

4126826

1 December 2005

**AGREEMENT FOR THE SALE AND PURCHASE OF THE
ENTIRE ISSUED SHARE CAPITAL OF IWC MEDIA
LIMITED**

- (1) THE SELLERS as set out in schedule 1
- (2) RDF MEDIA GROUP PLC



**WE HEREBY CERTIFY THIS TO
BE A TRUE AND COMPLETE
COPY OF THE ORIGINAL
OLSWANG**

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THIS AGREEMENT is made on 1 December 2005

BETWEEN:

- (1) **THE INDIVIDUALS** whose names and addresses are set out in column (A) of Part 1 and Part 2 of Schedule 1 (together "**Sellers**" and each a "**Seller**"); and
- (2) **RDF MEDIA GROUP PLC**, a company incorporated in England and Wales (registered number 4126826) whose registered office is at The Gloucester Building, Kensington Village, Avonmore Road London W14 8RF (the "**Buyer**")

RECITALS:

- (A) The Company (as defined below) is a private company limited by shares. Further details about the Company are set out in part 1 of schedule 2.
- (B) The Sellers wish to sell and the Buyer wishes to buy all of the issued share capital of the Company on the terms of this Agreement.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Agreement, the following words and expressions shall have the following meanings unless the context requires otherwise:

"Accounts"	the individual accounts (within the meaning of section 226 Companies Act 1985) of each Group Company and the group accounts (within the meaning of section 227 Companies Act 1985) of the Company for the financial period ended on the Accounts Date, together in each case with the notes, directors' and auditors' reports and all other statements incorporated in or annexed to them;
"Accounts Date"	31 December 2004;
"Admission"	admission of the relevant Buyer Shares to be allotted under this Agreement to trading on AIM becoming effective in accordance with the AIM Rules;
"AIM"	AIM, a market of the London Stock Exchange;
"AIM Rules"	the AIM Rules produced by the London Stock Exchange and the AIM trading rules set out in the Rules of the London Stock Exchange, as amended from time to time;

"Associate"	in relation to any person, a person who is connected with that person, within the meaning of section 839 ICTA;
"Associated Company"	an undertaking in which the Company has a participating interest (as defined in section 260 Companies Act 1985) and which is not one of the Subsidiaries, details of which are set out in part 3 of schedule 2;
"Auditors"	the auditors of the Buyer, being Grant Thornton UK LLP, at the date of this Agreement;
"Business Day"	a day on which banks are open for business in London, other than Saturday or Sunday;
"Buyer's Group"	the Buyer, any ultimate parent undertaking of the Buyer for the time being and all direct or indirect subsidiary undertakings for the time being of any such parent undertaking;
"Buyer Shares"	ordinary shares of 1p each in the capital of the Buyer, as subdivided and/or consolidated from time to time after the date of this Agreement, ignoring (in the case of any subdivision into ordinary and deferred shares) any deferred shares arising on that subdivision;
"Buyer's Solicitors"	Olswang of 90 High Holborn, London WC1V 6XX;
"CAA"	the Capital Allowances Act 2001;
"Client"	any person who was a client of any Group Company during the period of 12 months ending on the Completion Date;
"Company"	IWC Media Limited, a private company incorporated in Scotland with registered number SC265445 whose registered office is at St George's Studio, 93-97 St George's Studio, Glasgow G3 6JA;
"Completion"	completion of the sale and purchase of the Shares in accordance with clauses 4 and 5 of this Agreement;
"Completion Date"	the date on which Completion takes place;
"Consideration"	the Initial Consideration, the Year 2006 Cash Consideration, the Year 2006 Share Consideration

	and the Year 2007 Consideration;
"Covenantor"	each of the Sellers whose names are set out in part 2 of Schedule 1, Muriel Gray, John Boyle and Kirsteen Clements;
"Disclosure Letter"	the disclosure letter from the Sellers to the Buyer, dated with the date of this Agreement;
"Encumbrance"	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption or other third party right, interest or claim of any kind, or any other encumbrance or security interest of any kind (including, without limitation, any liability imposed or right conferred by or under any legislation) or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect;
"FSMA"	the Financial Services and Markets Act 2000;
"Group Companies"	the Company and each of the Subsidiaries and Associated Companies, and a reference to a "Group Company" is a reference to any one of them;
"ICTA"	the Income and Corporation Taxes Act 1988;
"Initial Consideration"	the amount calculated and payable in accordance with clause 3.2;
"Issue Price"	the average of the mid-market quotations on the AIM appendix to the London Stock Exchange Daily Official List at the close of business on the three dealing days prior to the relevant date of allotment;
"Leasehold Properties"	the leasehold properties demised by the Leases;
"Leases"	the leases listed in part 2 of schedule 5;
"Loan Notes"	the variable rate loan notes issued by the Company pursuant to an instrument dated 19 May 2004;
"London Stock Exchange"	London Stock Exchange plc;
"Losses"	in relation to any matter, all properly incurred liabilities, losses, claims, costs and expenses relating to that matter;
"Management Accounts"	the unaudited management accounts of the

Company, Ideal World Productions Limited and Wark
~~Clements & Company Limited including in the case of~~
the Company, unaudited consolidated management
accounts comprising a profit and loss account for the
period which began on 1 January 2005 and ended on
31 October 2005;

"proceedings"

any action or proceedings before a court or tribunal or
a statutory, governmental or regulatory body
(including an arbitration);

"Properties"

the Leasehold Properties;

"Prospective Client"

any person who was at any time during the period of
12 months ending on the Completion Date
negotiating with any of the Sellers and reasonably
likely to become a client of any Group Company;

"Relevant Claim"

any bona fide claim for breach of any of the
Warranties or under the Tax Covenant or for breach
of any other provisions of this Agreement;

"Relief"

has the meaning given to it in part 1 of schedule 4;

"Sellers' Solicitors"

Shepherd + Wedderburn of 155 St. Vincent Street,
Glasgow, G2 5NR;

"Senior Employee"

any Seller whose name is set out in Schedule 1, part
2 and any person employed or engaged by any
Group Company in a head of department or
executive producer position on the Completion Date ;

"Service Agreements"

the service agreements in the agreed form between
RDF Media Limited and Susan Oriel, Hamish
Barbour, Zadoc Rogers, Alan Clements and Eileen
Quinn;

"Settled"

(in respect of any Relevant Claim):

- (i) agreed in writing by the Buyer to be
abandoned; or
- (ii) settled by written agreement between the
Sellers and the Buyer, or the subject of an
acknowledgement by the Sellers that they
accept liability in respect of that Relevant
Claim; or
- (iii) the subject of an order to both liability and

quantum made by a court of competent jurisdiction, where either no right of appeal lies or the parties are debarred (whether by the passage of time or otherwise) from exercising such a right; or

- (iv) the subject of an order made by a court of competent jurisdiction for damages to be assessed and an order by such a court assessing the quantum of those damages where either no right of appeal lies against either order or the parties are debarred (by the passage of time or otherwise) from exercising such rights;

and **"Settlement"** shall be construed accordingly.

"Shares"

all the issued shares in the capital of the Company;

"Subsidiaries"

the subsidiary undertakings of the Company, details of which are set out in part 2 of schedule 2;

"Supplier"

any supplier of goods or services to any Group Company during the period of 12 months ending on the Completion Date.

"Tax" or "Taxation"

has the meaning given to it in part 1 of schedule 4;

"Tax Authority"

has the meaning given to it in part 1 of schedule 4;

"Tax Claim"

a claim under the Tax Covenant or for any breach of any of the Tax Warranties;

"Tax Covenant"

the tax covenants given in favour of the Buyer set out in part 3 of schedule 4;

"Tax Warranties"

the warranties and representations of the Sellers relating to Tax given under clause 10 which are set out in part 2 of schedule 4;

"TCGA"

the Taxation of Chargeable Gains Act 1992;

"VAT"

value added tax as provided for in VATA, and any tax imposed in substitution for it;

"VATA"

the Value Added Tax Act 1994;

"Warranties"

the warranties and representations of the Sellers given under clause 9 which are set out in schedule 3

	and the Tax Warranties ;
"Warrantors"	each of the Sellers other than John Boyle;
"Warranty Claim"	a claim for any breach of any of the Warranties other than a Tax Warranty;
"Year 2006 Cash Consideration"	the amount calculated and payable in accordance with clause 3.3;
"Year 2006 Profit"	<i>the amount of the consolidated profit or loss of the Group Companies before interest and taxation for the 13 month period ending 31 January 2006 as derived from the Year 2006 Accounts in accordance with the provisions of Part B of Schedule 8;</i>
"Year 2007 Profit"	<i>the amount of the consolidated profit or loss of the Group Companies before interest and taxation for the financial year ending 31 January 2007 as derived from the Year 2007 Accounts in accordance with the provisions of Part B of Schedule 8;</i>
"Year 2006 Accounts" and "Year 2007 Accounts"	the group accounts of the Company (within the meaning of section 227 Companies Act 1985) for the 13 month period ending 31 January 2006 and the financial year ending 31 January 2007 respectively, drawn up in accordance with the provisions of Part B of Schedule 8;
"Year 2006 Share Consideration"	the amount calculated and payable in accordance with clause 3.5; and
"Year 2007 Consideration"	the amount calculated and payable in accordance with clause 3.5.

1.2 In this Agreement, unless the context requires otherwise:

- 1.2.1 any reference to the parties or a recital, clause or schedule is to the parties (and permitted assignees) or the relevant recital, clause or schedule of or to this Agreement and any reference in a schedule to a paragraph is to a paragraph of the schedule or, where relevant, that part of the schedule;
- 1.2.2 the clause headings are included for convenience only and shall not affect the interpretation of this Agreement;
- 1.2.3 use of the singular includes the plural and vice versa;
- 1.2.4 use of any gender includes the other genders;

- 1.2.5 any reference to "**persons**" includes individuals, firms, partnerships, ~~companies, corporations, associations, organisations, governments, states,~~ foundations and trusts (in each case whether or not having separate legal personality);
- 1.2.6 "**financial year**", "**parent undertaking**" and "**subsidiary undertaking**" have the meanings given to them by sections 223 and 258 Companies Act 1985 respectively;
- 1.2.7 any reference to a statute, statutory provision or subordinate legislation ("**legislation**") shall be construed as referring to that legislation as amended and in force from time to time and to any legislation which re-enacts or consolidates (with or without modification) any such legislation;
- 1.2.8 any reference to a document being "**in the agreed form**" means a document in a form agreed by the parties before the signing of this Agreement and either entered into on the date of this Agreement by the relevant parties or initialled by the parties or on their behalf, in the latter case with such amendments as they may subsequently agree;
- 1.2.9 any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms; and
- 1.2.10 any reference to an agreement includes any form of arrangement, whether or not in writing and whether or not legally binding.
- 1.3 The schedules and recitals form part of this Agreement and shall have effect as if set out in full in the body of this Agreement, and any reference to this Agreement includes the schedules and recitals.
- 1.4 *Any undertaking by a party not to do any act or thing includes an undertaking not to allow, cause or assist the doing of that act or thing and to exercise all rights of control over the affairs of any other person which that party is able to exercise (directly or indirectly) in order to secure performance of that undertaking.*
2. **AGREEMENT FOR SALE**
- 2.1 At Completion the Sellers shall sell and the Buyer shall buy the Shares free from all Encumbrances. The Shares shall be sold with all rights attaching to them at Completion or subsequently, including the rights to receive all dividends and other distributions declared, paid or made at or after Completion.
- 2.2 Each Seller:
- 2.2.1 covenants that he has the right to sell the Shares on the terms of this Agreement; and

2.2.2 waives all rights of pre-emption over any of the Shares, whether conferred by the articles of association of the Company or in any other way.

3. CONSIDERATION

3.1 The aggregate consideration for the Shares shall be the Consideration. No Year 2006 Cash Consideration shall be payable unless the Year 2006 Profit exceeds £1,000,000. No Year 2006 Share Consideration shall be payable if the Year 2006 Profit is less than zero. No Year 2007 Consideration shall be payable if the Year 2007 Profit is less than zero.

3.2 The Initial Consideration shall be satisfied at Completion by:

3.2.1 the payment of £3,815,618.47 in cash to those Sellers whose names are set out in Part 1 of Schedule 1 in the proportions set out in column D of that part of Schedule 1;

3.2.2 the payment of £2,987,552.53 in cash to those Sellers whose names are set out in Part 2 of Schedule 1 in the proportions set out in column D of that part of Schedule 1; and

3.2.3 the allotment and issue to those Sellers whose names are set out in Part 2 of Schedule 1 of 883,577 Buyer Shares in the proportions set out in column E of that part of Schedule 1.

3.3 The Year 2006 Cash Consideration (if any) shall be satisfied, subject to clause 12, within 3 Business Days of the date on which the Year 2006 Profit is agreed or determined in accordance with this Agreement as follows:

3.3.1 if the Year 2006 Profit is greater than £1,000,000 but equal to or less than £1,200,000, by the payment of:

3.3.1.1 £230,160 apportioned between those Sellers whose names are set out in Part 1 of Schedule 1 in the proportions set out in column C of that part of Schedule 1;

3.3.1.2 £184,920 apportioned between those Sellers whose names are set out in Part 2 of Schedule 1 in the proportions set out in column C of that part of Schedule 1;

3.3.2 if the Year 2006 Profit is greater than £1,200,000 but equal to or less than £1,300,000, by the payment of:

3.3.2.1 £460,320 apportioned between those Sellers whose names are set out in Part 1 of Schedule 1 in the proportions set out in column C of that part of Schedule 1;

- 3.3.2.2 £369,840 apportioned between those Sellers whose names are set out in Part 2 of Schedule 1 in the proportions set out in column C of that part of Schedule 1;
- 3.3.3 if the Year 2006 Profit is greater than £1,300,000, by the payment of:
- 3.3.3.1 £690,480 apportioned between those Sellers whose names are set out in Part 1 of Schedule 1 in the proportions set out in column C of that part of Schedule 1; and
- 3.3.3.2 £554,760 apportioned between those Sellers whose names are set out in Part 2 of Schedule 1 in the proportions set out in column C of that part of Schedule 1.
- 3.3.4 if the Year 2006 Profit shall not be agreed or determined by 30 June 2006 interest shall be charged on the finally agreed or determined value of the Year 2006 Cash Consideration under this clause 3.3 in accordance with clause 12.5 from that date until the sums due to be paid under this clause 3.3 are paid, at which time the interest calculated thereon shall be added to the agreed or determined value of the Year 2006 Cash Consideration and paid to the Sellers in the proportions referred in clauses 3.3.2 and 3.3.3 above.
- 3.4 The Year 2006 Share Consideration (if any) shall be satisfied, subject to clause 12, within 3 Business Days of the date on which the Year 2006 Profit is agreed or determined in accordance with this Agreement as follows:
- 3.4.1 if the Year 2006 Profit is equal to or less than £1,600,000, by the allotment and issue to those Sellers whose names are set out in Part 2 of Schedule 1 of such number of Buyer Shares as when valued at the Issue Price have an aggregate value of 80% of the Year 2006 Profit apportioned between those Sellers (but disregarding fractional entitlements) in the proportions set out in column C of Part 2 of Schedule 1;
- 3.4.2 if the Year 2006 Profit is in excess of £1,600,000, by the allotment to those Sellers whose names are set out in Part 2 of Schedule 1 of such number of Buyer Shares as when valued at the Issue Price have an aggregate value of the sum of £1,280,000 plus 90% of the Year 2006 Profit in excess of £1,600,000 apportioned between those Sellers (but disregarding fractional entitlements) in the proportions set out in column C of Part 2 of Schedule 1; and
- 3.4.3 if the Year 2006 Profit shall not be agreed or determined by 30 June 2006 interest shall be charged on the finally agreed or determined value of the Year 2006 Share Consideration under this clause 3.4 in accordance with clause 12.5 from that date until the Buyer Shares to be allotted under this clause 3.4 are allotted, at which time the interest accrued thereon shall be added to the agreed or determined value of the Year 2006 Share Consideration when calculating the number of Buyer Shares to be allotted.

3.5 The Year 2007 Consideration (if any) shall be satisfied, subject to clause 12, within 3 ~~Business Days of the date on which the Year 2007 Profit is agreed or determined as~~ follows:

3.5.1 if the Year 2007 Profit is equal to or less than £1,700,000, by the allotment and issue to those Sellers whose names are set out in Part 2 of Schedule 1 of such aggregate number of Buyer Shares as when valued at the Issue Price have an value of 90% of the Year 2007 Profit apportioned between those Sellers (but disregarding fractional entitlements) in the proportions set out in column C of Part 2 of Schedule 1; and

3.5.2 if the Year 2007 Profit is in excess of £1,700,000, by the allotment and issue to those Sellers set out in Part 2 of Schedule 1 of such aggregate number of Buyer Shares as when valued at the Issue Price have an aggregate value equal to the sum of £1,620,000 plus the Year 2007 Profit in excess of £1,700,000 apportioned between those Sellers in the proportions set out in column C of Part 2 of Schedule 1.

3.5.3 if the Year 2007 Profit shall not be agreed or determined by 30 June 2007 interest shall be charged on the finally agreed or determined value of the Year 2007 Consideration under this clause 3.5 in accordance with clause 12.5 from that date until the Buyer Shares to be allotted under this clause 3.5 are allotted, at which time the interest accrued thereon shall be added to the agreed or determined value of the Year 2007 Consideration when calculating the number of Buyer Shares to be allotted.

3.6 If any Seller set out in Part 2 of Schedule 1 ceases to be an employee of any member of the Buyer's Group (including any Group Company) as a result of voluntary unilateral resignation or by virtue of a summary dismissal permitted in accordance with the terms of that individual's employment (i) prior to 31 January 2006 then he shall not be entitled to receive any Year 2006 Share Consideration, Year 2006 Cash Consideration or Year 2007 Consideration; (ii) in the period from 1 February 2006 to 31 January 2007 then he shall not be entitled to receive any Year 2007 Consideration. Any part of the Consideration which is not to be paid to a Seller as result of this clause 3.6 shall be reallocated amongst the other Sellers set out in Part 2 of Schedule 1 (other than any other Seller to whom this clause 3.6 applies) pro rata to the proportions set out in column C of Part 2 of Schedule 1.

3.7 The Consideration shall not exceed £14,000,000. If the calculation of the Year 2006 Share Consideration and/or the Year 2007 Consideration would result in the Consideration exceeding £14,000,000, the amount payable pursuant to clauses 3.4 and/or 3.5 shall be reduced such that the Consideration is equal to £14,000,000. Any such reduction shall be made amongst those Sellers whose names are set out in Part 2 of Schedule 1 in the proportions shown opposite their respective names in column C of that part of Schedule 1 or, where clause 3.6 applies to any Seller, pro rata to the proportions set opposite the names of those Sellers to whom clause 3.6 does not apply. For the purposes of this clause 3.7, the value of any of the Buyer's Shares shall be their Issue Price.

4. PRE-COMPLETION

4.1 A pre-completion meeting ("**Meeting**") shall take place immediately following the signing of this Agreement. At the Meeting, the Sellers shall deliver to the Buyer's Solicitors to be held as undelivered pending Completion (except for the documents specified in clauses 4.1.1 and 4.1.5):

- 4.1.1 an undertaking in the agreed form signed by the Sellers' Solicitors;
- 4.1.2 transfers of the Shares in favour of the Buyer, or any nominee specified by the Buyer for the purpose, duly executed by the Sellers or any other registered holder;
- 4.1.3 the share certificates representing the Shares and the certificates representing the Loan Notes or an indemnity in a form satisfactory to the Buyer for any missing certificates;
- 4.1.4 share certificates representing all of the issued shares held by any Group Company in each Subsidiary and Associated Company or an indemnity in a form satisfactory to the Buyer for any missing share certificates, and transfers in favour of the Company of any shares in a Subsidiary or Associated Company held by any person as a nominee for any Group Company, duly executed by the registered holders;
- 4.1.5 the Disclosure Letter signed by the Sellers;
- 4.1.6 the Service Agreements duly executed by the relevant employee;
- 4.1.7 the resignation from their respective offices of each of the Sellers other than Susan Oriel and the secretary of each Group Company in the agreed form, duly executed as a deed;
- 4.1.8 a certified copy of a letter of resignation in the agreed form from the auditors of each Group Company;
- 4.1.9 a deed of waiver by the Company in the agreed form in favour of each of the Sellers waiving all rights which the Company or any Group Company may have against the Sellers under the Share Purchase Agreement dated 19 May 2004 and terminating any shareholders agreement among the Sellers and the Company or any of the related documentations entered into at or around that time;
- 4.1.10 Royline statements for each bank account of each Group Company with The Royal Bank of Scotland plc at the close of business on 25 November 2005, together with a complete and accurate reconciliation of those statements to cash book balances, and the cheque books and bank mandates in respect of those accounts and a print of balances for each other account of the Group Companies;

- 4.1.11 a power of attorney in favour of the Buyer in the agreed form duly executed by ~~each Seller as a deed in respect of the Shares set out against that Seller's~~ name in column (B) of parts 1 and 2 of schedule 1;
- 4.1.12 the seal (if any), statutory registers, certificate of incorporation (and any certificate of incorporation on change of name), minute books and share certificates books of each Group Company, complete and up-to-date up to but not including Completion;
- 4.1.13 the Leases and other documents in respect of each Property as listed in part 4 of schedule 5 to the extent not held or under the control of the relevant Group Company;
- 4.1.14 evidence reasonably satisfactory to the Buyer that IWC Talent Limited has charged its name to a name not including "IWC" or any other name which the Sellers would be prohibited from using under clause 12.7.

and shall procure that the Company pays the sum of £100,000 to the Sellers' Solicitors in respect of part satisfaction of the Company's obligation to repay the Loan Notes at Completion which the Sellers shall on payment of the amount specified in clause 4.3(ii), accept as full and final settlement of all amounts outstanding pursuant to the Loan Notes it being acknowledged that the Sellers' Solicitors hold £100,000 on account of such repayment.

- 4.2 The Sellers shall ensure that a board meeting of the Company and where necessary, each other Group Company, is held immediately following the Meeting at which, conditional only upon Completion:
 - 4.2.1 David Frank and Janice Price are appointed as additional directors of the relevant Group Company with immediate effect;
 - 4.2.2 the resignations referred to in clauses 4.1.7 and 4.1.8 are accepted with effect from the close of the meeting;
 - 4.2.3 Grant Thornton UK LLP are appointed auditors of the relevant Group Company;
 - 4.2.4 the transfers referred to in clause 4.1.2 are (subject only to their being duly stamped) approved for registration.
- 4.3 At the Meeting, the Buyer shall deliver to the Sellers' Solicitors:
 - 4.3.1 an undertaking in the agreed form signed by the Buyer's Solicitors;
 - 4.3.2 a counterpart Disclosure Letter duly signed by way of acknowledgement of receipt by the Buyer; and
 - 4.3.3 a certified copy of the minutes of a meeting of the directors of the Buyer in the agreed form resolving, conditional only upon Admission taking place before the

third Business Day following the date of this Agreement, that the Buyer Shares ~~be allotted in accordance with clause 3.2.3~~

4.3.4 a certified copy of the board minutes of a meeting of the directors of RDF Media Limited in agreed form;

4.3.5 letters from the Buyer to certain Employees confirming share options to be granted in the agreed form;

and shall pay the sum of £7,056,360 to the Sellers' Solicitors in accordance with clause 12 in satisfaction of:

- (i) the payment of the Initial Consideration as set out in Clause 3.2; and
- (ii) the payment of £253,189 in respect of the Company's obligation to redeem the Loan Notes at Completion.

4.4 Documents to be executed and delivered under clauses 4.1 and 4.3 shall be delivered undated (other than the solicitors' undertakings referred to in clauses 4.1.1 and 4.3.1 and the Disclosure Letter) and shall not be dated until (and shall only take effect on) Completion when they may be dated by the recipient.

5. COMPLETION

5.1 Completion shall take place on Admission of the Buyer Shares to be allotted pursuant to clause 3.2.3. At Completion, the solicitors' undertakings referred to in clauses 4.1.1 and 4.3.1 shall be released with immediate effect and the Company shall redeem the Loan Notes.

5.2 On Completion the Buyer shall ensure that the Sellers' names are entered into the Buyer's register of members as the holders of the Buyer Shares to be allotted under this Agreement.

5.3 If Admission does not take place on or before 5.30p.m. on the third Business Day after the date of this Agreement, the parties shall have no further rights or obligations under this Agreement other than accrued rights and obligations at that time save that clauses 15 to 17 and 22 to 26 shall remain binding on the parties in accordance with their terms and for the avoidance of doubt the Warranties and Schedule 4 in particular which shall be of no further effect.

5.4 The Sellers undertake not to deliberately take any action which constitutes a breach of the Warranties prior to Completion except with approval of the Buyer.

6. ALLOTMENT OF BUYER SHARES

- 6.1 The Buyer Shares allotted under this Agreement pursuant to clause 3 shall be allotted as fully paid and free from all Encumbrances and shall rank pari passu in all respects with the Buyer Shares in issue on the date of allotment.
- 6.2 The Buyer warrants and represents that there exists and that the Buyer shall maintain a sufficient amount of authorised but unissued share capital to permit it to allot Buyer Shares in accordance with the terms of this Agreement without any further resolution of the Buyer's shareholders.

7. RESTRICTIONS ON DISPOSALS

- 7.1 Save as set out in clause 7.3, no Seller may make a Disposal (as defined in clause 7.4) of any Buyer Share allotted to him under this Agreement during the period of one year starting on the date on which that Buyer Share is allotted to him.
- 7.2 During the period starting on the date on which any Buyer Share is allotted to him and ending two years after that date, no Seller shall make a Disposal of that Buyer Share otherwise than through any of the Buyer's appointed stockbrokers for the time being.
- 7.3 Clause 7.1 shall not apply to a Disposal of any Buyer Share:
- 7.3.1 by way of acceptance of a general offer, recommended by the directors of the Buyer, by a third party made in accordance with the City Code on Takeovers and Mergers for the share capital (or the share capital of one class) of the Buyer (other than any shares held by the offeror or persons acting in concert with the offeror for the purposes of the City Code on Takeovers and Mergers) or in response to a request by that third party, by way of the giving of any irrevocable undertaking to accept any such offer;
 - 7.3.2 by way of the acceptance of a partial offer or tender offer made in accordance with the City Code on Takeovers and Mergers where the offeror may come to hold more than 30% or more of the voting rights of the Company as a result of the offer, or in response to a request by the offeror, by way of the giving of any irrevocable undertaking to accept any such offer;
 - 7.3.3 in favour of an Associate of the relevant Seller, provided that no such Disposal may be made unless the proposed transferee first enters into an agreement with the Buyer, in terms reasonably satisfactory to the Buyer, undertaking to be bound (*mutatis mutandis*) by clause 7.1 and agreeing to transfer the relevant shares or interests back to that Seller immediately upon the transferee ceasing to be an Associate of that Seller;

- 7.3.4 made under an offer by the Buyer to purchase its own shares which is made on ~~identical terms to all holders of shares of the relevant class in the capital of the~~ Buyer;
 - 7.3.5 effected under a compromise or arrangement proposed by the Buyer under section 425 Companies Act 1985 or any scheme of reconstruction of the Buyer under section 110 Insolvency Act 1986;
 - 7.3.6 effected as the result of the death or bankruptcy of the relevant Seller or by the personal representatives or trustee in bankruptcy of that Seller;
 - 7.3.7 required by the order of any court of competent jurisdiction;
 - 7.3.8 effected by way of the renunciation of any right to subscribe for shares in the Buyer derived from shares in the Buyer already held by the relevant Seller or by way of any failure to take up any such right;
 - 7.3.9 effected solely for the purposes of satisfying any Relevant Claim subject to such disposal having been made through the Buyer's appointed stockbroker for the time being; and
 - 7.3.10 effected following the Seller ceasing to be employed by the Buyer or by any Group Company other than as a result of voluntary unilateral resignation or by virtue of a summary dismissal permitted in accordance with the terms of that individual's employment subject to such disposal being made through any of the Buyer's appointed stockbrokers for the time being.
- 7.4 For the purposes of this clause 7, "**Disposal**" shall mean the transfer of any share or the transfer, disposal or grant of any interest in any share or of any right attaching to any share, or an agreement to effect any such transfer, disposal or grant including, without limitation, by way of:
- 7.4.1 offer, sale, gift or assignment;
 - 7.4.2 the creation of a trust or holding on trust;
 - 7.4.3 creating or permitting to subsist any pledge, charge, mortgage, lien or other security interest or encumbrance;
 - 7.4.4 any agreement, arrangement or understanding in respect of the exercise of the voting rights attaching to any share at the direction of any third party or the transfer or assignment of the right to receive dividends or distributions declared on the shares;

- 7.4.5 the renunciation or assignment of any right to receive a share or any legal or beneficial interest in a share;
- 7.4.6 any agreement or arrangement that constitutes any swap or hedge or other arrangement that transfers in whole or in part any of the economic consequences of ownership of any shares, whether such transactions are likely to be settled by the delivery of shares or other securities, in cash or otherwise;
- 7.4.7 any other arrangement, agreement, understanding, act or omission of any kind whether at law or in equity including entering into an agreement to do any of the things specified above or the public disclosure of any intention to do any of the things specified above;

and in this context "**share**" shall mean any Buyer Share or any security convertible into or exchangeable or exercisable for any Buyer Share and "**interest**" shall be construed in accordance with section 208 Companies Act 1985 (ignoring for these purposes the provisions of section 209 of that Act).

- 7.5 Any Seller wishing to effect a Disposal shall notify the Buyer in writing as soon as possible and in any event (save in the case of any emergency and then only with the prior written consent of the Buyer such consent not to be unreasonably withheld or delayed) not less than 5 Business Days before the making of that Disposal.

8. **GUARANTEES AND INDEBTEDNESS**

- 8.1 The Sellers shall ensure that at or before Completion each Group Company is released from any guarantees, security interests and indemnities given by it in favour of any Sellers or any Associate of any Sellers, other than those given in favour of those Sellers whose names are set out in part 2 of Schedule 1 in the ordinary course of business in connection with undertakings given by those Sellers personally to any broadcasters which are funding or facilitating the production of any programs in conjunction with any Group Company for the purposes of that production and pending that release, the Sellers shall indemnify the Buyer and each Group Company on demand against all Losses arising from or in connection with those guarantees, security interests and indemnities.
- 8.2 The Sellers shall ensure that at or before Completion each Seller is released from any guarantees, security interests and indemnities given by any of them in favour of any Group Company.
- 8.3 The Sellers shall ensure that at or before Completion all monies owing by any Seller or any Associate of any Seller to any Group Company are paid in full, whether or not then due for payment.
- 8.4 Each Seller shall ensure that at Completion there will be no amounts owing by any Group Company to that Seller or any Associate of such Seller.

9. **WARRANTIES AND INDEMNITIES**

- 9.1 The Warrantors warrant to the Buyer that except as disclosed in the Disclosure Letter, each of the Warranties is accurate at the date of this Agreement.
- 9.2 John Boyle warrants to the Buyer that he is the legal and beneficial owner free of all Encumbrances of the Shares set out against his name in Schedule 2 and that paragraph 10 (Authority and Capacity of the Sellers) of part 1 Schedule 3 is accurate insofar as it relates to him only.
- 9.3 A matter shall be regarded as disclosed in the Disclosure Letter only to the extent that accurate information about that matter is contained in the Disclosure Letter in sufficient detail to identify the nature and scope of that matter. Failure of the Buyer or its advisers to review information contained in the Disclosure Letter or the Disclosure Documents (as defined in the Disclosure Letter) shall not of itself mean that any such information is not disclosed in accordance with this clause 9.3.
- 9.4 Each of the Warranties is separate and is to be construed independently of the other Warranties and any other provisions of this Agreement.
- 9.5 The Sellers acknowledge that the Buyer is entering into this Agreement in reliance on the Warranties.
- 9.6 Except to the extent that the Buyer is in breach of, without prejudice to clause 9.7, in respect of the relevant matter, no matter within the actual, imputed or constructive knowledge of the Buyer or any of its agents or advisers on the date of this Agreement, other than a matter disclosed in accordance with clause 9.2, shall be regarded as qualifying the Warranties or as being disclosed in the Disclosure Letter, so that neither the Buyer's right to make a Warranty Claim or a claim for breach of any of the Tax Warranties nor the quantum of any such claim made shall be affected by any such actual, imputed or constructive knowledge. This clause shall apply whether the actual, imputed or constructive knowledge of the Buyer or any of its agents or advisers on the date of this Agreement was obtained as a result of an investigation made by or on behalf of the Buyer into any Group Company, by virtue of any matter contained or referred to in any draft version of the Disclosure Letter, or in any other way. Other than in accordance with clause 9.7, no warranty or representation is made by the Buyer, whether by executing this Agreement or otherwise, as to its (or its advisers') knowledge of any circumstance entitling it to make a Warranty Claim or a claim for breach of any of the Tax Warranties.
- 9.7 The Buyer warrants to the Sellers that it is not aware of any facts or circumstances within the knowledge of any of its officers or employees involved in the evaluation or prosecution of the transaction set out in this Agreement which they believe at this time does or is likely to form the basis of a claim under the Warranties.
- 9.8 Each Seller unconditionally and irrevocably waives any rights he may have against (and undertakes not to make any claims against or pursue any action to join in as a third party or seek a contribution or indemnity from) any Group Company, or any director or employee of any Group Company on whom that Seller has or may have relied, in

connection with preparing the Disclosure Letter or agreeing to any terms of this Agreement. ~~This clause shall not preclude any Seller from claiming against any other Seller by virtue of any right of contribution or indemnity to which he might be entitled.~~

- 9.9 Schedule 7 (Limitations on Sellers' liability) shall apply to limit or exclude, in accordance with its terms, any liability which the Sellers might otherwise have in respect of any Warranty Claim and part 4 of schedule 4 (Miscellaneous, including exclusions and limitations, conduct of claims and payments) shall apply to limit or exclude, in accordance with its terms, any liability which the Sellers might otherwise have in respect of any Tax Claim, provided that no provision of either of those schedules shall apply to any such liability arising out of or in connection with any dishonest, negligent or fraudulent act or omission by or on behalf of any of the Sellers.
- 9.10 Notwithstanding any other provision of this clause 9, nothing in the Disclosure Letter or schedule 7 shall qualify or limit the scope of the Warranties referred to in paragraphs 1 (Shares and other securities of the Company); and 9 (Insolvency) of part 1 of schedule 3, paragraph 12.2.7 (dividends since Accounts Date) of part 2 of schedule 3.
- 9.11 Any amount paid by or on behalf of any Sellers in respect of a breach of the Warranties and/or pursuant to a claim made under the Tax Covenant shall be deemed to reduce the purchase price payable for the Shares by, and be a repayment of, that amount.
- 9.12 Other than where specifically detailed to the contrary, any statement which refers to the awareness, knowledge or belief of the Sellers or analogous expression shall be deemed to include an additional statement that it has been made after due and careful enquiry of the Sellers' professional advisers, and any Group Company's directors and all such other people of whom the Sellers may reasonably be expected to make enquiries given the subject matter of the relevant provision.
- 9.13 The Warrantors shall indemnify the Buyer and each Group Company against all Losses which they may incur as a result of:
- 9.13.1 any Group Company not holding valid licences to use all software which it currently uses; and
- 9.13.2 as a result of any amounts payable to Ross Wilson, Gail Birnie and Richard Langridge in connection with the sale of the Company including PAYE and employer's and employee's national insurance contributions.

10. TAXATION

The provisions of schedule 4 shall have effect on and with effect from Completion.

11. PROTECTION OF THE INTERESTS OF THE BUYER

- 11.1 The Covenantors acknowledge that the Buyer is buying the Shares in accordance with the terms of this Agreement and that the Buyer is therefore entitled to protect the goodwill of each Group Company. Accordingly, subject to the provisions of Clauses 12.1, 12.3 and 12.4 each of the Covenantors agrees that he shall not, directly or indirectly, alone or

jointly with any other person, and whether as shareholder, partner, director, principal, consultant or agent or in any other capacity;

- 11.1.1 for a period of three years starting on the Completion Date, carry on or be engaged, interested or concerned in, or assist any business which within Scotland or England or Wales competes with any business carried on by any Group Company at Completion;
 - 11.1.2 for a period of three years starting on the Completion Date, and to the detriment of any business of any Group Company carried on as at Completion, accept business from any Client;
 - 11.1.3 for a period of three years starting on the Completion Date, and to the detriment of any business of any Group Company carried on as at Completion, accept business from any Prospective Client;
 - 11.1.4 for a period of three years starting on the Completion Date, and to the detriment of any business of any Group Company carried on as at Completion, solicit business from any Client;
 - 11.1.5 for a period of three years starting on the Completion Date, and to the detriment of any business of any Group Company carried on as at Completion, solicit business from any Prospective Client;
 - 11.1.6 for a period of three years starting on the Completion Date, and to the detriment of any business of any Group Company carried on as at Completion, induce or endeavour to induce any Supplier to cease to supply, or to restrict or adversely vary the terms of supply to, that business;
 - 11.1.7 for a period of three years starting on the Completion Date, and to the detriment of any business of any Group Company carried on as at Completion, employ or engage the services of any Senior Employee other than Yvonne Mackinnon;
 - 11.1.8 for a period of three years starting on the Completion Date, and to the detriment of any business of any Group Company carried on as at Completion, induce, or endeavour to induce, any Senior Employee to leave his position, whether or not that person would commit a breach of his contract by so leaving.
- 11.2 Subject to the provisions of clauses 11.3 and 11.4 the restrictions set out in clause 11.1 shall be restricted to a period of two years starting on the Completion Date in respect of any of Susan Oriel, Hamish Barbour, Zadoc Rodgers, Alan Clements and Eileen Quinn should that individual cease to be an employee of a member of the Buyer's Group (including any Group Company) other than as a result of: (i) voluntary unilateral resignation or (ii) by virtue of a summary dismissal permitted in accordance with the terms of that individual's employment.
- 11.3 The undertakings and agreements set out in clauses 11.1.1 to 11.1.5 shall not apply to John Boyle or Yvonne Mackinnon.

- 11.4 Nothing in clause 11.1 shall prevent Muriel Gray or Kirsteen Clements from (i) presenting ~~any television programmes whether for a Client or Prospective Client~~, (ii) appearing as a guest on any television programme; or (iii) pursuing any writing activities including as a columnist, commentator, author of fiction or otherwise for a Client, a Prospective Client or a business which may compete with any business carried on by any Group Company at Completion.
- 11.5 Nothing in clause 11.1 shall prohibit any Covenantor from holding any interest in any securities listed or dealt in on any recognised investment exchange (as defined in section 285 of the Financial Services and Markets Act 2000) if that Covenantor and any Associate of that Seller are together interested in securities which amount to less than 3 per cent of the issued securities of that class and which in all circumstances carry less than 3 per cent of the voting rights (if any) attaching to the issued securities of that class, and if neither that Covenantor nor any Associate of that Covenantor is involved in the management of the business of the issuer of the securities or any subsidiary undertaking of that issuer except by virtue of the exercise of any voting rights attaching to the securities.
- 11.6 No Seller shall disclose or use any confidential information or trade secrets relating to any Group Company or any of its or their customers or suppliers, and each of the Sellers shall use all reasonable endeavours to prevent the publication or disclosure of any such confidential information or trade secrets over which they have control, as the case may be. This clause shall not prohibit disclosure of:
- 11.6.1 confidential information or trade secrets under a legal obligation involuntarily incurred or if required by the law of any relevant jurisdiction or by any competent regulatory or governmental body or securities exchange in any relevant jurisdiction, provided that in any such case, the Sellers shall take all such steps as may be reasonable and practicable in the circumstances to consult with the Buyer before the relevant disclosure is made and shall take into account the Buyer's reasonable comments;
 - 11.6.2 any confidential information or trade secret which is or becomes part of the public domain without breach of this clause or clause 11.8; or
 - 11.6.3 confidential information or trade secrets disclosed to any Associate of any Seller or to any professional advisers of any Seller or any other Associate of any Seller.
- 11.7 No Sellers shall at any time after the Completion Date use in any manner in the course of any business, or (so far as within its power) permit or encourage to be so used, other than by a Group Company, the names IWC, IWC Media, Wark Clements, Ideal World Productions or any other trade or business name or any mark, sign or logo used by any Group Company or any confusingly similar name, mark, sign or logo, or present itself or permit itself to be presented as in any way connected with any Group Company or interest in the Shares.

- 11.8 Each of the Sellers shall ensure that none of its Associates from time to time takes or ~~cons to take any action which, if taken or omitted by that Seller, would constitute a~~ breach of clause 11.1, 11.6 or 11.7.
- 11.9 Since the Sellers have confidential information relating to the Group Companies and a detailed awareness of the Group Companies' client connections, and since the purchase price payable for the Shares has been calculated on the basis that each of the Sellers would assume the obligations set out in this clause 11, the parties acknowledge that each of those obligations is reasonable as to subject matter, area and duration and is necessary to protect the Buyer's legitimate interest in the goodwill of the Group Companies.
- 11.10 Without prejudice to any other remedy which may be available to the Buyer, the parties agree that the Buyer shall be entitled to seek injunctive or other equitable relief in relation to any breach of clauses 11.1, 11.6, 11.7 and 11.8, it being acknowledged that an award of damages might not be an adequate remedy in the event of such a breach.
- 11.11 While the restrictions in this clause 11 are considered by the parties to be reasonable in all the circumstances it is agreed that if any provision of this clause 11 is found by any court of competent jurisdiction to go beyond what is reasonable in all the circumstances for the protection of the goodwill of any Group Company but would be adjudged reasonable if any part of the wording of the provision were deleted, restricted or limited in a particular manner, the provision in question shall apply with such deletions, restrictions or limitations as may be necessary to make it valid.
- 11.12 Each of the Sellers and the Buyer acknowledges that it has entered into this Agreement on an arm's length basis and that it has taken independent legal advice in so doing.
- 11.13 Each of the obligations assumed by the Sellers in this clause 11 is separate and severable and shall be construed and be enforceable independently of the others, and is assumed without prejudice to any other obligation of the Sellers implied at law or in equity.

12. PAYMENTS AND INTEREST

- 12.1 Payments to be made to the Sellers under this Agreement shall be made in pounds sterling by telegraphic transfer of immediately available funds to the following account of the Sellers' Solicitors:

Bank:	Bank of Scotland
Sort code:	80-26-26
Account name:	Shepherd+Wedderburn Client Account
Account number:	00102110

or to any other account of which the Sellers give the Buyer at least three Business Days' notice from time to time.

12.2 Payment of any sum to a party's solicitors will discharge the obligations of the relevant party to pay the sum in question, and that party shall not be concerned to see the application of the monies so paid.

12.3 Each payment to be made by the Sellers under this Agreement shall be made free and clear of all deductions, withholdings, counterclaims or set-off of any kind except for those required by law.

12.4 In the event that:

12.4.1 any deduction or withholding is required by law to be made from any sum payable by the Sellers to the Buyer under this Agreement, the Sellers shall be obliged to pay such increased sum as will, after the deduction or withholding has been made, leave the Buyer with the same amount as it would have been entitled to receive in the absence of such requirement to make a deduction or withholding; and

12.4.2 any sum paid or payable to the Buyer under this Agreement (the "original sum") is or will be chargeable to Tax, the Sellers shall be obliged to pay such further or increased sum or sums as will ensure that, after payment of the Tax, there shall be left an amount equal to the original sum and for these purposes a sum shall be regarded as chargeable to Tax in circumstances where it would have been chargeable to Tax but for some Relief available to the Buyer.

12.5 Interest shall accrue on monies which are not paid when due and on the value of any Buyer's Shares not allotted when due under this Agreement from the due date for payment (or, if there is no due date for payment, from the date payment is demanded) until the date of actual payment at the rate of two per cent above the base rate for the time being of The Royal Bank of Scotland plc. Such interest shall accrue on a daily basis, both before and after any judgment, and be compounded quarterly and be payable on demand.

13. SETTLED CLAIMS

13.1 Subject to clause 13.2, the Buyer may by notice in writing to the Sellers withhold from any amount otherwise payable by the Buyer to some or all of the Sellers under this Agreement, including the withholding of the allotment of Buyer Shares, some or all (as the Buyer may in its discretion decide) of the amount of each Relevant Claim which is not then Settled. For the purposes of this clause, the amount of any Relevant Claim shall be its amount as bona fide set out in the notice in which it is made.

13.2 The Buyer shall not be entitled to withhold any sum pursuant to clause 13.1 unless it has first delivered to the relevant Seller a written opinion of counsel of not less than five years call that the Relevant Claim has a reasonable prospect of success.

13.3 Each time a Relevant Claim is Settled in respect of which an amount has been withheld under clause 14.1, the Buyer may permanently set off or deduct from such amounts payable by it under this Agreement the agreed or determined amount. After such set off

or deduction, the Buyer shall pay to the Sellers any balance of the amounts then due and payable by the Buyer under this Agreement less the aggregate amount withheld under clause 13.1 in respect of any other Relevant Claims which are not then Settled.

14. ASSIGNMENT

- 14.1 This Agreement shall be binding on and enure for the benefit of the successors and permitted assignees of the parties.
- 14.2 Except as provided in clause 14.3, no party and no third party referred to in clauses 18.1 or 18.2 may assign or otherwise dispose of any rights under this Agreement, at law or in equity, including by way of declaration of trust. Any purported assignment in breach of this clause shall be void and confer no rights on the purported assignee.
- 14.3 The Buyer may from time to time assign all or any part of its rights under this Agreement to any company which is a member of the Buyer's Group provided that such assignment shall be expressed to have effect only for so long as the assignee remains a member of the Buyer's Group and providing the Buyer guarantees the obligations of the assignee to the Sellers under this Agreement.
- 14.4 The Buyer or any member of the Buyer's Group to whom rights have been assigned in accordance with clause 14.3 may charge or assign by way of security the benefit of all or any part of this Agreement to Barclays Bank plc.
- 14.5 If the Buyer assigns its rights under this Agreement in accordance with 14.3 that the liability of the Sellers to any such assignee shall not be greater than their liability to the Buyer if that assignment had not occurred. In the event of any such assignment, references to the Buyer (other than in this clause) shall be construed as references to the holder for the time being of the Buyer's rights under this Agreement.

15. ANNOUNCEMENTS AND CONFIDENTIALITY

- 15.1 No party may make any press release or other public announcement about this Agreement or the transactions contemplated by it or disclose any of the terms of this Agreement except for the announcement in the agreed form or otherwise with the consent of the other parties.
- 15.2 Clause 15.1 shall not apply to any disclosure made by a party to an Associate or to its professional advisers or lenders, or to any announcement or disclosure required by the laws of any relevant jurisdiction or by any competent regulatory or governmental body or securities exchange in any relevant jurisdiction.
- 15.3 Each party shall ensure that any Associate or professional adviser or lender to which it discloses information under clause 15.2 is made aware of the obligations of confidentiality contained in this clause and complies with this clause as if binding on it directly.

16. **COSTS**

Each party shall bear its own costs and expenses in connection with the preparation, negotiation, execution and performance of this Agreement and the documents referred to in it.

17. **NOTICES**

- 17.1 Any notice, consent or other communication given under this Agreement shall be in writing and in English, and signed by or on behalf of the party giving it, and shall be delivered by hand, or sent by prepaid recorded or special delivery post (or prepaid international recorded airmail if sent internationally) or by fax as follows (and, for the avoidance of doubt, may not be given by email):

to the Buyer:

For the attention of: David Frank

Address: The Gloucester Building, Kensington Village, Avonmore Road, London W14 8RF

Facsimile number: 020 7013 4012

and

to the Sellers:

For the attention of: Sue Oriel

Address: Brendon House, 10 Orchehill Avenue, Gerards Cross, Buckinghamshire, SL9 8PX

with a copy to: F.A.O. George Boyle
Shepherd+Wedderburn
155 St Vincent Street, Glasgow G2 5NR

Facsimile number: 0141 565 1222

- 17.2 Save as set out at clause 17.3, any party may from time to time notify the others of any other person, address or fax number for the receipt of notices. Any such change shall take effect five Business Days after notice of the change is received or (if later) on the date (if any) specified in the notice as the date on which the change is to take place.

- 17.3 Notices to the Sellers under this Agreement shall be valid if given only to the individual named in clause 17.1, and that individual (or in the event of his death any of his personal representatives) shall exclusively be entitled to give notices on behalf of the Sellers unless, in either case, the Buyer is otherwise notified by all of the Sellers nominating any other person for the purpose. A notice to any person for the time being authorised to

receive and give notices on behalf of the Sellers shall be valid notwithstanding the death of that person if it is given in accordance with this clause 17.3.

- 17.4 Any notice, consent or other communication given in accordance with clause 17.1 and received after 5.30 p.m. on a Business Day, or on any day which is not a Business Day, shall for the purposes of this Agreement be regarded as received on the next Business Day.
- 17.5 The provisions of clause 17.1 shall not apply in relation to the service of process in any legal proceedings arising out of or in connection with this Agreement.

18. **THIRD PARTY RIGHTS**

- 18.1 Each Group Company may rely upon and enforce the terms of clauses 8.1 and 8.2 (guarantees and indebtedness), 9.8 (waiver of rights in relation to warranties), 11 (protection of the interests of the Buyer), and the directors and employees of each Group Company may rely upon and enforce the terms of clause 9.8 (waiver of rights in relation to warranties).
- 18.2 Any assignee of the Buyer's rights in accordance with clause 14.3 may rely upon and enforce the Warranties and undertakings given by any Sellers in this Agreement.
- 18.3 The rights referred to in clauses 18.1 and 18.2 may be enforced by the third parties referred to in those clauses only with the prior written consent of the Buyer.
- 18.4 Notwithstanding any other provision of this Agreement, the Sellers and the Buyer may by agreement in writing rescind or vary any of the provisions of this Agreement without the consent of any third party, and accordingly section 2(1) of the Contracts (Rights of Third Parties) Act 1999 shall not apply.
- 18.5 Except as otherwise stated in this clause, a person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to rely upon or enforce any term of this Agreement. This clause shall not affect any right or remedy of a third party which exists or is available apart from that Act.
- 18.6 Without prejudice to section 5 of the Contracts (Rights of Third Parties) Act 1999, to the extent that any third party entitled to enforce rights under this clause 18 has recovered from the Buyer a sum in relation to that third party's loss in respect of its rights under this Agreement, no Sellers shall be entitled to recover any amount from the Buyer in respect of that loss.

19. **WAIVER**

- 19.1 A failure to exercise or delay in exercising a right or remedy provided by this Agreement or by law does not constitute a waiver of that or any other right or remedy. A waiver of a breach of any term of this Agreement shall not constitute a waiver of any other breach of this Agreement.

20. **CUMULATIVE RIGHTS**

The rights and remedies provided by this Agreement are cumulative and (except as otherwise provided in this Agreement) are not exclusive of any rights or remedies provided by law.

21. **FURTHER ASSURANCE**

At or after Completion, each Seller shall execute all such documents and do or cause to be done all such other things as the Buyer may from time to time reasonably require in order to vest in the Buyer legal title to and the full benefit of the Shares and otherwise to give full effect to this Agreement.

22. **LIABILITY OF SELLERS**

All obligations, warranties or representations entered into or made in this Agreement by the Warrantors are entered into or made by each of them severally.

23. **NO MERGER**

The provisions of this Agreement shall remain in full force and effect notwithstanding Completion.

24. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument, and shall not be effective until each of the parties has executed at least one counterpart.

25. **ENTIRE AGREEMENT**

25.1 This Agreement, and the documents referred to in it, (together the "**Contractual Documents**") constitute the entire agreement and understanding of the parties relating to the subject matter the Contractual Documents and supersede any previous agreement or understanding between the parties in relation to such subject matter.

25.2 Each of the parties acknowledges and agrees that in entering into the Contractual Documents, it has not relied on any statement, representation, warranty, understanding, undertaking, promise or assurance (whether negligently or innocently made) of any person (whether party to any Contractual Document or not) other than as expressly set out in the Contractual Documents. Each party irrevocably and unconditionally waives all claims, rights and remedies which but for this clause it might otherwise have had in relation to any of the foregoing.

25.3 Nothing in this clause 25 shall limit or exclude any liability for fraud.

26. **GOVERNING LAW AND JURISDICTION**

26.1 This Agreement shall be governed by and construed in accordance with the law of England and Wales. Each party irrevocably submits to the non-exclusive jurisdiction of the courts of England and Wales over any claim, dispute or matter arising under or in connection with this Agreement.

26.2 Each party irrevocably waives any objection which it may have now or later to proceedings being brought in the courts of England and Wales and any claim that proceedings have been brought in an inconvenient forum. Each party further irrevocably agrees that a judgment in any proceedings brought in the courts of England and Wales shall be conclusive and binding upon each party and may be enforced in the courts of any other jurisdiction.

26.3 Nothing in this Agreement shall affect the right to serve process in any manner permitted by law.

THIS AGREEMENT has been executed by or on behalf of the parties on the date at the top of page 1.

SCHEDULE 1

Sellers' Shareholdings and Entitlements

PART 1

(A)	(B)	(C)	(D)
<i>Name and address of Sellers</i>	<i>Number of Shares to be sold</i>	<i>% of any additional consideration payable under clause 3.3</i>	<i>Consideration payable on completion (£)</i>
Muriel Gray 14A Hatfield Drive Glasgow G12 0YA	19,486,621	26.51	1,011,788.69
John Boyle 44 Westbourne Gardens Glasgow G12 9XQ	19,163,638	26.07	995,018.70
Kirsteen Clements (née Wark) 4 Cleveden Crescent Glasgow G12 0PD	26,230,000	35.69	1,361,919.92
Alan/Kirsteen Clements Trusts c/o 4 Cleveden Crescent Glasgow G12 0PD	4,369,918	5.94	226,895.86
Peter Jamieson 22 Lowther Road London SW13 9ND	913,150	1.25	47,412.78
Angus Lamont 43 Moray Place Glasgow G41 2DF	1,954,141	2.66	101,463.35
Adam Barker 11c Hargrave Road London N19 5SH	913,150	1.25	47,412.78
Jillian Morris 65a Gardner Street Glasgow G11 5BZ	456,575	0.63	23,706.39
TOTAL	73,487,193	100	3,815,618.47

PART 2

(A)	(B)	(C)	(D)	(E)
<i>Name and address of Sellers</i>	<i>Number of Shares to be sold</i>	<i>% of any additional consideration payable under clauses 3.3, 3.4 and 3.5</i>	<i>Consideration payable on completion (£)</i>	<i>Buyer Shares to be allotted on Completion</i>
Hamish Barbour 14A Hatfield Drive Glasgow G12 0YA	27,924,127	23.64	706,222.51	208,878
Susan Oriel Brendon House 10 Orchehill Avenue Gerards Cross Buckinghamshire SL9 8PX	15,779,232	13.35	399,068.84	117,957
Eileen Quinn 19 Oakhill Road Putney London SW15 2QN	19,158,392	16.22	484,530.38	143,316
Zadoc Rogers 203 Cromwell Tower The Barbican London EC2Y 8DD	27,924,127	23.64	706,222.51	208,878
Alan Clements 4 Cleveden Crescent Glasgow G12 0PD	26,885,750	22.76	679,961.17	201,102
Yvonne Mackinnon 11 Kinloch Road Renfrew PA4 0RJ	456,575	0.39	11,547.13	3,446
TOTAL	118,128,203	100	2,987,552.53	883,577

SCHEDULE 2

Part 1: Details of the Company

Date and place of incorporation: 24 March 2004, Scotland

Registered number: SC265445

Registered office: St. Georges Studios, 93-97 St Georges Road, Glasgow G3 6JA

Share capital:

 Authorised: £2,000,000

 Issued: £1,916,153.96

Options/warrants:

Directors: Hamish Barbour, Alan Clements, Kirsteen Anne Clements, Muriel Gray, Sue Oriel, Eileen Quinn, Zadoc Rodgers, John Boyle

Secretary: David Smith

Shareholders:

Hamish Barbour, 27,924,127 Ordinary Shares of £0.01

Adam Barker, 913,150 Ordinary Shares of £0.01

John Boyle, 19,163,638 Ordinary Shares of £0.01

Alan Clements, 26,885,750 Ordinary Shares of £0.01

Kirsteen Clements 26,230,000 Ordinary Shares of £0.01

Alan & Kirsteen Clements (as trustees) 4,369,918 Ordinary Shares of £0.01

Muriel Gray, 19,486,621 Ordinary Shares of £0.01

Peter Jamieson, 913,150 Ordinary Shares of £0.01

Angus Lamont, 1,954,141 Ordinary Shares of £0.01

Yvonne Mackinnon, 456,575 Ordinary Shares of £0.01

Jillian Morris, 456,575 Ordinary Shares of £0.01

Sue Oriel, 15,779,232 Ordinary Shares of £0.01

Eileen Quinn, 19,158,392 Ordinary Shares of £0.01

Zadoc Rogers, 27,924,127 Ordinary Shares of £0.01

Auditors:

Scott Moncrieff

Accounting reference date:

31 December

Charges:

Bond & Floating Charge in favour of The Royal Bank of
Scotland plc

Part 2: Details of the Subsidiaries

Wark Clements & Company Limited

Date and place of incorporation: 13 May 1994, Scotland

Registered number: SC150878

Registered office: St. Georges Studios, 93-97 St Georges Road, Glasgow
G3 6JA

Share capital:

 Authorised: £820,000

 Issued: £365.26

Options/warrants:

Directors: John Boyle, Alan Clements, Kirsteen Anne Clements,
Sue Oriel, Eileen Quinn

Secretary: David Smith

Shareholders: IWC Media Limited

36,526 Ordinary Shares of £0.01

Auditors: Scott Moncrieff

Accounting reference date: 31 December

Charges: Bond & Floating Charge in favour of The Royal Bank of
Scotland plc

Ideal World Productions Limited

Date and place of incorporation: 17 April 1989, England & Wales

Registered number: 2372721

Registered office: 3 – 6 Kenrick Place, London, W1U 6HD

Share capital:

Authorised: £1,000

Issued: £104.92

Options/warrants:

Directors: Hamish Barbour, Alan Clements, Muriel Gray, Sue Oriel,
Zadoc Rodgers

Secretary: David Smith

Shareholders: IWC Media Limited, 10,492 Ordinary Shares of £0.01

Auditors: Scott Moncrieff

Accounting reference date: 31 December

Charges: Debenture in favour of The Royal Bank of Scotland plc

Love or Money Limited

Date and place of incorporation: 25 July 2000, Scotland

Registered number: SC209430

Registered office: St. Georges Studios, 93-97 St Georges Road, Glasgow
G3 6JA

Share capital:

 Authorised: £100

 Issued: £2

Options/warrants:

Directors: Alan Clements, Sue Oriel, Eileen Quinn

Secretary: David Smith

Shareholders: Wark Clements & Company Limited, 2 Ordinary Shares
of £1

Auditors: Barcant Beardon

Accounting reference date: 31 December

Charges: Deposit agreement In favour of Westdeutsche,
Landesbank, Girozentrale

Blobheads Productions Limited

Date and place of incorporation: 6 December 2001, Scotland

Registered number: SC226092

Registered office: St. Georges Studios, 93-97 St Georges Road, Glasgow
G3 6JA

Share capital:

 Authorised: £100

 Issued: £2

Options/warrants:

Directors: Alan Clements, Sue Oriel, Eileen Quinn

Secretary: David Smith

Shareholders: Wark Clements & Company Limited – 2 Ordinary Shares
of £1

Auditors: Scott Moncrieff

Accounting reference date: 31 December

Charges: Floating charge in favour of Royal Bank of Canada

Security Assignment and Charge in favour of Royal
Bank of Canada

Charge over cash deposit and account in favour of
Societe Generale

Monogram Productions Limited

Date and place of incorporation: 6 March 1997, England and Wales

Registered number: 03328806

Registered office: c/o Brabners Chaffe Street, 1 Dale Street, Liverpool,
Merseyside, L2 2ET

Share capital:

Authorised: £25,000

Issued: £5,000

Options/warrants:

Directors: Alan Clements, Sue Oriel, Eileen Quinn

Secretary: David Smith

Shareholders: Wark Clements & Company Limited, 5000 Ordinary
Shares of £1

Auditors: Scott Moncrieff

Accounting reference date: 31 December

Charges: Debenture in favour of The Royal Bank of Scotland plc

Monogram Wark Clements Productions Limited

Date and place of incorporation: 28 June 1999, Scotland

Registered number: SC197587

Registered office: St. Georges Studios, 93-97 St Georges Road, Glasgow
G3 6JA

Share capital:

Authorised: £500

Issued: £150

Options/warrants:

Directors: Alan Clements, Sue Oriel, Eileen Quinn

Secretary: David Smith

Shareholders: Wark Clements & Company Limited, 150 Ordinary
Shares of £1 each

Auditors: Scott Moncrieff

Accounting reference date: 31 December

Charges: Bond and floating charge in favour of The Royal Bank of
Scotland plc

Russian Bride Limited

Date and place of incorporation: 17 December 1999, England and Wales

Registered number: 03896040

Registered office: 3 – 6 Kenrick Place, London, W1U 6HD

Share capital:

Authorised: £10,000

Issued: £2

Options/warrants:

Directors: Sue Oriel, Eileen Quinn

Secretary: David Smith

Shareholders: Monogram Productions Limited, 2 Ordinary Shares of £1

Auditors: Barcant Beardon

Accounting reference date: 31 December

Charges: Pledge in favour of ABN AMRO Bank NV

Grace Films Limited

Date and place of incorporation: 15 February 2002

Registered number: 04375471

Registered office: 3 – 6 Kenrick Place, London, W1U 6HD

Share capital:

Authorised: £100

Issued: £2

Options/warrants:

Directors: Alan Clements, Sue Oriel, Eileen Quinn

Secretary: David Smith

Shareholders: Monogram Productions Limited

Auditors: Barcant Beardon

Accounting reference date: 31 December

Charges: Debenture in favour of Barclays Bank plc (part satisfied)

Charge on deposits in favour of ABN AMRO Bank NV

Charge over Cash Deposit and Account in favour of Clydesdale Bank plc

Charge in favour of Barclays Bank plc

Bait Films Limited

Date and place of incorporation: 25 July 2001, England & Wales

Registered number: 04259245

Registered office: 3 – 6 Kenrick Place, London W1U 6HD

Share capital:

Authorised: £100

Issued: £2

Options/warrants:

Directors: Alan Clements, Sue Oriel, Eileen Quinn

Secretary: David Smith

Shareholders: Monogram Productions Limited – 2 Ordinary Shares of £1

Auditors: Barcant Beardon

Accounting reference date: 31 December

Charges: Charge over cash deposit and account in favour of Barclays Bank plc

Charge on Deposits in favour of ABN AMRO Bank NV

Ideal World Films Limited

Date and place of incorporation: 18 June 1997, Scotland

Registered number: SC176544

Registered office: St. Georges Studios, 93-97 St Georges Road, Glasgow
G3 6JA

Share capital:

Authorised: £1,000

Issued: £100

Options/warrants:

Directors: Hamish Barbour, Alan Clements, Muriel Gray, Sue Oriel,
Zadoc Rogers

Secretary: David Smith

Shareholders: Ideal World Productions Limited – 100 Ordinary Shares
of £1

Auditors: Scott Moncrieff

Accounting reference date: 31 December

Charges: Bond & floating charge in favour of The Royal Bank of
Scotland plc

Deed of Assignment and charge in favour of DNA Films
Limited

Ideal World Productions Trustees Limited

Date and place of incorporation: 15 February 2002, Scotland

Registered number: SC228169

Registered office: St. Georges Studios, 93-97 St Georges Road, Glasgow
G3 6JA

Share capital:

 Authorised: £100

 Issued: £1

Options/warrants:

Directors: Hamish Barbour, Alan Clements, Zadoc Rogers

Secretary: David Smith

Shareholders: Ideal World Productions Limited, 1 Ordinary Share of £1

Auditors: No auditors appointed

Accounting reference date: 31 December

Charges: None

Ideal World Facilities Limited

Date and place of incorporation: 7 September 1999, Scotland

Registered number: SC199601

Registered office: St. Georges Studios, 93-97 St Georges Road, Glasgow
G3 6JA

Share capital:

Authorised: £1,000

Issued: £1,000

Options/warrants:

Directors: Hamish Barbour, Alan Clements, Sue Oriel, Zadoc Rogers

Secretary: David Smith

Shareholders: Ideal World Productions Limited – 1000 Ordinary Shares at £1

Auditors: Scott Moncrieff

Accounting reference date: 31 December

Charges: Bond & floating charge in favour of The Royal Bank of Scotland plc

Late Night Shopping Limited

Date and place of incorporation: 7 September 1999, Scotland

Registered number: SC199647

Registered office: St. Georges Studios, 93-97 St Georges Road, Glasgow
G3 6JA

Share capital:

Authorised: £1,000

Issued: £1,000

Options/warrants:

Directors: Hamish Barbour, Alan Clements

Secretary: David Smith

Shareholders: Ideal World Films Limited, 1000 Ordinary Shares of £1

Auditors: Scott Moncrieff

Accounting reference date: 31 December

Charges: None

Ideal World Media Limited

Date and place of incorporation: 7 September 1999

Registered number: SC199588

Registered office: St Georges Studios, 93-97 St Georges Road, Glasgow,
G3 6JA

Share capital:

Authorised: £1000

Issued: £1000

Options/warrants:

Directors: Sue Oriel

Secretary: David Smith

Shareholders: Ideal World Productions Limited, 1000 ordinary shares of
£1 each

Auditors: Never traded

Accounting reference date: 31 December

Charges: None

Part 3: Details of Associated Companies

Romantic Film Productions Limited

Date and place of incorporation: 3 July 2002, England & Wales

Registered number: 04476592

Registered office: 3 – 6 Kenrick Place, London, W1U 6HD

Share capital:

Authorised: £1,000

Issued: £2

Options/warrants:

Directors: Eileen Quinn, Judith Hackett

Secretary: Judith Hackett

Shareholders: Monogram Productions Limited – 1 Ordinary Share of £1
AKA Pictures Limited – 1 Ordinary Share of £1

Auditors: Scott Moncrieff

Accounting reference date: 31 December

Charges: Debenture in favour of Barclays Bank plc

Charge in favour of Barclays Bank plc

SCHEDULE 3

~~Warranties~~ 1.1-1.8

Part 1 - General

1. SHARES AND OTHER SECURITIES OF THE COMPANY

- 1.1 The issued share capital set out in part 1 of schedule 2 constitutes the entire issued share capital of the Company.
- 1.2 The shareholders of each Group Company listed in schedule 2 are the legal and beneficial owners of the Shares set out against their names.
- 1.3 No Group Company has in issue any debenture or any other security.
- 1.4 No person has the right or has claimed to have a right (whether exercisable now or at a future date and whether contingent or not) to subscribe for, or to convert any security into, any shares, debentures or other securities of any Group Company, including pursuant to an option or warrant.
- 1.5 No Group Company has at any time purchased its own shares or redeemed or forfeited any shares, or agreed to do so, or granted an option whereby it might become liable to do so.
- 1.6 There is no Encumbrance over any issued or unissued shares in the capital of any Group Company, there is no subsisting agreement to create any such Encumbrance and no person has claimed to be entitled to any such Encumbrance.
- 1.7 No share in the capital of any Group Company has been the subject of any transactions to which the provision of sections 238 (transactions at an undervalue), 239 (preferences), 242 (gratuitous alienations), 243 (unfair preferences), 339 (transactions at an undervalue), 340 (preferences) or 423 (transactions defrauding creditors) Insolvency Act 1986 may be still applicable.
- 1.8 No share in the capital of any Group Company has been allotted at a discount or otherwise than as fully paid.

2. SHADOW DIRECTORS

No person who is not named in schedule 2 is a shadow director (within the meaning of section 741(2) Companies Act 1985) of any Group Company.

3. SUBSIDIARIES AND BRANCHES

- 3.1 No Group Company has any interest in or is under a subsisting obligation to acquire any interest in any shares, debentures or other securities of any other body corporate other than another Group Company.

- 3.2 No Group Company has any agency, branch or other place of business or permanent establishment outside the United Kingdom.

4. **COMMISSION**

No person is entitled to receive from any Group Company any finder's fee or brokerage or other commission in connection with the sale of the Shares to the Buyer.

5. **BUSINESS CONTINUITY**

The business of the Group Company as it is carried on at the date of this Agreement does not require the use of any assets owned or leased by the Sellers or the provision of any services by the Sellers other than pursuant to their employment.

6. **ARTICLES OF ASSOCIATION**

The copies of the articles of association of each Group Company annexed to the Disclosure Letter have embodied in them or annexed to them a copy of all resolutions or agreements required by the Companies Act 1985 to be so embodied or annexed.

7. **SELLER'S OTHER INTERESTS**

None of the Covenantors nor any Associate of any Covenantor have any interest, directly or indirectly, in any business which is, or is likely to be, competitive with the business of any Group Company.

8. **MATERIAL INFORMATION**

- 8.1 The information set out in the recitals and schedule 2 is complete and accurate.
- 8.2 There are no facts or circumstances referred to in the board minutes of any Group Company which might reasonably be expected adversely to influence the decision of the Buyer to buy the Shares on the terms of this Agreement.

9. **INSOLVENCY**

- 9.1 In this Part 1, "**Insolvency Proceedings**" means any formal insolvency proceedings, whether in or out of court, including proceedings or steps leading to any form of bankruptcy, liquidation, administration, receivership, arrangement or scheme with creditors, moratorium, stay or limitation of creditors' rights, interim or provisional supervision by a court or court appointee, winding-up or striking-off, or any distress, execution or other process levied; or any event analogous to any such events in any jurisdiction outside England and Wales.
- 9.2 Each Group Company is able to pay its debts as they fall due and has not stopped payment of its debts.
- 9.3 The value of the assets of each Group Company exceeds the amount of its liabilities, taking into account contingent and prospective liabilities.

9.4 Insolvency Proceedings have not commenced in relation to any Group Company or (if applicable) any part of its assets or undertakings.

9.5 There are no circumstances which entitle or may entitle any person to commence any Insolvency Proceedings in relation to any Group Company or (if applicable) any part of its assets or undertaking.

10. AUTHORITY AND CAPACITY OF THE SELLER

10.1 None of the Sellers are:

10.1.1 under 18 years of age;

10.1.2 suffering from any disability under the Mental Health Act 1983 at the date of this Agreement.

10.2 No petition for bankruptcy has been presented, no statutory demand has been served and no bankruptcy order has been made in respect of any Sellers, nor has any voluntary arrangement or compromise been proposed with any Sellers' creditors.

Part 2 - Accounts, Financial, Banking and Current Trading

1. THE ACCOUNTS

- 1.1 The Accounts were prepared under the historical cost convention and in accordance with applicable Statements of Standard Accounting Practice, Financial Reporting Standards, *statements from the Urgent Issues Task Force, other generally accepted accounting practices* in the United Kingdom and the Companies Act 1985.
- 1.2 The Accounts give a true and fair view of the state of affairs of each Group Company as at the end of each financial year to which they relate and of its profit or loss for the period ended on that date.
- 1.3 Except as noted in the Accounts, the profits of the Group Companies disclosed in the Accounts *were not affected by any extraordinary or exceptional items or any other unusual or non-recurring items.*
- 1.4 The Accounts have been prepared applying accounting policies consistently with the previous two financial years.
- 1.5 At the Accounts Date no Group Company had any liability (whether actual, contingent, unquantified or disputed) or outstanding capital commitment which was not disclosed, *provided for or noted in the Accounts to the extent required to be so disclosed, provided for or noted in accordance with generally accepted accounting practices* in the United Kingdom.

2. ACCOUNTING RECORDS

Each Group Company's accounting records comply with the requirements of section 221 Companies Act 1985.

3. FINANCIAL REPORTING PROCEDURES

Each Group Company has in place procedures which provide a reasonable basis for its directors to make proper judgements as to its financial position and procedures.

4. MANAGEMENT ACCOUNTS

The Management Accounts have been prepared in good faith and with due care, using accounting policies and bases consistent with those used in preparing the Accounts and (taking into account the purpose for which they were prepared) do not give a materially inaccurate view of the finances of each relevant Group Company for which the Management Accounts are prepared as at the end of the period to which they relate.

5. **DIVIDENDS AND DISTRIBUTIONS**

All dividends or distributions declared, made or paid by any Group Company since its incorporation have been declared, made or paid in accordance with its articles of association and the Companies Act 1985.

6. **DEBTORS**

- 6.1 There are no debts owing to any Group Company (whether or not due for payment) other than debts incurred in the ordinary and proper course of business and debts owing by other Group Companies.
- 6.2 Annexed to the Disclosure Letter is a complete and accurate list of the trade debtors of each Group Company unpaid at 60 days after invoice as at a date not more than two Business Days prior to the date of this Agreement.
- 6.3 So far as the Warrantors are aware, the trade debtors of each Group Company will realise, in the ordinary course of collection, their nominal amounts (plus any accrued interest) less any provision for trade debtors included in the Accounts or disclosed in the Disclosure Letter.
- 6.4 So far as the Warrantors are aware, none of the trade debtors of each Group Company is, or will be, subject to any counterclaim, deduction or set off.
- 6.5 No Group Company has factored or discounted any debts owing to it, or has agreed to do so, or has engaged in any financing which is not disclosed in the Accounts.
- 6.6 No Group Company has made or agreed to make any loan or quasi-loan contrary to the Companies Act 1985.

7. **CREDITORS AND LIABILITIES**

- 7.1 No Group Company has any creditors other than any other Group Company or any other liabilities (including contingent liabilities) other than as disclosed in the Accounts or incurred in the ordinary and proper course of business since the Accounts Date.
- 7.2 No sum is owing by any Group Company to its auditors, solicitors or other professional advisers, and no accrual ought properly be made by any Group Company in respect of any such sum.
- 7.3 Annexed to the Disclosure Letter is a complete and accurate list of the trade creditors of each Group Company unpaid at 60 days after invoice as at a date not more than two Business Days prior to the date of this Agreement.
- 7.4 All outstanding indebtedness between the Sellers or any Associate of any Seller and any Group Company (including any indebtedness to be released, novated or capitalised by the date of this Agreement) is listed in the Disclosure Letter other than expenses of not more than £2,000 properly incurred by each Seller in the course of their employment.

8. **GOVERNMENT GRANTS**

No Group Company has applied for, or received, any grant, investment, subsidy or financial assistance from any government department or agency or any local or other authority.

9. **BANK ACCOUNTS**

1. The Disclosure Letter contains the account details of all current, deposit and foreign currency accounts of each Group Company.
2. There have been no payments into or out of any account referred to in the previous paragraph since the date of the last bank statement disclosed to the Buyer except for payments in the ordinary and proper course of business.

10. **FACILITIES**

- 10.1 The Disclosure Letter contains full details of all financial facilities available to each Group Company (together "**Facilities**") and of the limits on those Facilities. Copies of all documents relating to the Facilities are annexed to the Disclosure Letter.
- 10.2 The total amount borrowed by each Group Company does not exceed, and has not during the period of 2 years prior to Completion exceeded, any limitation on its borrowing contained in its articles of association or in any of the Facilities or other agreement binding on it.
- 10.3 There has been no material contravention by any Group Company of, or material non-compliance by any Group Company with, any terms of any of the Facilities.
- 10.4 No event of default has occurred and there are no other circumstances which might (or might with the lapse of time) entitle any person to require the early repayment of any Facility or the creation, crystallisation or enforcement of any Encumbrance in accordance with the terms of any Facility, and no steps for any such early repayment or enforcement have been taken or threatened and no such request has been made or threatened.
- 10.5 None of the Facilities is dependent on the guarantee or indemnity of, or any security provided by, a person other than a Group Company.
- 10.6 None of the Facilities is terminable as a result of the sale of the Shares to the Buyer or any other matter contemplated in this Agreement.

11. **WORKING CAPITAL**

Having regard to existing bank and other facilities available to it, each Group Company has sufficient working capital for the purposes of continuing to carry on its business in its present form and at its present level of turnover for the period of 12 months starting on the date of this Agreement.

12. **POSITION SINCE THE ACCOUNTS DATE**

- 12.1 Since the Accounts Date, each Group Company has carried on its business in the ordinary and proper course, there has been no material adverse change in the financial or trading position of any Group Company and, so far as the Warrantors are aware, no enquiries having been made, there are no circumstances which might give rise to such a change, other than circumstances likely to affect generally the industry in which the relevant Group Company operates.
- 12.2 Without limiting paragraph 12.1 of this part 2, since the Accounts Date:
- 12.2.1 there has been no material increase in operating expenses or material decrease in turnover by comparison with the same period in the previous financial year of the Group Companies as a whole;
 - 12.2.2 no client or material supplier of any Group Company has ceased to deal, or has indicated an intention to cease to deal or deal on a smaller scale with any Group Company;
 - 12.2.3 no Group Company has disposed of or acquired, or agreed to dispose of or acquire, or is negotiating to dispose of or acquire, any business or any shares, debentures or other securities in a body corporate, or any interest in any business, shares, debentures or securities, or any other asset or interest in any other asset other than in the ordinary and proper course of business;
 - 12.2.4 no Group Company has repaid all or part of any debt owed by it in advance of the due date for repayment, or agreed to do so, or has written off or released any debt owing to it of greater than £5,000 in aggregate;
 - 12.2.5 no agreement or transaction has been entered into by any Group Company except on arm's length terms;
 - 12.2.6 no Group Company has entered into, or agreed to enter into, any capital commitments exceeding £10,000 in the case of any one Group Company and £25,000 in aggregate by all Group Companies;
 - 12.2.7 no dividend or distribution of profits or assets (including without limitation any distribution as defined in Part VI ICTA and extended by section 418 ICTA) has been or would be treated as having been paid or made by any Group Company;
 - 12.2.8 no Group Company has incurred any liability (including a contingent liability) having a monetary value in excess of £150,000 other than in connection with television productions; and
 - 12.2.9 no payment for group relief has been made and no group relief has been surrendered by any Group Company.

13. CUSTOMERS AND SUPPLIERS

The Disclosure Letter contains details of all clients (or groups of connected clients) of the Company, Wark Clements & Company Limited and Ideal World Productions Limited since 30 April 2004.

Part 3 - Compliance and Litigation

1. CONDUCT OF BUSINESS

No Group Company nor any of its officers, nor so far as the Warrantors are aware any of its agents or employees (during the course of their duties) has done or omitted to do any act or thing which is in contravention to any material extent of any relevant legislation, order, regulation or similar instrument in any part of the world.

2. LICENCES AND CONSENTS

2.1 Other than in relation to Intellectual Property and Information Technology matters, each Group Company holds (and has at all relevant times held) all licences, authorisations and consents necessary to own and operate its assets and carry on its business in all jurisdictions in which it now carries on business, and those licences, authorisations and consents are all valid and subsisting.

2.2 No Group Company is in breach of any of the provisions of any such licence, authorisation or consent as is referred to in the previous paragraph, and, so far as the Sellers are aware, there are no circumstances which might give rise to any such licence, authorisation or consent being revoked, terminated, suspended or modified or which might prejudice its renewal.

3. TRADE ASSOCIATIONS

Each Group Company is a full member of the trade associations, institutions and other unincorporated associations of which details are set out in the Disclosure Letter and has complied with all applicable rules and regulations imposed by those associations and institutions, and there are no circumstances which might give rise to any such membership being revoked, terminated or suspended or which might prejudice its renewal.

4. COMPETITION LAW

4.1 No Group Company is or has been a party to or concerned in any agreement, concerted practice or course of conduct which in whole or in part:

4.1.1 infringes Article 81 and/or Article 82 of the EC Treaty, or section 2 and/or section 18 Competition Act 1998, or otherwise infringes the competition or anti-trust law of any country in which any Group Company has assets or carries on business or where its activities may have an effect;

4.1.2 is unenforceable or void (whether in whole or in part) or renders any Group Company (or any officer or employee of any Group Company) liable to civil,

Part 4 - Contracts

criminal or administrative proceedings by virtue of any competition or anti-trust legislation in any country in which any Group Company has assets or carries on business, or where its activities may have an effect.

4.2 No Group Company

4.2.1 has given any undertaking or assurance (whether or not legally binding) to; or

4.2.2 is subject to any order of or investigation by; or

4.2.3 has received any process, notice, request for information or other communication (formal or informal) from

any court or the European Commission, the Office of Fair Trading, the Competition Commission, the Secretary of State for Trade and Industry or any other competition or other authority having jurisdiction in competition or anti-trust matters under any competition or anti-trust legislation in any country in which any Group Company has assets or carries on or intends to carry on business or where its activities may have an effect.

4.3 No Group Company is or has been a party to or concerned in any agreement or arrangement in respect of which:

4.3.1 an application under Article 81 and/or Article 82 of the EC Treaty for negative clearance and/or exemption has been made to the European Commission; and/or

4.3.2 an application under sections 13, 14, 21 or 22 Competition Act 1998 has been made to the Office of Fair Trading or any sectoral regulator.

4.4 No Group Company has received any aid in contravention of Articles 87-89 of the EC Treaty.

5. UNDERTAKINGS

No Group Company has given any undertaking or assurance to, or received any request for information, statement of objections or other formal communication from, any national or supra-national authority or any court or governmental, administrative or regulatory body or agency, or is the subject of any court order, which in any case is still in force.

6. DATA PROTECTION

6.1 In this paragraph 6 of part 3, "**Personal Data**" has the meaning given to it in the Data Protection Act 1998.

6.2 Each Group Company has at all times complied with all relevant requirements of the Data Protection Act 1998.

Part 4 - Contracts

6.3 Each Group Company is either:

- (a) duly registered as a data controller under the Data Protection Act 1998 (or deemed to be so registered by notification regulations made by virtue of section 19(3) of that Act) for all purposes for which registration is required in respect of the processing of Personal Data by or on behalf of that Group Company; or
- (b) exempt from section 17(1) Data Protection Act 1998 under paragraph 2 of schedule 14 to that Act and duly registered as a data user under the Data Protection Act 1984 for all purposes for which registration is required in respect of the processing of Personal Data by or on behalf of that Group Company.

6.4 No Group Company has received a notice (including, without limitation, any enforcement notice), letter, complaint, notification of a request for assessment under section 42 Data Protection Act 1998 or other communication from the Information Commissioner or another person alleging breach by it of the statute referred to in paragraph 6.2, and, so far as the Sellers are aware, there are no circumstances which might give rise to any such notice, letter, complaint, notification or communication being served, given or made

6.5 No individual has been awarded compensation from any Group Company (whether pursuant to court proceedings or not) under the statute referred to in paragraph 6.2, no claim for such compensation is outstanding and, so far as the Sellers are aware, there are no circumstances which might lead to any claim for such compensation being made.

6.6 No order has been made against any Group Company for the rectification, blocking, erasure or destruction of any Personal Data under the statute referred to in paragraph 6.2, no application for such an order is outstanding and, so far as the Sellers are aware, there are no circumstances which might lead to any application for such an order being made.

6.7 So far as the Warrantors are aware, no warrant has been issued under schedule 9 of the Data Protection Act 1998 authorising the Information Commissioner (or any of his officers or servants) to enter any of the premises of the Company.

7. BOOKS, RECORDS AND RETURNS

7.1 The register of members, minute books, other statutory books and registers and all other records required to be kept by each Group Company under the Companies Act 1985 or any other legislation are in the possession and ownership or under the control of that Group Company, have been properly kept and contain complete and accurate details of the matters which should be dealt with in those books, registers and records.

7.2 No claim has been made that any of the books, registers and records referred to in paragraph 7.1 of this part 3 is incorrect or should be rectified.

Part 4 - Contracts

- 7.3 All returns, particulars, resolutions and other documents required by the Companies Act 1985 or any other legislation to be given or delivered by any Group Company to the registrar of companies have been correctly made up and duly given or delivered.

8. LITIGATION

- 8.1 No Group Company is engaged, or has during the period of two years ending on the date of this Agreement been engaged, in any litigation, arbitration, mediation, conciliation, expert determination, adjudication or other dispute resolution process, whether as claimant or defendant or in any other capacity.
- 8.2 No Group Company is subject to any investigation, inquiry or enforcement proceedings or other process by any governmental, administrative or regulatory body or agency nor is any Group Company in dispute with any such body or agency.
- 8.3 There are no dispute resolution processes, proceedings and other processes or disputes such as are referred to in paragraphs 8.1 and 8.2 of this part 3 pending or threatened by or against any Group Company, and, so far as the Warrantors are aware, there are no circumstances which might give rise to any such dispute resolution processes, proceedings and other processes or disputes.

Part 4 - Contracts

Part 4 - Contracts

1. MATERIAL CONTRACTS

- 1.1 So far as the Warrantors are aware, each material agreement under which a Group Company enjoys rights or by which a Group Company is bound at the date of this Agreement is valid, binding and enforceable in accordance with its terms, and no such agreement is voidable by any party to it.
- 1.2 So far as the Warrantors are aware, there has been no breach, whether by a Group Company or otherwise, of any of the agreements referred to in paragraph 1.1 of this part 4, and no Group Company has received notice alleging any such breach.
- 1.3 So far as the Warrantors are aware, no threat or claim of any default has been made by or against any Group Company in relation to any of the agreements referred to in paragraph 1.1 of this part 4, and no circumstances have arisen which might give rise to any such default or which might otherwise cause any such agreement to be terminated or rescinded by any party or allow any party to vary its terms.
- 1.4 There is no subsisting dispute between any Group Company and any other person in relation to any of the agreements referred to in paragraph 1.1 of this part 4, and so far as the Warrantors are aware there are no circumstances which might give rise to any such dispute.
- 1.5 No Group Company has given or received notice terminating any of the agreements referred to in paragraph 1.1 of this part 4.
- 1.6 No Group Company is a party to any agreement, and no Group Company has submitted an offer or tender which is capable of being converted into an agreement:
 - 1.6.1 which is not in the ordinary course of business or which is not on arm's length terms;
 - 1.6.2 which involves or may involve obligations, restrictions or expenditure of an unusual, onerous or exceptional nature, or which is or is likely to be loss-making;
 - 1.6.3 which provides for any financial commitment of any party to be adjusted with reference to any index of retail prices or other index;
 - 1.6.4 which is incapable of performance in accordance with its terms within twelve months of the date on which it was entered into or undertaken;
 - 1.6.5 which cannot be terminated by that Group Company on less than 3 months' notice without compensation;

Part 4. Contracts

- 1.6.6 which requires a consideration or other expenditure unfunded by the client by that Group Company other than in the ordinary course of business of more than £150,000 in aggregate or £50,000 in any twelve month period;
- 1.6.7 which limits the ability of any Group Company to carry on any business in any part of the world in such a manner as it thinks fit;
- 1.6.8 under which that Group Company is required to supply goods, services or rights of which the aggregate sales or licence value (exclusive of VAT, if any) exceeds £1,000,000 or 5% of the aggregate turnover for the Group Companies for the financial year ending on the Accounts Date;
- 1.6.9 pursuant to which any Group Company has disposed of any shares or business and remains subject to any actual or contingent liability;
- 1.6.10 which is a finance lease, hire purchase, rental or credit sale agreement or which otherwise provides for the purchase of any asset or the right to purchase any asset by way of periodical payment; or
- 1.7 for the provision of management consultancy or similar services to any Group Company.
- 1.8 No Group Company has made or agreed to make any loan, or done or agreed to do any other thing, to provide a director with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings, or otherwise as permitted by section 337A Companies Act 1985, or to enable a director to avoid incurring such expenditure.
- 1.9 No Group Company is, or has agreed to become, a member of any partnership, joint venture or consortium or a party to any other arrangement for sharing income, profits, losses or expenses.

2. POWERS OF ATTORNEY AND AUTHORITIES

There are no subsisting powers of attorney given by any Group Company and no other subsisting written authorities by which any person may execute any document, enter into any agreement or do or agree to do anything on behalf of any Group Company.

3. RETENTION OF TITLE

No Group Company has purchased any goods (including any plant or equipment) or materials on terms that property in them does not pass until full payment is made or all indebtedness discharged.

Part 4 – Contracts

4. OUTSTANDING OFFERS

No offer or tender which is capable of being converted into an agreement binding on any Group Company, whether by acceptance or other act of some other person, is outstanding, except in the ordinary course of business.

5. GUARANTEES AND INDEMNITIES

5.1 The Disclosure Letter contains details of all outstanding guarantees, indemnities, security agreements, comfort letters or other analogous or similar agreements given by or for the benefit of any Group Company including, without limitation, details of all qualifying third party indemnity provisions (as defined in section 309B(1) Companies Act 1985) in respect of any director of a Group Company except in the ordinary course of business in connection with television productions.

5.2 Each Group Company has complied with the requirements of section 309C Companies Act 1985 in respect of qualifying third party indemnity provisions made by it or for the benefit of any of its directors.

6. MANAGEMENT REPORTS

No Group Company has commissioned any report from financial or management consultants since 30 April 2004.

7. INSIDER CONTRACTS

7.1 No Group Company is a party to, nor have the profits or financial position of any Group Company reflected in the Accounts been affected by, any agreement which is not on arm's length terms.

7.2 No Group Company is a party to any subsisting agreement in which the Sellers, or any Associate of any Seller, or any director of a Group Company, or any Associate of any such director, is a party or is otherwise interested, directly or indirectly.

8. EFFECT OF AGREEMENT

So far as the Warrantors are aware, the sale of the Shares to the Buyer and the performance by the parties of their obligations under this Agreement:

8.1 will not result in a breach of, or constitute a default under, any agreement under which any Group Company enjoys rights or by which it is bound;

8.2 will not entitle any party to a material agreement under which any Group Company enjoys rights or by which it is bound to be released from any of that party's obligations or to terminate or vary its rights or obligations under that agreement; and

Part 4 - Contracts

- 8.3 will not create or accelerate any obligation of any Group Company or cause or require any Group Company to lose or dispose of any right or asset or any interest in any asset, including by way of the imposition or crystallisation of any Encumbrance on any asset.

Part 5 - Assets

Part 5 - Assets

1. ASSETS SUFFICIENT FOR THE BUSINESS

The assets and rights owned by or licensed to each Group Company, together with assets held under any finance lease, hire purchase and rental or credit sale agreements referred to in the Disclosure Letter, comprise all assets and rights necessary for the continuation of the business of that Group Company as carried on at the date of this Agreement.

2. OWNERSHIP AND POSSESSION OF ASSETS

2.1 All assets used by any Group Company in the course of its business as carried on at the date of this Agreement or which are necessary for the continuation of its business, other than any asset held under an agreement referred to in paragraph 1 of this part, are legally and beneficially owned by that Group Company free from Encumbrances, and no person has claimed to be entitled to an Encumbrance in respect of any such asset.

2.2 All of the tangible assets owned by any Group Company, or which any Group Company has the right to use, are in the possession and ownership or under the control of that Group Company.

3. VULNERABLE ANTECEDENT TRANSACTIONS

3.1 No Group Company has been a party to any transaction pursuant to or as a result of which an asset owned, purportedly owned or otherwise held by any Group Company is liable to be transferred or re-transferred to another person, or which gives or may give rise to a right of compensation or other payment in favour of another person.

3.2 Without limiting paragraph 3.1 of this part, no Group Company has been a party to any transaction to which the provisions of sections 238 (transactions at an undervalue), 239 (preferences), 242 (gratuitous alienations), 243 (unfair preferences), 339 (transactions at an undervalue), 340 (preferences) or 423 (transactions defrauding creditors) Insolvency Act 1986 may still be applicable.

4. INSURANCE

4.1 The Disclosure Letter contains complete and accurate details of all insurance policies maintained by each Group Company.

4.2 Each Group Company maintains, and has at all material times maintained, adequate insurance in respect of all of its assets of an insurable nature against fire, theft and damage in amounts representing their full replacement or reinstatement values, against third party loss (including by way of employer's liability and public liability insurance), loss of profits and all other risks required by applicable law or regulation to be covered by insurance or normally insured against by companies carrying on the same business.

Part 5. Assets

- 4.3 All premiums due on the subsisting insurance policies of each Group Company have been duly paid, all other conditions of those policies have been performed and observed, and, so far as the Sellers are aware, there are no circumstances which might result in an increase in premium or make any policy void or voidable.
- 4.4 So far as the Sellers are aware, no subsisting insurance policy of any Group Company is subject to any special or unusual terms or restrictions, and no Group Company has been *refused insurance during the period of three years ending on the date of this Agreement*.
- 4.5 The subsisting insurance policies of each Group Company will continue in full force and effect notwithstanding sale of the Shares to the Buyer under this Agreement.
- 4.6 The Disclosure Letter contains complete and accurate details of all insurance claims made by any Group Company during the period of two years ending on the date of this Agreement, and, so far as the Sellers are aware, there are no circumstances which would entitle any Group Company to make such a claim or which would or might be required under any of the policies to be notified to the insurers.

5. CONDITION AND MAINTENANCE OF PLANT

- 5.1 All office and other equipment owned by each Group Company:
 - 5.1.1 is in a repair and condition commensurate with its age; and
 - 5.1.2 have been regularly maintained in accordance with safety regulations usually observed in relation to equipment of the relevant type.
- 5.2 Maintenance contracts are in full force and effect in respect of all assets of each Group Company which it is normal or prudent to have maintained by independent or specialist contractors and in respect of all assets which any Group Company is obliged to maintain or repair under any finance lease or hire purchase, rental, credit sale or other similar agreement.
- 5.3 Copies of all service histories and maintenance contracts relating to office and other equipment owned or used by each Group Company are *annexed to the Disclosure Letter*

6. LEASED ASSETS

So far as the Sellers are aware, there are no circumstances, and none is likely to arise, in relation to any asset (other than any Property assets) held by any Group Company under a finance lease or a hire purchase, rental, credit sale or other similar agreement by which the rental payable has been, or is likely to be, increased.

Part 6 - Environmental Matters

"Environment"

means all or any of the following media: land including (without limitation) land covered with water, the air including (without limitation) the air within buildings and other natural or man-made structures above or below ground, and any living organisms or systems supported by those media;

"Environmental Laws"

means all national or local statutes, codes or other laws or legislation concerning health and safety or matters related to pollution or protection of the environment and all decisions, rules, regulations, ordinances, orders, notices and directives of the European Community and the United Kingdom Parliament and other official bodies having jurisdiction in respect of those matters which:

- (i) have as a purpose or effect the protection or enhancement of the Environment and relate to the presence, manufacturing, processing, treatment, keeping, handling, use, possession, supply, receipt, sale, purchase, import, export or transportation of Hazardous Materials or any event, activity, condition or phenomenon which alone or in combination with others is capable of causing harm or damage to property, to human beings or any other living organism;
- (ii) relate to the release, spillage, deposit, escape, discharge, leak or emission of Hazardous Materials;
- (iii) relate to the control of Waste;
- (iv) relate to noise, vibration, radiation or common law or statutory nuisance or any other interference with the enjoyment or use of land;
- (v) relate to the use of land or the erection, occupation or use of buildings or other natural or man-made structures above or below ground; or

(vi) relate to human health and safety;

"Hazardous Material"

means any Substance or organism which alone or in combination with others is capable of causing harm or damage to property or to human beings or any other living organism or damaging the Environment or public health or welfare;

"Health and Safety Laws"

means all applicable statutes, statutory legislation, common law, treaties, regulations, directives, codes of practice, guidance notes including but without limitation the Factories Act 1961, the Offices, Shops and Railway Premises Act 1963, the Fire Precautions Act 1971, the Health and Safety at Work etc. Act 1974 and the Construction (Design and Management) Regulations 1994 concerning the health and safety of those who work for any Group Company whether as employees or otherwise, visit the Properties or are in any way affected by persons engaged in such business activities;

"Substance"

means any natural or artificial matter whether in solid or liquid form or in the form of a gas or vapour and for this purpose includes electricity, heat or radioactive emissions;

"Waste"

includes any Substance to be disposed of, including any by product, effluent or other surplus Substance arising from the application of any process, and any Substance or article of which is broken, worn out, contaminated or otherwise spoiled or unwanted, irrespective of whether it is capable of being recovered or recycled or has any value.

1. As far as the Sellers are aware no enquiry having been made, no notice, action, claim or demand whether pending, threatened or severed has been made or is expected to be made against a Group Company in respect of an alleged breach of Environmental Laws.

2. **HEALTH AND SAFETY**

- 2.1 Each Group Company complies with all conditions, limitations, obligations, prohibitions and requirements contained in any Health and Safety Laws and so far as the Warrantors are aware there are no circumstances which may lead to any breach of any Health and Safety Laws.
- 2.2 The Sellers have carried out all necessary risk assessments as specified under the Health and Safety Laws.

- 2.3 A list of all current health and safety policy statements, health and safety reports and assessments, audits, records of accidents and reportable diseases, permits, notifications, certificates and records required by Health and Safety Laws together with any correspondence between any Group Company and any relevant enforcement authority, including but not limited to the Health and Safety Executive and the relevant local authority, has been supplied to the Buyer.
- 2.4 No suggestion has been made to any Group Company by any occupier, employee, contractor, trade union, staff organisation, local authority or statutory official that the Properties may suffer from defects in design, construction or fitting out which might adversely affect the health of people working at or visiting the Properties.
- 2.5 No Group Company has received any prohibition or improvement notices from any enforcement body, including but without limitation the Health and Safety Executive and the relevant local authority, with regard to breaches of Health and Safety Laws or otherwise.
- 2.6 There have been no claims, investigations or proceedings against or threatened against any Group Company or any of its directors, officers or employees in respect of accidents, injuries, illness, disease or any other harm to the health and safety of employees, contractors or any other persons caused by breaches of Health and Safety Laws and there are no circumstances which may lead to any such claims, investigations or proceedings.
- 2.7 All information provided by and on behalf of each Group Company to any statutory authority in connection with Health and Safety laws was accurate when given.

Part 7 - Property

Part 7 - Property

1. TITLE

- 1.1 The Properties comprise all the properties owned, occupied or otherwise used by the Group Companies and save where subject to an Occupational Lease, they are all occupied solely by one or more of the Group Companies.
- 1.2 Those of the Properties which are occupied or otherwise used by any Group Company in connection with its business are occupied or used by right of ownership or under lease or licence the terms of which permit that occupation or use.
- 1.3 Each Group Company has the interest shown in schedule 5 in the Properties against which its name appears in that schedule.
- 1.4 The information contained in schedule 5 is complete and accurate.

2. ENCUMBRANCES

So far as the Sellers are aware no enquiry having been made, the Properties are not subject to outgoing charges other than business rates, water rates and insurance premiums and, in the case of leasehold properties, rent and service charges.

3. DISPUTES

So far as the Sellers are aware no enquiry having been made, there are no disputes with neighbouring owners with respect to boundary walls and fences relating to any of the Properties or with respect to easements or rights over or means of access to any of the Properties.

4. LEASEHOLD PROPERTIES

- 4.1 As far as the Sellers are aware no enquiry having been made each Group Company has paid the rent and observed and performed the covenants (other than the covenant of repair) in all material respects on the part of the tenant and the conditions contained in the Leases under which any of the Properties are held by the relevant Group Company.
- 4.2 No Group Company has any contingent or residual liability (as original or previous tenant or as guarantor) in respect of any property previously occupied by a Group Company.
- 4.3 All stamp duty and stamp duty land tax (and any penalties) payable in respect of the Leases has been paid.

Part 7 – Property

5. TENANCIES

The Properties are held subject to and with the benefit of the Occupational Leases, a complete and accurate list of which is set out in part 2 of schedule 5.

6. ADVERSE ORDERS

As far as the Sellers are aware no enquiry having been made there are no compulsory purchase orders notices orders or resolutions affecting any of the Properties and there are no closing demolition or clearance orders or enforcement notices or stop notices affecting any of the Properties and as far as the Sellers are aware no enquiry having been made there are no circumstances which might lead to any being made.

Part 8 – Employment

DEFINITIONS:

"Employees"	the permanent employees and the officers of any Group Company as at Completion and any fixed-term employees employed to cover permanent employees' positions as at Completion excluding for the avoidance of doubt any employee or worker engaged in connection with a specific production or productions;
"Fixed-Term Employees"	any employees or workers engaged by any Group Company as at Completion on Schedule E fixed-term contracts in connection with a specific production or productions;
"Former Employees"	the former permanent employees and officers of any Group Company and any former fixed-term employees employed to cover permanent employees' positions excluding for the avoidance of doubt any employee or worker formerly engaged in connection with a specific production or productions;
"Former Fixed-Term Employees"	any employees or workers formerly engaged by any Group Company on Schedule E fixed-term contracts in connection with a specific production or productions;
"Former Workers"	the individuals formerly employed or engaged by any Group Company including for the avoidance of doubt Former Employees and Former Fixed-Term Employees;
"Workers"	the individuals employed or engaged by any Group Company as at Completion including for the avoidance of doubt Employees and Fixed-Term Employees;

1. EMPLOYEES AND TERMS OF EMPLOYMENT

- 1.1 The Disclosure Letter contains complete and accurate details of the identities, dates of commencement of employment, engagement or appointment to office, dates of birth, notice periods and basic annual salaries or fees of all Employees. No Group Company has entered into any commitment and no such commitment subsists to employ or to have seconded to it any other person.

- 1.2 The Disclosure Letter contains complete and accurate details of the identities, dates of commencement of employment or engagement and termination dates of all Fixed-Term Employees.
- 1.3 Copies of all current contracts for all Employees having a basic annual salary or fee in excess of £40,000 are annexed to the Disclosure Letter.
- 1.4 Full details of all benefits and other arrangements (whether contractual or discretionary) offered to Employees and Fixed-Term Employees, including without limitation copies of employee handbooks and policies and copies of standard contracts, are annexed to the Disclosure Letter.
- 1.5 The Disclosure Letter contains complete and accurate details of any outstanding offer of employment made to any individual by any Group Company, and no individual has accepted an offer of employment by any Group Company who has not yet started his employment.
- 1.6 Each person employed or engaged by any Group Company in connection with a specific production or productions is engaged on standard PACT terms.
- 1.7 There are no agreements between any Group Company and any trade union or other body representing employees or workers, nor has any Group Company done any act which may be construed as recognition of any trade union or other body, nor have any requests for recognition, or arrangements for collective information and consultation whether under Schedule A1 of the Trade Union and Labour Relations (Consolidation) Act 1992 as amended, the Information and Consultation of Employee Regulations 2004 or otherwise, been received by any Group Company, nor are there any works councils, staff associations pre-existing agreements, negotiated agreements and/or other arrangements with employee representatives in place.
- 1.8 In relation to each Worker (and so far as relevant to each Former Worker), so far as the Warrantors are aware each Group Company has:
- 1.8.1 complied with all material obligations imposed on it contractually, or by articles of the Treaty of Rome, European Commission regulations and directives or by any statute, regulation or code of conduct relevant to the relations between it and any or all of its employees and workers or it and any recognised trade union;
 - 1.8.2 maintained adequate and suitable records regarding the service of each of its employees and workers;
 - 1.8.3 complied with all collective agreements, customs and practices for the time being dealing with relations or the conditions or services of its Workers; and
 - 1.8.4 complied with all relevant orders and awards made under any applicable legislation affecting the conditions of service of its Workers.

- 1.9. Each Group Company has complied with all relevant recommendations made by the Advisory Conciliation and Arbitration Service and with all relevant awards and declarations made by the Central Arbitration Committee.
- 1.10 No Employee, Former Employee, Fixed-Term Employee or Former Fixed-Term Employee has or may in the future have a right to return to work (whether for reasons connected with maternity leave, absence by reason of illness or incapacity or otherwise) or a right to be reinstated or re-engaged by that Group Company.
- 1.11 There is no agreement, arrangement, scheme, policy of insurance or obligation (whether legal or moral) for the payment of any pensions, allowances, lump sums or other like benefits on retirement or on death or during periods of sickness or disablement for the benefit of any Employees, Former Employees, Fixed-Term Employees or Former Fixed-Term Employees for the benefit of dependants of such individuals, save as disclosed in the Disclosure Letter.
- 1.12 Copies of all agreements for the provision of consultancy services or other services of personnel of or to any Group Company and details of the terms applicable to the secondment to or from any Group Company of any person are annexed to or (as the case may be) contained in the Disclosure Letter.
- 1.13 There are no terms of employment or engagement for any person employed or engaged by any Group Company which provide that a change in control of any Group Company (however change of control may be defined, if at all) shall entitle the employee or worker to treat the change of control as amounting to a breach of contract or entitling him to any payment or benefit whatsoever or entitling him to treat himself as redundant or otherwise dismissed or released from any obligation.
- 1.14 No Group Company has any obligation to make any payment on redundancy in excess of the statutory redundancy payment, and no Group Company has operated any discretionary practice of making any such excess payments.
- 1.15 No Employee or Fixed-Term Employee is subject to a current disciplinary warning, proceeding or procedure.
- 1.16 So far as the Warrantors are aware, no enquiry of the Employees or Fixed-Term Employees having been made, no employee of any Group Company is bound by any restrictive covenant (whether legally binding or not) imposed by any previous employer.
- 1.17 So far as the Warrantors are aware, no act or omission by any Group Company in relation to any Employee or Fixed-Term Employee or their trade union or worker representatives is likely to give rise to a successful claim against that Group Company or the Buyer.

2. BONUS, PROFIT SHARING AND SHARE OPTION SCHEMES

- 2.1 There are no schemes in operation by or in relation to any Group Company under which any Employee or Fixed-Term Employee is entitled to any remuneration calculated by reference to the whole or part of the turnover, profits or sales of any Group Company or to any other form of bonus or commission.
- 2.2 No Group Company operates any approved share option scheme, share incentive scheme, approved profit sharing scheme, enterprise management incentive scheme, employee share ownership plan or unapproved share scheme under which share benefits are provided, in respect of any Worker or Former Worker. No other company provides any such scheme or plan in respect of any Workers.
- 2.3 No contract of service or contract for services exists between any Group Company and any director or employee in relation to which any relevant requirements of section 319 Companies Act 1985 have not been fulfilled.
- 2.4 No person, whether in the United Kingdom or elsewhere, who is not either an officer of a Group Company or an Employee, has formal or informal authority to negotiate or conclude the sale or purchase of goods or services on behalf of any Group Company, and no such person has any right to any indemnity or compensation whatsoever upon termination of any arrangement in connection with any Group Company.

3. CHANGES IN REMUNERATION

- 3.1 During the financial year ending on the Accounts Date and since the Accounts Date or (where employment or engagement or holding of office commenced after the beginning of that period) since the commencement date of the employment or engagement or holding of office:
 - 3.1.1 (other than as required by law) no change has been made in the rate of remuneration or the emoluments or pension benefits of any officer, ex-officer or senior executive of any Group Company (a senior executive being a person in receipt of remuneration in excess of £40,000 per annum);
 - 3.1.2 no change has been made in the terms of employment or engagement of any officer or senior executive; and
 - 3.1.3 no additional officers or senior executives have been appointed.
- 3.2 No Group Company is bound or accustomed to pay monies other than in respect of remuneration or emoluments of employment or pension benefits to or for the benefit of any Employee or Fixed-Term Employee.
- 3.3 No amounts due to or in respect of any Employee, Former Employee, Fixed-Term Employee or Former Fixed-Term Employee (including all taxes, National Insurance contributions and pensions contributions and any other levies) are in arrears or unpaid.

- 3.4. No proposal, assurance or commitment has been communicated to any Employee or Fixed-Term Employee regarding any change to his terms of employment or engagement or working conditions or regarding the continuance, introduction, increase or improvement of any benefit or any discretionary arrangement. No negotiations have commenced or are likely to take place during the period of six months starting on the date of this Agreement for any such matter.

4. TERMINATION OF CONTRACTS OF EMPLOYMENT OR ENGAGEMENT

- 4.1 All subsisting contracts of service and all contracts for services with any individual to which any Group Company is a party are determinable on three months' notice or less without giving rise to a claim for damages or compensation, other than a statutory redundancy payment or statutory compensation for unfair dismissal.
- 4.2 No Employee or Fixed-Term Employee:
- 4.2.1 has given or received a period of notice terminating his employment or engagement which has not yet expired; or
 - 4.2.2 will be entitled to give notice, receive any payment or benefit, treat himself as redundant or otherwise dismissed, claim for breach of contract or claim to be released from any obligation as a result of the sale of the Shares to the Buyer; or
 - 4.2.3 as far as the Warrantors are aware, has indicated an intention to terminate his employment or engagement as a result of the sale of the Shares to the Buyer.

5. INDUSTRIAL DISPUTES, EMPLOYEE AND OTHER CLAIMS

- 5.1 No Group Company, and no Worker is, involved in any industrial dispute and, so far as the Warrantors are aware, there are no circumstances which might suggest that any industrial dispute involving any Group Company or any Worker may be threatened or anticipated or that any of the provisions of this Agreement including (without limitation) the identity of the Buyer may lead to any industrial dispute.
- 5.2 There is no outstanding or threatened claim, dispute, legal proceeding or grievance against any Group Company by any person who is a Worker or Former Worker, or any dispute between any Group Company and a material number or class of its Workers, and, so far as the Warrantors are aware, there are no circumstances which might give rise to any such claim, dispute, legal proceeding or grievance.
- 5.3 No enquiry into or investigation of any Group Company is pending or has been made or threatened by the Commission for Racial Equality, the Equal Opportunities Commission or any other similar authority, and, so far as the Warrantors are aware, there are no circumstances which might give rise to any such enquiry or investigation.
- 5.4 During the year ending on the date of this Agreement, no Group Company has:

5.4.1. ~~given or been required, to give notice of any redundancies to the relevant~~
Secretary of State; or

5.4.2 undertaken consultation with any trade union or employee representatives nor failed to comply with any obligation under Chapter II, Part IV of the Trade Union and Labour Relations (Consolidation) Act 1992

5.5 There is no actual or threatened protected disclosure under section 43A of the Employment Rights Act 1996, and so far as the Warrantors are aware there are no circumstances which might give rise to any such protected disclosure

5.6 So far as the Warrantors are aware, no Employee or Fixed-Term Employee is suffering from a condition which impairs his ability to perform his duties and/or which requires or might require any adjustment within the work place pursuant to section 6 of the Disability Discrimination Act 1995.

5.7 There is no requirement for a work permit in relation to any Worker, and the provisions of the Asylum and Immigration Act 1996 have been complied with in respect of every Worker.

6. LOANS TO EMPLOYEES OR WORKERS

No Group Company has made any loan or advance, or provided any other form of financial assistance which remains unpaid or is still outstanding to any Employee, Former Employee, Fixed-Term Employee or Former Fixed-Term Employee.

Part 9 – Pensions

1. DEFINITIONS

In this part 9:

"Pension Scheme" means the scheme known as the Grouped Personal Pensions with Scottish Equitable under reference 88936; and

"Relevant Employee" means any employee or director or former employee or director of any Group Company.

2. CURRENT PENSION ARRANGEMENTS

Except for the Pension Scheme no Group Company is a party to or participates in or contributes to any scheme, agreement or arrangement (whether legally enforceable or not) for the provision of any pension, retirement, death, incapacity, sickness, disability, accident or other like benefits (including the payment after leaving the employment of the any Group Company of medical expenses) for any Relevant Employee or for the widow, widower, child or dependant of any Relevant Employee and no Group Company will enter into any such arrangement before Completion.

3. COMMUNICATIONS AND EX GRATIA PENSIONS

No Group Company:

3.1 has given any undertaking or assurance to any Relevant Employee (whether legally enforceable or not) as to the continuance, introduction, improvement or increase of any benefit of a kind described in paragraph 2 or as to the rights of any person to receive such benefits, or

3.2 is paying or has in the last twelve months down to Completion paid any such benefit, to any Relevant Employee or any widow, widower, child or dependant of any Relevant Employee.

4. STAKEHOLDER PROVISION

No Group Company has any obligation to facilitate access to a stakeholder pension scheme under section 3 of the Welfare Reform and Pensions Act 1999.

5. OLD DEFINED BENEFIT ARRANGEMENTS

No Group Company nor the Sellers has in the five years before the date of this Agreement participated in or been a participating employer of any defined benefit arrangement. Where **"defined benefit arrangement"** means a scheme, agreement or arrangement under which the amount or some or all of the benefits payable to or in respect of a member of the scheme, agreement or arrangement is calculated in

~~accordance with a formula which takes account of the service of the member to retirement, death or withdrawal and the remuneration of the member at or close to his retirement, death or withdrawal.~~

6. **TUPE TRANSACTIONS**

In the two years before the date of this Agreement no Group Company has, in relation to the Relevant Employees, been involved in any transaction to which the Transfer of Undertakings (Protection of Employment) Regulations 1981 apply other than transactions where:

- 6.1 the transferor did not have an occupational pension scheme;
- 6.2 the transferee mirrored the exact terms of benefits and contributions of the transferor's occupational pension scheme; or
- 6.3 the only benefits provided by the transferor's occupational pension scheme were old age, invalidity and survivors benefits.

7. **DISPUTES**

Neither the Pension Scheme nor any Group Company is engaged or involved in any proceedings which relate to or are in connection with the Pension Scheme or the benefits thereunder and no such proceedings are pending or threatened and so far as the Sellers is aware there are no facts likely to give rise to any such proceedings.

In this paragraph 7, "**proceedings**" includes any litigation or arbitration and also includes any investigation or determination by the Pensions Ombudsman, the Occupational Pension Advisory Service or the Occupational Pensions Regulatory Authority or any complaint under any internal dispute resolution procedure established in connection with the Pension Scheme.

8. **EXEMPT APPROVAL**

The Pension Scheme is approved under Chapter IV of Part XIV of ICTA and so far as the Sellers is aware there is no reason why such approval might be withdrawn or might cease to apply.

9. **ACCESS TO MEMBERSHIP**

Every Relevant Employee who has at any time been entitled to join or apply to join the Pension Scheme has been invited to do so as of the date on which he became so entitled having been informed in writing of his rights in this regard, and no Relevant Employee has been excluded from membership of the Pension Scheme or from any benefits thereunder in contravention of:

- 9.1 sections 62 to 66 of Pensions Act 1995;

9.2 **Articles 137 and 141 of the Treaty of Rome;**

9.3 the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations (SI 2000/1551); and

9.4 the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations 2002 (SI 2002/2034).

10. **PAYMENT OF CONTRIBUTIONS**

Contributions due in respect of the Pension Scheme are paid within the statutory time period allowed and all contributions and premiums which are payable by each Group Company in respect of the Pension Scheme for the period down to Completion have been duly paid when due and save for the payment of employer contributions no Group Company is required to bear any fees, charges or expenses under the Pension Scheme in relation to it.

11. **MONEY PURCHASE BENEFITS**

All pension benefits payable on the death or retirement under the Pension Scheme are money purchase benefits within the definition of the term in section 181 of the Pension Schemes Act 1993 and are not guaranteed in relation to a proportion of remuneration and no assurance, promise or guarantee (whether written or oral) has been given to any Relevant Employee or any particular level or amount of benefit (other than death in service benefits) payable to or in respect of him on retirement, death or leaving service.

Part 10 - Intellectual Property

This Part 9 does not apply to any matters to which Part 10 – Information Technology relates.

1. DEFINITIONS

In this Part 9:

"Business Information"

means information (whether confidential or otherwise), know-how, records (in whatever form held), inventions, trade secrets and other proprietary knowledge and information including (without limitation) all formulae, designs, specifications, drawings, data manuals and instructions and all customer and supplier lists, sales information, business plans, and forecasts, and all technical or other expertise and all computer software (including source codes) and all accounting and tax records, orders and inquiries;

"Company IP"

means in respect of each Group Company all Intellectual Property owned by and/or which is, is contracted to be or has been used by that Group Company;

"Intellectual Property"

means copyrights, performers' rights, trade marks, service marks, business names and devices, design rights, patents, database rights, topography rights, domain names (whether or not registered and including applications for registration and the right to make applications) and all other forms of protection of a similar nature or having equivalent or similar effect to any of these which may subsist anywhere in the world, for their full term and any extension or renewal thereof;

"IP Contract"

means any agreement, licence, permission or consent in respect of the use or exploitation of any Company IP and/or any Work (including, without limitation, all distribution agreements, development agreements, production agreements, commissioning agreements and format agreements and any unwritten and/or informal licensing arrangement) to which the Group Company is a party;

"Works"

all audio, visual and/or audiovisual works, books and merchandise created and currently exploited or contracted to be exploited, in any way by any Group Company.

2. OWNERSHIP AND SUBSISTENCE

- 2.1 A list of all Company IP registered in the name of a Group Company is set out in the Disclosure Letter.
- 2.2 Each Group Company is, save as disclosed in the Disclosure Letter, the sole legal and beneficial owner of the registered Company IP registered in its name and the Works. The Company IP and the Works owned by a Group Company are free of all charges. All moral rights subsisting in relation to Company IP and or/any Works owned by a Group Company have been waived.
- 2.3 Nothing has been done or omitted to be done by the Sellers or, so far as the Sellers are aware, by any third party which would jeopardise the validity, enforceability or subsistence of the Company IP or the business of any Group Company.
- 2.4 The Company IP comprises all the Intellectual Property necessary to carry on the business as conducted by each Group Company as at the date of this Agreement and no Group Company's right to use and exploit its Company IP or Business Information will become subject to a right of termination solely by the acquisition of the Shares by the Buyer.
- 2.5 So far as the Sellers are aware, all tax and other payments due to be made by a Group Company on or before Completion in respect of the Company IP and/or the Works have been discharged including, without limitation, payment of all application and renewal fees and other costs, charges, fees or royalties in relation thereto.
- 2.6 Each Group Company has at all times kept confidential and has not disclosed all Business Information relating to or used in the business of each Group Company, the disclosure of which might cause loss or damage to or adversely affect that Group Company.

3. LICENCES AND EXPLOITATION

- 3.1 IP Contracts which are material to the business of each Group Company have been reduced to writing and are in the possession or custody of a Group Company.
- 3.2 So far as the Sellers are aware, all IP Contracts are valid, subsisting and enforceable.
- 3.3 No Group Company is nor, so far as the Sellers are aware, is any third party in breach of any IP Contract and no Group Company has given or received written notice that it is in breach of any IP Contract.
- 3.4 So far as the Sellers are aware, there are no IP Contracts affecting the Company IP not entered into in the ordinary course of business and on arm's length terms.

- 3.5 There is no single or individual elements of Company IP, elements of Work or IP Contract, the loss, termination or expiration of which would of itself have a material adverse effect on the operation of the business of any Group Company.
- 3.6 So far as the Sellers are aware, each Group Company has secured all necessary approvals, licences, authorisations, clearances and/or waivers in respect of its use of the Works as carried out at the date of this Agreement and all other third party Intellectual Property used by such Group Company.
- 3.7 So far as Sellers are aware no audit of the records of any Group Company or of any other party to any IP Contract, for the purpose of verifying payments thereunder has been requested by any person.
- 3.8 No Group Company has licensed to any third party the exclusive right (a) to distribute any Work by video streaming, audio streaming or downloading, or (b) to sell merchandise, in both cases via the internet, and no Group Company itself carries out video streaming, audio streaming or downloading via its own website(s) in breach of any third party's Intellectual Property.
- 3.9 Save as set out in the Disclosure Letter each Group Company owns and shall continue to own and/or so far as the Sellers are aware there is no reason why each Group Company will not continue to have full and unrestricted access to with the right to use post Completion all the physical materials relating to the Works. The physical materials relating to the Works are of first class quality and are suitable for commercial broadcast or publication in the United Kingdom.
- 3.10 So far as the Sellers are aware no Group Company shall as a consequence of entering into this agreement or performing its obligations under it be in breach of any IP Contract or be required to pay or repay any advance or other monies to any third party.
- 3.11 The distribution rights register attached to the Disclosure Letter was prepared in good faith in connection with the Buyer's due diligence and is not materially inaccurate or misleading.

4. INFRINGEMENT AND CLAIMS

- 4.1 So far as the Sellers are aware, no Group Company has received written notice that the exercise by any Group Company of any rights in and to any Company IP:
- 4.1.1 infringes or has infringed any Intellectual Property of any third party;
 - 4.1.2 involves or has involved the unauthorised use by any Group Company of any Business Information of a third party; or
 - 4.1.3 contains material which is contrary to any applicable law, relevant rules and/or regulations of any regulatory body.

- 4.2. So far as the Sellers are aware, there is not, nor has there been any infringement or unauthorised use by any person of the Company IP or Business Information owned by a Group Company.

Part 10 – Information Technology

1. DEFINITIONS

In this part 10:

"Developed Software"	means in relation to each Group Company all computer programs the copyright in which is owned by a third party which are designed, written, developed or configured by, on behalf of or for the use of that Group Company;
"Hardware"	means in relation to each Group Company all information technology, telecommunications, network and peripheral equipment used by or on behalf of that Group Company;
"Intellectual Property"	has the same meaning as in part 10 of this schedule;
"IT Systems"	means in relation to each Group Company all Hardware and Software used by or on behalf of that Group Company;
"Package Software"	means in relation to each Group Company all computer programs the copyright in which is owned by a third party which are used by or on behalf of that Group Company excluding any Developed Software;
"Proprietary Software"	means in relation to each Group Company all computer programs the copyright in which is owned by that Group Company designed, written, developed or configured by, on behalf of or for the use of that Group Company excluding any Developed Software;
"Software"	means all Developed Software, Package Software and Proprietary Software; and
"Source Code"	means a version of the relevant Software in the language in which it was programmed together with all related manuals, documentation, working papers, diagrams, charts, data and other information in an accessible and readable format which are necessary to enable a programmer skilled in the relevant language to understand, modify, correct, maintain, support and replicate the Software without the assistance of a third party.

2. THE HARDWARE

Each Group Company owns or is permitted to use the Hardware.

3. DEVELOPED SOFTWARE AND PACKAGE SOFTWARE

- 3.1 The Disclosure Letter contains a list of the Developed Software and the Package Software (other than commercially available off the shelf Package Software) and, in relation to the Developed Software, a description of its use in each Group Company's business as it is carried on at the date of this Agreement.
- 3.2 Each Group Company is licensed to use its Developed Software and its Package Software.
- 3.3 The sale of the Shares to the Buyer and the performance by the parties of their obligations under this Agreement will not of itself result in any licence for any of the Developed Software or the Package Software becoming capable of termination by any party.
- 3.4 No payment obligations nor any increase in payment will arise in respect of the Developed Software or Package Software solely as a result of the sale of the Shares to the Buyer or the performance by the Parties of their obligations under this Agreement.
- 3.5 The Package Software consists of generally commercially available software licensed on standard terms.
- 3.6 None of the licences for the Developed Software or Package Software requires further payments of royalties or software support fees of more than £30,000 plus VAT in aggregate or more than £10,000 plus VAT per year.

4. SOURCE CODE

Each Group Company is a party to agreements in respect of the deposit of Source Code in escrow in relation to all of the Developed Software. The performance of obligations, including all deposits of source code, payments and, where relevant, testing and verification of Source Code required under such Source Code escrow agreements are up-to-date. So far as the Sellers are aware, no event has occurred which would permit the release of Source Code to any party under any of the aforementioned Source Code escrow agreements.

5. PROPRIETARY SOFTWARE

- 5.1 The Disclosure Letter contains a list of the Proprietary Software and a description of its use in each Group Company's business as carried on at the date of this Agreement.
- 5.2 Each Group Company has in its possession a copy of all Proprietary Software and a copy of all Source Code relating to the Proprietary Software. Any third party involved in the development of the Proprietary Software has entered into an agreement to assign all copyright in the Proprietary Software to a Group Company.
- 5.3 The Proprietary Software does not contain any embedded software in which the copyright is owned by a third party nor is any licence of third party software (that a Group Company does not already have) required in order to use the Proprietary Software.

6. **ADEQUACY OF IT SYSTEMS**

- 6.1 The IT Systems are the only information technology systems required by each Group Company to carry on its business as carried out at the date of this Agreement and all the IT Systems are in the possession of the relevant Group Company. No third party provides any part of the IT Systems under any outsourcing, application service provider, hosting or similar arrangement. No Group Company is provided with IT Systems by the Sellers or any member of the Sellers' Group.
- 6.2 The IT Systems are adequate for each Group Company to carry on its business as carried out at the date of this Agreement.
- 6.3 All databases used by each Group Company are owned by the relevant Group Company or that Group Company has a right to use such databases.

7. **OPERATION AND MAINTENANCE OF IT SYSTEMS**

- 7.1 The IT Systems have been and continue to be regularly maintained.
- 7.2 None of the IT Systems are the subject of unstarted, delayed, unfinished or failed acceptance testing.
- 7.3 No Group Company has suffered material disruption or interruption to its business in the 12 month period ending on the date of this Agreement due to failures, bugs or breakdowns of the IT Systems or any part of them and so far as the Sellers are aware there are no circumstances which may give rise to such a disruption or interruption.

8. **SECURITY OF IT SYSTEMS**

Each Group Company implements, maintains and keeps up-to-date:

- 8.1 physical and logical security processes and software to protect the IT Systems and any information held on them;
- 8.2 procedures to protect against unauthorised access or the introduction of viruses;
- 8.3 procedures for the taking and storing on-site and off-site of back-up copies of the Software and any data held on the IT Systems; and
- 8.4 back-up systems and disaster recovery systems and procedures sufficient to enable the relevant Group Company to continue to function without any material disruption or interruption in the event of a failure, bug or breakdown of any part of the IT Systems or the destruction, corruption or loss of access to any of the data held on the IT Systems.

9. **DISPUTES**

- 9.1 So far as the Sellers are aware, no party is in breach of the terms of any agreement or licence relating to the IT Systems to which a Group Company is a Party.

SCHEDULE 4

Taxation

Part 1: Tax definitions and interpretation

1. Tax definitions

In this schedule the following words and expressions shall have the following meanings unless the context requires otherwise:

- "Event"** any act, omission, arrangement, transaction or other event whatsoever (including, without limitation, the entering into this Agreement, Completion, the Company ceasing or having ceased to be a member of any group or associated with any other person for any tax purpose, any change in the residence of any person, the winding-up or dissolution of any person, the death of any individual, the provision of services to the Company by any person (including the employment of any person by the Company or any person holding an office of the Company) and the provision of services or the supply of goods by the Company to any person);
- "ITEPA"** the Income Tax (Earnings and Pensions) Act 2003;
- "Relief"** any loss, relief, exemption, allowance, deduction, credit or set-off in respect of Tax or relevant to the computation of Tax and any right to repayment of Tax and:
1. any reference to the "use or set-off" of a Relief shall be construed accordingly;
 2. any reference to the "loss" of a Relief includes the absence, non-existence, reduction or cancellation of any such Relief or such Relief being wholly or partly unavailable; and
 3. any reference to a "right to repayment of Tax" includes any right to repayment supplement or interest or other similar payment in respect of Tax,
- and cognate expressions shall be construed accordingly;
- "SSCBA 1992"** the Social Security Contributions and Benefits Act 1992;
- "Tax" or "Taxation"** all forms of taxation, duties, rates, levies, withholdings, deductions, charges and imposts imposed in the United Kingdom or elsewhere including but not limited to:
- (a) in the United Kingdom, income tax to which the Pay As You Earn system applies any liability arising under section 419 or 601 ICTA, national insurance contributions, value added tax and input tax with

the meaning of section 24 VATA;

- (b) all penalties, surcharges, fines and interest relating to any of the above or to the making of any return or the failure to make or the making of any incomplete or incorrect return in respect of any of the above; and
- (c) any payment by way of settlement or compromise of any Tax Demand or Tax Liability of the Company in respect of any of the above;

"Tax Authority" HM Revenue & Customs and any other authority, body or official (whether in the United Kingdom or elsewhere) competent to assess, demand, impose, administer or collect Tax or make any decision or ruling on any matter relating to Tax and in the case of inheritance tax, any person who, pursuant to section 212 Inheritance Tax Act 1984, holds any power to raise an amount of tax by sale, mortgage of, or a terminable charge on, any property or any part of it;

"Tax Demand" any notice, demand, assessment, letter or other document issued or other action taken by or on behalf of any Tax Authority (or any return or other document prepared or to be prepared by or on behalf of the Company) indicating that:

- (a) the Company or the Buyer has or may have a liability to make a payment of or in respect of Tax; or
- (b) any Relief is, may be or has been (in whole or in part) lost, set-off or used; or
- (c) any of the assets of the Company or the Shares are subject to any charge or any power to raise an amount of inheritance tax by sale or mortgage of, or a terminable charge on, these assets or any part of them resulting from or in consequence of any liability to inheritance tax,

and in respect of which a Tax Claim may be made; and

"Tax Liability" the meaning ascribed to it in paragraph 2.1 of this part 1.

2. Tax interpretation

2.1 In this schedule reference to a "Tax Liability" includes:

- 2.1.1 a liability to make any actual payment or increased payment of or in respect of Tax (whether or not such liability is a primary liability and whether or not the

person so liable has or may have any right of indemnity or reimbursement (statutory or otherwise) against any other person);

- 2.1.2 the loss, use or set off of any Relief which has been taken into account in computing, or in obviating the need for, any provision for Tax or deferred Tax in the Accounts or which is reflected or shown as an asset in the Accounts;
- 2.1.3 the use or set off of any Relief which arises in respect of an Event occurring or period ending after Completion where the use or set off of that Relief has the effect of reducing or eliminating any Tax Liability of the Company which would otherwise have given rise to a Tax Claim for which the Warrantors would have been liable;
- 2.1.4 any liability to make a payment for group relief or for a transferred tax refund or any refund of a payment for group relief or for a transferred tax refund;
- 2.1.5 any liability to make a payment or repayment in respect of VAT to a member of a group (as described in section 43 VATA) of which the Company was a member prior to Completion but is not a member after Completion;
- 2.1.6 any liability to make a payment or repayment in respect of corporation tax to a member of a group of companies of which the Company was a member prior to Completion but is not a member after Completion in circumstances where arrangements exist with HM Revenue & Customs pursuant to section 36 Finance Act 1998 whereby one member of that group may discharge the liability of other members of that group to pay corporation tax; and
- 2.1.7 the enforcement or exercise of any mortgage or charge or power of sale over any of the Shares or over any assets of the Company in connection with the payment of any amount of inheritance tax,

provided that:

- 2.1.8 in any case falling within paragraphs 2.1.2 or 2.1.3, where the Relief lost, used or set off would have operated as a deduction from gross income, profits or gains, the Tax Liability shall be treated as being equal to the amount of the Relief multiplied by the top rate of corporation tax payable by companies generally in force at the date of Completion (where the Relief has been lost) or at the date when the Relief is used or set off;
- 2.1.9 in any other case falling within paragraphs 2.1.2 or 2.1.3, the Tax Liability shall be treated as being equal to the amount of the Relief lost, used or set off;
- 2.1.10 in any case falling within paragraph 2.1.5 or 2.1.6, the Tax Liability shall be treated as being equal to the amount of the payment required to be paid or repaid; and

~~2.1.11 In any case falling within paragraph 2.1.7, the Tax Liability shall be treated as~~
being equal to the amount of inheritance tax which is or is liable to be paid out
of the proceeds of enforcement or exercise of the mortgage, charge or power of
sale together with the amount of any costs or expenses incurred in connection
with such enforcement or exercise which are liable to be paid out of those
proceeds.

2.2 In interpreting and applying this schedule:

- 2.2.1 references to a part are references to one of parts 1 to 4 of this schedule;
- 2.2.2 references in this schedule to the Company are to the Company and also
(unless the context requires otherwise) to each other Group Company;
- 2.2.3 any reference to any Event occurring or to anything being the case includes any
Event which is deemed to occur and anything which is deemed to be the case
for Tax purposes;
- 2.2.4 any reference to an Event occurring on or before Completion includes a series
or combination of Events the first of which occurred on or before Completion
and was not in the ordinary course of business of the Company at Completion
and any of which occurring after Completion were in the ordinary course of
business of the Company at Completion, occurred pursuant to a legal obligation
entered into before Completion or occurred as a consequence of any action
taken by, on behalf of or at the direction of one or more of the Sellers;
- 2.2.5 any reference to income, profits or gains earned, accrued or received or having
arisen includes income, profits or gains deemed to be or treated as being
earned, accrued or received or as having arisen for any Tax purposes;
- 2.2.6 any reference to any form of Tax or Relief which exists in the United Kingdom
includes a reference to any equivalent or substantially equivalent Tax or Relief
in any other relevant country or Tax jurisdiction;
- 2.2.7 any reference to an Event occurring "in the ordinary course of the Company's
business" in this schedule shall not include:
 - 2.2.7.1 any transaction or arrangement or series of transactions or
arrangements which relate to or involve the acquisition or disposal
of an asset or the supply of services (including the lending of
money, or the hiring or licensing of tangible or intangible property)
which is not entered into on arm's length terms;
 - 2.2.7.2 any transaction or arrangement or series of transactions or
arrangements which relate to or involve any company becoming or
ceasing to be treated as a member of a group of companies or as
becoming or ceasing to be associated or connected with any other
person for Tax purposes;

- 2.2.7.3 anything which involves, or leads, directly or indirectly, to the receipt by a Company of any demand in respect of any Tax Liability of, or properly attributable to, another person (other than another Company);
 - 2.2.7.4 anything which relates to or involves the making of a distribution for Tax purposes, the creation, cancellation or reorganisation of share or loan capital, the creation, cancellation or repayment of any intra-group debt; or
 - 2.2.7.5 any transaction or arrangement or series of transactions or arrangements which include any step or steps having no commercial or business purpose other than the reduction, avoidance or deferral of a Tax Liability; and
- 2.2.8 any reference to the last date on which a payment of Tax can be made or to the last date on which the Company is liable to make an actual payment of Tax (and cognate expressions) shall be interpreted as meaning the last date on which a payment in respect of Tax can be made to the appropriate Tax Authority without incurring a liability (contingent or otherwise) to interest or a charge or penalty in respect of late payment of such Tax.

Part 2: Tax Warranties

General

- 1.1 All returns, computations, information, accounts and notices which are or have been required to be made or given by the Company for any Taxation purpose:
 - 1.1.1 have been made or given within the requisite periods and on a proper basis and were when made and remain true and accurate; and
 - 1.1.2 none of them is, or, so far as the Warrantors are aware, is likely to be, the subject of any queries or disputes with any Taxation Authority.
- 1.2 The Company is not, and has never been, involved in any dispute with or investigation, audit or discovery by any Taxation Authority and, so far as the Warrantors are aware, no such dispute, investigation, audit or discovery is pending, planned, threatened or likely to arise.
- 1.3 The Disclosure Letter gives full details of all matters relating to Taxation in respect of which the Company (either alone or jointly with any other person) at the date of this Agreement has, within three months from Completion, an outstanding entitlement:
 - 1.3.1 to make any claim (including a supplementary claim) for relief under any Taxation statute; or
 - 1.3.2 to make any election for one type of relief, or one basis, system or method of Taxation as opposed to another.
- 1.4 The Disclosure Letter gives full details of all matters in respect of Taxation in respect of which the Company is required to make a return or provide information to the relevant Taxation Authority and in respect of which the time for making that return or providing that information will expire on or within three months after the date of this Agreement.
- 1.5 No accounting period of the Company for corporation tax purposes has ended, and the Company has not made any distribution, since the Accounts Date.
- 1.6 The provisions or reserve for Taxation appearing in the Accounts are sufficient (on the basis of the rates of Taxation current at the date of this Agreement) to cover all Taxation for which the Company was at the Accounts Date or may after that date become, or have become, liable to pay or account on, or in respect of or by reference to any profits, gains or income (whether deemed or actual) for any period ended on or before the Accounts Date, or in respect of any distribution or transaction made or entered into, or deemed made or entered into, on or before the Accounts Date.
- 1.7 The Company:
 - 1.7.1 has duly and punctually paid all Taxation which it has become liable to pay;

- 1.7.2 ~~has duly deducted and accounted for all Taxation due to have been deducted and accounted for by it; and~~
- 1.7.3 is not and has not, within the last six years, been liable to pay interest on or penalties in respect of any unpaid Taxation or default in respect of any Taxation matter.
- 1.8 The Company does not have any liability for Taxation which either has not been paid before the date of this Agreement or is not provided for in the Accounts, other than Taxation on profits realised in the ordinary course of trading since the Accounts Date.
- 1.9 The Company is not, nor are the Warrantors aware that is likely to become, liable to pay, or make reimbursement or indemnity in respect of, any Taxation (or amounts corresponding to Taxation) in consequence of the failure by any other person to discharge that Taxation within any specified period or otherwise (including without limitation liability under sections 767A, 767AA and 777 (8) ICTA 1988, sections 189, 190 and 191 TCGA and section 92(3) Finance Act 1999), where that Taxation relates to a profit, income or gain, transaction, event, omission or circumstance arising, occurring or deemed to arise or occur (whether wholly or partly) on or before the date of Completion.
- 1.10 No Taxation authority has agreed to operate any special arrangement (being an arrangement not based on a strict and detailed application of the relevant legislation) in relation to the affairs of the Company.

2. **EMPLOYMENT**

- 2.1 The Company has complied with all regulations made for the purposes of PAYE and national insurance contributions and without limitation:
- 2.1.1 has deducted Taxation as required by law from all payments made to its employees or former employees;
- 2.1.2 has accounted to the appropriate Taxation Authorities for all Taxation so deducted and for all Taxation chargeable in respect of benefits provided for its employees or former employees for which the Company is liable to account; and
- 2.1.3 has kept and used materially complete, accurate and up-to-date records and other documents as appropriate or required for those purposes, and has made in due time correct and proper returns to the appropriate Taxation Authorities in respect of all relevant employees.
- 2.2 There are no outstanding questions raised by any Taxation Authorities in connection with any such returns or other matters, the Company is not involved in any dispute in connection with those returns or matters and the Warrantors are not aware that such dispute is pending or threatened or likely to arise.

2.3 ~~The Company is not under an obligation to pay nor has it agreed to pay any~~
compensation for loss of office or any gratuitous payment not fully deductible in
computing its income for the purpose of corporation tax.

2.4 The Company does not operate any share option or share incentive schemes.

3. **VAT**

3.1 The Company is a taxable person and is registered for the purposes of VAT and its
registration is not subject to any conditions imposed by or agreed with HM Revenue &
Customs. The Company is not (nor are there circumstances by virtue of which it may
become) under a duty to make monthly payments on account under the Value Added Tax
(Payments on Account) Order 1993.

3.2 The Company has materially complied at all times with the statutory requirements,
regulations, notices, orders, directions or conditions relating to VAT, including the terms
of any agreement made with HM Revenue & Customs. The Company has obtained,
maintained and preserved complete, accurate and up to date records as required for the
purposes of VAT.

3.3 The Company is not, nor has it ever been, liable to any penalty or surcharge, or to the
operation of any penal provision under any enactment relating to VAT. The Company
has not been required by the Commissioners of HM Revenue & Customs to give security
under Schedule 11 VATA or otherwise.

3.4 *The Company is not nor has it been treated for VAT purposes as a member of any group
of companies and there has been no transfer of a business as a going concern in respect
of which the Company could become, or has at any time been, liable under section 44
VATA 1994 or any supply of goods or services by any Company in respect of which
section 43 (1) VATA 1994 is disapplied by sub-section (1AA) of that section.*

3.5 No transaction or arrangement has been effected as a result of which the Company is or
may be liable for any VAT chargeable against, or as agent for, any other person.

3.6 *The Company has not made a claim for bad debt relief under section 36 VATA, and no
circumstances exist whereby such a claim could be made.*

3.7 All supplies made by the Company in the current prescribed accounting period for VAT
purposes are taxable and not exempt supplies.

3.8 The Company has no outstanding entitlement to make any claim for repayment
supplement or recovery of overpaid VAT under sections 78 to 80 VATA 1994.

3.9 The Company has not made any election to waive exemption under Schedule 10 VATA
1994.

3.10 There is no land or building in which the Company has an interest and in relation to which
any exempt supply has been made or agreed to be made by it such that it could be
required to obtain permission under paragraph 3 (9) of Schedule 10 to VATA before

making an election to waive exemption and there is no land or building in which the Company has an interest where any election to waive exemption is or may become ineffective by virtue of paragraph 2 (3AA) of that Schedule.

- 3.11 The Company is not bound and has not agreed to become bound by any lease, tenancy or licence in the case of which under its terms or by statute the Company is or could become liable to pay VAT as a result of the making of an election to waive exemption under Schedule 10 to VATA.
- 3.12 The Company has not made any adjustments under the capital goods scheme (as described in Part XV of the Value Added Tax Regulations 1995).
- 3.13 No transactions or arrangements involving the Company have taken place or are in existence which are such that a direction has been or could be made under paragraph 1 of Schedule 6 or paragraph 1 of Schedule 7 VATA (supplies between connected parties).

4. CHARGEABLE GAINS

- 4.1 The book value of each of the capital assets of the Company in or adopted for the purposes of the Accounts of the Company does not exceed the amount deductible under section 38 TCGA (excluding any indexation allowance), and the Company has all necessary records to calculate any future liability to corporation tax on capital gains in respect of each such capital asset.
- 4.2 No asset owned or agreed to be acquired by the Company (other than plant and machinery in respect of which it is entitled to capital allowances) is a wasting asset within section 44 TCGA.
- 4.3 The Company has made no claims or elections under sections 23, 24, 152 to 158, 161, 162, 165, 175 or 247 TCGA which would affect the amount of the chargeable gain or allowable loss which would but for such claim arise on a disposal of any of its assets and indicates which assets (if any) so affected would not on a disposal, give rise to relief under Schedule 4 TCGA.
- 4.4 No chargeable gain will accrue to the Company on the disposal of any debt owed to it.
- 4.5 The Company is not entitled to any capital loss to which the provisions of section 18 (3) TCGA (connected persons) are applicable.
- 4.6 The Company has never disposed of or acquired any asset in circumstances such that the provisions of sections 17 or 19 TCGA could apply to that disposal or acquisition (transactions not at arm's length).
- 4.7 There has not accrued, nor are there circumstances which could give rise to, any gain in respect of which the Company may be liable to corporation tax on chargeable gains by virtue of the provisions of sections 13 or 87 TCGA (non-resident companies or trusts).

4.8 The Company has not been a party to any transaction to which the provisions of sections 176 or 177 TCGA (depreciatory transactions) 125 TCGA (transfers at an undervalue) or 282 TCGA (gifts) have been or could be applied.

4.9 The Company has not been a party to or otherwise involved in any transaction to which sections 135 to 138 TCGA have been or could be applied.

4.10 The Company has not been a party to or otherwise involved in any transaction to which sections 29 to 34 TCGA have been or could be applied (value shifting).

5. GROUPS

5.1 The Company is a member of a group of companies for the purposes of corporation tax, including corporation tax on chargeable gains.

5.2 Neither this Agreement nor Completion will result in any profit or gain being deemed to accrue to the Company for Taxation purposes, whether pursuant to section 179 TCGA or otherwise.

6. CLOSE COMPANIES

6.1 The Company is and has at all times been a close company as defined in section 414 ICTA 1988 but is not and has never been a close investment-holding company as defined in section 13A ICTA 1988.

6.2 No distribution within section 418 ICTA 1988 (payments etc to participators and associates) has been made by the Company.

6.3 No loan or advance or debt within section 419 ICTA 1988 (loans to participators etc) or section 422 ICTA 1988 (extension of Section 419 to loans by controlled companies) has been incurred, made or agreed to be made by the Company, and the Company has not since the Accounts Date released or written off the whole or part of the debt in respect of any such loan or advance.

7. CAPITAL ALLOWANCES

7.1 No balancing charge under the Capital Allowances Act 2001 ("CAA") (or other legislation relating to any capital allowances) would be made on the Company on the disposal of any pool of assets (that is to say all those assets expenditure relating to which would be taken into account in computing whether a balancing charge would arise on a disposal of any other of those assets) or of any asset not in such a pool, on the assumption that the disposals were made for a consideration equal to the book value shown in or adopted for the purpose of the Accounts for the assets in the pool or (as the case may be) for the asset.

7.2 The Company has made no disclaimers of capital allowances and writing down allowances on plant and machinery.

- 7.3. Since incorporation, the Company has not done, omitted to do, agreed to do or permitted to be done, any act as a result of which there may be made a balancing charge, or any disposal value may fall to be brought into account or there may be any recovery of excess relief under the CAA (or any other legislation relating to any capital allowances).

8. FOREIGN

8.1 The Company:

- 8.1.1 has never been resident for tax purposes in any jurisdiction other than the United Kingdom;
- 8.1.2 has no branch, agency, place of business or permanent establishment outside the United Kingdom; and
- 8.1.3 is not, nor has it within the past six years been, a dual resident company within the meaning of section 404 (4) ICTA 1988 and the Company has not been a party to a transaction to which section 404 ICTA 1988 or any other provision (including any exclusion from a provision) relating to dual resident companies could apply.

- 8.2 The Company has not received or become entitled to any income which is "unremittable income" within the meaning of section 584 ICTA 1988, nor has any gain accrued to the Company to which the provisions of section 279 TCGA could apply and the Company has made no transfer to which section 723 ICTA 1988 could apply.

- 8.3 No transactions or arrangements involving the Company have taken place or are in existence which are such that the provisions of section 770, 770A or Schedule 28 AA ICTA 1988 have been or could be applied thereto. The Company is not nor has it been, involved in any other enquiry in any jurisdiction in relation to the adjustment of profits of associated enterprises for taxation purposes.

9. TAX AVOIDANCE

- 9.1 The Company has not entered into any transaction to which the provisions of sections 781 to 787 ICTA 1988 have been or could be applied.

- 9.2 The Company has not been a party to or otherwise involved in any transaction, scheme or arrangement to which the provisions of sections 135, 136 or 139 TCGA or sections 703 to 709 ICTA 1988 could apply, other than transactions in respect of which all necessary clearances have been obtained on the basis of full and accurate disclosure to HM Revenue & Customs of all material facts and considerations material to be known to HM Revenue & Customs.

- 9.3 Any such consent or clearance as is mentioned above is valid and effective and any transaction for which such consent or clearance has previously been obtained has been carried into effect (if at all) only in accordance with the material terms of the relative application and consent or clearance.

- 9.4. The Company has not entered into any transaction or series of transactions, scheme, or arrangement of which the main purpose, or one of the main purposes, was the avoidance or reduction of a Taxation liability or for which there was no commercial purpose.

10. INHERITANCE TAX

- 10.1 The Company is not liable, and there are no circumstances in existence as a result of which it may become liable, to be assessed to inheritance tax or any other Taxation as donor or donee of any gift, or transferor or transferee of value and there are no other circumstances by reason of which any liability in respect of inheritance tax has arisen or could arise in the Company.
- 10.2 No circumstances exist under which any power within section 212 Inheritance Tax Act 1984 could be exercised in relation to, and there is no HM Revenue & Customs charge *within the meaning of section 237 Inheritance Tax Act 1984 attaching to or over*, any shares or securities in or assets of the Company and in no circumstances exist which could lead to any such charge arising in the future.

11. STAMP TAXES

- 11.1 There are no circumstances or transactions to which the Company is, or has been, a party which may result in the Company becoming liable to or accountable for stamp duty reserve tax or any penalty in respect of such stamp duty reserve tax.
- 11.2 All documents to which the Company is a party and/or which relate to or are necessary to prove the title of the Company to any asset owned or possessed by it and/or contain material rights on the part of the Company are in the United Kingdom and have been duly stamped.

12. LOANS, INTEREST AND MISCELLANEOUS

- 12.1 In the past four years there has been no major change in the nature, or conduct of any trade carried on by the Company, and the scale of activities of any trade carried on by the Company has not become small or negligible within the meaning of sections 768 or 768A ICTA 1988.
- 12.2 No securities or equity notes (within the meaning of section 254 (1) and section 209 (9) respectively ICTA 1988) issued by the Company and remaining in issue at the date of Completion were issued in such circumstances that the interest payable on them falls or has at any time fallen to be treated as a distribution under section 209 ICTA 1988.
- 12.3 No rents, interest, annual payments, or other sums of an income nature in excess of £10,000 paid or payable by the Company since the Accounts Date, or which the Company is under an obligation to pay in the future, are or may be wholly or partially disallowable as deductions or charges in computing profits or against profits for the purposes of corporation tax.

- 12.4 All interest discounts and premiums payable by the Company in respect of its loan relationships within the meaning of Chapter II or Part IV of the Finance Act 1996 are capable of being brought into account by the Company as a debit for the purposes of that Chapter as and to the extent that they are from time to time recognised in the Company's accounts (assuming that the accounting policies and methods adopted for the purpose of the Accounts continue to be so adopted).
- 12.5 No claims for relief from income tax have been made in respect of shares in the capital of the Company under the Enterprise Investment Scheme or the Business Expansion Scheme

Part 3: Tax Covenant

1. Covenant to pay

1.1 Subject as provided in this Schedule, each Warrantor covenants, only to the full extent of the Consideration received by them as detailed in paragraph 1.4 of Schedule 7, with the Buyer to pay to the Buyer an amount equal to any Tax Liability of the Company arising directly or indirectly in consequence of any of the following:

1.1.1 any Event which occurred on or before Completion;

1.1.2 any income, profits or gains earned, accrued, received or which arose on or before Completion;

1.1.3 the Company being or becoming liable in consequence of the failure by any other company:

1.1.3.1 which has at any time (whether before or after Completion) been a member of a group (as defined for any relevant Tax purposes) of which the Company has at any time prior to Completion been a member; or

1.1.3.2 which is or has at any time (whether before or after Completion) been under the control of the Warrantors or any person or persons that directly or indirectly controlled the Company prior to Completion; or

1.1.3.3 with which the Company has otherwise been connected or associated at any time prior to Completion,

to discharge Tax within a specified period or otherwise;

1.1.4 the Company being or becoming liable in consequence of the failure by any person (in relation to any inheritance tax liability (whether such liability arises before or after Completion) which directly or indirectly relates to a transfer of value occurring on or prior to Completion) to discharge Tax within a specified period or otherwise; or

1.1.5 the Company being or becoming liable to make a payment of Tax in consequence of any person other than the Company, the Buyer or any person who controls, or is controlled by, the Buyer ("control" having the meaning ascribed to it in section 840 ICTA) making a payment after Completion (otherwise than where directed to do so by, or with the express written agreement of, the Buyer or the Company) to any person to the extent that, and in circumstances where, such payment can reasonably be taken to constitute remuneration for acts undertaken for, or service rendered to, the Company by any current or former officer or employee of the Company during any period ending on or prior to Completion.

1.2 Subject as provided in this Schedule, each Warrantor covenants, only to the full extent of the Consideration received by them as detailed in paragraph 1.4 of Schedule 7, with the Buyer to pay to the Buyer an amount equal to:

1.2.1 any Tax Liability of the Company or the Buyer (where such Tax Liability relates to an amount of inheritance tax); or

1.2.2 any depletion in or reduction in value of the assets or increase in the liabilities of the Company or the Buyer,

arising as a result of any charge on any of the Shares or on any of the assets of the Company relating to unpaid inheritance tax or any power to raise an amount of inheritance tax by sale or mortgage of, or terminable charge on, any of the Shares or any of the assets of the Company (or any part of them):

1.2.3 where such charge or power exists at Completion; or

1.2.4 where the liability in respect of inheritance tax is payable as a result of:

1.2.4.1 the failure of any person to pay an amount in respect of inheritance tax;
or

1.2.4.2 the death of any person within seven years after a transfer of value (or a deemed transfer of value);

provided that the transfer of value (or deemed transfer of value) to which the inheritance tax liability relates occurred on or prior to Completion.

1.3 Subject as provided in this Schedule, each Warrantor covenants, only to the full extent of the Consideration received by them as detailed in paragraph 1.4 of Schedule 7, with the Buyer to pay to the Buyer an amount equal to all costs and expenses reasonably and properly incurred or payable by the Buyer or the Company in connection with or in consequence of any Tax Liability or Tax Claim in respect thereof.

1.4 In determining for the purposes of this paragraph 1 whether a charge on or power to sell, mortgage or charge any of the Shares or assets of the Company exists at any time and in determining the amount of the Tax Liability arising, the fact that any inheritance tax is not yet payable or may be paid by instalments shall be disregarded and such inheritance tax shall be treated as becoming due and a charge or power to sell, mortgage or charge as arising on the date of the transfer of value or other date or event on or in respect of which it becomes payable or arises.

1.5 The provisions of section 213 Inheritance Tax Act 1984 shall not apply to any payments falling to be made pursuant to a Tax Claim.

1.6 Any payment made by the Warrantors to the Buyer pursuant to this schedule shall, so far as possible, be a reduction in or refund of the consideration payable or paid by the Buyer to the Warrantors pursuant to this Agreement to the extent permissible by law.

Part 4: Miscellaneous, including exclusions and limitations, conduct of claims and payments

1. Corresponding benefit

1.1 Where:

1.1.1 a Tax Liability of the Company has been discharged and has resulted in a Relief for the Company which would not otherwise have arisen (a "Relevant Relief"); and

1.1.2 the Warrantors have made a payment to the Buyer in respect of such Tax Liability under either the Tax Covenant or the Tax Warranties,

upon the Company utilising the Relevant Relief, an amount equivalent to the lesser of:

1.1.3 the amount of Tax which the Company would have been liable to pay but for the utilisation of the Relevant Relief (less an amount equal to the costs and expenses reasonably incurred by the Buyer or the Company in obtaining the Relevant Relief); and

1.1.4 the amount paid by the Warrantors in respect of the Tax Liability giving rise to the Relevant Relief,

shall firstly be set off against any payment then due from the Warrantors pursuant to the Warranties or the Tax Covenant, secondly, to the extent that there is an excess, a refund shall be made to the Warrantors of any previous payment or payments made by the Warrantors under this Covenant (and not previously refunded under this Covenant) up to the amount of such excess and, thirdly to the extent that there is an excess, be carried forward and set off against any payment becoming due from the Warrantors pursuant to the Warranties or the Tax Covenant.

1.2 For the purposes of paragraph 1.1, the Company shall not be regarded as utilising a Relevant Relief until the last date upon which the Company would have been obliged to make an actual payment of Tax (which it would otherwise have had to have paid but for the Relevant Relief) or, in the case of a Relevant Relief consisting of a right to repayment of Tax, the date on which the Company receives cleared funds in respect of such repayment.

1.3 Nothing in this paragraph 1 shall oblige the Company to utilise a Relevant Relief in priority to any other Relief then available to it or to maximise the amount of any Relevant Relief and the Company shall for the purposes of this paragraph be deemed to use all other Reliefs then available to it, as permitted by law, as though the Relevant Relief did not exist, in priority to the Relevant Relief in determining when the Relevant Relief is utilised but, subject to the above, the Company shall use its reasonable endeavours to utilise and maximise the Relevant Relief.

1.4 A payment pursuant to this paragraph 1 shall be made three Business Days before the date on which the Company would have been liable to make the payment of Tax but for the Relevant Relief.

1.5 The Warrantors shall be entitled to require, and the Buyer shall procure, that the Company's auditors shall (at the Warrantors' cost) certify the amount of any payment due under this paragraph 1.

2. Third party recovery

2.1 If the Warrantors have paid an amount to the Buyer in respect of a Tax Liability (pursuant either to the Tax Covenant or the Tax Warranties) and the Company or the Buyer has received a payment or obtained a reimbursement, refund, credit or set-off from any person (other than the Buyer or the Company) in respect of the Tax Liability or has (whether by operation of law, contract or otherwise) a right of reimbursement or refund against any other person or persons (other than the Buyer or the Company) in respect of the Tax Liability, the Buyer shall:

2.1.1 notify the Warrantors as soon as reasonably practicable; and

2.1.2 in the case of a right of reimbursement or refund, if requested by the Warrantors and if indemnified and, where appropriate in the circumstances, secured to the Buyer's reasonable satisfaction against all reasonable and proper costs and expenses and any Tax Liability or additional Tax Liability of the Buyer or the Company arising as a result of any action taken pursuant to this paragraph or otherwise, procure that the Company shall take reasonable steps to enforce the right, keeping the Warrantors fully informed of any progress.

2.2 Where the Buyer or the Company receives an amount from a third party pursuant to paragraph 2.1, the Buyer shall repay to the Warrantors an amount equal to the lesser of:

2.2.1 the amount paid by the Warrantors under this schedule in respect of the Tax Liability in question save to the extent that such amount constitutes a reimbursement of the costs and/or expenses reasonably and properly incurred by the Buyer or the Company in obtaining such amount from the Warrantors; and

2.2.2 the amount received by the Buyer or the Company from any third party pursuant to this paragraph less:

2.2.2.1 any costs and/or expenses reasonably and properly incurred by the Buyer or Company in obtaining such amount from such third party; and

2.2.2.2 any Tax which the Company or the Buyer reasonably anticipates will be payable in respect of such receipt (or any Tax which it is reasonably anticipated would have been payable in respect thereof but for the availability of a Relief of the type described in paragraph 2.1.2 or 2.1.3 of part 1).

3. Grossing-up of payments

- 3.1 Any amount payable by the Warrantors to the Buyer pursuant to a Tax Claim (except any amount payable under paragraph 4.2 of part 4) shall be paid free and clear of all deductions or withholdings whatsoever, save only as may be required by any applicable law.
- 3.2 If any deduction or withholding is required by law to be made from any amount payable pursuant to a Tax Claim, the Warrantors shall be obliged to pay to the Buyer such increased amount as will, after the deduction or withholding has been made, leave the Buyer with the same amount as it would have been entitled to receive in the absence of any such requirement to make a deduction or withholding.
- 3.3 In the event that any amount paid to the Buyer pursuant to a Tax Claim is or will be chargeable to Tax, the Warrantors shall be obliged to pay such increased amount as will, after payment of the Tax, leave the Buyer with the same amount that would otherwise have been payable if Tax had not been so chargeable and for these purposes an amount shall be regarded as chargeable to Tax in circumstances where it would have been so chargeable but for the use or set off of a Relief available to the Buyer.

4. Due date for payment

- 4.1 Where the Warrantors become liable to make any payment pursuant to a Tax Claim, the due date for the making of the payment shall be:
- 4.1.1 where the payment relates to a liability of the Company to make an actual payment of Tax, the later of three Business Days prior to the last date on which that payment of Tax can be made and ten Business Days after service of a notice of the Tax Demand on the Warrantors;
- 4.1.2 where the payment relates to the use or set off of a Relief, the later of three Business Days prior to the last date on which the Company would have been liable to make a payment of Tax but for such use or set off and ten Business Days after service of notice of the Tax Demand on the Warrantors by the Buyer; and
- 4.1.3 in any other case, the date falling ten Business Days after the date of service of a notice of the Tax Demand on the Warrantors.
- 4.2 If any payment required to be made by the Warrantors pursuant to a Tax Claim is not made by the due date then interest shall be payable on the amount outstanding on a daily basis compounded quarterly from the due date until the date when payment is actually made at the rate of 2% above the base rate from time to time of the Company's bankers from time to time (or in the absence of such rate at such similar rate as the Buyer shall select).

5. **Conduct of tax litigation**

- 5.1 If any Tax Demand is received by or comes to the notice of the Buyer or the Company the Buyer shall, as soon as reasonably practicable, give or procure to be given to the Warrantors written notice of the Tax Demand **provided that** the giving of such notice shall not be a condition precedent to the liability of the Sellers under this schedule in respect of the Tax Demand or otherwise. If any Tax Demand is received by or comes to the notice of the Warrantors, the Warrantors shall, as soon as reasonably practicable, give the Buyer notice of the Tax Demand.
- 5.2 If so requested in writing by the Warrantors and if the Warrantors shall indemnify and secure the Company and the Buyer, to the Buyer's reasonable satisfaction, against the relevant Tax Liability and any additional Tax Liability (including interest and penalties in respect of Tax) and all reasonable and proper costs and expenses which they may incur, the Warrantors shall be entitled to take over the conduct of all proceedings relating to the Tax Demand in question and, if necessary, the Buyer shall take, or shall procure that the Company takes, such action and gives such information and assistance in connection with the affairs of the Company as the Warrantors may reasonably request to dispute, resist, appeal or compromise the Tax Liability **provided that:**
- 5.2.1 the Buyer shall not be required and the Warrantors shall not be permitted to make or procure the making of a formal appeal beyond the General Commissioners, the Special Commissioners or Value Added Tax and Duties Tribunal or any equivalent forum in the United Kingdom or any other jurisdiction unless the Warrantors, at their own expense and after disclosure of all relevant information and documents, obtain and deliver to the Buyer an opinion from appropriate counsel who has been approved for the purpose by the Buyer (such approval not to be unreasonably withheld or delayed) and who has specialised in relevant Tax matters for a minimum of ten years that the appeal has a reasonable chance of success;
- 5.2.2 the Warrantors shall keep the Buyer and the Company fully informed as to the progress and consequences of such action;
- 5.2.3 the Warrantors shall make no settlement or compromise of the relevant Tax Liability which is likely to affect materially the future Tax of the Company or of the Buyer without the prior approval of the Company or the Buyer (as may be appropriate) (such approval not to be unreasonably withheld or delayed); and
- 5.2.4 no material communication (written or otherwise) pertaining to the Tax Demand shall be sent to the relevant Tax Authority without having first been approved by the Buyer (such approval not to be unreasonably withheld or delayed).
- 5.3 The Buyer or the Company shall, without reference to the Warrantors, be entitled to admit, compromise, settle, discharge or otherwise deal with a Tax Demand on such terms as it may, in its absolute discretion, think fit and without prejudice to any right or remedy under this schedule or this Agreement:

5.3.1 if the Warrantors have not made the request and provided the indemnity referred to in paragraph 5.2 by the earlier of the following dates:

5.3.1.1 the date being fifteen Business Days after the date on which notice of the Tax Demand was given pursuant to paragraph 5.1 or notice of the Tax Demand came to the attention of the Warrantors; and

5.3.1.2 the date being five Business Days prior to the last date on which an appeal may be made against the Tax Liability to which the Tax Demand relates **provided that** the Warrantors have had at least five Business Days' notice of the Tax Demand;

5.3.2 if written notice is served on the Company or the Buyer by the Warrantors to the effect that it considers the Tax Demand should no longer be resisted;

5.3.3 if within the period of fifteen Business Days following the service of a written notice by the Buyer on the Warrantors requiring the Warrantors to clarify or explain the terms of any request made under paragraph 5.2, no reasonably satisfactory written clarification or explanation is received by the Buyer within that period;

5.3.4 upon the expiry of any period prescribed by applicable legislation for the making of an appeal against either the Tax Demand in question or the decision of any court or tribunal in respect of any such Tax Demand, as the case may be;

5.3.5 if a Tax Authority alleges in writing that while the Company was under the control of the Warrantors there was any act or failure to act by the Company or the Warrantors in connection with the Tax Liability which constitutes fraud and Tax and/or penalties and/or interest may be payable as a result of the alleged fraud, provided that the Warrantors have had a reasonable opportunity to rebut such allegations of fraud (such opportunity to rebut not extending beyond 60 Business Days after the initial written allegation unless there is an opinion from appropriate counsel (procured at the Warrantors' expense) that such allegations have a reasonable chance of being rebutted) and the Tax Authority has failed to withdraw the allegation in writing;

5.3.6 if any of the Warrantors commit any irremediable breach of their obligations referred to in paragraphs 5.2.2, 5.2.3 or 5.2.4; or

5.3.7 if any of the Warrantors commit any remediable breach of their obligations referred to in paragraphs 5.2.2, 5.2.3 or 5.2.4 and fail to remedy such breach within five Business Days following the service on the Warrantors of a written notice by the Buyer specifying the breach and requiring it to be remedied.

6. Filing of tax returns

6.1 Subject to paragraph 6.2, the Warrantors (or their duly authorised agents) shall at the Company's expense prepare the Company's Tax returns for accounting periods ended on

or prior to the Accounts Date and deal with all matters and correspondence relating thereto and the Buyer shall procure that the Company shall provide them with such assistance as is reasonably necessary for the returns to be prepared and agreed with the appropriate Tax Authority. All such returns shall be submitted in draft form to the Buyer or its duly authorised agents for comment. The Buyer or its duly authorised agents shall comment within fourteen days of such submission and the Warrantors shall not unreasonably refuse to adopt such comments. No material communication (written or otherwise) pertaining to the Company's Tax returns shall be sent to a Tax Authority without first having been approved by the Buyer (such approval not to be unreasonably withheld or delayed). The Buyer shall procure that the Company shall cause the finalised Tax Returns to be authorised, signed and submitted to the appropriate Tax Authority without amendment (or such amendments as the Warrantors shall agree, such agreement not to be unreasonably withheld or delayed) and shall afford the Warrantors (or their duly authorised agents) such access to their books, accounts and records as they may reasonably require.

- 6.2 In circumstances where the preparation of the Company's Tax returns for any of the periods referred to in paragraph 6.1 above involves any correspondence, negotiation or other contact with a Tax Authority as to the amount or existence of a Tax Liability for which the Warrantors may be liable pursuant to the Tax Covenant, the Warrantors shall, as soon as it becomes apparent that such a liability may arise, notify the Buyers of that fact and shall refrain from further corresponding, negotiating or otherwise contacting the Tax Authority with respect to that Tax Liability until such time as it has indemnified and secured the Buyer in accordance with the provisions of paragraphs 5.2 and, for the avoidance of doubt, the provisions of paragraphs 5.2 and 5.3 shall apply to the conduct of all proceedings relating to the Tax Demand in question thereafter.

7. Exclusions and limitations

- 7.1 The Warrantors shall not be liable in respect of any Tax Claim unless written notice of such claim is given to the Warrantors prior to the expiry of the period of sixty Business Days following the sixth anniversary of the end of the accounting period of the Company current at Completion.
- 7.2 The Warrantors shall not be liable in respect of any Tax Claim in respect of any Tax Liability to the extent that:
- 7.2.1 provision or reserve for such Tax Liability (excluding any provision or reserve for deferred taxation) was taken into account as a liability of the Company in the preparation of the Accounts; or
 - 7.2.2 it constitutes corporation tax for which the Company is primarily liable on undistributed trading profits arising or accruing in the ordinary course of the Company's business after the Accounts Date; or
 - 7.2.3 it is in respect of any of the following arising in the ordinary course of the Company's business:

7.2.3.1 income tax to which the PAYE provisions set out in Part 11 of ITEPA or PAYE regulations made pursuant to section 684 of ITEPA apply or primary Class 1 national insurance contributions (as defined in SSCBA 1992) which, at the date of Completion, the Company has properly withheld from emoluments actually paid to its officers or employees or which is in respect of emoluments due to be paid to its officers or employees which remain unpaid; and

7.2.3.2 secondary Class 1, Class 1A or Class 1B national insurance contributions (as defined in SSCBA 1992); and

7.2.3.3 VAT on supplies made by the Company,

where such Tax is payable by the Company to the appropriate Taxation Authority but such Tax does not fall due until a date falling after the date of Completion; or

7.2.4 the Tax Liability has fallen due and been paid in the period between the Accounts Date and Completion without cost or loss to the Buyer and arose in the ordinary course of the Company's business; or

7.2.5 it arises or is increased as a result of any increase in the rates of Tax announced and coming into force with retrospective effect after the date of Completion; or

7.2.6 it arises or is increased as a result of any imposition of new Taxation or the introduction of or change in any legislation or applicable law or the change in the published practice of or concessions made by any Taxation Authority announced and taking effect with retrospective effect after the date of Completion; or

7.2.7 it would not have arisen but for a voluntary transaction, action or omission entered into by the Company or the Buyer or by any of their respective employees, agents, or successors in title after Completion which:

7.2.7.1 is neither in the ordinary course of the Company's business, as carried on at the date of this Agreement nor pursuant to a legally binding obligation entered into before Completion; and

7.2.7.2 the Buyer was aware or ought reasonably to have been aware that such transaction, action or omission would give rise to the Tax Liability; or

7.2.8 such liability arises or is increased by virtue of the failure or omission by the Company to make any claim, election, surrender or disclaimer or give any notice or consent to any other matter or do any other thing after Completion (otherwise than at the request of the Warrantors), the making, giving or doing of which was taken into account or assumed in computing any provision or reserve for Tax in the Accounts and where sufficient details of such claim, election, surrender, disclaimer, notice or consent are notified in writing to the Buyer at least five

~~Business Days before the last day on which such claim, election, surrender, disclaimer, notice or consent can be made, given or done; or~~

- 7.2.9 such Tax Liability would not have arisen but for some Event occurring at the specific written request of the Buyer or its representatives; or
- 7.2.10 recovery has already been made in respect of the Tax Liability by the Buyer under the Tax Warranties, the Tax Covenant or any other provision of this Agreement; or
- 7.2.11 the Tax Liability arises or is increased as a result only of any change in generally accepted accounting practice announced and introduced after Completion; or
- 7.2.12 the Tax Liability would not have arisen but for a disclaimer (of capital allowances or any other Relief) or a revision to or revocation of a claim therefore where such revision or disclaimer is caused or made by the Company after Completion except where such disclaimer, revision or revocation was taken into account or assumed in computing any provision or reserve for Tax in the Accounts or made on the instructions of the Warrantors; or
- 7.2.13 the Tax Liability arises or is increased as a consequence of any failure by the Buyer or the Company to comply with any of their respective obligations under this Tax Covenant; or
- 7.2.14 it would not have arisen but for a change in the accounting reference date or of any accounting principles or practice of the Company adopted after Completion; or
- 7.2.15 any Relief of the Company incurred in or in respect of a period ended on or before Completion is available and can be used to relieve or mitigate that Tax Liability (or is for no consideration made available by the Warrantors to the Company) or would have been so available but for the setting off of the Relief against profits or Tax Liability, in either case in respect of which the Covenantors would not have been liable to make a payment under this Schedule; or
- 7.2.16 the Tax Liability arises or is increased as a result of any delay or default by the Buyer or the Company in paying over to any Taxation Authority any amount received from the Warrantors or any of them under this Deed or for breach of the Tax Warranties; or
- 7.2.17 an amount in respect of the Tax Liability has already been recovered by the Company from another person (not being the Buyer or a Company); or
- 7.2.18 it constitutes corporation tax for which the Company is primarily liable on undistributed trading profits arising or accruing as a result of the release of a provision or reserve made in the Accounts prior to Completion; or

~~7.2.19) it would not have arisen but for a transfer, winding up or a cessation of, or any~~
changes in the conduct of, any trade carried on by the Company at Completion,
being a cessation or change occurring on or after Completion, or any significant
increase in the capital of the Company after Completion; or

7.2.20 it is in respect of prepayment(s) received in the ordinary course of business of
any of the Group Companies prior to Completion.

8. Buyer's Covenant

8.1 Subject to paragraph 9.3, the Buyer covenants with the Warrantors to pay to the
Warrantors, by way of adjustment to the Consideration, an amount equivalent to any Tax
Liability for which the Warrantors or any person connected with the Warrantors, become
liable to the extent that:

8.1.1 the Warrantors or any person connected with the Warrantors is assessed to
such Tax only as a result of the failure by the Company or the Buyer to
discharge a Tax Liability; and

8.1.2 the Warrantors or any person connected with the Warrantors pays such Tax to
the Taxation Authority.

8.2 The covenant in paragraph 9.1 shall extend to any reasonable costs incurred by the
Warrantors in connection with such Tax or claim under paragraph 9.1.

8.3 The covenant in paragraph 9.1 shall not apply to Tax to the extent that the Buyer could
claim payment in respect of it under Part 3 and is not precluded from claiming pursuant to
paragraph 7 of part 4 and to the extent that the Warrantors or any person connected with
the Warrantors have already recovered that Tax from the Buyer or any Company

8.4 The Warrantors shall not seek, and procure that any person connected with the
Warrantors shall not seek, any other recovery (statutory or otherwise) for a liability arising
under paragraph 9.1 to the extent payment is made for such liability hereunder

8.5 Paragraphs 2 to 5 of Part 4 shall apply to the covenant contained in paragraph 9.1 as
they apply to the covenants contained in Part 3, replacing references to the Warrantors
by the Buyer (and vice versa) and making any other necessary modification.

SCHEDULE 5

Properties

Part 1: English Leases

1. Properties with registered titles

Registered proprietor (owner)	Title number	Nature and Date of title lease	Parties	Term	Current rental	Short description	Use
Ideal World Productions Limited	NGL833836	Lease dated 6 April 2004	Kenrick Place Media Limited (1) Ideal World Productions Limited (2)	10 years from 6 April 2004	£92,500 pa	3-6 Kenrick Place, London W1	As offices within class B1

2. Properties with unregistered titles

Present lessee (owner)	Date of lease	Parties	Term	Current rental	Short description	Use
IWC Media Limited	24 March 2005	Steven Ross Collins and Jane Ida Collins (1) IWC Media Limited (2)	From 1 April 2005 to and including 30 November 2005	£26,400 pa	2 Kenrick Place, London W1	As a private residence

Part 2: Scottish Leases

LEASHOLD PROPERTIES WITH UNREGISTERED TITLE

Present Lessee	Date of Lease	Parties	Term	Current Rental	Short Description of Lease	Use
IWC Media Limited	Yet to be confirmed	Applejak Design Limited and IWC Media Limited	10 years from 1 October 2005	£62,500 Sterling per annum exclusive	Top floor studio situated in the building at 93-97 St George's Road, Glasgow	Offices
IWC Media Limited	Yet to be confirmed	Applejak Design Limited and IWC Media Limited	10 years from 1 October 2005	£9,150 Sterling per annum for studios 10, 11 and 12 and £11,460 per annum relative to studio 17 exclusive An additional £2,150 per annum exclusive is payable in relation to the two car parking spaces	Studios 10, 11, 12 and 17 in the building 93-97 St George's Road, Glasgow	Offices

Wark Clements & Company Limited	27.08.03	Govan Workspace Limited and Wark Clements & Company Limited	Month to month lease commenci ng on 1 September 2003. Note that the lease is due to come to an end as at 31.12.05	£838.27 month inclusive VAT	per of	Unit Elderspark Workspace, Govan	Film archive purposes
Wark Clements & Company Limited	25.08.95	Toll Gate Trusts Limited and David Cuthbert and others	Initial term of 2 years from 03.07.95 until 02.07.97. These lease has been extended however by Minutes of Alteration and Extension of Lease registered on 06.06.00 and 12.08.03 respectivel y until 02.07.06	£6,750 sterling per annum exclusive VAT	of	Studio 4, 19 Marine Crescent, Toll Gate, Glasgow	Architectur al office premises

Part 3. Title Deeds

OCCUPATIONAL LEASES

Relevant Property:	Unit 4, 19 Marine Crescent, Toll Gate, Glasgow
Part of let/letting of whole:	Letting of Whole
Date of Letting document:	11 November 2005
Nature of Letting Document and parties:	Missives of sub-lease between Wark Clements & Company Limited and Trident Recycling Limited
Current Landlord and current tenant:	Wark Clements & Company Limited and Trident Recycling Limited
Current Rental and next rent review:	£750 per month
Current occupier:	Trident Recycling Limited

SCHEDULE 6

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SCHEDULE 7

Limitations on Sellers' Liability

1. Limitation of Liability

Subject to the provisions of clause 9.9, the Warranties (other than the Tax Warranties) and, where expressly stated, Tax Claims, shall be qualified by the provisions of this Schedule 7. The Warrantors shall not be liable for a Warranty Claim or, where expressly stated, a Tax Claim:

1.1 Time Limits

in respect of any claim unless notice of such claim is given in writing by the Buyer to the Sellers setting out such details of the specific matter in respect of which the claim is made as are then available including an estimate of the amount of such claim, if practicable, not later than 31 July 2007 except that the limit shall be the period of 60 Business Days following the sixth anniversary of the end of the accounting period of the Company current at Completion in relation to a Tax Claim and any such claim shall (if it has not been previously satisfied, settled or withdrawn) be deemed to be withdrawn six months after the relevant time limit set out above unless legal proceedings in respect of it have been commenced by being both issued and served (except where the provisions of paragraph 4 below apply);

1.2 Minimum Claims

in respect of any claim arising from any single circumstances if the amount of the claim does not exceed £10,000 (save that individual claims arising from the same or substantially the same cause or incident shall be treated as one claim for the purposes of this paragraph 1.2) but the Sellers shall not be liable for a claim in excess of that amount unless the liability actually determined or agreed in respect of any such claim (excluding interest, costs and expenses) also exceeds that amount;

1.3 Threshold for Claims

in respect of any claim unless the aggregate amount of all claims for which the Warrantors would otherwise be liable under this Agreement exceeds £150,000 in which event the Sellers shall be liable for the whole amount and not the excess only;

1.4 Maximum Claims

in respect of any claim to the extent that the aggregate amount of the liability of each Warrantor for all Warranty Claims and Tax Claims would exceed the aggregate of: (a) the cash consideration paid to them under this Agreement plus; (b) the value of any Buyer Shares issued to them under this Agreement valued at the date the notice of the claim is served and; (c) the cash consideration paid to John Boyle under this Agreement pro rated amongst the Warrantors on the basis of their shareholding in the Company at Completion

as against the entire issued share capital at Completion less the shareholding held by John Boyle;

PROVIDED THAT, for the avoidance of doubt only, the aggregate liability of each Warrantor shall be increased on the same basis in the event that a further payment of cash or allotment of Buyer Shares is made to the Sellers under Clause 3 of this Agreement.

1.5 Contingent Liabilities

in respect of any liability which is contingent unless and until such contingent liability becomes an actual liability and is due and payable;

1.6 Provisions in the Accounts

in respect of any claim if and to the extent that specific provision or reserve is made for the matter giving rise to the claim in the Accounts;

1.7 Voluntary Acts, etc.

in respect of any matter, act, omission or circumstance to the extent that the same would not have occurred but for:

1.7.1 Changes in Legislation: the passing of, or any change in, after the date of this Agreement, any law, rule, regulation or administrative practice of any government, governmental department, agency or regulatory body including (without prejudice to the generality of the foregoing) any increase in the rates of Taxation or any imposition of Taxation or any withdrawal of relief from Taxation not actually (or prospectively) in effect at the date of this Agreement;

1.7.2 Accounting and Taxation Changes: any change in accounting or Taxation policy, bases or practice of the Buyer or any of the Group Companies introduced or having effect after Completion except in order to comply with UK generally accepted accounting principles.

Without prejudice to paragraph 1.7.1, the Warrantors shall not be liable under or in respect of the Warranties, schedule 4 or any other provision of this Agreement to the extent that such liability would not have arisen but for, or is increased by, any reorganisation or change in ownership of any member of the Buyer's Group after Completion or any accounting basis on which any Member of the Buyer's Group values its assets.

1.8. Insurance

in respect of any claim to the extent that any Losses arising from such claim are (i) recovered under a policy of insurance or (ii) would have been had any insurance cover current at Completion been maintained in force.

1.9 Matters Capable of Remedy

in respect of any claim including a Tax Claim which is capable of remedy, unless the Buyer has given the Sellers twenty Business Days' notice in writing within which to remedy the same and the Sellers shall have failed to do so within twenty Business Days *of receipt of such notice to the reasonable satisfaction of the Buyer and in the case of a Tax Claim if the Sellers have failed to remedy that Tax Claim within 10 Business Days of the due date for payment of the matter giving rise to the Tax Claim, if earlier, this paragraph should cease to apply in relation to that Tax Claim.*

None of the limitations contained in paragraph 1 of this Schedule shall apply to any claim which arises or is increased, or to the extent to which it arises or is increased, as the consequence of, or which is delayed as a result of, fraud, wilful misconduct or wilful concealment by the Sellers.

2. Mitigation of Loss

Nothing in this Schedule 7 shall affect the Buyer's obligation at law to mitigate its loss.

3. Conduct of Claims

3.1 Notification

If the Buyer becomes aware of any matter that may give rise to a claim against the Warrantors under this Agreement the Buyer shall give written notice of that matter as soon as possible to the Sellers specifying in reasonable detail the nature of the potential liability and, so far as practicable, the amount likely to be claimed in respect of it but, subject to paragraph 1.1 above, failure to do so shall not prejudice any claim.

3.2 Investigation by the Sellers

Without prejudice to the validity of the claim or alleged claim in question but subject to any rights of legal and professional privilege or confidentiality obligations, the Buyer shall allow, and shall procure that the Company and/or the relevant Group Companies allow, the Sellers and their accountants and professional advisers to investigate the matter or circumstance alleged to give rise to such claim and whether and to what extent any amount is payable in respect of such claim and for such purpose the Buyer shall give, and shall procure that the relevant Group Companies give, subject to their being paid all reasonable costs and expenses all such information and assistance, including access to premises and personnel, and the right to examine and copy any assets, accounts, documents and records, as the Sellers or their accountants or professional advisers may reasonably request. The Sellers agree to keep all such information confidential and only to use it for the purpose of the claim in question.

3.3. Third party claim/liability

If the claim in question is a result of or in connection with a claim by or liability to a third party then:

- 3.3.1 the Buyer or any Group Company shall not make any admission of liability, agreement or compromise with, any person or body in relation to that matter without the prior written consent of the Sellers (such consent not to be unreasonably withheld or delayed);
- 3.3.2 subject to the Sellers indemnifying the Buyer and/or the relevant Group Company to the Buyer's reasonable satisfaction against any liability, costs, damages or expenses which may be reasonably incurred, the Buyer shall (and shall procure that the Group Companies shall) take such action as the Sellers' may request to avoid, dispute, resist, compromise or defend any claim arising out of the matter in question;

4. Prior Receipt

If, before the Warrantors pay an amount in discharge of any claim under this Agreement, the Buyer or any Group Company is entitled to recover (whether by payment, discount, credit, relief or otherwise) from a third party a sum which is referable to the subject matter of the claim, the Buyer shall procure that before steps are taken against the Warrantors under this Agreement all reasonable steps are taken to enforce such recovery and any actual recovery (less any reasonable costs incurred in such recovery and less any Taxation attributable to the recovery) shall *pro tanto* reduce or satisfy, as the case may be, such claim.

Nothing in paragraphs 3.3 or 4 shall require the Buyer or any Group Company to take, or omit to take, any action which is reasonably likely to prejudice its goodwill or other commercial interests.

5. Subsequent Recovery

- 5.1 If the Warrantors pay an amount in discharge of any claim under this Agreement and the Buyer or any Group Company subsequently recovers (whether by payment, discount, credit, relief or otherwise) from a third party a sum which is referable to the subject matter of the claim and which would not otherwise have been received by the Buyer or Group Company, the Buyer shall pay, or shall procure that the relevant Group company pays, to the Warrantors an amount equal to (i) the sum recovered from the third party less any reasonable costs and expenses incurred in obtaining such recovery or (ii) if less, the amount previously paid by the Warrantors to the Buyer less, in each case, any Taxation attributable to it.
- 5.2 If any amount is repaid to the Warrantors in accordance with paragraph 5.1, that amount shall be deemed, for the purposes of applying the provisions of paragraph 1.3 and 1.4, never to have been paid.

6. Double Claims

- 6.1 The Buyer shall not be entitled to recover from the Warrantors for breach of this Agreement more than once in respect of the same damage suffered.
- 6.2 To the extent that any loss which would otherwise constitute a Warranty Claim or a Tax Claim results in any Group Company incurring a financial loss or cost or suffering a charge against revenue or otherwise incurring any liability or reducing profit which would otherwise operate to reduce the Year 2006 Profit or the Year 2007 Profit during or in respect of the period to 31 January 2007 or is treated as a liability in the Year 2006 Accounts of the Year 2007 Accounts (a "Cost") no Warranty Claim or Tax Claim raised in respect of that Cost shall be permitted to the extent that it has reduced or will reduce the Year 2006 Cash Consideration, the Year 2006 Share Consideration or the Year 2007 Consideration.