



Registration of a Charge

Company name: **CHINA INDUSTRIES LIMITED**

Company number: **04989385**



X36RPY00

Received for Electronic Filing: **28/04/2014**

Details of Charge

Date of creation: **23/04/2014**

Charge code: **0498 9385 0011**

Persons entitled: **RICHARD NORTH**

Brief description:

Contains fixed charge(s).

Contains floating charge(s) (floating charge covers all the property or undertaking of the company).

Contains negative pledge.

Authentication of Form

This form was authorised by: **a person with an interest in the registration of the charge.**

Authentication of Instrument

Certification statement: **I CERTIFY THAT THE ELECTRONIC COPY INSTRUMENT
DELIVERED AS PART OF THIS APPLICATION FOR REGISTRATION
IS A CORRECT COPY OF THE ORIGINAL INSTRUMENT.**

Certified by: **THE WILKES PARTNERSHIP LLP**



CERTIFICATE OF THE REGISTRATION OF A CHARGE

Company number: 4989385

Charge code: 0498 9385 0011

The Registrar of Companies for England and Wales hereby certifies that a charge dated 23rd April 2014 and created by CHINA INDUSTRIES LIMITED was delivered pursuant to Chapter A1 Part 25 of the Companies Act 2006 on 28th April 2014 .

Given at Companies House, Cardiff on 29th April 2014

The above information was communicated by electronic means and authenticated by the Registrar of Companies under section 1115 of the Companies Act 2006



Companies House



**THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES**

DATED

23rd April

2014

THE CHARGORS NAMED HEREIN (AS CHARGORS) (1)

and

RICHARD NORTH (AS LENDER) (2)

DEBENTURE AND GUARANTEE

This Deed is subject to the terms of the Intercreditor Deed (as defined herein)



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THIS DEBENTURE dated

23rd April

2014

PARTIES

- (1) **THE COMPANIES** whose names and registered offices are set out as in Schedule 2 (each a **Chargor** and together the **Chargors**).
- (2) **RICHARD DAVID NORTH** of Fairfield, Oldbury, Bridgnorth, Shropshire WV16 5EE (**Lender**).

THIS DEED WITNESSES as follows:

1. INTERPRETATION

1.1 Definitions

In this debenture:

A Loan Note Instrument: means the loan note instrument originally dated 6 March 2012 and amended on 18 March 2013 and as further amended on or around the date of this Debenture executed by the Parent constituting the A Loan Notes.

A Loan Notes: means the £500,000 3.5% fixed rate secured redeemable BGF A Loan Notes of the Parent due 2017.

Account: means any account opened or maintained by any Chargor at any bank or financial institution.

BGF Documents: means the Loan Note Instruments and the Revenue Sharing Agreement.

Business Day: means any day, other than a Saturday or Sunday or English public or bank holiday.

Charged Property: means all the assets and undertaking of the Chargors which from time to time are, or purport to be, the subject of the security created in favour of the Lender by or pursuant to this debenture.

Collateral Instruments: negotiable and non negotiable instruments, guarantees, indemnities and other assurances against financial loss and any other documents or instruments which contain or evidence an obligation (with or without security) to pay, discharge or be responsible directly or indirectly for any liabilities of any person and including without limitation any document or instrument creating or evidencing an Encumbrance.

D Loan Note Instrument: means the loan note instrument dated 11 December 2013 and amended on or around the date of this Debenture executed by the Parent constituting the D Loan Notes.

D Loan Notes: means the £150,000 secured fixed rate BGF D Loan Notes of the Parent due 2014.

Default Rate: means the rate of two per cent. above the rate applicable to that sum immediately before demand.

Encumbrance: any mortgage, charge, assignment for the purpose of security, pledge, lien, right of set-off, arrangement for retention of title, or hypothecation or trust arrangement for the purpose of, or which has the effect of, granting security, or other security interest of any kind whatsoever and any agreement, whether expressed to be conditional or otherwise, to create any of the same or any agreement to sell or otherwise dispose of any asset on terms whereby such asset is or may be leased to or re-acquired or acquired by the person so agreeing or disposing.

Enforcement Action: means:

- (a) the acceleration of any Secured Liabilities or any declaration that any Secured Liabilities are prematurely due and payable or payable on demand
- (b) the taking of any steps to enforce or require the enforcement of this debenture (including the crystallisation of any floating charge)
- (c) the making of any demand against any Chargor in relation to any guarantee, indemnity or other assurance against loss in respect of any Secured Liabilities
- (d) the exercise of any right of set-off against any Chargor in respect of any Secured Liabilities excluding any right of set off under a netting arrangement with the Chargors' clearing bank
- (e) the suing for, commencing or joining of any legal or arbitration proceedings against any Chargor to recover any Secured Liabilities or
- (f) the petitioning, applying or voting for, or the taking of any steps which may lead to any administration, winding-up, insolvency or dissolution of or in relation to any Chargor.

Enforcement Date: means the date on which the Lender first takes Enforcement Action.

Event of Default: has the meaning given to it in clause 21.5

Facility Agreements: means the facility agreements dated 31 August 2011 and made between, inter alia, China Industries Limited (a Chargor) and HSBC Bank plc and the agreement for the purchase of debts made between HSBC Invoice Finance (UK) Limited and China Industries Limited (a Chargor) dated 22 July 2010.

Fixed Plant and Equipment: means all plant, machinery or equipment of the Chargors of any kind which does not for any reason constitute a Fixture, but is now or at any time directly or indirectly attached by any means and for any purpose to any land or building, whether or not it is removable or intended to form part of the land or building.

Fixtures: means all things of any kind now or at any time affixed to the Land for any purpose, including, without limitation, trade and tenants fixtures.

Guarantee: means the guarantee given by each Chargor in the terms of clause 3 subject to and with the benefit of the provisions set out in Schedule 3.

Insurances: means any policy of insurance or assurance in which any Chargor has an interest and all claims and rebates of premium under any such policy.

Intellectual Property: means any of the following in which the Chargors have an interest:

- (a) any registered intellectual property right in any territory or jurisdiction, including, without limitation, patents, trade marks, service marks, registered designs, and any similar right in any territory or jurisdiction and any applications or right to apply for any of the above;
- (b) any invention, copyright, design right or performance right;
- (c) (any trade secrets, know-how and confidential information; and
- (d) the benefit of any agreement or licence for the use of any such right.

Intercreditor Deed: means the intercreditor deed made between (1) HSBC Bank plc, (2) HSBC Invoice Finance (UK) Limited, (3) Business Growth Fund plc and BGF Investments LP, (4) the Management Loan Note Holders (as defined therein), (5) the Shareholders (as defined therein) and (6) the Group Companies (as defined therein), on the date of this Debenture.

Land: means any estate, right or interest in or over land, whether legal or equitable, and wherever the land is situated including, without limitation, any buildings and Fixtures on the Land, and the benefit of any covenants or rights owed to any person or enforceable by him by virtue of the ownership possession or occupation of land but for these purposes **Land** excludes heritable property situated in Scotland.

Loose Plant and Equipment: means, in relation to the Chargors, all plant, machinery, equipment and motor vehicles now or at any time owned by any Chargor as a capital asset which is not Fixed Plant and Equipment.

Loan Note Instruments: means the A Loan Note Instrument and the D Loan Note Instrument.

Loan Notes: means the A Loan Notes and the D Loan Notes.

LPA: means the Law of Property Act 1925.

Management B Loan Note Instrument: means the loan note instrument dated on or around the date of this Debenture executed by the Parent constituting the B Loan Notes.

Management B Loan Notes: means the ££505,000 3.5% fixed rate secured redeemable Management B Loan Notes of the Parent due 2017.

Monetary Claims: means all book and other debts and monetary claims now or in the future owing to any Chargor (whether alone or jointly with any other person), whenever payable and whether liquidated or unliquidated, certain or contingent including, without limitation, credit balances on any Account, and together with all

cheques, bills of exchange, negotiable instruments, credits and securities at any time given in relation to, or to secure payment of, any such debt.

Notice of Charge: means a notice of charge in such form as may be specified by the Lender.

Parent: means China Industries Limited, company number 04989385.

Receiver: means any receiver, receiver and manager or administrative receiver of the whole or any part of the Charged Property.

Register: has the meaning given to it in the Loan Note Instruments.

Related Rights: means in relation to any Charged Property:

- (a) the proceeds of sale of any part of that Charged Property;
- (b) all rights under any licence, agreement for sale or agreement for lease in respect of that Charged Property;
- (c) all rights, benefits, claims, contracts, warranties, remedies, security, indemnities or covenants for title in respect of that Charged Property; and
- (d) any moneys and proceeds paid or payable in respect of that Charged Property.

Revenue Sharing Agreement: means the revenue sharing agreement dated on or around the date of this Debenture and made between (1) the Parent and (2) the Lender.

Secured Liabilities: means any liability expressed to be due, owing or payable by any Chargor to the Lender under the Management B Loan Note Instrument (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise).

Securities: means all the right, title and interest of a Chargor, now or in the future, in any:

- (a) stocks, shares, bonds, debentures, loan stocks, or other securities issued by any person;
- (b) warrants, options or other rights to subscribe, purchase or otherwise acquire any stocks, shares, bonds, debentures, loan stocks or other securities or investments issued by any person; and
- (c) units or other interests in any unit trust or collective investment scheme.

Security: means a mortgage, charge, pledge, lien or any other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

1.2 Interpretation

In this debenture, unless the context otherwise requires:

- (a) words importing the singular shall include the plural and vice versa and reference to any gender includes the other gender;
- (b) **this debenture** or to any other instrument, agreement or document shall, unless the context otherwise requires, be construed as reference to this debenture or such other instrument, agreement or document as the same may from time to time be amended, varied, supplemented or novated;
- (c) the **assets** of any person shall be construed as a reference to all or any part of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;
- (d) an **encumbrance** shall be construed as a reference to a mortgage, charge, assignment, pledge, lien (save as arising in the ordinary course of business), hypothecation, right of set-off, preferential right (save as arising under the general law for the protection of certain classes of creditors) or trust arrangement for the purpose of and having a similar effect to the granting of security, or other security interest of any kind;
- (e) a **guarantee** also includes an indemnity and any other obligation (whatever called) of any person to pay, purchase, provide funds (whether by the advance of money, the purchase or subscription of shares or other securities, the purchase of assets or services, or otherwise) for the payment of, indemnify against the consequences of default of, or otherwise be responsible for any indebtedness of any other person (and **guaranteed** shall be construed accordingly);
- (f) a **person** shall be construed as a reference to any individual, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;
- (g) **repayment** includes redemption and vice versa and the words **repay, redeem, repayable, redeemable, repaid** and **redeemed** shall be construed accordingly;
- (h) **sterling** and **£** denotes the lawful currency of the United Kingdom;
- (i) **tax** shall be construed so as to include any present and future tax, levy, impost, deduction, withholding, duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);
- (j) the **winding-up, dissolution** or **administration** of a person shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such person is incorporated or of any jurisdiction in which such person carries on business.
- (k) all references to documents include all variations and replacements of such documents and supplements to such documents;
- (l) all references to a party include references to its personal representatives, permitted assigns and transferees and its successors in title;

- (m) references to persons include bodies corporate, unincorporated associations and partnerships; and
- (n) words and phrases defined in the Companies Act 2006 have the same meanings in this debenture but the word **company** includes any body corporate.

1.3 In this debenture:

- (a) any reference to any statute or statutory instrument includes any enactment replacing or amending it or any instrument, order or regulation made under it and also includes any past statutory provisions (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced; and
- (b) headings are for reference purposes only and shall not affect the construction of anything in this debenture.

1.4 All the provisions of this debenture are severable and distinct from one another and the illegality, invalidity or unenforceability of any provision of this Instrument under the law of any jurisdiction shall not affect its validity or enforceability under the law of any other jurisdiction nor the legality, validity or enforceability of any other provision.

1.5 In construing this debenture general words introduced by the word "other" shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things and general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.

1.6 The headings in this debenture are inserted for convenience only and shall not affect construction or interpretation and references to a clause, Condition, Schedule or paragraph are (unless otherwise stated) to a clause or Schedule in this debenture and to a Condition or a paragraph to the relevant Schedule.

2. COVENANT TO PAY

2.1 Secured Liabilities

The Chargors covenant that they will on demand of the Lender pay and discharge any or all of the Secured Liabilities when due.

2.2 Interest

The Chargors covenant to pay interest to the Lender upon any sum demanded in accordance with Clause 2.1 (*Secured Liabilities*) until payment (both before and after any judgment) at the Default Rate.

3. GUARANTEE

- 3.1 Each Chargor irrevocably and unconditionally guarantees to the Lender the payment on demand on the due date of the Secured Liabilities (except any Secured Liabilities in respect of which the relevant Chargor is already primarily liable).
- 3.2 Each Chargor as principal obligor and as a separate and independent obligation and liability from its liabilities under clause 3.1, irrevocably and unconditionally agrees to indemnify the Lender in full on demand against all losses, costs and expenses suffered or incurred by the Lender arising from or in connection with the Secured Liabilities or otherwise pursuant to the Management B Loan Note Instrument and against all losses, costs and expenses suffered or incurred by the Lender arising from or in connection with any failure by any Chargor to pay or otherwise discharge the Secured Liabilities when due.
- 3.3 The Guarantee is given subject to and with the benefit of the provisions set out in Schedule 3.
- 3.4 The liabilities of the Chargors under the Guarantee are joint and several.

4. CHARGES

4.1 Mortgages and Fixed Charges

- (a) As a continuing security for payment of the Secured Liabilities, the Chargors with full title guarantee charge to the Lender all their rights, title and interest from time to time in each of the following assets:
- (b) by way of first legal mortgage all Land which is described in Schedule 1 (if any) and all other Land now vested in the Chargors;
- (c) by way of first fixed charge all other Land now vested in the Chargors (to the extent not effectively charged by clause 4.1(a)) and all Land acquired by the Chargors after the date of this debenture;
- (i) by way of first fixed charge:
 - (ii) the Securities;
 - (iii) the Intellectual Property;
 - (iv) the Monetary Claims;
 - (v) the Fixed Plant and Equipment;
 - (vi) the Loose Plant and Equipment;

- (vii) the Accounts;
- (viii) the Insurances;
- (ix) the Related Rights under or in connection with the Securities, the Accounts, the Insurances, the Intellectual Property, the Monetary Claims, the Fixed Plant and Equipment and the Loose Plant and Equipment; and
- (x) its present and future goodwill and uncalled capital.

4.2 Floating Charge

As continuing security for payment of the Secured Liabilities, the Chargors with full title guarantee charge by way of first floating charge the whole of the Chargors' undertaking and assets, present and future and wherever situated, which are not for any reason effectively charged (whether in law or equity) by way of fixed security by this debenture, including, without limitation, any heritable property of the Chargors situated in Scotland.

4.3 Trust

If or to the extent that for any reason the assignment or charging of any Charged Property is prohibited, the Chargors shall hold it on trust for the Lender.

4.4 Qualifying floating charge

Paragraph 14 of Schedule B1 to the Insolvency Act 1986 will apply to any floating charge created by this debenture.

5. CRYSTALLISATION OF FLOATING CHARGE

5.1 Crystallisation: By Notice

The Lender may at any time by notice in writing to the Chargors convert the floating charge created by clause 4.2 (*Floating Charge*) with immediate effect into a fixed charge as regards any property or assets specified in the notice if:

- (a) the Enforcement Date has occurred;
- (b) the Lender considers that any of the Charged Property may be in jeopardy or in danger of being seized or sold pursuant to any form of legal process; or
- (c) the Lender considers that it is necessary in order to protect the priority of the Security created by or pursuant to this debenture.

5.2 Crystallisation: Automatic

The floating charge created by clause 4.2 (*Floating Charge*) will automatically be converted (without notice) with immediate effect into a fixed charge as regards all of the undertaking and assets subject to the floating charge if:

- (a) any Chargor creates or attempts to create any Security (other than as required to secure its obligations to:
 - (i) HSBC Bank plc or HSBC Invoice Finance (UK) Limited under the Facility Agreements; or
 - (ii) the Business Growth Fund plc under the BGF Documents,over any of the Charged Property; or
- (b) any person levies or attempts to levy any distress, execution or other process against any of the Charged Property; or
- (c) any step is taken (including the presentation of a petition, the passing of a resolution or the making of an application) to appoint a liquidator, provisional liquidator, administrator or Receiver in respect of any Chargor, over all or any part of their assets, or if such person is appointed.

5.3 **Crystallisation: Moratorium where directors propose voluntary arrangement**

The floating charge created by clause 4.2 (*Floating Charge*) may not be converted into a fixed charge solely by reason of:

- (a) the obtaining of a moratorium; or
- (b) anything done with a view to obtaining a moratorium,

under Schedule A1 to the Insolvency Act 1986.

6. **PERFECTION OF SECURITY**

6.1 **Notices of Charge**

The Chargors shall deliver to the Lender (or procure delivery of) Notices of Charge duly executed by, or on behalf of, the Chargors:

- (a) in respect of the Insurances, on the date of this debenture and promptly upon purchasing any further Insurance after the date of this debenture;
- (b) in respect of each Account, on the date of this debenture and promptly upon the opening of any further Account after the date of this debenture; and
- (c) in respect of any other asset which is the subject of a charge pursuant to clause 4.1(c), promptly upon the request of the Lender from time to time,

and in each case shall use all reasonable endeavours to procure that each notice is acknowledged by the party to whom such Notice of Charge is addressed.

6.2 Delivery of Documents of Title

The Chargors shall upon the execution of this debenture (or, if later, upon receipt or entitlement thereof), deposit with the Lender and the Lender during the continuance of this security shall be entitled to hold all deeds, certificates and other documents of title relating to Land, the Securities and the Insurances. In the case of the Securities, the Chargors shall also deliver such stock transfer forms or other instruments of transfer (stamped and executed in blank by the Chargor) as the Lender may request.

6.3 Application to the Land Registry

Each Chargor and the Lender apply to the Land Registry for the following to be entered into on the register of the title to any Land now or in the future owned by any Chargor a restriction in the following terms:

"No disposition of the registered estate by the proprietor of the registered estate or by the proprietor of any registered charge, not being a charge registered before the entry of this restriction, is to be registered without a written consent signed by the proprietor for the time being of the charge dated [*insert date of charge*] in favour of Richard North referred to in the charges register".

7. FURTHER ASSURANCE

7.1 General

Each Chargor shall, at their own expense, at any time when required by the Lender, execute and deliver to the Lender:

- (a) a valid legal mortgage of any Land now or in the future owned by the Chargor;
- (b) a fixed charge over any interest, not capable of being charged by way of legal mortgage, in any Land now or in the future belonging to any Chargor;
- (c) a legal assignment or other fixed Security over all or any of the Charged Property;
- (d) where any of its assets are situated outside England and Wales, such fixed security (or such security in that jurisdiction most closely akin to fixed security) under the law of the place where the asset is situated as the Lender may require; and
- (e) a notice to any third party of any of the charges or assignments created by or pursuant to this debenture,

in each case, in the Lender's standard form or such other form as the Lender may require.

7.2 Other acts

Without prejudice to clause 7.1 (*General*), the Chargors shall, at their own expense, at any time when required by the Lender, do and concur in all acts or things as the Lender may deem necessary or desirable for the purpose of the creation, perfection, protection or maintenance of any of the Security intended to be created by this debenture over all or any of the Charged Property or to facilitate the enforcement of that Security, or the exercise of any powers or discretions intended to be vested in the Lender or any Receiver by this debenture.

8. RESTRICTIONS ON DEALING

8.1 Negative Pledge

Each Chargor undertake that it shall not, without the Lender's prior written consent, at any time during the subsistence of this debenture, create or permit to subsist any Security over all or any part of the Charged Property, other than as required to secure its obligations to

- (a) HSBC Bank plc and HSBC Invoice Finance (UK) Limited under the Facility Agreements; or
- (b) the Business Growth Fund plc under the BGF Documents.

8.2 Disposals

Each Chargor undertakes that it shall not (and shall not agree to), without the Lender's prior written consent, at any time during the subsistence of this debenture, other than as required to secure its obligations to HSBC Bank plc and HSBC Invoice Finance (UK) Limited under the Facility Agreements or the Business Growth Fund plc under the BGF Documents, sell, transfer, assign, lease or hire out, factor, discount, licence, lend, part with its interest in or otherwise dispose of any of the Charged Property or permit the same to occur, or agree to do any of the foregoing, provided that, until:

- (a) the floating charge created by clause 4.2 (*Floating Charge*) is converted into a fixed charge; or
- (b) the occurrence of the Enforcement Date,
- (c) the Chargors may hold, enjoy and deal with, in accordance with the Loan Note Instruments, the Charged Property which is not at the relevant time expressed to be subject to a fixed charge or mortgage.

9. SECURITIES

9.1 Securities: Before Enforcement Date

Prior to the occurrence of the Enforcement Date, the Chargors shall:

- (a) pay all dividends, interest and other monies arising from the Securities into an Account; and

- (b) exercise all voting rights in relation to the Securities for any purpose not inconsistent with the terms of the Management B Loan Note Instrument.

9.2 Securities: After Enforcement Date

After the occurrence of the Enforcement Date, the Lender may at its discretion (in the name of the Chargors or otherwise and without any further consent or authority from the Chargors):

- (a) exercise (or refrain from exercising) any voting rights in respect of the Securities;
- (b) apply all dividends, interest and other monies arising from the Securities in accordance with clause 17 (*Application of Moneys*);
- (c) transfer the Securities into the name of such nominee(s) of the Lender as it shall require; and
- (d) exercise (or refrain from exercising) the powers and rights conferred on or exercisable by the legal or beneficial owner of the Securities,

in each case, in such manner and on such terms as the Lender may think fit and the proceeds of any such action shall form part of the Charged Property.

9.3 Securities: Payment of Calls

The Chargors shall pay when due all calls or other payments which may be or become due in respect of any of the Securities which are not fully paid (unless reasonably contested), and in any case of default by any Chargor in such payment, the Lender may, if it thinks fit, make such payment on behalf of the Chargors in which case any sums paid by the Lender shall be reimbursed by the Chargors to the Lender on demand and shall carry interest from the date of payment by the Lender until reimbursed at the rate notified to the Chargors by the Lender.

9.4 Securities: Exercise of Rights

The Chargors shall not exercise any of their respective rights and powers in relation to any of the Securities in any manner which, in the opinion of the Lender, would prejudice the effectiveness of, or the ability of the Lender to realise, the security created by or pursuant to this debenture.

10. ACCOUNTS

10.1 Accounts: Notification and Variation

The Chargors, during the subsistence of this debenture:

- (a) shall promptly deliver to the Lender on the date of this debenture (and, if any change occurs after the date of this debenture, on that date), details of each Account maintained by it with any bank or financial institution; and
- (b) other than in the ordinary course of business of the bank at which any such Account is held, shall not, without the Lender's prior written consent, permit or agree to any variation of the rights attaching to any Account or close any Account unless such account closure is notified in advance to the Lender.

10.2 Accounts: Operation Before Enforcement Date

The Chargors shall, prior to the occurrence of the Enforcement Date, be entitled to receive, withdraw or otherwise transfer any credit balance from time to time on any Account.

10.3 Accounts: Operation After Enforcement Date

After the occurrence of the Enforcement Date, the Chargors shall not be entitled to receive, withdraw or otherwise transfer any credit balance from time to time on any Account except with the prior consent of the Lender.

10.4 Accounts: Application of Moneys

The Lender shall, upon the occurrence of the Enforcement Date, be entitled without notice to apply, transfer or set-off any or all of the credit balances from time to time on any Account in or towards the payment or other satisfaction of all or part of the Secured Liabilities in accordance with and subject to clause 17 (*Application of Moneys*).

11. MONETARY CLAIMS

11.1 No dealing with Monetary Claims

The Chargors shall not at any time during the subsistence of this debenture, without the prior written consent of the Lender, sell, factor, discount, transfer, assign, lend or otherwise dispose of any of the Monetary Claims or enter into any agreement to do any of the foregoing.

11.2 Proceeds of Monetary Claims

The Chargors shall get in and realise the Monetary Claims in the ordinary course of business and pay the proceeds of those Monetary Claims into an Account.

12. INSURANCES

12.1 Insurances: Undertakings

Each Chargor shall at all times during the subsistence of this debenture:

- (a) keep the Charged Property insured with those insurances normally maintained by prudent companies carrying on a similar business and with an insurance office or underwriters to be approved by the Lender in writing from time to time;
- (b) if required by the Lender, cause each Insurance relating to the Charged Property to contain (in form and substance satisfactory to the Lender) an endorsement naming the Lender as loss payee in respect of all claims;
- (c) promptly pay all premiums and other moneys payable under all its Insurances or procure that such is done and, promptly upon request, produce to the Lender a copy of each policy and evidence (acceptable to the Lender) of the payment of such sums (or procure that such is done) and not do or omit to do or permit or suffer to be done or omitted to be done, anything which might render any Insurance required by this clause void, voidable or unenforceable; and
- (d) if required by the Lender, provide a copy of all Insurances relating to the Charged Property to the Lender.

12.2 Insurance: Default

If any Chargor defaults in complying with clause 12.1 (*Insurance: Undertakings*), the Lender may effect or renew any such Insurance on such terms, in such name(s) and in such amount(s) as it considers appropriate, and all moneys expended by the Lender in doing so shall be reimbursed by the Chargor to the Lender on demand and shall carry interest from the date of payment by the Lender until reimbursed at the rate specified in clause 2 (*Covenant to Pay*).

12.3 Application of Insurance Proceeds

All moneys received under any Insurance relating to the Charged Property shall, prior to the occurrence of the Enforcement Date, be used to keep the Charged Property in good and substantial repair. After the occurrence of the Enforcement Date, the Chargors shall hold such moneys upon trust for the Lender pending payment to the Lender for application in accordance with clause 17 (*Application of Moneys*) and each Chargor waives any right it may have to require that any such moneys are applied in reinstatement of any part of the Charged Property.

13. LAND

The Chargors shall (with the intent that this clause 13 (*Land*) shall apply in relation to all Land now vested in the Chargors or acquired by the Chargors after the date of this debenture):

13.1 Repair and Alterations

- (a) keep or cause to be kept all buildings and Fixtures from time to time on or in any of its Land and all other plant, machinery and equipment belonging to it in good and substantial repair and good working order;
- (b) not, without the prior written consent of the Lender, make or permit the making of any alteration or addition to any of its Land (other than internal non-structural alterations) or commit or permit any person to commit any waste upon or injure or in any manner or by any means lessen the value of its Land or sever or permit to be severed from any of its Land any Fixtures except for the purpose of replacing them as soon as practicable with others of equal or greater value; and
- (c) permit any authorised representative of the Lender at any time to enter any of its Land for any purpose without becoming liable to account as a mortgagee in possession and to inspect and test any work being carried out and, where any breach of covenant, defect, disrepair or unauthorised alteration, improvement or addition shall be found, remedy all such breaches and execute all such repairs or removals as the Lender may require within 28 days after notice (or immediately, in case of emergency);

13.2 Statutes

- (a) comply with the provisions of all statutes and the requirement of any competent authority affecting any of its Land or the use of any of its Land or anything done on any Land; and
- (b) ensure that all consents and approvals under all statutes and the regulations and codes of practice of any competent authority affecting any of its Land have been obtained and are complied with, and produce on demand such evidence as the Lender may require to satisfy itself that such consents and approvals have been obtained and are complied with;

13.3 Leases

- (a) pay the rents and observe and perform all covenants, conditions, agreements or obligations on its part to be observed and performed contained in any lease under which any of its Land is held by the Chargors and any licence, consent or approval given under any lease, and use its best endeavours to enforce observance and performance of the lessor's covenants in any lease;
- (b) not accelerate or defer payment of any moneys payable under any such lease and where any lease contains a provision for the review of rent promptly

notify the Lender of any attempt by the lessor to implement a review but not agree the reviewed rent or appoint or agree to the appointment of a third party to determine a rent review without the prior written consent of the Lender;

- (c) not to apply for any licence, consent or approval under any such lease or any superior lease without the prior written consent of the Lender; and
- (d) promptly give notice to the Lender if any Chargor receives notice under section 146 of the LPA or any proceedings are commenced for forfeiture of any such lease or any superior lease or the lessor or any superior lessor re-enters or attempts to re-enter thereunder and at the request of the Lender but at the cost of the Chargors take such steps as the Lender may require in relation thereto;

13.4 Power of Leasing

not, without the prior written consent of the Lender, exercise any of the powers of leasing or agreeing to lease vested in or conferred on mortgagors by common law or by statute or create or suffer to be created a tenancy of any description of any of its Land or confer or permit to be conferred upon any person any contractual licence, right or interest to occupy or use or grant any licence or permission to assign, underlet or part with possession of the whole or any part of its Land or agree to do any of the foregoing, and sections 99 and 100 of the LPA shall not apply to this debenture;

13.5 Compulsory Acquisition

not without the prior written consent of the Lender enter into any negotiations with any competent authority with regard to the compulsory acquisition of any of its Land or consent to the compulsory acquisition of any of its Land, and, if so requested by the Lender, permit the Lender or its authorised representatives to conduct such negotiations or to give such consent on the Chargors' behalf;

13.6 Outgoings

pay as and when the same become due all rates, taxes, duties, charges, assessments and other outgoings payable in respect of its Land; and

13.7 Encumbrances

comply with:

- (a) all obligations, covenants, exceptions, reservations, licences, approvals, consents, stipulations, restrictions and conditions to which it is subject including, but without limitation, those relating to any of its Land or the use or enjoyment of any of its Land or imposed upon any Chargor as owner, occupier or user, as the case may be, of any of its Land; and

- (b) its obligations under any Security having priority to the Security created by or pursuant to this debenture.

14. DEMAND AND ENFORCEMENT

14.1 Enforcement

This debenture shall become enforceable in respect of and against each Chargor:

- (a) upon any written demand being made by the Lender for payment of any of the Secured Liabilities by the Chargors following the exercise of such right in accordance with the terms of the Management B Loan Note Instrument;
- (b) upon any request being made by any Chargor to the Lender for the appointment of a Receiver or for the Lender to exercise any other power or right available to it;
- (c) upon the occurrence of any event causing, or purporting to cause, the floating charge created by this debenture to become fixed in relation to any Charged Property; or
- (d) upon the passing of any resolution, or the presentation of a petition, for winding up of any Chargor or the making of an application for an administration order in relation to any Chargor or the taking of any steps in relation to the appointment of an administrator of any Chargor.

14.2 Demand for payment

Any demand for payment, and any other notice to be given by the Lender under this debenture, shall be in writing and may be signed by any authorised signatory on behalf of the Lender, and may be made or given to the Chargors at the registered office of each Chargor:

- (a) by delivering it by hand to the registered office of each Chargor (in which case it shall be deemed received at the time of delivery if delivered on a Business Day or 10.00am on the next Business Day if delivered on a day which is not a Business Day); or
- (b) by sending it by first class post to any such place (in which case it shall be deemed received at 10.00am on the next Business Day after posting, and proof of posting shall be proof of delivery); or
- (c) by sending it by fax to any fax number of each Chargor (in which case it shall be deemed received when sent, and proof of sending shall be proof of receipt).

14.3 Powers on enforcement

At any time after this debenture has become enforceable, the Lender may (without prejudice to any other rights and remedies and without notice to the Chargors) do all or any of the following:

- (a) exercise the power of sale under section 101 of the LPA together with all other powers and rights conferred on mortgagees by the LPA, as varied and extended by this debenture, without the restrictions contained in sections 103 or 109(1) of the LPA; and
- (b) exercise the power of leasing, letting, entering into agreements for leases or lettings or accepting or agreeing to accept surrenders of leases in relation to any Charged Property, without the restrictions imposed by sections 99 and 100 of the LPA.

15. RECEIVERS

15.1 Appointment

At any time after this debenture has become enforceable in respect of and against the Chargors, the Lender may appoint any person or persons to be a Receiver or Receivers of all or any part of the Charged Property of the Chargors charged under this debenture or an administrator of the Chargors. An appointment over part only of such Charged Property shall not preclude the Lender from making any subsequent appointment over any other part of such Charged Property.

15.2 Appointment in writing

The appointment of a Receiver shall be in writing, and may be signed by any authorised signatory on behalf of the Lender. Where more than one person is acting at any time as Receiver, they shall have power to act severally as well as jointly.

15.3 Remuneration

The Lender may from time to time determine the remuneration of the Receiver (which shall not be subject to the limit in section 109(6) of the LPA) and may (subject to the application of section 45 of the Insolvency Act 1986) remove any person from office in relation to all or any part of the Charged Property of which he is the Receiver and at any time appoint a further or other Receiver or Receivers over all or any part of such Charged Property.

15.4 Powers

The Receiver shall be the agent of the Chargors (which shall be solely liable for his acts, defaults and remuneration) unless and until the Chargor goes into liquidation from which time he shall act as principal and shall not become the agent of the Lender, and the Receiver shall have and be entitled to exercise in relation to the Charged Property all the powers:

- (a) conferred by the LPA on mortgagees in possession and on receivers appointed under the LPA;
- (b) of an administrative receiver set out in Schedule 1 to the Insolvency Act 1986, whether or not the Receiver is an administrative receiver;
- (c) and rights that an absolute owner would have in relation to any Charged Property; and
- (d) to do all things incidental or conducive to any functions, powers, authorities or discretions conferred or vested in the Receiver.

16. POWER OF ATTORNEY

16.1 Appointment

Each Chargor hereby irrevocably and by way of security appoints:

- (a) the Lender (whether or not a Receiver has been appointed); and also
- (b) (as a separate appointment) each Receiver,

severally as the attorney and attorneys of the Chargors with power to do any act, and execute and deliver any deed or other document, on behalf of and in the name of the Chargors, which the Chargors could be required to do or execute under any provision of this debenture, or which the Lender in its sole opinion may consider necessary or desirable for perfecting the Lender's title to any of the Charged Property of the Chargors or enabling the Lender or the Receiver to exercise any of its or his rights or powers under this debenture.

16.2 Ratification

The Chargors ratify and confirm and agree to ratify and confirm whatever any such attorney as is mentioned in clause 16.1 (*Appointment*) shall do or purport to do in the exercise or purported exercise of all or any of the powers, acts or other matters referred to in clause 16.1 (*Appointment*).

17. APPLICATION OF MONEYS

17.1 Application of moneys

All sums received by virtue of this debenture by the Lender or the Receiver shall, subject to the payment of any claim having priority to this debenture, be paid or applied in the following order of priority:

- (a) first, in or towards satisfaction of all costs, charges and expenses incurred and payments made by the Lender, or the Receiver (including, without limitation, legal expenses) and of the remuneration of the Receiver;

- (b) secondly, in or towards payment of the Secured Liabilities in such order as the Lender may at its discretion require; and
- (c) thirdly, as to the surplus (if any), to the person or persons entitled to such surplus,

and section 109(8) of the LPA shall not apply.

18. PROTECTION OF THIRD PARTIES

18.1 Statutory powers

In favour of any purchaser, the statutory powers of sale and of appointing a Receiver which are conferred upon the Lender, as varied and extended by this debenture, and all other powers of the Lender, shall be deemed to arise (and the Secured Liabilities shall be deemed due and payable for that purpose) immediately after the execution of this debenture.

18.2 Purchasers

No purchaser from or other person dealing with the Lender, any person to whom it has delegated any of its powers, or the Receiver shall be concerned to enquire whether any of the powers which they have exercised has arisen or become exercisable, or whether the Secured Liabilities remain outstanding or whether any event has happened to authorise the Receiver to act or as to the propriety or validity of the exercise of any such power, and the title and position of a purchaser or such person shall not be impeachable by reference to any of those matters.

18.3 Receipts

The receipt of the Lender or the Receiver shall be an absolute and conclusive discharge to a purchaser or any other person dealing with the Lender.

19. PROTECTION OF THE LENDER AND ANY RECEIVER

19.1 No liability

The Lender and any Receiver shall not be liable in respect of any loss or damage which arises out of the exercise, or attempted or purported exercise of, or the failure to exercise any of their respective powers under this debenture.

19.2 Not mortgagee in possession

Without prejudice to any other provision of this debenture, entry into possession of any Charged Property shall not render the Lender or the Receiver liable:

- (a) to account as mortgagee in possession;

- (b) for any loss on realisation; or
- (c) for any default or omission for which a mortgagee in possession might be liable,

and if and whenever the Lender or the Receiver enters into possession of any Charged Property it shall be entitled at any time it or he thinks fit to go out of such possession.

19.3 Indemnity

The Chargors shall indemnify and keep indemnified the Lender, every Receiver, and any person who acts as the servant, agent, delegate or attorney of any of them, against all claims, costs, expenses and liabilities which they may suffer or incur arising in any way out of the taking or holding of this debenture, the exercise or purported exercise of any right, power, authority or discretion given by it, or any other act or omission in relation to this debenture or the Charged Property.

19.4 Currency protection

If any amount due to be paid to the Lender is, for any reason, paid in a currency (**currency of payment**) other than the currency in which it was expressed to be payable (**contractual currency**), the Lender may wherever it thinks fit apply the amount of the currency of payment received by it in the purchase, in accordance with its normal practice, of the contractual currency, and if this results in any shortfall below the amount due in the contractual currency, after deducting all taxes, costs and commissions payable in connection with that purchase, the Chargors shall indemnify the Lender against the amount of the shortfall.

19.5 Continuing protection

The provisions of this clause 19 shall continue in full force and effect notwithstanding any release or discharge of this debenture, or the discharge of any Receiver from office.

20. PROVISIONS RELATING TO THE LENDER

20.1 Powers and discretions

The rights, powers and discretions given to the Lender in this debenture:

- (a) may be exercised as often as, and in such manner as, the Lender thinks fit;
- (b) are cumulative, and are not exclusive of any of its rights under the general law; and
- (c) may only be waived in writing and specifically, and any delay in exercising, or non-exercise of, any right, is not a waiver of it.

20.2 Certificates

A certificate by an authorised officer of the Lender as to any sums payable to the Lender under this debenture shall (save in the case of manifest error) be conclusive and binding upon the Chargors for all purposes.

20.3 Assignment

The Lender may assign this debenture to any successor in title to any of the Secured Liabilities and the Lender may disclose any information in its possession relating to the Chargors, its affairs or the Secured Liabilities to any actual or prospective assignee.

20.4 Delegation

The Lender may at any time and from time to time delegate by power of attorney or in any other manner to any person or persons all or any of the rights, powers and discretions which are for the time being exercisable by it under this debenture.

21. PRESERVATION OF SECURITY

21.1 Continuing Security

This debenture shall be a continuing security to the Lender and shall remain in force until expressly discharged in writing by the Lender notwithstanding any intermediate settlement of account or other matter or thing whatsoever and shall be without prejudice and in addition to any other right, remedy or Security of any kind which the Lender may have now or at any time in the future for or in respect of any of the Secured Liabilities.

21.2 No Merger

This debenture is in addition to, without prejudice to, and shall not merge with, any other right, remedy, guarantee or Security which the Lender may at any time hold for any other Secured Liabilities.

21.3 Waiver of Defences

Neither the Security created by this debenture nor the obligations of the Chargors under this debenture will be affected by an act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice that Security or any of those obligations (whether or not known to it or the Lender) including:

- (a) any time, waiver or consent granted to, or composition with, a Chargor or other person;

- (b) the release of a Chargor or any other person under the terms of any composition or arrangement with any person;
- (c) the taking, variation, compromise, exchange, renewal, enforcement or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or Security over, assets of a Chargor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any Security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of a Chargor or any other person;
- (e) any amendment (however fundamental), replacement, variation, novation, assignment or the avoidance or termination of any other document or Security;
- (f) any unenforceability, illegality or invalidity of any obligation of, or any Security created by, any person under any other document; or
- (g) an insolvency, liquidation, administration or similar procedure.

21.4 **Order of Recourse**

This debenture may be enforced against the Chargors without the Lender first having recourse to any other right, remedy, guarantee or Security held by or available to any of them.

21.5 **Suspense Accounts**

The Lender may, without prejudice to any other rights it may have, at any time and from time to time place (and keep for such time as it may think prudent) any moneys received, recovered or realised under or by virtue of this debenture on a separate or suspense account to the credit either of each Chargor or, at the sole discretion of the Lender if an Event of Default has occurred and is continuing, of the Lender as the Lender shall think fit without any intermediate obligation on the Lender's part to apply the same or any part of it in or towards the discharge of the Secured Liabilities.

For the purpose of this Clause, an **Event of Default** shall occur in the event that a Chargor does not comply with any provision of the Management B Loan Note Instrument or a Chargor does not pay when due any amount payable to the Lender whether under the Management B Loan Note Instrument or otherwise.

21.6 **New Accounts**

If the Lender receives notice of any subsequent charge or other security interest affecting any of the Charged Property, the Lender shall be entitled to close the Chargors' then current account or accounts and to open a new account or accounts for

the Chargors. If the Lender does not open a new account or accounts immediately on receipt of such notice it shall nevertheless be treated as if it had done so at the time when it received such notice, and as from that time all payments made for the credit of the Chargors shall be credited or be treated as having been credited to such new account or accounts and shall not operate to reduce the amount due from the Chargors to the Lender at the time when it received such notice.

21.7 Reinstatement

If any payment by the Chargors or discharge given by the Lender (whether in respect of the obligations of the Chargors or any Security for those obligations or otherwise) is avoided or reduced as a result of insolvency, liquidation, administration or any similar event:

- (a) the liability of the Chargors and the Security created by this debenture shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (b) the Lender shall be entitled to recover the value or amount of that Security or payment from the Chargors, as if the payment, discharge, avoidance or reduction had not occurred.

22. RELEASE

22.1 Upon the irrevocable and unconditional payment and discharge in full of the Secured Liabilities, the Lender shall, or shall procure that its appointees will, at the request and cost of the Chargors:

- (a) release the Charged Property from this debenture; and
- (b) re-assign the Charged Property that has been assigned to the Lender under this debenture.

22.2 Section 93 of the LPA dealing with the consolidation of mortgages shall not apply to this debenture.

23. MISCELLANEOUS PROVISIONS

23.1 Severability

If any provision of this debenture is illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

- (a) the validity or enforceability of any other provision, in any jurisdiction; or
- (b) the validity or enforceability of that particular provision, in any other jurisdiction.

23.2 **Costs, charges and expenses**

All costs, charges and expenses incurred or paid by the Lender or by the Receiver in the exercise of any power or right given by this debenture or in relation to any consent requested by the Chargors, or in perfecting or otherwise in connection with this debenture or the Charged Property, all sums recoverable under clause 19 (*Protection of the Lender and any Receiver*) and all costs of the Lender (on an indemnity basis) of all proceedings for the enforcement of this debenture or for obtaining payment of moneys by this debenture secured, shall be recoverable from the Chargors as debts, may be debited by the Lender at any time to any account of the Chargors and shall bear interest until payment at the rate or rates applicable to the account to which they are debited.

23.3 **Remedies and waivers**

No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under this deed shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this deed are cumulative and not exclusive of any rights or remedies provided by law.

23.4 **Contracts (Rights of Third Parties) Act 1999**

The Lender, any Receiver and their respective officers, employees and agents may enforce any term of this debenture which purports to confer a benefit on that person, but no other person who is not a party to this debenture has any right under the Contracts (Rights of Third Parties) Act 1999 (**Third Parties Act**) to enforce or to enjoy the benefit of any term of this debenture.

23.5 **Intercreditor Deed**

This deed is subject to the terms of the Intercreditor Deed.

23.6 **Counterparts**

This debenture may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this debenture.

24. **NOTICES**

24.1 **Notice to the Lender**

Any notice, request, demand or other document may be given or sent by one person to another in connection with this debenture by sending the same by post in a prepaid, first-class letter addressed to the relevant person at its registered address in the United

Kingdom or (if it has no registered address within the United Kingdom) to the address (if any) supplied by it for the giving of notice to it.

24.2 Service of Notices

Any notice, request, demand or other document given or made by delivery shall be deemed to have been delivered or received when left at the appropriate address referred to in clause 24.1 above, or if sent by post, on the second Business Day following the day on which it was posted. In proving delivery or receipt of any notice, request, demand or other document sent by post it shall be sufficient to prove that it was properly addressed, stamped and posted (by airmail, if to another country) in the United Kingdom.

24.3 English language

- (a) Any notice given under or in connection with this debenture must be in English.
- (b) All other documents provided under or in connection with this debenture must be:
 - (i) in English; or
 - (ii) if not in English, and if so required, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

25. GOVERNING LAW

This debenture and any non-contractual obligations arising out of or in connection with it are governed by English law.

Executed and delivered as a deed by the Chargors and executed by the Lender on the date set out at the beginning of this debenture.

Schedule 1 Details of Land

The Chargors did not own any Land at the time the Debenture was executed.

Schedule 2 the Chargors

1. **China Industries Limited** incorporated in England and Wales with registered number 04989385 and whose registered office is at Creative Industries Centre, Wolverhampton Science Park, Wolverhampton, West Midlands WV10 9TG.
2. **NextTopToy Limited** incorporated in England and Wales with registered number 07550414 and whose registered office is at 41 Church Street, Birmingham, West Midlands B3 2RT.
3. **Wow! Stuff Limited** incorporated in England and Wales with registered number 06656515 and whose registered office is at Creative Industries Centre, Wolverhampton Science Park, Wolverhampton, West Midlands WV10 9TG.
4. **Wowtown.com Limited** incorporated in England and Wales with registered number 07550423 and whose registered office is at 41 Church Street, Birmingham, West Midlands B3 2RT.
5. **TxT4VID Limited** incorporated in England and Wales with registered number 4698656 and whose registered office is at Creative Industries Centre, Wolverhampton Science Park, Wolverhampton, West Midlands WV10 9TG.

Schedule 3 Guarantee Provisions

1. This Guarantee is a continuing security and shall remain in full force and effect until all Secured Liabilities have been paid, discharged or satisfied in full notwithstanding the liquidation or other incapacity or any change in the constitution of any Chargor or in the name and style of any of them or any settlement of account or other matter whatsoever.
2. This Guarantee is in addition to and shall not merge with or otherwise prejudice or affect or be prejudiced by any other right, remedy, guarantee, indemnity or security and may be enforced without first having recourse to the same or any other bill, note, mortgage, charge, pledge or lien now or after the date of this debenture held by or available to the Lender.
3. Notwithstanding that this Guarantee ceases to be continuing for any reason whatever, the Lender may continue any accounts of any Chargor or open one or more new accounts and the liability of the Chargors under this debenture shall not in any manner be reduced or affected by any subsequent transactions or receipts or payments into or out of any such accounts.
4. If any purported obligation or liability of any Chargor to the Lender which if valid would have been the subject of this Guarantee is not or ceases to be valid or enforceable against any Chargor on any ground whatsoever whether or not known to the Lender including but not limited to any defect in or want of powers of any Chargor or irregular exercise of them or lack of authority by any person purporting to act on behalf of any Chargor or any legal or other limitation, disability, incapacity or any change in the constitution of or any amalgamation, reconstruction, liquidation or dissolution of any Chargor, each Chargor shall nevertheless be liable to the Lender in respect of that purported obligation or liability as if the same were fully valid and enforceable and each Chargor was the principal debtor in respect of it and the Chargors agree to keep the Lender fully indemnified against all damages, loss, costs and expenses arising from any failure of any Chargor to carry out any such purported obligation or liability.
5. The liability of the Chargors under this Guarantee shall not be reduced, discharged or otherwise adversely affected by:
 - 5.1 any variation, extension, compromise, discharge, dealing with, exchange or renewal of any right or remedy which the Lender may now or after the date of this debenture have against any Chargor or any other person in respect of the Secured Liabilities;
 - 5.2 any act or omission by the Lender or any other person in taking up, perfecting or enforcing or the non-enforcement of any security or guarantee from or against the Chargors or any other person;

- 5.3 any termination, amendment, variation, novation or supplement of or to any of the Secured Liabilities;
- 5.4 any grant of time, indulgence, waiver or concession any Chargor or any other person;
- 5.5 any incapacity or any change in the constitution, name and style of any Chargor or any other person;
- 5.6 any invalidity, illegality, unenforceability, irregularity, frustration or discharge by operation of law of any actual or purported liability of or any security held from, any Chargor or any other person in connection with the Secured Liabilities;
- 5.7 any act or omission which would not have discharged or affected any of the liabilities of a Chargor had it been the borrower instead of any other Chargor; or
- 5.8 by anything which, but for this provision, might operate to exonerate or discharge any Chargor or otherwise reduce or extinguish any of its liabilities under this Guarantee.
- 6. Each Chargor warrants to the Lender that it has not taken or received and undertakes that it will not take or receive the benefit of any security from any other Chargor or any other person in respect of any liability of or payment by any other Chargor under this Guarantee or otherwise in connection with this Guarantee.
- 7. Until all the Secured Liabilities have been paid, discharged or satisfied in full (and notwithstanding payment of a dividend in any liquidation or bankruptcy or under any compromise or arrangement) each Chargor agrees that, without the prior written consent of the Lender, it will not:
 - 7.1 exercise any right of subrogation, reimbursement or indemnity against any other Chargor;
 - 7.2 require any contribution, indemnity, reimbursement or accounting from any other Chargor of any of the Secured Liabilities or require the Lender to effect or implement marshalling;
 - 7.3 demand or accept repayment in whole or in part of any indebtedness now or after the date of this debenture due to any Chargor from any other Chargor or from any other person liable or demand or accept any Collateral Instrument in respect of the same or dispose of the same;
 - 7.4 take any step to enforce any right against any other Chargor or any other person liable in respect of any Secured Liabilities; or
 - 7.5 claim any set-off, deduction or counterclaim against any other Chargor or any other person liable or claim or prove in competition with the Lender in the bankruptcy or

liquidation of the any Chargor or any other person liable or have the benefit of, or share in, any payment from or composition with any Chargor or any other person liable or any other Collateral Instrument now or after the date of this debenture held by the Lender for any Secured Liabilities or for the obligations or liabilities of any other person liable but so that, if so directed by the Lender, it will prove for the whole or any part of its claim in the liquidation or bankruptcy of any other Chargor on terms that the benefit of such proof and of all money received by it in respect of it shall be held on trust for the Lender and applied in or towards discharge of the Secured Liabilities in such manner as the Lender shall deem appropriate.

8. If, contrary to paragraphs 6 and 7 of this Schedule, any Chargor takes or receives the benefit of any security or receives or recovers any money or other property or exercises any rights mentioned in paragraph 6 against any other Chargor, the Chargor declares that such rights and such security, money or other property shall be held on trust by the Chargor for the Lender for application in or towards the discharge of the liabilities of the Chargor to the Lender under this Guarantee.
9. Each Chargor agrees that all other rights and all monies from time to time held on trust by the Lender under or pursuant to paragraphs 7 and 8 of this Schedule shall be transferred, assigned, delivered or, as the case may be, paid to the Lender promptly following the Lender's demand.
10. No Chargor shall direct the appropriation by the Lender of any sums received by the Lender from a Chargor under this debenture (and any appropriation shall be as the Lender in its own discretion determines).
11. If this Guarantee ceases to be continuing for any reason whatsoever, then the Lender may open a new account or accounts in the name of the Chargors. If the Lender does not open a new account or accounts it shall nevertheless be treated as if it had done so at the time that this Guarantee ceases to be continuing (whether by determination, calling in, demand or otherwise) and, as from that time, all payments made to the Lender by or on behalf of any Chargor shall be credited or be treated as having been credited to the new account or accounts and shall not operate to reduce the amount for which this Guarantee is available at that time nor shall the liability of the Chargors under this Guarantee be reduced or affected by any subsequent transactions, receipts or payments.
12. The Lender shall not be obliged before it takes steps to enforce this Guarantee against any Chargor:
 - 12.1 to take action or obtain judgment in any court against any other Chargor or any other person; or
 - 12.2 to make or file any claim in a bankruptcy or liquidation of any other Chargor or any other person; or

- 12.3 to make, enforce or seek to enforce any claim against any other Chargor or any other person under any security or other document, agreement or arrangement.
13. All sums payable by the Chargors under this Guarantee shall be paid to the Lender in full:
- 13.1 without any set-off, condition or counterclaim whatsoever; and
- 13.2 free and clear of all deductions or withholdings whatsoever save only as may be required by law.
14. If any deduction or withholding is required by any law in respect of any payment due from the Chargors under this Guarantee the sum payable by the Chargors shall be increased so that, after making the minimum deduction or withholding so required, the Chargors shall pay to the Lender, and the Lender shall receive and be entitled to retain on the due date for payment, a net sum at least equal to the sum which it would have received had no such deduction or withholding been required to be made and the Chargors shall indemnify the Lender against any losses or costs incurred by reason of any failure of the Chargors to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment. The Chargors shall promptly deliver to the Lender any receipts, certificates or other proof evidencing the amount (if any) paid or payable in respect of any such deduction or withholding.
15. This Guarantee shall remain binding on the Chargors notwithstanding any change in the constitution of the Lender or the absorption of the Lender in, or amalgamation with, or the acquisition of all or part of its undertakings or assets by, any other person, or any reconstruction or reorganisation of any kind, to the intent that this Guarantee shall remain valid and effective in all respects in favour of any assignee, transferee or other successor in title had been named in this debenture as a party instead of, or in addition to, the Lender .
16. In this Schedule:
- 16.1 the liability of the Chargors under this debenture shall include all such persons and shall be the joint and several liability of each of such persons; and
- 16.2 the Guarantee given by each Chargor under this debenture shall be construed as if it were a separate guarantee and indemnity by each Chargor in respect of the obligations owed by each other Chargor to the Lender.
17. Each of the Chargors agrees to be bound by this debenture notwithstanding that any others of the Chargors which have intended to sign or to be bound may not do so or be effectually bound and notwithstanding that this debenture may be determined or become invalid or unenforceable against any one or more of such persons whether or

not the deficiency is known to the Lender. The Lender may release any one or more of the Guarantors from this debenture and compound with or otherwise vary or agree to vary the liability of or to grant time or indulgence to or make other arrangements with any one or more of the Chargors or any other person without prejudicing or affecting the rights and remedies of the Lender against the others of the Chargors.

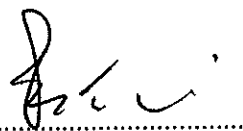
Executed as a deed by

[*Ewan Gibb*],

a director, for and on behalf of

CHINA INDUSTRIES LIMITED

in the presence of:



Director

Witness



Signature : GARETH T O'HARA
Name : SOLICITOR
Occupation : THE WILKES PARTNERSHIP LLP
Address : 41 CHURCH STREET
BIRMINGHAM B3 2RT

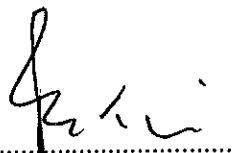
Executed as a deed by

[*Ewan Gibb*],

a director, for and on behalf of

NEXTOPTOY LIMITED

in the presence of:



Director

Witness



Signature : GARETH T O'HARA
Name : SOLICITOR
Occupation : THE WILKES PARTNERSHIP LLP
Address : 41 CHURCH STREET
BIRMINGHAM B3 2RT

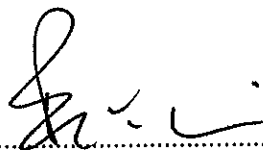
Executed as a deed by

[*Ewan Gibb*],

a director, for and on behalf of

TXT4VID LIMITED

in the presence of:



Director

Witness



Signature : GARETH T O'HARA
Name : SOLICITOR
Occupation : THE WILKES PARTNERSHIP LLP
Address : 41 CHURCH STREET
BIRMINGHAM B3 2RT

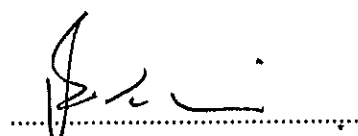
Executed as a deed by

[*Ken Wilkes*],

a director, for and on behalf of

WOWTOWN.COM LIMITED

in the presence of:


.....
Director

Witness

Signature :

Name :

Occupation :

Address :



GARETH T O'HARA
SOLICITOR
THE WILKES PARTNERSHIP LLP
41 CHURCH STREET
BIRMINGHAM B3 2RT

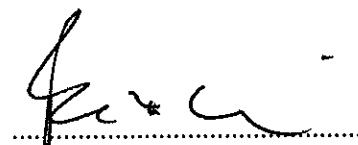
Executed as a deed by

[*Ken Wilkes*],

a director, for and on behalf of

WOW! STUFF LIMITED

in the presence of:


.....
Director

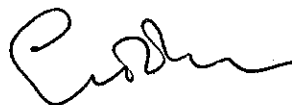
Witness

Signature :

Name :

Occupation :

Address :




GARETH T O'HARA
SOLICITOR
THE WILKES PARTNERSHIP LLP
41 CHURCH STREET
BIRMINGHAM B3 2RT

Signed as a deed by

RICHARD NORTH

in the presence of:


.....

Witness

Signature :

Name :

Occupation :

Address :



GARETH T O'HARA
SOLICITOR
THE WILKES PARTNERSHIP LLP
41 CHURCH STREET
BIRMINGHAM B3 2RT