317 days)					
	18.03.04	(135 days)					
Adjustment							
Initial for							
31		365					
30		334					
31		304					
30		273					
31		243					
31		212					
28		181					
31		153					
30		122					
31		92					
30		61					
31		31					
365							

SCHEDULE 6

Company Option Scheme

Part 1

Introduction

This memo sets out the agreed structure to be put in place for employees' share option arrangements prior to completion of the equity investment by ITN. The option pool below £13.5 million will as stated in this note and the maximum option pool over £13.5 million will be 15% on a fully diluted basis.

Richard McGrath/Lewis Bronze

1. Richard McGrath ("RM") and Lewis Bronze ("LB") have agreed that their letters relating to cash bonuses on an exit will terminate and options put in place that effect a reduction in their entitlement on an enterprise value on exit (as defined in the existing EMI scheme) up to £13.5 million by one third. At an enterprise value of £13.5 million this equates to a cash amount of £467,000, but the actual amount will be dependent upon the actual enterprise value on exit.
2. RM and LB will also be granted options so that on an exit each has a right to receive shares with a pre-determined value if and to the extent the enterprise value of the Company on an exit exceeds £13.5 million. Details of this right are set out in Part 2.
3. These arrangements will be effected by RM and LB being granted a qualifying EMI option which will give them the right to subscribe for such number of shares as will give them the agreed value on an exit. To the extent that the cash amount due cannot be satisfied by way of the EMI option, the shortfall will be satisfied by means of an unapproved option.
4. Bird & Bird will seek to agree with the Inland Revenue that the market value of the shares for EMI purposes should be on the basis that all B warrants and anti-dilution warrants have been exercised.
5. RM and LB will be responsible for any capital gains tax, income tax and employee's national insurance contribution ("NIC") arising on the exercise of options. The Company will be responsible for any employer's NICs arising on the exercise of options.

Existing EMI Option Holders

1. The four existing EMI option holders have agreed to a reduction in their existing option entitlement by one-third on an enterprise value up to £13.5 million and to an agreed percentage of an enterprise value above £13.5 million. Details of this entitlement are set out in Part 2.

2. Existing EMI option holders have options over a maximum of 100,000,000 shares with an exercise price of 0.01p. We will seek confirmation from the Inland Revenue that the proposed changes to the EMI scheme will not fall foul of section 536 Income Tax (Earnings and Pensions) Act 2003 or otherwise disqualify as EMI options, so that the exercise price and holding period of the options are preserved.
3. Existing and new option holders will be responsible for any capital gains tax, income tax, employer's and employee's NICs arising on the exercise of options.

Performance Conditions

1. The right to exercise an option where the enterprise value is in excess of £13.5 million will be subject to the following performance condition:
 - 1.1 if prior to an exit (or departure in the case of a "Good Leaver" – see below) the turnover of the group exceeds £5 million for the previous completed financial year, an option holder will be entitled to 50% of his/her entitlement;
 - 1.2 if prior to an exit (or departure in the case of a "Good Leaver") the turnover of the group exceeds £7.5 million for the previous completed financial year, an option holder will be entitled to 100% of his/her entitlement.
2. If these performance conditions are not satisfied prior to an exit or termination, the option holder will have no rights in respect of an equity (or other) participation in excess of an enterprise value of £13.5 million.

Leavers

1. A concept of good, bad and intermediate leaver will be introduced. Definitions of these concepts are set out in Part 3.
2. A Bad Leaver will not be entitled to exercise any options, which will lapse and be of no effect on termination of employment.
3. A Good Leaver will be entitled to exercise his/her options within 3 months of him/her ceasing to be an employee (12 months in the case of death). Exercise will be based on the enterprise value of the Company at the time of the employee ceasing to be employed or death. The enterprise value will be determined in the same manner as the Prescribed Price as set out in the Articles of Association. If the enterprise value is in excess of £13.5 million, a Good Leaver will only be entitled to exercise the option in respect of an enterprise value in excess of £13.5 million if and to the extent that the performance conditions have been met at the time of the employee ceasing to be employed or death. The holder of the shares will, if appropriate, also be issued the appropriate number of anti-dilution warrants in respect of the shares issued.

The Articles of Association will contain compulsory sale provisions in respect of the shares and anti-dilution warrants issued on the exercise of an option.

4. An Intermediate Leaver will be entitled to exercise his/her option within 3 months of him/her ceasing to be an employee. Exercise will be based on the enterprise value at the time of termination, but will be capped at an enterprise value of £13.5 million. The holder of the shares will, if appropriate, also be issued the appropriate number of anti-dilution warrants in respect of the shares. The Articles of Association will contain compulsory sale provisions, with the additional requirement that if the shares and anti-dilution warrants are not acquired, the Company (or an employee benefit trust) or the shareholders will have a right to acquire the shares and anti-dilution warrants at a later date at the price which existed at the time the option was exercised.
5. Save in the case of RM and LB, individuals who are not currently option holders cannot be an Intermediate Leaver.
6. Anti-dilution warrants will only be granted if the shares exercised under option do not take into consideration the dilutive impact of existing warrants or if an employee leaves the Company prior to an exit in circumstances where he is a Good Leaver or an Intermediate Leaver.
7. Option holders who cease to be employees shall not have any rights to vote in respect of any class rights attaching to B shares.

Part 2

Entitlement Where Enterprise Value in Excess of £13.5 Million

Employee	Forward Plan Option (%) @ £13.5		Status
	million		
David Summers	1.600%		Existing Participant
Harley Richardson	0.500%		Existing Participant
Tony Tinnirello	0.875%		Existing Participant
Stephen Tupper	0.875%		Existing Participant
Richard McGrath	3.750%		Bonus/EMI Conversion
Lewis Bronze	3.750%		Bonus/EMI Conversion
Jane Nash	0.450%		New Participant
Amy Wright	0.450%		New Participant
Samantha Hodges	0.450%		New Participant
Jean Rowton	0.450%		New Participant
Sandra Molloy	0.250%		New Participant
Jonathan Wyatt	0.250%		New Participant
Elli Karaolou	0.250%		New Participant
Jason Mansfield	0.250%		New Participant
Mike Spooner	0.450%		New Participant
Satish Kunapuli	0.250%		New Participant
TOTAL	14.850%		

Existing Emi Option Holders Subject to the 1/3rd Reduction

Pre Surrender				
Employee	EMI	£2.5 Million EV	Additional Option	
Options (Old Plan	Options	Options	Grants @ £7.0 EV	Total Options (%)
Rates Prior to			Million	
Reduction)				
David Summers		1.700000%	1.500000%	3.200000%
Harley Richardson		0.500000%	0.500000%	1.000000%
Tony Tinnirello		1.125000%	0.625000%	1.750000%
Stephen Tupper		1.125000%	0.625000%	1.750000%

Part 3

Definitions

"Good Leaver"

Employee whose employment with the Company (or group company) is terminated as a result of:

1. permanent incapacity
2. disability
3. death
4. retirement
5. redundancy
6. any other person as determined by the Board but subject to the consent of ITN and Beringea

The board will determine if an employee falls into any of the five categories listed above.

"Intermediate Leaver"

Employee whose employment with the Company (or group company) is terminated as a result of his/her resignation in accordance with the terms of his/her contract of employment.

"Bad Leaver"

Any Employee who is not a Good Leaver or an Intermediate Leaver.

SIGNED by INDEPENDENT TELEVISION NEWS LIMITED)

Signature:

Name:

Title:



MARK WILLIAM WOOD

CHIEF EXECUTIVE

SIGNED by ESPRESSO BROADBAND LIMITED)

Signature:

Name:

Title:

S. M. Veale

STUART MICHAEL VEALE

DIRECTOR

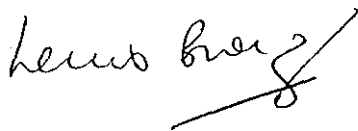
SIGNED by LEWIS BRONZE

in the presence of:

Signature of Witness:

Name of Witness:

Address of Witness:



FOREMAN

35 ELM LANE, Beckenham BR3 3AB


SIGNED by RICHARD MCGRATH

in the presence of:

Signature of Witness:

Name of Witness:

Address of Witness:



R. D. Lead

35, ELM LANE Beckenham BR3 3AB

Appendix

Investor	TOTAL Ordinary Shares	TOTAL A Ordinary Shares	TOTAL A Loan Notes	TOTAL B Loan Notes	TOTAL C Loan Notes	TOTAL D Loan Notes	TOTAL Warrants B Ordinary Shares
Lewis Bronze	9	0	0	0	0	18,676	0
Lewis Bronze	1,376,218	0	0	0	0	0	0
Anthony Bowden	1,376,219	0	0	0	0	0	0
ProVen VCT	0	2,378,324	358,384	49,481	382,679	312,685	15,665,959
Media VCT	0	910,898	137,261	18,951	146,566	119,757	6,000,061
Guinness VCT	0	872,844	131,527	18,160	140,448	115,346	5,719,643
MeCom	0	671,301	101,157	13,966	53,277	43,580	2,181,061
James Babcock	447,273	161,112	24,278	3,352	37,153	30,390	1,520,963
Joseph Capra	76,374	0	0	0	0	0	0
Bruce Carusi	223,646	107,408	16,185	2,235	20,217	16,535	827,635
James Craig	559,084	268,520	40,463	5,587	50,541	41,342	2,069,010
Tim Evans	568,178	268,520	40,463	5,587	79,311	50,556	3,246,814
Robert Falkenberg	335,425	161,112	24,278	3,352	30,323	0	1,241,343
James Fantaci	447,273	161,112	24,278	3,352	37,153	30,390	1,520,963
Simon Gray	111,835	13,426	2,023	744	0	0	0
Edward Hanson	76,374	13,426	2,023	744	0	0	0
Leo Hellinga	76,374	0	0	0	0	0	0
Nicholas Lethbridge	447,273	161,112	24,278	3,352	37,153	30,390	1,520,963

Investor	TOTAL Ordinary Shares	TOTAL A Ordinary Shares	TOTAL A Loan Notes	TOTAL B Loan Notes	TOTAL C Loan Notes	TOTAL D Loan Notes	TOTAL Warrants B Ordinary Shares
Nicolas Meyers	56,357	13,426	2,023	744	0	0	0
Michael Perry	305,826	0	0	0	0	0	0
Philip Read	335,457	161,112	24,278	3,352	30,325	24,803	1,241,423
Leonard Shavel	335,457	161,112	24,278	3,352	30,325	24,803	1,241,423
Mark Tomlinson	279,564	134,260	20,231	2,793	25,271	20,671	1,034,520
Peter Vardigans	449,196	214,816	32,370	4,469	40,551	33,168	1,660,035
Highland Fund	369,801	22,012	3,317	1,221	0	0	0
Highland Specialist	123,268	7,337	1,105	407	0	0	0
Highland Capital	565,794	33,678	5,075	1,869	0	0	0
Strawberry Fund	565,179	33,641	5,069	1,866	0	0	0
Yarrow LLC	808,565	0	0	0	0	0	0
Babcock & Brown OP	310,369	0	0	0	0	0	0
Avanti Capital plc	1,794,026	263,150	39,653	14,600	0	0	0
Francine Holzer	132,920	16,111	2,428	335	17,336	14,179	709,683
Richard McGrath	0	0	0	0	50,000	42,326	2,046,375
Andrew Preston	0	0	0	0	10,000	0	409,276
Jean Rowton	0	0	0	0	10,000	9,338	409,276
Stephen Tupper	0	0	0	0	7,500	21,065	307,750

Investor	TOTAL Ordinary Shares	TOTAL A Ordinary Shares	TOTAL A Loan Notes	TOTAL B Loan Notes	TOTAL C Loan Notes	TOTAL D Loan Notes	TOTAL Warrants B Ordinary Shares
	12,553,334	7,209,770	1,086,425	163,871	1,236,129	1,000,000	50,574,176