

5580723

DATED

27th July

2006

(1) RAYMOND AYRES AND HILDE BARTLETT

and

(2) COHORT PLC

AGREEMENT

for the sale and purchase of the whole of the
issued share capital of Mass Limited

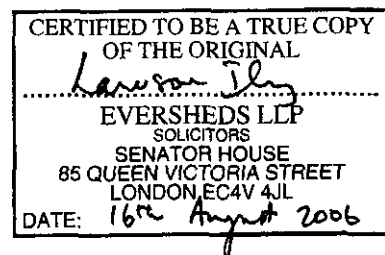


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THIS SHARE SALE and PURCHASE AGREEMENT is made on: 27th July 2006
BETWEEN

1. **THE SEVERAL PERSONS** whose names and addresses are set out in part 1 of Schedule 1 (the "Sellers"); and
2. **COHORT PLC**, a company incorporated in England and Wales (company number 05684823) whose registered office is at The Court House, Northfield End, Henley-on-Thames, Oxfordshire, RG9 2JN (the "Buyer").

The parties agree as follows:

1 INTERPRETATION

1.1 In this Agreement the following definitions apply:

"Accounts"	the audited financial statements of the Company comprising the balance sheet, profit and loss account and cash flow statement of the Company together with the notes thereon, directors' report and auditor's certificate, as at and for the financial period ended on the Last Accounts Date;
"Activities"	any activity, operation or process carried out by the Company at any property whether or not currently owned, occupied or used by the Company;
"Admission"	the admission of the Consideration Shares to trading on AIM, a market operated by London Stock Exchange and such admission becoming effective in accordance with the AIM Rules;
"Application Letter"	the Application Letter referred to in clause 4.6.1 (o) below;
"Bona Fide Claim"	a Warranty Claim, Tax Claim or any other claim in respect of any indemnity contained in this Agreement against the Sellers which has not been finally determined and in respect of which the Buyer has given written notice to the Sellers in which it has specified its best estimate of the amount claimed together with reasonable details of the claim and in respect of which the Buyer has obtained a written statement of advice from Counsel of at least 10

years' standing confirming that, on a balance of probabilities, such claim is likely to succeed;

"Borrowings"

- (a) the principal amount of any debenture (whether secured or unsecured) of Mass or the Company (as the case may be);
- (b) the aggregate liabilities (whether presently payable or arising in the future) arising under all credit sale, hire purchase and any other agreements of Mass or the Company (as the case may be) providing for payment on deferred terms but excluding normal trade credit arising in the ordinary course of business; and
- (c) the outstanding amount raised by acceptances by any bank or accepting house under any acceptance credit facility opened on behalf of Mass or the Company (as the case may be);

"Business Day"

any day (other than a Saturday or Sunday) on which banks are generally open for business in the City of London for the transaction of normal banking business;

"Business Intellectual Property"

Intellectual Property used or intended to be used in the business of the Company together with the goodwill relating thereto;

"Buyer's Solicitors"

Eversheds LLP, Senator House, 85 Queen Victoria Street, London, EC4V 4JL;

"Closing Date"

means the date upon which the Placing Agreement shall become unconditional in all respects save only for any condition relating to Completion and Admission or, if such date is not a Business Day, the next succeeding

	Business Day;
"CAA"	the Capital Allowances Act 2001;
"Company"	Mass Consultants Limited (a wholly-owned subsidiary of Mass), particulars of which are contained in Part 3 of Schedule 1;
"Completion"	the completion of the sale and purchase of the Shares pursuant to clause 4;
"Completion Date"	the date of Completion;
"Completion Sum"	the sum of £13,500,000;
"Confidential Information"	all information not at present in the public domain used in or otherwise relating to the business or technology, customers or financial or other affairs of Mass and/or the Company (including future plans);
"Consideration"	the consideration for the purchase of the Shares as defined in clause 3.1;
"Consideration Shares"	the 6,240,741 new ordinary shares of 10 pence each in the capital of the Buyer to be conditionally allotted at Closing in accordance with the provisions of this Agreement, the Placing Agreement and the Application Letter;
"Data Room"	the data room prepared by the Sellers to provide the Buyer with access to information regarding the Company;
"Disclosed"	means revealed to the Buyer in the Disclosure Letter in such manner and in sufficient detail to ensure a reasonable understanding may be obtained by a reasonable buyer of the nature and scope of the matter disclosed;
"Disclosure Documents"	the documents contained in the Data Room and which are listed in the schedule of documents entitled "Disclosure Documents" annexed to the Disclosure Letter;
"Disclosure Letter"	the letter of the same date as, but delivered immediately prior to the entering into of, this

Agreement from the Sellers to the Buyer signed by the Sellers, including the Disclosure Documents;

“distribution”

a distribution as defined by sections 209 to 211 (inclusive) of the TA and section 418 of the TA;

“Employment Laws”

all and any international, European Union or national laws, common law, statutes, directives, by-laws, orders, regulations or other subordinate legislation, notices, codes of practice, guidance notes, judgments or decrees, relating to or connected with (1) the employment of employees and/or their health and safety at work, (2) the use of or engagement of temporary workers, agency workers or other individual workers where the relationship is not one of employment and their health and safety at work and (3) the relations between the Company and any trade union, staff association or other body representing employees or workers;

“Encumbrance”

any mortgage, charge (fixed or floating), pledge, lien, hypothecation, option, restriction, right of pre-emption, assignment by way of security, reservation of title, trust, set-off, claim, third party interest or right (legal or equitable) or other encumbrance or security interest of any kind however created or arising and any other agreement or arrangement (including a sale and re-purchase arrangement) having similar effect;

“Environment”

any and all living organisms (including man), ecosystems, property and the media of air (including air in buildings, natural or man-made structures, below or above ground) water (as defined in section 104(1) of the Water Resources Act 1991 and within drains and sewers) and land (including under any water as described above and whether above or below surface);

“Environmental Consent”

any consent, approval, permit, licence, order, filing, authorisation, exemption, registration, permission, reporting or notice requirement and any related agreement required under any Environmental Laws;

“Environmental Laws”

all international, EU, national, federal, state or local statutes, (which for the avoidance of doubt shall include section 57 and Schedule 22 of the Environment Act 1995 and the guidance and regulations adopted under those provisions), by-laws, orders, regulations or other law or subordinate legislation or common law, all orders, ordinances, decrees or regulatory codes of practice, circulars, guidance notes and equivalent controls concerning the protection of human health or which have as a purpose or effect the protection or prevention of harm to the Environment which are binding in relation to the Properties and/or upon the Company in the relevant jurisdiction in which the Company has been or is operating (including by the export of its products, or its waste thereto and including any obligation relating to the control of asbestos) on or before Completion;

“ERA”

the Employment Rights Act 1996;

“Framework Agreement”

the agreement between the Company (1) and Silicon valley Group PLC (2) in the agreed terms;

“Group”

Mass and the Company and “Group Company” means either one of them;

“Hazardous Substance”

any natural or artificial substance (whether solid, liquid, gas, noise, ion, vapour, electromagnetic or radiation, and whether alone or in combination with any other substance) which is capable of causing harm to or having a deleterious effect on the Environment, being a nuisance, or which restricts or makes more costly the use, development, ownership or occupation of any Properties;

"Indemnities"	the deed of indemnity between the Sellers (1), and the Buyer (2) in the agreed terms;
"Intellectual Property"	patents, trade marks, service marks, rights (registered or unregistered) in designs; applications for any of the foregoing; get-up, trade, business or domain names, copyright (including rights in computer software, source code and licences) and topography rights; know-how (including experience, data, technical and commercial information including but not limited to formulae, designs, drawings, processes and modes of operation); lists of suppliers and customers and other confidential and proprietary knowledge and information; rights protecting goodwill and reputation; database rights; rights in inventions (patented or not), trade secrets, operating systems and specifications/procedures and all other intellectual property rights of a similar or corresponding character which may now or in the future subsist in any part of the world;
"Investec"	Investec Bank (UK) Limited
"ITA"	the Inheritance Tax Act 1984;
"ITEPA"	Income Tax (Earnings and Pensions Act) 2003;
"Last Accounts Date"	31 March 2006;
"London Stock Exchange"	London Stock Exchange plc
"Management Accounts"	the unaudited accounts of Mass and of the Company for the two months ended on 31 May 2006, a copy of which is in the Disclosure Documents;
"Mass"	Mass Communications Systems Limited, particulars of which are contained in Part 2 of Schedule 1;
"Permit"	a permit, licence, consent, approval, certificate, qualification, specification, registration or other authorisation or a filing of a notification report or assessment necessary in any jurisdiction for

	the proper and efficient operation of the Company's business, its ownership, possession, occupation or use of an asset or the execution and performance of this Agreement;
"Placing Agreement"	means the conditional agreement between the Buyer (1) and Investec (2) entered into on the date of this Agreement;
"Properties"	the leasehold properties short particulars of which are set out in part 1 of Schedule 2;
"Property Lease Amendments"	the deeds of variation in the agreed terms varying the terms of the leases relating to the Properties;
"Related Persons"	in relation to the Sellers, the SVG Companies and each of them and in relation to any party which is a body corporate, its parent undertaking and the subsidiary undertakings and associated undertakings (where ownership or control of 20 per cent or more of the share capital of a body corporate conferring the right to attend and vote at general meetings of such body corporate shall be the test of associated undertaking status) from time to time of such holding companies, all of them and each of them as the context admits with the exception of Mass and the Company;
"Relief"	has the meaning set out in the Tax Covenant;
"Reorganisation Documents"	the documents in the agreed form relating to the pre-sale reorganisation of Mass and the Company;
"Rohan Contract"	the proposed contract with BAE Systems in relation to the provision of training data and provision of staff in country in the Middle East and by whatever name subsequently known;
"Rohan Income"	amounts payable under the Rohan Contract to the Company net of any rebate, allowance or sales tax;

"Sellers' Solicitors"	Stuart Hodge Corporate Lawyers of 3 Temple Row West, Birmingham B2 5NY;
"Shares"	50,000 ordinary shares of £1 each, being the entire issued share capital of Mass;
"Substantial Customer"	a customer accounting for more than 10% of the Company's sales in the financial year ended on the Last Accounts Date or the immediately preceding financial year;
"Substantial Supplier"	a supplier accounting for more than 10% of the Company's purchases in the financial year ended on the Last Accounts Date or the immediately preceding financial year;
"SVG Companies"	Silicon Valley Group plc, its subsidiaries from time to time, any holding company of Silicon Valley Group plc and any subsidiaries from time to time of any such holding company with the exception of the Company and Mass;
"TA"	the Income and Corporation Taxes Act 1988;
"Tax" or "tax"	any tax, and any duty, contribution, impost, withholding, levy, deduction, rate or charge in the nature of tax, whether domestic or foreign, national or local, and any fine, penalty, surcharge or interest connected therewith and includes without limitation of the foregoing corporation tax, advance corporation tax, income tax (including income tax required to be deducted or withheld from or accounted for in respect of any payment), national insurance and social security contributions, capital gains tax, inheritance tax, value added tax, customs excise and import duties, stamp duty, stamp duty reserve tax, stamp duty land tax, insurance premium tax, air passenger duty, land fill tax and any other payment whatsoever which any person is or may be or become bound to make to any person and which is or purports to be in the nature of taxation;
"Taxation Authority"	any local, municipal, governmental, state, federal or fiscal, revenue, customs or excise

	authority, body, agency or official anywhere in the world having or purporting to have power or authority in relation to Tax including HM Revenue & Customs;
"Tax Warranty Claim"	a claim for breach of a Warranty where the subject matter of such claim is a Claim for Tax (as defined in Schedule 4);
"Tax Claim"	a claim for breach of the Tax Covenant;
"Tax Covenant"	the covenant in respect of Tax in Schedule 4;
"Taxation Statutes"	all statutes, statutory instruments, orders, enactments, laws, by-laws, directives and regulations, whether domestic or foreign decrees, providing for or imposing any Tax;
"Termination Date"	the sixth Business Day after the date of signature and exchange of this Agreement;
"TCGA"	the Taxation of Chargeable Gains Act 1992;
"TEWS Contract"	the proposed contracts with BAE Systems in relation to (1) the provision of Staff in country and (2) the provision of data management tools in the Middle East (known as TEWS and by whatever name subsequently known);
"TEWS Income"	amounts payable under the TEWS Contract to the Company net of any rebate, allowance or sales tax;
"the London Stock Exchange"	London Stock Exchange plc;
"TMA"	the Taxes Management Act 1970;
"Transfer Regulations"	the Transfer of Undertakings (Protection of Employment) Regulations 1981 as replaced by the Transfer of Undertakings (Protection of Employment) Regulations 2006;
"TULR(C)A"	Trade Union and Labour Relations (Consolidation) Act 1992;
"VATA"	the Value Added Tax Act 1994 and "VAT legislation" means VATA and all regulations

	and orders made thereunder;
"Warranties"	the warranties set out in clause 5 and Schedule 3 and "Warranty" means any of them;
"Warranty Claim"	a claim for breach of a Warranty;
"Waste"	waste including anything which is discarded or which the holder intends or is required to discard and anything which is abandoned, unwanted or surplus irrespective of whether it is capable of being recovered or recycled or has any value such that there is likely to be a breach of Environmental Laws or such that any investigation, treatment or remediation of any of the Properties is or would be required or would be undertaken by a prudent owner or occupier.

1.2 In this Agreement unless otherwise specified, reference to:

- 1.2.1 a **"subsidiary undertaking"** and **"parent undertaking"** are to be construed in accordance with section 258 and Schedule 10A of the Companies Act 1985 and a **"subsidiary"** or **"holding company"** is to be construed in accordance with section 736 of that Act;
- 1.2.2 a person being **"connected"** with another shall be determined in accordance with section 839 of the TA (except that in construing section 839 **"control"** has the meaning given by section 840 or section 416 of the TA so that there is control whenever section 840 or 416 requires);
- 1.2.3 a document in the **"agreed terms"** is a reference to that document in the form approved by each party and initialled by, or on behalf of, each of them for the purpose of identification;
- 1.2.4 **"FA"** followed by a stated year means the Finance Act of that year;
- 1.2.5 **"includes"** and **"including"** shall mean including without limitation;
- 1.2.6 a **"party"** means a party to this Agreement and includes its assignees (if any) and/or the successors in title to substantially the whole of its undertaking and, in the case of an individual, to his or her estate and personal representatives;
- 1.2.7 a **"person"** includes any person, individual, company, firm, corporation, government, state or agency of a state or any undertaking (whether or not having separate legal personality and irrespective of the jurisdiction in or under the law of which it was incorporated or exists);

- 1.2.8 a "statute" or "statutory instrument" or "accounting standard" or "EC Directive" or any of their provisions is to be construed as a reference to that statute or statutory instrument or accounting standard or EC Directive or such provision as the same may have been amended or re-enacted before the date of this Agreement save to the extent that the same would create or extend a liability of either party under this Agreement;
- 1.2.9 "clauses", "paragraphs" or "Schedules" are to clauses and paragraphs of and schedules to this Agreement;
- 1.2.10 "writing" includes any methods of representing words in a legible form excluding e-mail (other than writing on an electronic or visual display screen or other transitory form);
- 1.2.11 use of the singular includes the plural and vice versa and use of any gender includes the other genders;
- 1.2.12 any statement qualified by reference to the Sellers' state of knowledge, belief or awareness shall be deemed to be made after due consideration by the Sellers and reasonable enquiry into the subject matter of the statement;
- 1.2.13 the time of day is reference to time in London, England.
- 1.3 The Schedules form part of the operative provisions of this Agreement and references to this Agreement shall, unless the context otherwise requires, include references to the Schedules.
- 1.4 The table of contents, the headings and the descriptive notes in brackets relating to provisions of taxation statutes in this Agreement are for information only and shall not affect the interpretation of this Agreement.
- 1.5 Any agreement, covenant, representation, warranty, undertaking arising under this Agreement on the part of two or more persons shall be deemed to be made or given by such persons severally.

2 AGREEMENT TO SELL THE SHARES

2.1 Sale of Shares

The Sellers shall sell as legal and beneficial owners and with full title guarantee and the Buyer shall purchase the Shares with effect from Completion free from all and any Encumbrance and together with all rights attaching thereto.

2.2 Dividends and distributions

The Buyer shall be entitled to receive all dividends and distributions declared, paid or made by Mass on or after the date of this Agreement.

2.3 Rights of pre-emption

The Sellers hereby unconditionally and irrevocably waive all rights of pre-emption and any other rights or restrictions over any of the Shares conferred either by the articles of association of Mass or in any other way.

2.4 Sale of all Shares

The Buyer shall not be obliged to complete the purchase of any of the Shares unless the purchase of all the Shares is completed simultaneously.

3 CONSIDERATION

3.1 The Consideration

3.1.1 The consideration for the Shares payable on Completion shall be the Completion Sum.

3.1.2 Subject to Completion, it is further agreed that in the event that:-

- a) within 24 months after Completion, the Rohan Contract is entered into by the Company, and there is received by the Company any payment of any amount of the Rohan Income at any time following entry into of the Rohan Contract, the Buyer shall be obliged to pay to the Sellers between them a commission equal to 10 per cent. per annum of the Rohan Income received by the Company during any annual accounting period of the Buyer ending on its accounting reference date ("Payment Period"), which shall be payable within 30 days after the final day of the Payment Period and similarly in respect of each successive Payment Period in which payment of Rohan Income is received by the Company;
- b) within 24 months after Completion, the TEWS Contract is entered into by the Company, and there is received by the Company any payment of any amount of the TEWS Income at any time following entry into of the TEWS Contract, the Buyer shall be obliged to pay to the Sellers between them a commission equal to 10 per cent. per annum of the TEWS Income received by the Company during the Payment Period, which shall be payable within 30 days after the final day of the Payment Period and similarly in respect of each successive Payment Period in which payment of TEWS Income is received by the Company;

provided that: (i) the aggregate of the amount payable pursuant to clause 3.1.2 (a) shall not exceed £166,667; (ii) the aggregate amount payable pursuant to clause 3.1.2 (b) shall not exceed £333,333; (iii) in both cases, the contract must be in a form reasonably acceptable to the

Buyer, having a scope of work and value not materially less (in the case of the TEWS Contract) than that envisaged by the bid price spreadsheet disclosed to the Buyer and (in the case of the Rohan Contract) the scope of work envisaged by discussions with BAE Systems and referred to in the Business Development Meeting minutes dated 8 August 2006 and be supported by a valid export licence (if required); and (iv) if any payment date pursuant to clause 3.1.2 is not a Business Day, such payment shall not be due until the Business Day which immediately proceeds that date.

3.1.3 The Buyer undertakes with the Sellers that:-

- a) it will, and will procure that the Company will, use all reasonable endeavours to procure entry into each of the Rohan Contract and the TEWS Contract; and
- b) it will, and will procure that the Company will, act in good faith towards the Sellers' interests under this clause; and
- c) until such time as the payments above have been made, or (if earlier) the specified period for obtaining the contracts has passed, the Buyer will not and it will procure that the Company will not (without in either case the written consent of the Sellers (such consent not to be unreasonably withheld or delayed)):
 - i dispose of the whole or any material part of its business assets or undertaking as carried on by it at Completion (provided that this paragraph shall not in any way restrict the Buyer or the Company from continuing to trade in the ordinary and usual course); or
 - ii initiate any procedure for the solvent winding up of the Company; or
 - iii implement any scheme or arrangement having the net effect of materially reducing the Company's ability to undertake either the Rohan Contract or the TEWS Contract or the Sellers' interests under this clause.

3.2 Payments

- 3.2.1** On Completion the amount of the Completion Sum is to be satisfied as to £5,075,000 in cash, £750,000 by the allotment of 555,556 Consideration Shares to Raymond Ayres, as to £7,425,000 by the allotment of Consideration Shares in accordance with the Placing Agreement and as to £250,000 by the allotment of 185,185 Consideration Shares pursuant to the Application Letter.

3.2.2 Any further sums which become payable pursuant to clause 3.1.2 shall (until notice in writing is received by the Buyer from the Sellers directing otherwise), be paid to the Sellers' Solicitors in cash.

3.3 Receipt by the Sellers' Solicitors

The Sellers' Solicitors are irrevocably authorised to receive on behalf of the Sellers the payments referred to in clause 3.2 (including payments to be made to the Sellers pursuant to the Placing Agreement and the Application Letter) and payment or delivery of such payments to the Sellers' Solicitors shall be a good discharge to the Buyer and to Investec and neither the Buyer nor Investec shall not be concerned as to the split of the Consideration between the Sellers.

4 COMPLETION

Exchange

4.1 On the date of this Agreement:-

4.1.1 the Sellers will deliver to the Buyer

- a) this Agreement, duly executed by the Sellers;
- b) the Disclosure Letter, duly executed by the Sellers, and the Disclosure Documents; and
- c) the Placing Agreement duly executed by the Sellers;

4.1.2 the Buyer will deliver to the Seller:-

- a) this Agreement, duly executed by the Buyer;
- b) acknowledgement of receipt of the Disclosure Letter; and
- c) a copy, certified as being a true copy, of minutes of the Buyer resolving that the Buyer should enter into this Agreement and each other document to be entered into by it on Completion, and authorising execution of this Agreement and each such other document by each person signing on behalf of the Buyer.

together (in each case) with copies, certified as being true copies by the relevant Solicitors of the powers of attorney (if any) under which the Agreement or the Disclosure Letter was executed on behalf of any party.

Conditions Precedent

4.2 The completion of the agreement to sell and purchase the Shares contained in clause 2 is conditional upon satisfaction of the following conditions:

- 4.2.1 there not having occurred, arisen or been discovered at any time prior to Admission any fact, matter or circumstance constituting or liable to result in any material adverse change in the financial, working capital, trading position or liabilities of the Company and Mass (taken as a whole);
 - 4.2.2 the Placing Agreement having become unconditional in all respects save only as to any condition relating to Completion and Admission and not having been terminated by Investec;
 - 4.2.3 there having been no breach prior to Completion (unless such breach has been remedied to the Buyer's reasonable satisfaction) of any of the Sellers' covenants in clause 4.5 below;
 - 4.2.4 the Reorganisation Documents having been entered into and all transactions envisaged thereby having been implemented and completed or completed subject only to Admission; and
 - 4.2.5 Admission having been obtained no later than the Termination Date.
- 4.3 The Buyer shall use all reasonable endeavours to ensure the satisfaction of the conditions set out in clause 4.2.2 and 4.2.5. The Sellers shall use all reasonable endeavours to ensure the satisfaction of the conditions set out in clause 4.2.3 and 4.2.4.

Non-Satisfaction/Waiver

- 4.4 If the conditions in clause 4.2 are not met or satisfied by the Termination Date (or such later date as the parties may agree), this Agreement (other than clause 18.5) shall lapse and terminate and any documents delivered into escrow at the Closing Date pursuant to clause 4.6 shall not be exchanged or dated but immediately returned to the parties by whom they were executed and shall not take effect.

Sellers' Obligations Pending Completion

- 4.5 Pending Completion, the Sellers undertake with the Buyer that (save with the prior written consent of the Buyer not to be unreasonably withheld or delayed or pursuant to the Reorganisation Documents) both Mass and the Company:
- 4.5.1 shall carry on its business as a going concern in its ordinary course and, in any event, in a proper and prudent manner;
 - 4.5.2 shall not enter into, modify or terminate any material contract or (other than in the ordinary course of business) any other contract;
 - 4.5.3 shall not dispose of any part of its business or undertaking or (otherwise than in the ordinary course of trading) dispose of or acquire any assets;

- 4.5.4 shall comply in all material respects with all laws, regulations, codes of practice and obligations incurred in connection therewith;
- 4.5.5 shall not create or allow to subsist any Encumbrance over any of its assets except as may have arisen in the ordinary course under either normal retention of title clauses in supply contracts or being liens arising by operation of law and any subsisting Encumbrances disclosed in the Disclosure Letter;
- 4.5.6 shall not incur any material liability, obligation or expense (whether actual or contingent) or make any payment except in the ordinary course of business;
- 4.5.7 shall not acquire any material asset on lease or hire-purchase or contract-hire or deferred payment terms (except for normal trade credit);
- 4.5.8 shall not incur any capital expenditure or enter into any capital commitment other than in the ordinary course of business or enter into any unduly onerous, unusual or long term agreements (save where, in any case, any individual item of capital expenditure is not greater than £15,000);
- 4.5.9 shall not amend the terms of its Borrowings or create or incur any Borrowing (except pursuant to the facilities disclosed in the Disclosure Letter where the borrowing does not exceed the amount disclosed in the Disclosure Letter as being available to be drawn down by it under those facilities);
- 4.5.10 shall not give any guarantees, securities or indemnities for the obligations of any other person;
- 4.5.11 shall not (except in the ordinary course of business) release, discharge or compound any liability, claim, action, demand or dispute of a material amount and shall not initiate or compromise or settle any litigation or arbitration proceedings or waive any right in relation to or the subject of litigation or arbitration proceedings;
- 4.5.12 shall not enter into or modify any agreement or arrangement (legally enforceable or not) in which any of its directors or former directors or the Sellers or persons connected with them are interested (directly or indirectly);
- 4.5.13 shall not employ or engage or terminate the employment or engagement of any director, employee or consultant except an employee engaged at a basic salary not exceeding £15,000 or amend the terms of employment or engagement of any director, employee or consultant;
- 4.5.14 shall not create, allot, issue, repay or redeem any share or loan capital;
- 4.5.15 shall not declare, pay or make any dividend or distribution nor pay any service, management or similar charges whether to any of the SVG Companies, the Sellers or any persons connected with the Sellers;

4.5.16 shall not pass any members' resolution or make or allow to be made any decision or agreement of members having equivalent effect;

4.5.17 shall not make any alterations (excluding maintenance) to the Properties;

4.5.18 shall not knowingly do anything that gives rise to a breach of any of the Warranties or gives rise to a claim under the Tax Covenant;

4.5.19 maintain the Company's existing policies of insurance at the same levels as Disclosed; and

4.5.20 shall not (conditionally or unconditionally) offer or agree to do any of the things referred to in any of the foregoing paragraphs.

Closing

4.6 Subject to the conditions in clause 4.2.1 to 4.2.3 above being satisfied at the Closing Date and (so far as the Sellers and Buyer are aware) capable of remaining satisfied at Completion, Closing shall occur on the Closing Date when duly executed waivers in the agreed terms in relation to the inter-company balances with each of Grove House Investments Limited and Silicon Valley Systems Limited shall be entered into:- and

4.6.1 the Sellers shall deliver into escrow, to be released to the Buyer immediately upon Admission being achieved, with authority (where applicable) to date the same by the insertion of the date of Admission:

- a) duly executed transfers of the Shares in favour of the Buyer (or as it may direct) accompanied by the relative share certificates;
- b) written resignations in the agreed terms of each of the Sellers as directors and Hilde Bartlett as the secretary of each Group Company to take effect on the date of Completion;
- c) the written resignation of the auditors of each Group Company in the agreed terms to take effect on the Completion Date;
- d) the certificates of incorporation and any certificates of incorporation on change of name, common seals (if any), cheque books (and all unused cheques), statutory books and minute books of each Group Company duly written up to date and share certificate books of each Group Company;
- e) the title deeds and other documents relating to the Properties;
- f) the Property Lease Amendments duly executed by Grove House Investments Limited;

- g) the duly signed Disclosure Letter with the Disclosure Documents;
- h) to the extent not in the possession of Mass and/or the Company, all books of account or records as to customers and/or suppliers and other records and all insurance policies in any way relating to or concerning the business of the Company;
- i) a release and acknowledgement in the agreed terms duly executed as a deed, releasing each Group Company and their respective officers or employees from any liability whatsoever (actual or contingent) which may be owing by any of them to the Sellers or any persons connected with them (but not including any officers or employees of the Company) by any Group Company and/or any such officers and employees;
- j) statements confirming the cash balance in each bank account held by the Company as at close of business on the date three Business Days prior to the Closing Date together with a reconciliation showing an adjusted balance as at the close of business on the last Business Day prior to the Closing Date after taking into account:
 - i cheques not presented or paid in; and
 - ii payments required by this Agreement;
- k) appropriate forms to amend the mandates given by the Company to its bankers;
- l) all charges, mortgages and debentures and guarantees to which either Group Company is a party together with duly sealed discharges and (where applicable) forms 403a duly sworn and completed in respect of the same;
- m) original certificates of all registered Intellectual Property of the Company;
- n) the duly executed Framework Agreement;
- o) duly executed application letter "Application Letter" by which Malcolm Lowes agrees to acquire 185,185 new ordinary shares in the capital of the Buyer in consideration of the payment to the Sellers' Solicitors of the cash sum of £250,000 for the account of the Sellers;
- p) duly executed lock-in deeds by which Malcolm Lowes and Raymond Ayres agree not to dispose of their shares in the Buyer for a period of 12 months following Completion;

- q) duly executed IP assignment between Silicon Valley Group plc and the Company;
- r) the duly executed Indemnities; and
- s) duly executed deed of termination in the agreed terms between the Company and Silicon Valley Group plc terminating any existing management agreement or management services arrangement relating to any Group company in existence other than those specifically preserved under the Framework Agreement immediately prior to Completion.

4.6.2 the Buyer shall conditionally allot 6,240,741 Consideration Shares in accordance with the provisions of the Placing Agreement, this Agreement and the Application Letter and deliver into escrow counterparts of those completion documents to which the Buyer is a party, to be released to the Sellers immediately upon Admission being achieved, with authority (where applicable), to date the same by the insertion of the date of Admission.

4.7 Completion

Subject to Admission being achieved by the Termination Date:-

- 4.7.1 All documents deeds and things delivered into escrow pursuant to clause 4.6 shall be released immediately from escrow and dated in accordance with the provisions of that clause and in addition the Sellers shall immediately deliver to the Buyer the duly executed Reorganisation Documents; and
- 4.7.2 Investec will subject to Admission pay or procure payment pursuant to the Placing Agreement of £7,425,000, Malcolm Lowes will pay pursuant to the Application Letter £250,000 and the Buyer will pay or procure payment of the balance of the Completion Sum together with such sum as is required to meet the Sellers' costs in accordance with clause 8.1 in each case to the Sellers' Solicitors on the date of Admission.

4.8 Repayments, guarantees etc

The Sellers shall procure that at Completion:

- 4.8.1 there are repaid all sums (if any) owing to each Group Company by any of the Sellers or any of their respective connected persons and whether or not such sums are due for repayment and which are not otherwise specifically dealt with elsewhere in this Agreement;
- 4.8.2 each Group Company is released from any guarantee, suretyship, indemnity, bond, letter of comfort or Encumbrance or other similar obligation given or

incurred by it which relates in whole or in part to debts or other liabilities or obligations, whether actual or contingent, of any person;

and prior to such repayment or release the Sellers undertake to the Buyer (on behalf of itself and as trustee on behalf of each Group Company) to keep each Group Company fully indemnified against any failure to make any such repayment or any liability arising under any such guarantee, suretyship, indemnity, bond, letter of comfort, Encumbrances or like obligations or liabilities.

4.9 Return of property

The Sellers shall procure at Completion that each Seller and any connected person of either of the Sellers (including but not limited to the SVG Companies) will deliver to the Buyer any assets or documents of either Group Company in their possession including without limitation all documents and records belonging to the Company or relating exclusively to the Company, its business or any of its assets, motor vehicles and the keys and registration documents to them, any company credit cards and any computers or communication equipment.

4.10 Board resolutions of each Group Company

On Completion the Sellers shall procure the passing of board resolutions of each Group Company in the agreed terms, including:

- 4.10.1 in the case of Mass approving the registration of the share transfers referred to in clause 4.6.1 (a) subject only where necessary to their being duly stamped;
 - 4.10.2 appointing Stanley Carter, Andrew Thomis and Simon Walther as directors and Emily Davies as secretary of each Group Company and accepting the resignations referred to in clause 4.6.1 (b) so as to take effect at the close of the meeting;
 - 4.10.3 accepting the resignations referred to in clause 4.6.1 (c) and appointing Baker Tilly as auditors of each Group Company so as to take effect at the close of the meeting;
 - 4.10.4 revoking all existing authorities to bankers in respect of the operation of its bank accounts and giving authority in favour of such persons as the Buyer may nominate to operate such accounts;
 - 4.10.5 changing its registered office to The Court House, Northfield End, Henley-on-Thames, Oxfordshire, RG9 2JN;
 - 4.10.6 changing its accounting reference date to 30 April;
- and shall hand to the Buyer duly certified copies of such resolutions.

4.11 Members resolution of Mass Limited

On Completion the Sellers shall procure that a resolution is passed by the members of Mass Limited

4.11.1 changing its name to a name not including the word "Mass" or any word colourably similar thereto and shall deliver to the Buyer a certified copy of the change of name certificate confirming such change on or within seven days after Completion; and

4.11.2 assigning the inter-company balances with each of Grove House Investments Limited and Silicon Valley Systems Limited.

4.12 Tax Covenant

The provisions of Schedule 4 shall have effect from and after Completion.

5 WARRANTIES

5.1 Incorporation of Schedule 3

5.1.1 The Sellers hereby warrant to the Buyer in the terms (save as Disclosed) of the Warranties as at the date of this Agreement.

5.1.2 Save as expressly otherwise provided, the Warranties shall be separate and independent and shall not be limited by reference to any other paragraph of Schedule 3.

5.1.3 The liability of the Sellers under the Warranties shall be limited in accordance with Schedule 5.

5.2 Information from the Company

Any information supplied by or on behalf of a Group Company to or on behalf of the Sellers in connection with the Warranties, the Disclosure Letter or otherwise in relation to the business and affairs of either Group Company shall not constitute a representation or warranty or guarantee as to the accuracy thereof by any Group Company or any such person in favour of the Sellers, and the Sellers undertake to the Buyer (on behalf of itself and as trustee of each Group Company and their respective directors, employees, agents and advisers) that they will not bring any claims which they might otherwise have against any Group Company or any of their respective directors, employees, agents or advisers in respect thereof.

5.3 Indemnities

The Indemnities shall be entered into with effect from Completion.

6 PROTECTION OF GOODWILL

- 6.1 The Sellers hereby undertake to the Buyer that (except as otherwise agreed in writing with the Buyer) they will not either directly or indirectly and they will procure that each of the SVG Companies will not either solely or jointly with any other person (either on its own account or as the agent of any other person) for a period of 2 years from Completion carry on or be engaged or concerned or (except as the holder of shares in a company listed or traded on a recognised investment exchange which confer not more than 1% of the votes which can generally be cast at a general meeting of that company) interested directly or indirectly in a business which competes with the business as carried on by the Company as at Completion or at any time in the period of 2 years prior to Completion in the locations and markets in which it was so carried on during such period.
- 6.2 The Sellers hereby undertake that (except as otherwise agreed in writing with the Buyer) they will not either directly or indirectly and they will procure that each of the SVG Companies will not either solely or jointly with any other person (either on its own account or as employee, agent or director of any other person):
- 6.2.1 for a period of 2 years from Completion solicit or accept the custom of any person in respect of goods or services competitive with those offered for supply, supplied or agreed to be supplied by the Company during the period of 12 months immediately prior to Completion, such person having been a customer of, or been engaged in negotiation with, the Company for the supply of such goods or services during such period;
- 6.2.2 for a period of 2 years from Completion induce, solicit or endeavour to entice to leave the service or employment of the Company any person who during the period of 12 months prior to Completion was an employee of the Company likely (in the opinion of the Buyer) to be:
- a) in possession of confidential information relating to; or
 - b) able to influence the customer relationships or connections of; or
 - c) able to influence the technology or inventions of,
- the Company; or
- 6.2.3 use any trade or domain name or e-mail address used by the Company at any time during the 2 years immediately preceding the date of this Agreement or any other name intended or likely to be confused with any such trade or domain name or e-mail address.
- 6.3 The Sellers agree that the undertakings contained in this clause 6 are reasonable and are entered into for the purpose of protecting the goodwill of the business of the

Company and that accordingly the benefit of the undertakings may be assigned by the Buyer and its successors in title without the consent of any of the Sellers.

- 6.4 Each undertaking contained in this clause 6 is and shall be construed as separate and severable and if one or more of the undertakings is held to be against the public interest or unlawful or in any way an unreasonable restraint of trade or unenforceable in whole or in part for any reason the remaining undertakings or parts thereof, as appropriate, shall continue to bind the Sellers.
- 6.5 If any undertaking contained in this clause 6 shall be void but would be valid if deleted in part or reduced in application, such undertaking shall apply with such deletion or modification as may be necessary to make it valid and enforceable. Without prejudice to the generality of the foregoing, such period (as the same may previously have been reduced by virtue of this clause 6.5) shall take effect as if reduced by 6 months until the resulting period shall be valid and enforceable.
- 6.6 Nothing in this clause 6 shall prevent or restrict the SVG companies from undertaking the activities for which the Buyer's consent is included in the Framework Agreement.

7 ANNOUNCEMENTS

- 7.1 Notwithstanding any notifications and/or announcement that may have been made by either party with the prior knowledge and/or consent of the other prior to the date of this Agreement, no party shall disclose the making of this Agreement nor its terms nor any other agreement referred to in this Agreement (except those matters set out in the press release in the agreed terms) and each party shall procure that each of its Related Persons and connected persons and its professional advisers shall not make any such disclosure without the prior consent of the other party unless disclosure is:

7.1.1 to its professional advisers; or

7.1.2 required by law or the rules of the UK Listing Authority or the London Stock Exchange or other relevant stock exchange or regulatory body and disclosure shall then only be made by that party:

- a) after it has taken all such steps as may be reasonable in the circumstances to agree the contents of such announcement with the other party before making such announcement and provided that any such announcement shall be made only after notice to the other parties; and
- b) to the person or persons and in the manner required by law or the UK Listing Authority or the London Stock Exchange or other relevant stock exchange or regulatory body or as otherwise agreed between the parties.

7.2 Clause 7.1 does not apply to announcements, communications or circulars made or sent by the Buyer after Completion to customers, clients or suppliers of the Company to the extent that it informs them of the Buyer's acquisition of the Shares and thereby its acquisition of the Company or to any announcements containing only information which has become generally available and made, so far as reasonably practicable, on terms agreed between the parties.

7.3 The restrictions contained in clause 7.1 shall apply without limit of time.

8 COSTS

8.1 Save as provided by clause 8.2 or otherwise expressly provided in this Agreement each of the parties shall bear their own legal, accountancy and other costs, charges and expenses connected with the sale and purchase of the Shares.

8.2 The Buyer agrees (subject to Completion) to reimburse to the Sellers on Completion (or if later the date of receipt of the invoice of the Seller's Solicitors in the amount agreed at the date of this Agreement) the amount of their reasonable legal costs incurred in respect of the period after 5 July 2006 in respect of the negotiation of this Agreement and any documents referred to herein, other than any such legal costs as may be incurred as a result of any change in taxation advice relating to the pre-sale restructuring involving the Group and the SVG Companies.

9 EFFECT OF COMPLETION

9.1 The terms of this Agreement (insofar as not performed at Completion and subject as specifically otherwise provided in this Agreement) shall continue in force after and notwithstanding Completion.

9.2 The remedies of the Buyer in respect of any breach of any of the Warranties and under the Tax Covenant shall continue to subsist notwithstanding Completion.

10 FURTHER ASSURANCE

10.1 The Sellers (at the cost and expense of the Sellers) shall do or procure to be done all such further acts and things and execute or procure the execution of all such other documents as the Buyer may from time to time reasonably require for the purpose of giving the Buyer the full legal and beneficial title to the Shares.

11 ENTIRE AGREEMENT

11.1 Each party acknowledges and agrees with the other parties that:-

11.1.1 this Agreement together with any documents referred to in this Agreement (together the "**Transaction Documents**") constitute the entire and only agreement between the parties relating to the subject matter of the Transaction Documents;

11.1.2 it has not been induced to enter into any Transaction Document in reliance upon, nor has it been given, any warranty, representation, statement, assurance, covenant, agreement, undertaking, indemnity or commitment of any nature whatsoever other than as are expressly set out in the Transaction Documents.

11.2 Each of the Parties acknowledges and agrees that the only remedy available to it for breach of the Warranties shall be for in damages for breach of contract under the terms of this agreement.

11.3 The provisions of this clause 11 shall not exclude any liability which any of the parties would otherwise have to any other party or any right which any of them may have in respect of any statements made fraudulently by any of them prior to the execution of this Agreement or any rights which any of them may have in respect of fraudulent concealment by any of them.

12 VARIATIONS

This Agreement may be varied only by a document signed by each of the parties to it.

13 WAIVER

13.1 A waiver of any term, provision or condition of, or consent granted under, this Agreement shall be effective only if given in writing and signed by the waiving or consenting party and then only in the instance and for the purpose for which it is given.

13.2 No failure or delay on the part of any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

13.3 No breach of any provision of this Agreement shall be waived or discharged except with the express written consent of the Sellers and the Buyer.

13.4 The rights and remedies herein provided are cumulative with and not exclusive of any rights or remedies provided by law.

14 INVALIDITY

14.1 If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect under the law of any jurisdiction:

14.1.1 the validity, legality and enforceability under the law of that jurisdiction of any other provision; and

14.1.2 the validity, legality and enforceability under the law of any other jurisdiction of that or any other provision,

shall not be affected or impaired in any way.

15 NOTICES

- 15.1 Any notice, demand or other communication ("Notice") given or made under or in connection with the matters contemplated by this Agreement shall be in writing and shall be delivered personally or sent by fax or prepaid first class post (registered air mail if posted to or from a place outside the United Kingdom):-

In the case of the Buyer to:

Cohort plc

The Court House, Northfield End, Henley-on-Thames, Oxfordshire RG9 2JN

Fax: 01491 412082

Attention: A E Stanley Carter

In the case of the Sellers to:-

Stuart Hodge Corporate Lawyers, 3 Temple Row West, Birmingham B2 5NY

Fax: 0121 214 2491

Attention: Mark Hodge

- 15.2 Any Notice shall be deemed to have been duly given or made as follows:

15.2.1 if personally delivered, at the time of delivery;

15.2.2 if sent by first class post, two Business Days after the date of posting;

15.2.3 if sent by registered air mail, four Business Days after the date of posting; and

15.2.4 if sent by fax, at the time of transmission,

provided that if, in accordance with the above provisions, any Notice would otherwise be deemed to be given or made outside 9.00am – 5.00pm on a Business Day such Notice shall be deemed to be given or made at 9.00am on the next Business Day.

- 15.3 A party may notify the other party to this Agreement of a change to its name, relevant addressee, address or fax number for the purposes of clause 15.1 provided that such notification shall only be effective on:

15.3.1 the date specified in the notification as the date on which the change is to take place; or

15.3.2 if no date is specified or the date specified is less than five Business Days after the date on which notice is given, the date falling five Business Days after notice of any such change has been given.

15.4 In proving service:

15.4.1 by delivery by hand it will be necessary only to produce a receipt for the communication signed by or on behalf of the addressee;

15.4.2 by post it will be necessary only to prove that the communication was contained in an envelope which was duly addressed and posted in accordance with this clause; or

15.4.3 by fax it will be necessary only to produce a transmission report showing full and correct transmission.

15.5 For the avoidance of doubt, any notice or communication given under this Agreement will not be validly served if sent by email.

15.6 The provisions of this clause 15 will not apply in the case of service of process relating to any proceeding, suit or action to the extent that such provisions are inconsistent with Part 6 of the Civil Procedure Rules 1998.

16 COUNTERPARTS

This Agreement may be executed in any number of counterparts which together shall constitute one agreement. Any party may enter into this Agreement by executing a counterpart and this Agreement shall not take effect until it has been executed by all parties.

17 GOVERNING LAW AND JURISDICTION

17.1 This Agreement (and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this Agreement or its formation) shall be governed by and construed in accordance with English law.

17.2 Each of the parties to this Agreement irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to hear and decide any suit, action or proceedings, and/or to settle any disputes, which may arise out of or in connection with this Agreement (respectively, "Proceedings" and "Disputes") and, for these purposes, each party irrevocably submits to the jurisdiction of the courts of England and Wales.

17.3 Each party irrevocably waives any objection which it might at any time have to the courts of England and Wales being nominated as the forum to hear and decide any Proceedings and to settle any Disputes and agrees not to claim that the courts of England and Wales are not a convenient or appropriate forum for any such

Proceedings or Disputes and further irrevocably agrees that a judgement in any Proceedings or Disputes brought in any court referred to in this clause 17 shall be conclusive and binding upon the parties and may be enforced in the courts of any other jurisdiction.

18 OTHER PROVISIONS

18.1 Time of the essence

Time shall be of the essence of this Agreement, both as regards both the dates and periods mentioned and as to any dates and periods that may by agreement between the parties be substituted for any of them.

18.2 Assignment

18.2.1 This Agreement shall be binding upon and enure for the benefit of the successors in title to the parties but, except as set out in clause 18.2.2, shall not be assignable by any party without the prior written consent of the other.

18.2.2 The Buyer may assign the benefit of this Agreement (including, without limitation, the Warranties) to any to any member of its Group provided that if the assignee leaves the Buyer's Group it shall, prior to such departure, reassign such rights to a member of the Buyer's Group. The Sellers may assign their rights to a connected person.

18.2.3 Subject to and upon any assignment permitted by this Agreement, any assignee of the parties shall in its own right be able to enforce any term of this Agreement in accordance with its terms as if it were a party, but until such time any such assignee of the parties shall have no such rights whether as a third party or otherwise.

18.3 Interest

If either the Buyer or the Sellers default in the payment when due of any sum payable under this Agreement (whether determined by agreement or pursuant to an order of a court or otherwise), the liability of the relevant party shall be increased to include interest on such sum from the date when such payment is due until the date of actual payment (as well after as before judgement) at a rate per annum of 4% above the base rate from time to time of Barclays Bank plc.

18.4 Post completion matters

18.4.1 The Sellers each declare that for as long as they remain the registered holders of the Shares after Completion they will:

- a) hold the Shares and the dividends and any other moneys paid or distributed in respect of them after Completion and all rights arising out of or in connection with them in trust for the Buyer;
- b) deal with the Shares and all such dividends, distributions and rights as the Buyer may direct for the period between Completion and the day on which the Buyer is entered in the register of members of the Company as the holder of the Shares.

18.4.2 The Sellers appoint the Buyer as their attorney for the purpose of exercising any rights, privileges or duties attaching to the Shares including receiving notices of and attending and voting at all meetings of the members of the Company.

18.4.3 For the purposes of clause 18.4 the Sellers authorise:

- a) the Company to send any notices in respect of their share holdings to the Buyer;
- b) the Buyer to complete and return proxy cards, consents to short notice and any other document required to be signed by the Buyer as a member.

18.5 Confidentiality

18.5.1 The Sellers shall not, and shall procure that none of their connected persons or any director, officer or employee or adviser or agent of any of the SVG Companies shall, use or disclose to any person Confidential Information.

18.5.2 Except as referred to in clause 18.5.3, each party shall treat as strictly confidential all information received or obtained as a result of entering into or performing this Agreement which relates to the provisions or subject matter of this Agreement, to any other party to this Agreement to or the negotiations relating to this Agreement.

18.5.3 Any party may disclose information which would otherwise be confidential if and to the extent:

- a) it is required to do so by law or any securities exchange or regulatory or governmental body to which it is subject wherever situated;
- b) it considers it necessary to disclose the information to its professional advisers, auditors and bankers provided that it does so on a confidential basis;
- c) the information has come into the public domain through no fault of that party; or

d) each party to whom it relates has given its consent in writing.

18.6 Marketing of Properties

In the event that the Sellers or Grove House Investments Limited shall whilst the Company or any subsidiary or holding company of the Company shall be a tenant of the relevant Property decide to market the freehold interest in such Property, the Sellers shall or shall procure that notice in writing of such decision shall be given to the Buyer and to the Company as soon as reasonably practicable and in any event not more than 14 days after such decision having been taken.

IN WITNESS of which this document has been duly executed as a deed and delivered on the date stated at the beginning of this document

Executed as a Deed by **RAYMOND AYRES**)
in the presence of:)

Witness:)

Address:)

Occupation:)

Executed as a Deed by **HILDE BARTLETT**)
in the presence of:)

Witness:)

Address:)

Occupation:)

Executed as a Deed by **COHORT PLC** acting)
by a director and its secretary or two directors:)

Director


Director/Secretary

Executed as a Deed by **RAYMOND AYRES**)
in the presence of: *ALC*)

Witness: **ANDREW LOSSAR**)

Address: **160 ALDERSGATE ST**)
LONDON)

Occupation: **SOLICITOR**)

Marn Hodge
MARN HODGE
ACTING POWER OF
ATTORNEY

Executed as a Deed by **HILDE BARTLETT**)
in the presence of: *H Bartlett*)

Witness: **S Fleet**)

Address: **Senator House**)
85, Queen Victoria St.)
London)

Occupation: **Solicitor**)

H Bartlett

Executed as a Deed by **COHORT PLC** acting)
by a director and its secretary or two directors:)

Director

ALSC

Director/Secretary

SCHEDULE 1

Part 1

Particulars of the Sellers

(1) Names and addresses	(2) Number of Shares owned	(3) Number of Shares to be sold	(4) Proportion of the Consideration
Raymond Maurice Ayres 239 Upper Chobham Road Camberley Surrey GY15 1HB	25000	25000	50%
Hilde Anne Bartlett 8 Florence Close Yateley Hampshire GU46 6PH	25000	25000	50%

Part 2

Particulars of Mass

- | | |
|------------------------------------|---|
| 1. Registered number: | 5863964 |
| 2. Registered office: | 3 Temple Row West Birmingham B2 5NY |
| 3. Date and place of incorporation | 3 July 2006 |
| 4. Class of company | Private, limited by shares |
| 5. Authorised share capital: | 100000 ordinary shares of £1 each |
| 6. Issued share capital: | 50,000ordinary shares of £1 each |
| 8. Secretary: | Hilde Bartlett of 8 Florence Close Yateley Hampshire
England GU46 6PH |
| | |
| 11. Accounting reference date: | 31/07 |
| 13. Mortgages and charges: | N/A |
| 14. Subsidiary undertakings: | Mass Consultants Limited |
| | |
| 1. Registered number: | 01705804 |
| 2. Registered office: | Grove House, Great North Road, Little Paxton, St. Neots,
Cambridgeshire PE19 4EL |

Part 3

Particulars of the Company

- | | |
|------------------------------------|--|
| 1. Registered number: | 1705804 |
| 2. Registered office: | Grove House, Great North Road, Little Paxton, St. Neots,
Cambridgeshire PE19 4EL |
| 3. Date and place of incorporation | 11 March 1983, incorporated in England |
| 4. Class of company | Private, limited by shares |
| 5. Authorised share capital: | 3,879,000 ordinary shares of £0.10 each |
| 6. Issued share capital: | 538,429 ordinary shares of £0.10 each |
| 7. Loan capital: | Nil |
| 8. Directors: | Ray Ayres
Hilde Bartlett
Ashley Lane
Andrew Lipinski
Malcolm Lowes |
| 9. Secretary: | Hilde Bartlett |
| 12. Accounting reference date: | 31 March |
| 13. Auditors: | Atkinson Hunter & Co. of The Summit
2 Castle Hill Terrace
Maidenhead
Berkshire
SL6 4JP |
| 14. Mortgages and charges: | Midland bank plc all monies due or to become due from
the company to the chargee on any account whatsoever
Created: 09/07/1984 Registered: 13/07/1984 |
| 14. Subsidiary undertakings: | None |

SCHEDULE 2

Part 1

The Properties

Leasehold Properties

Address	Title number and class of title (if registered)	Use	
1 Alumina Court Tritton Lane Lincoln	LL260927	offices	
Grove House Little Paxton St Neotts Cambridgeshire	Unregistered	offices	

Both Leases as varied by deeds of variation (the Property Lease Amendments) entered into immediately prior to entering into this Agreement.

SCHEDULE 3

Warranties

For the purposes of this Schedule 3 "Company" means the Company and wherever relevant and as the context admits and allows, Mass

1 SELLERS CAPACITY

1.1 Authorisations

1.1.1 The Sellers are each fully entitled and authorised to enter into and to perform their obligations under this Agreement and each document to be executed by them at or before Completion without requiring the consent or authorisation of any other person.

1.1.2 The execution and delivery of, and the performance by the Sellers of their obligations under, this Agreement will not:

- a) result in a breach of, or constitute a default under, any instrument to which either of the Sellers is a party or by which either of the Sellers is bound; or
- b) result in a breach of any order, judgment or decree of or undertaking to any court or government body to which either of the Sellers is a party or by which either of the Sellers is bound.

1.2 Proper execution

The Sellers' obligations under this Agreement and each document to be executed at or before Completion are or, when the relevant document is executed, will be enforceable in accordance with their terms.

2 THE COMPANY, THE SHARES AND SUBSIDIARIES

2.1 Incorporation and existence

The Company and Mass are in each case limited companies incorporated under English law and have been in continuous existence since incorporation.

2.2 The Shares

2.2.1 The Sellers are the only legal and beneficial owners of the Shares and Mass is the only legal and beneficial owner of the issued and outstanding ordinary shares in the capital of the Company.

2.2.2 Mass has not allotted any shares other than the Shares and the Shares are fully paid or credited as fully paid.

2.2.3 The Company has no shares issued and outstanding other than the ordinary shares legally and beneficially owned by Mass and all such shares are fully paid or credited as fully paid.

2.2.4 In the case of both the Company and Mass there is no Encumbrance over or affecting any of the issued shares or unissued shares in the capital of such company. In neither case has any person claimed to be entitled to an Encumbrance in relation to any such shares.

2.2.5 Other than this Agreement, there is no agreement, arrangement or obligation requiring the creation, allotment, issue, sale, transfer, redemption or repayment of, or the grant to a person of the right (conditional or not) to require the allotment, issue, sale, transfer, redemption or repayment of, a share in the capital of the Company or Mass (including any option or right of pre-emption or conversion).

2.3 Subsidiaries etc

2.3.1 Save for the ordinary shares in the Company legally and beneficially owned by Mass, it does not own any shares or stock in the capital of nor does it have any beneficial or other interest in any company or business organisation nor does it control or take part in the management of, (including as a shadow director) any other company or business organisation.

2.3.2 The Company does not own any shares or stock in the capital of nor does it have any beneficial or other interest in any company or business organisation nor does the Company control or take part in the management of (including as a shadow director) any other company or business organisation. The Company has no liability as a former member, officer or shadow director of any body corporate, partnership or unincorporated association, nor are there any circumstances in which such liability could arise.

2.3.3 The Company does not have any branch, agency, place of business or permanent establishment outside England and Wales.

2.3.4 The Company has prior to the date of this Agreement disposed of the whole of its interests in Grove House Investments Limited (Company Number: 01788573), Mass Limited (Company Number: 02737436) and Protech (UK) Limited (Company Number: 01907678) and, save for such named companies, it has not at any time owned any shares or stock in the capital of nor had any beneficial or other interest in any other company or business organisation.

2.3.5 The Company does not have any liabilities or obligations of any nature whatsoever in respect of Grove House Investments Limited, Mass Limited or Protech (UK) Limited or arising from or in connection with its former ownership of the shares in any or all of those companies.

2.4 Mass

2.4.1 Since incorporation Mass has not (save as Disclosed):

- a) carried on any trade or entered into any agreement, understanding or arrangement under which it has incurred or agreed to assume any liability, obligation or expense (including any contingent liability);
- b) incurred any liability to tax;
- c) made or received any gift or entered into any transaction otherwise than on arms' length terms;
- d) made or received any loan or other financial accommodation in the nature of any Borrowings;
- e) given or received any guarantee, surety or letter of comfort in respect of any obligation, liability or indebtedness of any person whatsoever;
- f) employed or made any offer of employment to any person;
- g) paid or agreed to pay to any director any sum in respect of his/her loss of office; or
- h) declared, made or paid any dividend or other distribution (whether in cash or in specie) on the shares of Mass or agreed to do so.

3 ACCOUNTS

3.1 General

3.1.1 The Accounts show a true and fair view of the:

- a) assets, liabilities, financial position and state of affairs of the Company at the Last Accounts Date; and
- b) the profits and losses and cash flows for the financial year ended on the Last Accounts Date of the Company.

3.1.2 The Accounts have been prepared and audited in accordance with the standards, principles and practices specified on the face of the Accounts applied on a consistent basis and subject thereto in accordance with the law and applicable standards, principles and practices generally accepted in the United Kingdom consistently applied.

3.1.3 The Accounts have been prepared on a basis consistent with the last three preceding accounting periods of the Company.

3.2 Liabilities

The Accounts make proper provision or reserve for or disclose all liabilities (including all contingent or deferred liability to Tax) of the Company whether actual, contingent or otherwise.

3.3 Extraordinary and exceptional items

The results shown by the audited profit and loss account of the Company for each of the 3 financial years of the Company ended on the Last Accounts Date have not (except as disclosed in those accounts) been affected by an extraordinary, exceptional or non-recurring item or by any transaction, contract or arrangement not on entirely arm's length terms or by any other matter making the profits or losses for a period covered by any of those accounts unusually high or low.

3.4 Valuation Principles

3.4.1 In the Accounts and in the accounts of the Company for the three preceding financial years the stock-in-trade and work in progress of the Company have been stated in accordance with SSAP 9.

3.4.2 In the Accounts all redundant, obsolete and slow moving stock-in-trade has been written off or written down as appropriate.

3.5 Accounting Reference Date

The accounting reference date of the Company is 31 March and there has not at any time been any other such date.

3.6 Accounting and other records

3.6.1 The books of accounts and all other records of the Company (including any which it may be obliged to produce under any contract now in force) are up-to-date, in its possession and are materially accurate.

3.6.2 All deeds and documents (properly stamped where stamping is necessary for enforcement thereof) belonging to the Company or which ought to be in the possession of the Company are in the possession of the Company.

Management accounts

3.7 The Management Accounts have been prepared by the Company so as to show with reasonable accuracy the state of affairs and profit or loss of the Company as at and for the period in respect of which they have been prepared and the balance sheet of each the Company as at 31 May 2006.

- 3.8 There are no accounts produced in relation to Mass or consolidated accounts in relation to Mass and the Company.

4 CHANGES SINCE THE LAST ACCOUNTS DATE

4.1 General

Since the Last Accounts Date:

- 4.1.1 the Company has carried on its business prudently and in the ordinary and usual course and so as to maintain the business as a going concern;
- 4.1.2 there has been no material adverse change in the financial, working capital, trading position of the Company, including any adverse change in turnover, profits, margins or profitability of the Company; and
- 4.1.3 there has been no material reduction in the value of those fixed assets specified in the Accounts or any of the fixed assets acquired since the Last Accounts Date, to the extent still owned by the Company.

4.2 Specific

Since the Last Accounts Date:

- 4.2.1 The Company has not, other than in the ordinary course of trading:
 - a) disposed of, or agreed to dispose of, an asset for an amount which is lower than book value or an open market arm's length value, whichever is the higher; or
 - b) assumed or incurred, or agreed to assume or incur, a liability, obligation or expense (actual or contingent);
- 4.2.2 the Company has not acquired or agreed to acquire an asset for an amount which is higher than the open market arm's length value of such asset;
- 4.2.3 the Company has not made capital expenditure exceeding in total £25,000 or incurred, or agreed to incur, a commitment or connected commitments involving capital expenditure exceeding in total £25,000;
- 4.2.4 no Substantial Supplier or Substantial Customer has ceased or substantially reduced its business with the Company or has altered the terms on which it does business to the Company's disadvantage;
- 4.2.5 the Company has not declared, paid or made a dividend, bonus or other distribution (including a distribution within the meaning of the TA) except to the extent provided in the Accounts;

- 4.2.6 no resolution of the shareholders of the Company has been passed (except for those representing the ordinary business of an annual general meeting);
- 4.2.7 the Company has not repaid or redeemed share or loan capital, or made (whether or not subject to conditions) an agreement or arrangement or undertaken an obligation or become liable to do any of those things;
- 4.2.8 the Company has not repaid any sum in the nature of borrowings in advance of any due date or made any loan or incurred any indebtedness;
- 4.2.9 the Company has not paid nor is it under any obligation to pay any service, management or similar charges or any interest or amount in the nature of interest to any other person or incurred any liability to make such a payment or made any payment to either of their connected persons whatsoever other than ordinary course payments of salary;
- 4.2.10 no debtor has been released by the Company on terms that he pays less than the face value of his debt, no debt has been subordinated, written down or written off, provided against (in whole or in part), factored or assigned, the Company has not agreed to do any of the foregoing and no debt has proved to any extent irrevocable; and
- 4.2.11 no payment has been made by the Company to, or for the benefit of, any of the Sellers, any past or present director of the Company or any person who is or was at any time connected with any Seller or any such director.

5 ASSETS

5.1 Title and condition

- 5.1.1 There are no Encumbrances nor has the Company agreed to create any Encumbrances, over any part of its undertaking or assets, and each asset used by the Company (tangible or intangible) is:
 - a) legally and beneficially owned by the Company; and
 - b) where capable of possession, in the possession of the Company and is in England.
- 5.1.2 All plant, machinery, vehicles and equipment owned or used by the Company have been regularly and properly maintained. None is dangerous, inefficient, out-of-date, unsuitable or in need of renewal or replacement to the Company's requirements.
- 5.1.3 All assets owned or used by the Company which are subject to a requirement of licensing or registration of ownership, possession or use are duly licensed or registered in the sole name of the Company.

5.1.4 All vehicles owned or used by the Company (including without limitation company vehicles used by any of its Employees) are registered in the sole name of the Company and are duly licensed and insured for all purposes for which they are used, and all registration documents relating thereto are in the possession of the Company.

5.1.5 The asset registers of the Company comprise a complete and accurate record of all material plant, machinery, equipment and vehicles owned, held or used by the Company and are capable of being reconciled in respect of each item with the book values of such assets in the accounting records of the Company.

5.2 Hire purchase and leased assets

Copies of all bills of sale, hiring or leasing agreements, hire purchase agreements, credit or conditional sale agreements, agreements for payment on deferred terms and any other similar agreements to which the Company is a party are in the Disclosure Documents.

5.3 Debts

Except to the extent to which provision or reserve has been made in the Accounts, all book debts owed to the Company and whether included in the Accounts or arising since the Last Accounts Date will so far as the Sellers are aware (without having made enquiry of any debtor) be duly paid in full. None of such debts has been factored, sold or agreed to be sold by the Company. No such book debts are more than 30 days overdue beyond their due dates for payment.

6 BANKING AND FINANCE

6.1 The Company has no bank, building society or other similar account (whether in credit or overdrawn) other than its current account at HSBC Bank plc. Details of that account, including the overdraft limit on it, as at close of business no later than 2 Business Days before the date of this Agreement are in the Disclosure Documents.

6.2 The Company has no liabilities in the nature of Borrowings or in respect of debentures or negotiable instruments other than cheques drawn in the ordinary course of business on the bank account referred to in paragraph 6.1 and is not a party to any loan agreement, facility letter or other agreement for the provision of credit or financing facilities to the Company or any agreement for the sale, factoring or discounting of debts.

6.3 So far as the Sellers are aware (without having made enquiry of any lender), no circumstances have arisen which could now (or which could with the giving of notice or lapse of time or both) entitle a provider of finance to the Company (other than on a normal overdraft facility) to call in the whole or any part of the monies advanced or to enforce his security. No provider of finance to the Company on overdraft facility has

demanded repayment or indicated that the existing facility will be withdrawn or reduced or not renewed or that any terms thereof will be altered to the disadvantage of the Company.

- 6.4 All of the Company's Borrowings may be repaid by the Company at any time on not more than one month's notice and without any premium or penalty (howsoever called) on repayment.
- 6.5 Neither the Company nor any other person has given or undertaken to give any security, mortgage, debenture, guarantee or letter of comfort in respect of any liability of the Company and the Company has not given or undertaken to give any security, mortgage, debenture, guarantee or letter of comfort in respect of any liability of any other person whatsoever.
- 6.6 No member of the Group is engaged in any financing (including the incurring of any Borrowings or any indebtedness in the nature of acceptances or acceptance credits) of a type which would not be required to be shown or reflected in the Accounts.

7 INTELLECTUAL PROPERTY

7.1 General

- 7.1.1 The Company is the sole and absolute legal and beneficial owner of the Business Intellectual Property and where appropriate such Intellectual Property is registered in or applied for in the name of the Company.
- 7.1.2 The Business Intellectual Property is free from Encumbrances and, in the case of Confidential Information, any disclosure obligation, and is subsisting, valid, exercisable and enforceable and so far as the Sellers are aware nothing has been done, omitted or permitted whereby it would cease or might cease to be subsisting, valid, exercisable and enforceable without the consent of or any interference from any third party.
- 7.1.3 The Disclosure Documents include full details of the Business Intellectual Property and any registration or applications for registration of any of the Business Intellectual Property in the name of the Company.

7.2 Renewals/maintenance

- 7.2.1 All application, registration and renewal fees have been paid in full and on time in relation to the registered and applied for Business Intellectual Property and all steps have been taken which are reasonably required for the prosecution, maintenance, protection and/or renewal of the registered and applied for Business Intellectual Property. The Sellers are not aware of any grounds on which any person is or will be able to seek cancellation, rectification or any other modification of any registration of the registered Business Intellectual Property.

7.2.2 So far as the Sellers are aware all reasonable and appropriate steps have been taken for the maintenance and protection of unregistered Business Intellectual Property.

7.2.3 All taxes and other payments have been made in respect of Business Intellectual Property and all governmental approvals have wherever necessary for the exercise of the Business Intellectual Property been obtained.

7.2.4 There are no outstanding patent office or trade marks registry deadlines which expire within 6 months of Completion.

7.3 Sufficiency

7.3.1 The Business Intellectual Property is all the Intellectual Property necessary for the operation of the business of the Company as now conducted.

7.3.2 The Company does not require any further Intellectual Property in relation to the development, manufacture, marketing or sale of its products or services or in relation to any of the processes employed in the operation of its business.

7.4 Licences

7.4.1 Copies of the terms of all licences or rights which have been granted by the Company or which the Company intends to enter into for the purposes of the business of the Company or which are being currently negotiated or other agreements or consents or undertakings entered into by the Company relating to the Business Intellectual Property and Intellectual Property of third parties are set out in the Disclosure Letter or the Disclosure Documents, and save as disclosed the Company is not obliged to enter into any such agreement relating to the business of the Company.

7.4.2 Copies of the terms of all licences or rights granted to the Company or which the Company intends to enter into for the purposes of the business of the Company or which are being currently negotiated or other agreement or consents or undertakings entered into by the Company relating to the Business Intellectual Property and Intellectual Property of third parties are set out in the Disclosure Letter or the Disclosure Documents, and the Company is not obliged to enter into any such agreement relating to the business of the Company.

7.4.3 The terms of any order given or measure imposed by a court or other body of competent jurisdiction relating to the Business Intellectual Property against or in favour of the Company are set out in the Disclosure Letter.

7.5 Infringement

- 7.5.1 The use by the Company of the Business Intellectual Property does not and is not likely to infringe, and the processes or methods employed, services provided, the business conducted and the products used, manufactured and dealt in or supplied by the Company, do not nor did they at the time infringe the Intellectual Property of any other person.
- 7.5.2 No proceedings claims or complaints have been brought or threatened by any third party or competent authority in relation to the Business Intellectual Property and/or Intellectual Property licensed to the Company including any concerning title, subsistence, validity or enforceability or grant of any right or interest in such Intellectual Property.
- 7.5.3 There has been and is no current, threatened or anticipated infringement or misuse by any third party of the Business Intellectual Property and/or Intellectual Property owned by or licensed to the Company.
- 7.5.4 The Company is not subject to any injunction, undertaking or court order or order of any other authority of competent jurisdiction not to use or restricting the use of any Business Intellectual Property.

7.6 Research and development

- 7.6.1 All research and development into products and technology which are currently used in, or required for, projects undertaken by the Company for the purposes of its business is and has been carried out by employees of the Company or by third parties pursuant to written agreements which contain provisions restricting and governing the confidentiality of such research and development and which provide for the ownership by the Company of any Intellectual Property arising from such projects. All such agreements with third parties are set out in the Disclosure Documents.
- 7.6.2 The Company has in its possession all drawings, specifications, databases and other documents necessary to establish the Company's ownership of the Business Intellectual Property developed for use in relation to the Company's projects and contracts.

7.7 Use of name

The Company does not carry on and has not in the last 3 years carried on any business under any name other than its corporate name.

7.8 Confidentiality

Save as Disclosed:

- 7.8.1 the Company has not entered into any confidentiality or other agreement nor is it subject to any duty which restricts the free use or disclosure of any information used in the business of the Company and there is no breach of any such agreement or duty;
- 7.8.2 no disclosures have been made of technical information which would defeat the novelty of any invention which is the subject of a patent or patent application owned by the Company or an application for the same which the Company intends to make; and
- 7.8.3 confidential information and know-how used by the Company is kept strictly confidential and in its possession and the Company operates and fully complies with procedures which maintain such confidentiality. The Company has not disclosed any of its know-how, trade secrets or list of customers to any other person other than with the protection of a non disclosure agreement.

7.9 Documents

All documents material to the Company's title to, and validity, registrability and enforceability of the Business Intellectual Property form part of the records or materials in the possession and ownership of the Company.

8 EFFECT OF SALE

- 8.1 Neither the execution nor the performance of this Agreement or any document to be executed at or before Completion will:
 - 8.1.1 result in the Company losing the benefit of a Permit or an asset, licence, grant, subsidy, right or privilege which it enjoys at the date of this Agreement in any jurisdiction; or
 - 8.1.2 conflict with, or result in a breach of, or give rise to an event of default under, or require the consent of a person under, or enable a person to terminate, or relieve a person from an obligation under, or give rise to any obligation to pay to any person any sum of money (whether by way of indemnity, penalty or otherwise) under, an agreement, arrangement or obligation to which the Company is a party or a legal or administrative requirement in any jurisdiction; or
 - 8.1.3 so far as the Sellers are aware result in any Substantial Customer being entitled to or to cease dealing with the Company or substantially to reduce its

existing level of business or to change the terms upon which it deals with the Company; or

8.1.4 so far as the Sellers are aware result in any Substantial Supplier being entitled to or to cease supplying to the Company or substantially to reduce its supplies to or to change the terms upon which it supplies the Company;

8.1.5 so far as the Sellers are aware without having made enquiry of any person result in any officer or senior employee leaving the Company; or

8.1.6 so far as the Sellers are aware make the Company liable to offer for sale, transfer or otherwise dispose of or purchase or otherwise acquire any assets.

9 CONSTITUTION

9.1 Intra vires

The Company has the power to carry on its business as now conducted and the business of the Company has at all times been carried on intra vires.

9.2 Memorandum and articles

The memorandum and articles of association of the Company in the form in the Disclosure Documents are true and complete and have embodied therein or annexed thereto copies of all resolutions and agreements as are referred to in section 380 of the Companies Act 1985, and all amendments thereto (if any) were duly and properly made.

9.3 Register of members

The register of members of the Company has been properly kept and the Company has not received any notice or allegation that any of them is incorrect or incomplete or should be rectified.

9.4 Powers of attorney

The Company has not executed any power of attorney or conferred on any person other than its directors, officers and employees any authority to enter into any transaction on behalf of or to bind the Company in any way and which remains in force or was granted or conferred within 3 years of the Completion Date.

9.5 Statutory books and filings

9.5.1 The statutory books of the Company are up to date and in its possession.

9.5.2 All resolutions, annual returns and other documents required to be delivered to the Registrar of Companies (or other relevant company registry or other

corporate authority in any jurisdiction) have been properly prepared and filed and are true and complete.

9.6 Resolutions

9.6.1 No resolution of the members of the Company or any class of them or of any debenture-holders or creditors of the Company has been passed within the last 12 months other than ordinary business at an annual general meeting.

9.6.2 There are no elective resolutions in force in relation to the Company.

9.7 Seals

The Company does not have a common seal or a securities seal or any overseas branch registers.

9.8 Shadow directors

No person is or has been a shadow director of the Company who has not been treated for all purposes as a director.

10 INSURANCE

10.1 Policies

The Disclosure Letter contains a list of each current insurance and indemnity policy in respect of which the Company has an interest (together the "Policies"). Each of the Policies is valid and enforceable and is not void or voidable. So far as the Sellers are aware, there are no circumstances which might make any of the Policies void or voidable or lead any claim under the Policies to be avoided by the insurers.

10.2 Claims

The Disclosure Letter contains full details of all claims made against the Policies maintained by the Company at any time in the last three years. No such claim is now outstanding under any of the Policies and so far as the Sellers are aware no matter exists which might give rise to a claim under any of the Policies.

10.3 Premiums

The Company has not done or omitted to do anything which might result in any material increase in the premium payable under any of the Policies and has not at any time been refused any insurance.

11 CONTRACTUAL MATTERS

11.1 Validity of agreements

11.1.1 Neither the Company nor the Sellers have any knowledge of the invalidity of, or a ground for termination, avoidance or repudiation of, an agreement, arrangement or obligation to which the Company is a party. No party with whom the Company has entered into an agreement, arrangement or obligation has given notice of its intention to terminate, or has sought to repudiate or disclaim, the agreement, arrangement or obligation.

11.1.2 No party with whom the Company has entered into an agreement or arrangement is in material breach of the agreement or arrangement. So far as the Sellers are aware no matter exists which might give rise to such breach.

11.1.3 The Company is not in breach of any agreement or arrangement to which it is a party. So far as the Sellers are aware no matter exists which might give rise to such breach.

11.1.4 None of the contracts or purported contracts of the Company are void, voidable or unenforceable.

11.2 Subsisting agreements

11.2.1 Save as Disclosed the Company is not a party to and is not liable under any contract, transaction, arrangement or liability which involves, or is likely to involve obligations or liabilities which:

- a) is of an unusual or abnormal nature, or outside the ordinary and proper course of business or which is not entirely on arm's length terms;
- b) cannot readily be fulfilled or performed by the Company on time without undue or unusual expenditure of money, effort or personnel;
- c) involves payment by the Company by reference to fluctuations in an index of retail prices, or any other index or in the rate of exchange for any currency;
- d) involves an aggregate outstanding expenditure or other liability or commitment by the Company of more than £10,000;
- e) is of a loss-making nature (that is, known to be likely to result in a loss to it on completion of performance) after allowing for the Company's prime labour and material costs and, in the case of subsisting contracts capable of further performance, having made or taken into account the level of cost incurred by the Company to date against total contract value;

- f) involves the payment or repayment of retrospective discounts or rebates;
- g) involves the receipt by the Company of any monies in advance of the Company performing its obligations or any contract receipts which on a pro rata basis are ahead on a pro rata basis of its contract costs (in respect of such monies) under such contract calculated on a prudent basis;

11.2.2 The Company is not a party to and is not liable under:

- a) an agreement, arrangement or obligation by which the Company is a member of a joint venture, consortium, partnership or association (other than a bona fide trade association);
- b) a distributorship, agency, marketing, licensing, management or consultancy agreement or arrangement; or
- c) any agreement, arrangement or understanding by which the Company agrees not to carry on its business in any part of the World or accepts any restriction on its freedom to carry on its business or to exploit its assets in such manner as it may think fit.

11.2.3 The Company is not a party to or bound by:

- a) any guarantee, collateral warranty, contract of indemnity or other assumption of risk in respect of the acts or defaults of any other person or assumption of liability or increased liability to any person to whom the Company might not otherwise be liable (whether within or outside the ordinary course of business);
- b) any contract which provides for payment to or by the Company in any currency other than Sterling or which contains indexation or currency or commodity re-negotiation or re-determination clauses;
- c) any outstanding offer, proposal, estimate or quotation which, if accepted or incorporated into a contract would result in a contract which, if now in existence, would fall within this paragraph 11.

11.2.4 The Company has complete and accurate records of the terms of all contracts to which it is a party or by which it is bound.

11.3 Arrangements with connected persons

- 11.3.1 There is, and during the 6 years ending on the date of this Agreement there has been, no agreement or arrangement (legally enforceable or not) to which the Company is or was a party and in which either of the Sellers, a director or

former director of the Company or of any of the Sellers' Related Persons or a person connected with any of them is or was interested in any way. The Company does not owe any obligation or sum to nor does it and neither will it immediately after Completion have any contractual or other arrangements of any sort with the Sellers, their Related Persons or any of their connected persons.

- 11.3.2 Neither of the Sellers nor any of their Related Persons or connected persons has any direct or indirect interest in any company firm or business (other than the Company) which is or is likely to be in competition with the business of the Company or any part thereof or which is or has in the last 2 years been a client or customer of the Company.

11.4 Change of terms

During the 12 months preceding the date of this Agreement there has been no substantial change in the basis or terms on which any Substantial Customer or Substantial Supplier is prepared to enter into contracts or do business with the Company (apart from normal price changes) and so far as the Sellers (without having made enquiry of any person) no such change is expected.

12 INFORMATION TECHNOLOGY

12.1 Disruptions

In the 3 years prior to the date hereof the Company has not suffered any failures or viruses or bugs in or breakdowns of any computer hardware or software used in connection with the business of the Company (including but not limited to denial of service attacks or other externally initiated problems) which have caused any substantial disruption or interruption in or to its use and the Company's computer systems have not been used for any spamming or other illegal or unauthorised use and the Sellers do not know nor are they aware of any fact or matter which may so disrupt or interrupt or affect the use of such equipment following the acquisition by the Buyer of the Shares pursuant to this Agreement on the same basis as it is presently used.

12.2 Computer system

All the computers and computer systems owned by the Company or used by or on behalf of the Company (including all components of them and all software, peripherals, networks, communication links and storage media):

- 12.2.1 are in full operating order and are fulfilling the purposes for which they were acquired or established in an efficient manner without material downtime or errors;

- 12.2.2 have adequate capacity for the Company's present needs;

12.2.3 have adequate security, back-ups, duplication, hardware and software support, procedures and maintenance arrangements (including emergency cover and disaster recovery arrangements) and trained personnel to ensure that no material disruption will be caused to the business of the Company or any material part thereof in the event of a breach of security, virus infection, error or breakdown;

12.2.4 have been satisfactorily maintained and supported and are subject to current maintenance and technical support contracts covering each component and the system as a whole;

12.2.5 are properly documented by written technical descriptions and manuals so as to enable them to be used and operated by any reasonably qualified personnel and the Company owns and is in possession and control of, original copies of all the manuals, guides, instruction books and technical documents (including all corrections and updates) required to so use and operate the computers and computer systems;

12.2.6 are under the sole control of the Company, are located in premises within the United Kingdom owned or leased by the Company, are not shared with or used by or on behalf of or accessible by any other person and (save for software licensed to the Company) are owned by the Company;

12.3 Software

12.3.1 All software used on or stored or resident in the said computers or computer systems:

- a) is lawfully held and used and does not infringe the copyright or other Intellectual Property Rights of any person and all copies held have been lawfully made;
- b) as to the copyright therein:
 - i in the case of software written or commissioned by the Company, is owned exclusively by the Company, no other person has rights therein or rights to use or copies of the software;
 - ii in the case of standard packaged software purchased outright, is licensed to the Company on an express or implied licence which does not require the Company to make any further payments, is not terminable without the consent of the Company and which imposes no material restrictions (save as to copying) on the use or transfer of the software;

- iii in the case of all other software, is licensed to the Company on the terms of a written licence (a true and complete copy of which is in the Disclosure Documents) which requires payment by the Company of a fixed annual licence fee at a rate not exceeding that paid in the financial year ended on the Last Accounts Date but (save for reasonable fees for software support) requires the Company to make no further or other payment, is not terminable (save for failure to pay the licence fee) without the consent of the Company and imposes no material restrictions (save as to copying) on the use or transfer of the software; or
- iv in the case of any software which is not covered by sub-clauses (i), (ii) and (iii) above including but not limited to open source software, freeware and other third party software in respect of which there may be any restrictions and/or obligations on the part of the user notwithstanding that there are no licence fees or other payments due in respect thereof, is licensed to the Company on terms that allow the Company to use such software to the fullest extent that it has done at any time prior to Completion;

and in each case the Company has complied with and fully performed all obligations on it arising in respect of all such software in all material respects.

- 12.3.2 No software owned by or licensed to the Company is used by or licensed or sub-licensed by the Company to any other person.
- 12.3.3 All records and data stored by electronic means are capable of ready access through the present computer systems of the Company and without the need for any further licences.
- 12.3.4 The Company has adequate rights (including access to source code where appropriate) and information to enable it, without undue expense or delay, to continue to use, improve, expand and develop the computer systems owned or used by the Company notwithstanding the termination of any support or maintenance arrangement or the insolvency of any other person.
- 12.3.5 A complete list of all software and hardware forming the computers and computer systems used by or on behalf of the Company is set out in the Disclosure Letter.

12.4 Manuals

None of the technical manuals used by the Company has been copied wholly or substantially from any material in which the Company does not own copyright.

13 LIABILITIES

13.1 Guarantees and indemnities

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

13.1.2 No person other than the Company has given any guarantee of or security for any overdraft, loan or loan facility granted to the Company.

13.2 Events of default

No event has occurred or is subsisting or been alleged or so far as the Sellers are aware is likely to arise which:

13.2.1 constitutes an event of default, or otherwise gives rise to an obligation to repay, or to give security under an agreement relating to borrowing or indebtedness in the nature of Borrowings (or will do so with the giving of notice or lapse of time or both);

13.2.2 will lead to an Encumbrance constituted or created in connection with borrowing or indebtedness in the nature of Borrowings, a guarantee, an indemnity or other obligation of the Company becoming enforceable (or will do so with the giving of notice or lapse of time or both); or

13.2.3 with the giving of notice and/or lapse of time constitute or result in a default or the acceleration of any obligation under any agreement or arrangement to which the Company is a party or by which it or any of its properties, revenues or assets is bound.

13.3 Grants

13.3.1 Full details of all grants made to the Company in the last 6 years are contained in the Disclosure Letter.

13.3.2 The Company is not liable to repay an investment or other grant or subsidy made to it by any person (including the Department of Trade and Industry or its predecessor). No matter (including the execution and performance of this Agreement) exists which might entitle a body to require repayment of, or refuse an application by the Company for, the whole or part of an investment, grant or subsidy.

13.4 Products or services

- 13.4.1 The Company has not manufactured, sold or supplied products or provided services which are, or were, in any material respect, faulty or defective, or which do not comply in any material respect with any warranties or representation expressly or impliedly made by the Company, or with all applicable regulations, standards and requirements.
- 13.4.2 Save for any condition or warranty implied by law, the Company has given no guarantee, condition or warranty or made any representation in respect of any product or service it has supplied or provided or accepted any obligation which could give rise to any liability after any products or services have been supplied or provided by it.
- 13.4.3 The Company has not agreed to take back, replace or make good any defective goods or to rebuild, rectify or repeat any services free of charge or otherwise or to issue a credit note or to write off or reduce indebtedness in respect of any products or services supplied by the Company.
- 13.4.4 The Company has not received notice of any claim which remains outstanding alleging any breach of representation, warranty or condition or any deficiency of design, defect in or lack of fitness for purpose of any goods, services, work or materials supplied or provided by the Company, nor so far as the Sellers are aware are there any circumstances which could give rise to any such claim.

13.5 Warranties and indemnities

No Group Company has or will at any time prior to Completion have sold or otherwise disposed of any shares or assets in circumstances such that it is, or may be, still subject to any liability (whether contingent or otherwise) under any representation, warranty or indemnity given or agreed to be given on or in connection with such sale or disposal.

14 PERMITS

14.1 Compliance with permits

The Company has obtained all Permits required for the proper and efficient operation of its business in the places and in the manner in which such business is now carried on and has complied with the terms and conditions of each Permit (full and accurate details of which are contained in the Disclosure Letter).

14.2 Status of permits

All Permits are valid and subsisting and have been complied with in all respects. There are no pending or threatened claims, demands or proceedings which might in any way affect the Permits and the Sellers are not aware of any other reason why any

of them should be suspended, threatened or revoked or be invalid or, where relevant, not renewed in the ordinary and usual course.

14.3 Export Licences

All necessary export licences have been obtained in relation to the contracts and projects on which the Company has been engaged and the Company is not in breach of any applicable export regulations.

15 INSOLVENCY

15.1 Winding up

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

15.2 Administration

No administration order has been made and no petition for an administration order has been lodged at court or presented in respect of the Company or Mass.

15.3 Receivership

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

15.4 Compromises with creditors

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

15.4.2 No compromise or arrangement under section 425 of the Companies Act 1985 has been proposed, agreed to or sanctioned in respect of the Company or Mass.

15.4.3 Neither the Company nor Mass has entered into any compromise or arrangement with its creditors or any class of its creditors generally.

15.5 Insolvency

Neither the Company nor Mass is unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986 (but for this purpose ignoring the reference to "it is proved to the satisfaction of the court that" in section 123(1)(e) and 123(2)).

15.6 Payment of debts

Neither the Company nor Mass has stopped paying its debts as they fall due.

15.7 Distress etc

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

15.8 Unsatisfied judgments

There are no unsatisfied judgments or court orders outstanding against the Company or Mass.

15.9 Striking off

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

16 LITIGATION AND COMPLIANCE WITH LAW

16.1 Litigation

16.1.1 Save as claimant in the collection of debts (not exceeding £[5,000] in the aggregate) arising in the ordinary course of business, neither the Company nor its directors, nor any person for whose acts or defaults the Company may be vicariously liable is involved, or has during the 6 years ending on the date of this Agreement been involved, in a civil, criminal, arbitration, administrative or other proceeding ("**Proceeding**") in any jurisdiction. No Proceeding in any jurisdiction is pending or threatened by or against the Company or a person for whose acts or defaults the Company may be vicariously liable.

16.1.2 No matter exists which so far as the Sellers are aware might give rise to a Proceeding in any jurisdiction involving the Company or a person for whose acts or defaults the Company may be vicariously liable.

16.1.3 There is no outstanding judgement, order, decree, arbitral award or decision of a court, tribunal, arbitrator or governmental agency in any jurisdiction against the Company or a person for whose acts or defaults the Company may be vicariously liable.

16.2 Investigations

The Company is not and has not been subject to any investigation, enquiry or disciplinary proceeding (whether judicial, quasi-judicial or otherwise) in any jurisdiction and none is pending or threatened, and neither has it received any request for information from, any court or governmental authority. So far as the Sellers are aware no matter exists which might give rise to such an investigation, enquiry, proceeding or request for information.

16.3 Unlawful payments

16.3.1 Neither the Company nor a person for whose acts or defaults the Company may be vicariously liable has:

- a) induced any person to enter into an agreement or arrangement with the Company by means of an unlawful or immoral payment, contribution, gift or other inducement;
- b) offered or made an unlawful or immoral payment, contribution, gift or other inducement to any public or government official or employee or any officer, employee or agent of any customer of the Company or any other person or in any such case, any connected persons of any such official, officer, employee or agent; or
- c) directly or indirectly made an unlawful contribution to a political activity.

16.3.2 All references to the Company in this paragraph [16] should be deemed to include the Company's officers, agents and employees.

16.4 Competition law

16.4.1 So far as the Sellers are aware, in each case, during the 3 years preceding this Agreement, the Company has not been, and has not been alleged to be, a party to any agreement, concerted practice or arrangement or course of conduct which:

- a) is or was prohibited by Article 81 or 82 of the EC Treaty, or the equivalent provisions in the EEA Agreement; or
- b) was prohibited by the Chapter I or Chapter II prohibition of the Competition Act 1998.

16.4.2 During the 3 years preceding this Agreement, the Company has not made any notification or application for guidance, exemption or negative clearance to the Office of Fair Trading, European Commission or any other competition authority.

16.4.3 During the 3 years preceding this Agreement, the Company has not received any inquiries, requests, or any other formal or informal communication from the Office of Fair Trading, European Commission or any other competition authority.

16.4.4 During the 3 years preceding this Agreement, the Company has not in relation to competition law, given any undertaking to any competition authority or court, or been subject to any order by any competition authority or court.

16.5 Data protection

16.5.1 The Company has complied with all material respects with the provisions of the Data Protection Act 1998 ("DPA") including, the principles contained in Schedule 1 of the DPA and has:

- a) maintained an accurate and up to date notification of processing of personal data (as defined in the DPA); and
- b) obtained and maintained any consents required from, or provided adequate information to, data subjects in relation to the processing of personal data in order to enable the Buyer to continue such processing in compliance with the DPA following Completion.

16.5.2 Except as notified in accordance with the DPA, the Company has not held any other personal data or processed such personal data for additional purposes or is exempt from notifying under the DPA.

16.5.3 The Company has not been served with any notice under the DPA nor so far as the Sellers are aware are there any circumstances which might give rise to the Company being served with such a notice in the future.

16.5.4 There are no unsatisfied requests to the Company made by data subjects in respect of personal data held by the Company, nor any outstanding applications for rectification or erasure of personal data.

16.5.5 There are no outstanding claims for compensation for inaccuracy, loss or unauthorised disclosure of personal data nor is any personal data held by the Company inaccurate, nor has the Company lost or made any unauthorised disclosure of any such data.

17 BROKERAGE OR COMMISSIONS

17.1 No person is entitled to receive from the Company or Mass a finder's fee, brokerage or commission in connection with this Agreement or anything in it and neither the Company nor Mass is liable to pay to any of its directors, employees, agents and advisers any sum whatsoever in connection with the sale of the Shares.

18 DIRECTORS AND EMPLOYEES

18.1 Particulars of officers and employees

The Disclosure Documents show the names, job title, date of commencement of employment or engagement, date of birth and period of continuous employment (calculated in accordance with chapter 1 of part XIV of ERA) and employment location of every employee, worker and officer of the Company and consultant to the Company.

18.2 Remuneration and benefits

18.2.1 The Disclosure Documents show details of all remuneration and emoluments payable and any other benefits:

- a) actually provided; or
- b) which the Company is bound to provide (whether now or in the future)

to each officer, worker and employee of the Company and consultant to the Company together with the terms on which such remuneration, emoluments and benefits are payable.

18.2.2 Such details are true, accurate and complete and include particulars and details of participation in all profit sharing, incentive, bonus, commission, share option, medical, permanent health insurance, directors' and officers' insurance, travel, car, redundancy and other benefit schemes, arrangements and understandings operated for all or any employees or former employees of, workers of, officers of or consultants to the Company or their dependants (the "Schemes") whether legally binding on the Company or not.

18.3 Terms and conditions

18.3.1 The Disclosure Documents contain details of all material terms and conditions of employment or engagement of every employee, worker and officer of the Company and consultant to the Company, including copies of all the standard terms and conditions, staff handbooks and policies which apply to employees and/or workers of the Company, and identify which terms and conditions apply to which employees and/or workers.

18.3.2 There are no terms and conditions in any contract with any director, officer, worker or employee of the Company pursuant to which such persons will be entitled to receive any payment or benefit or such person's rights will change as a direct consequence of the transaction contemplated by this Agreement.

18.3.3 All employees of the Company have received a written statement of particulars of their employment as required by section 1 of ERA.

18.4 Operation of the Schemes

18.4.1 The Schemes have at all times been operated in accordance with their governing rules or terms and all applicable laws and all documents which are required to be filed with any regulatory authority have been so filed and all tax clearances and approvals necessary to obtain favourable tax treatment for the Company and/or the participants in the Schemes have been obtained and not withdrawn and no act or omission has occurred which has or could prejudice any such tax clearance and/or approval.

18.4.2 No past or present director, officer, worker, employee or any dependant thereof or any other participant in any Scheme has made any claim against the Company in respect of any Scheme and no event has occurred which could or might give rise to any such claim.

18.5 Notice periods

The terms of employment or engagement of all employees, workers, agents, consultants and professional advisers of the Company are such that their employment or engagement may be terminated by not more than 3 months' notice given at any time without liability for any payment including by way of compensation or damages (except for unfair dismissal or a statutory redundancy payment).

18.6 Loans

There are no amounts owing or agreed to be loaned or advanced by the Company to any directors, officers, workers or employees of the Company (other than amounts representing remuneration accrued due for the current pay period, accrued holiday pay for the current holiday year or for reimbursement of expenses).

18.7 Notice of termination and leave of absence

18.7.1 No director, officer, worker or employee of the Company or consultant to the Company has given or received notice to terminate his employment or engagement.

18.7.2 There are no directors, officers, workers or employees of the Company who are on secondment, maternity leave or absent on grounds of disability or other leave of absence (other than normal holidays or absence of no more than one week due to illness).

18.8 Payment up to Completion

The Company has discharged its obligations in full in relation to salary, wages, fees, commissions, bonuses, overtime pay, holiday pay, sick pay and all other benefits and emoluments relating to its employees, officers, workers and consultants, whether pursuant to the Schemes or otherwise.

18.9 Industrial relations

18.9.1 No trade union, works council or association of trade unions or other body representing workers is recognised by the Company for collective bargaining purposes, nor has the Company done any act which might be construed as recognition. There has been no request for recognition of any trade union and no such request is pending.

18.9.2 There are no collective bargaining or procedural or other agreements or arrangements (whether in writing, oral or by custom and practice and whether with a trade union, staff association, works council, information and consultation forum or any other organisation formed for a similar purpose or other body representing workers and whether legally binding or not) concerning or affecting the Company's employees and the Sellers have not received and nor does it expect to receive a request from 10% or more of its employees to establish an information and consultation body under the Information and Consultation of Employees Regulations 2004 and there is no pre-existing negotiated or default agreement or arrangement in place.

18.9.3 There is no existing, threatened or pending industrial or trade dispute or action, official or unofficial, involving the Company and any of its employees and there are no referrals to or applications pending before the Central Arbitration Committee nor are there any facts which might indicate that there may be any such dispute, action, referral or applications pending.

18.9.4 Within the period of three years ending on the date of this Agreement the Company has not been engaged or involved in any trade dispute (as defined in section 218 of TULR(C)A) with any employee, trade union, staff association, workers council, information and consultation forum or any other organisation formed for a similar purpose or other body representing workers, nor has any industrial relations or employment matter been referred either by the Company or its employees or by any trade union staff association or any other body representing workers to ACAS for advice, conciliation or arbitration or to the Central Arbitration Committee.

18.10 Claims by employees

No past or present director, officer, worker or employee of the Company or any predecessor in business has any claim or right of action against the Company including:

18.10.1 in respect of any accident or injury which is not fully covered by insurance; or

18.10.2 for wrongful dismissal, breach of any contract of services or for services; or

18.10.3 for loss of office or arising out of or connected with the termination of his office or employment; or

18.10.4 for any payment under any Employment Law; or

18.10.5 a right of reinstatement or reengagement,

and so far as the Sellers are aware no circumstances have arisen, or event or inaction has occurred which could or might give rise to any such claim.

18.11 Enquiries

18.11.1 There are so far as the Sellers are aware no enquiries or investigations existing, pending or threatened affecting the Company in relation to any directors, officers, workers or employees by the Central Arbitration Committee, Equal Opportunities Commission, the Commission for Racial Equality or the Disability Rights Commission or the Health and Safety Executive or any other bodies with similar functions or powers in relation to employees or workers.

18.11.2 There are so far as the Sellers are aware no terms or conditions under which any director, officer, worker or employee of the Company is employed or engaged, nor has anything occurred or not occurred prior to Completion that may give rise to any claim for sex discrimination, race discrimination, religious discrimination, sexual orientation discrimination, disability discrimination or equal pay either under domestic United Kingdom or European law whether by a former, current or prospective director, officer, worker or employee or otherwise.

18.12 Compliance with laws

The Company has complied in all material respects with and so far as the Sellers are aware no circumstances have arisen or exist under which the Company may be required to pay damages or compensation or suffer any penalty or be required to take corrective action or be subject to any other form of sanction under any Employment Laws or other relevant provisions of the Treaty of Rome, EC Directives, statutes, regulations, codes of conduct, collective agreements, terms and conditions of employment, orders, declarations and awards relevant to the Company's directors, officers, workers and employees or the relations between the Company and any trade union, staff association, works council, information and consultation forum or any other body representing workers.

18.13 TUPE

The Company has not entered into any agreement and no event has occurred which may involve the Company in the future acquiring any undertaking or part of one to which TUPE may apply.

18.14 Duty to inform and consult

To the extent that such obligations to inform and consult have arisen in the last 3 years the Sellers and the Company have complied with their obligations to inform and consult with trade unions and/or other representatives of workers and to send notices to the Secretary of State pursuant to sections 188 to 194 of TULR(C)A and regulations 10 and 11 of TUPE.

18.15 Records

The Company has maintained adequate, suitable, accurate and up to date records regarding its directors, officers, workers and employees.

18.16 Business is conducted by employees

The Company has not entered into any agreement or arrangement for the management or operation of its business or any part thereof other than with its employees.

19 PROPERTIES

19.1 The Properties and Title

19.1.1 The Properties comprise all of the premises and land owned occupied or otherwise used in connection with the businesses of the Company or in which the Company has any rights, interest or liability.

19.1.2 The summary information relating to the Properties set out at parts 1 and 2 of Schedule 2 is true and accurate.

19.1.3 The Company has not entered into any agreement to acquire an interest in, or dispose of, any premises or land which has not been completed.

19.1.4 The Company has good and marketable title to the Properties .

19.1.5 The Company is in sole and undisputed occupation of the Properties and no other person is or will become entitled to occupation of the Properties.

19.1.6 The Properties are not subject to any outgoing other than uniform business rates (except rating surcharge), water rates, rent, insurance, rent and service charges and the Company is not in arrears with any such outgoing and there is no outstanding liability for rent rates or taxes in respect of any of the Properties.

19.1.7 All agreements, covenants, restrictions or other matters to which the Properties are subject have been complied with.

19.1.8 There are so far as the Sellers are aware no current contingent or anticipated claims or disputes or outstanding orders or notices (whether served by a landlord, adjoining owner, any local authority, any local planning authority or other body or person) affecting the Properties or any circumstances rendering any of the foregoing likely.

19.1.9 There is not, and so far as the Sellers are aware has not been, in force any policy relating to defective title or restrictive covenant indemnity.

19.1.10 There is appurtenant to each of the Properties all such rights and easements necessary for its present use or enjoyment.

19.2 Contingent Liabilities

The Company is not actually or contingently liable in relation to any freehold or leasehold property (whether as owner or former owner or as tenant or former tenant of any such property or as an original contracting party, or guarantor of any party, to any deed, document, lease or licence connected with such property) other than the Properties. The Company is not a party to any uncompleted agreement to acquire or dispose of any freehold or leasehold property.

19.3 Costs

The Company is not for any reason anticipating the expenditure of any material sum of money in respect of any of the Properties.

19.4 The Leases

19.4.1 With respect to the leases (which expression includes underleases) under which the Properties are held:-

- a) so far as the Sellers are aware there is no breach of covenant, restriction or obligation relating to the Properties which is material or persistent or which would entitle or require any person to exercise any powers of re-entry and taking possession of any of the Properties or any part of them;
- b) each such Property is held under the terms of the lease which is summarised in part [] of Schedule 2 and a true or complete copy of which is included in the Disclosure Documents and no licences or collateral assurances, undertakings or concessions have been granted;
- c) the rent referred to in Schedule 2 is the current rent payable under the relevant lease;
- d) the Company has received no complaint regarding any alleged breach of the covenants on the part of the tenant and conditions contained in the leases;
- e) all licences, consents and approvals required from the landlord and any superior landlord have been obtained and the covenants on the part of the tenant contained in such licences, consents and approvals have been duly performed and observed;

- f) there are no rent reviews which are either currently in progress or could have been initiated in accordance with the terms of the leases save as disclosed;
- g) the Company has not served any notices in relation to the Properties under Section 26 of the Landlord and Tenant Act 1954 nor has it received any notice under Section 25 of that Act in relation to the Properties save as disclosed;
- h) there are no rent deposit arrangements or charges over such deposits;
- i) an election has/has not been made to waive the exemption from VAT under para 2(i) Schedule 10 VATA by the Company and/or the Landlord in respect of each of the Properties.

19.5 Statutory Obligations, Notices and Orders

19.5.1 No notice, order, proposal, application, request or schedule of dilapidations affecting or relating to any of the Properties has been served or made by any authority or other person or by the Company and, so far as the Sellers are aware, there are no circumstances which are likely to result in any being served or made;

19.5.2 There is not outstanding any unobserved or unperformed obligation with respect to the Properties which is necessary to comply with the requirements (whether formal or informal) of any competent authority exercising statutory or delegated powers.

19.6 Other Matters Affecting the Properties

19.6.1 No other person has any right (actual or contingent) to possession or occupation of the whole or any part of the Properties.

19.6.2 The current use of each of the Properties corresponds to the permitted user under, and each of the Properties otherwise complies with the provisions of, all relevant legislation from time to time and regulations made thereunder, including the Town and Country Planning Act 1990, the Public Health Acts 1936 to 1981, the Fire Precautions Act 1971 and the Health and Safety at Work Act 1974 and all planning permissions, listed building consents or conservation area consents (as applicable) and no planning permission or other such consent was given on a temporary basis or subject to any onerous or unusual conditions or is the subject of any challenge as to its validity.

19.6.3 None of the Properties has been affected by flooding or subsidence and is not in an area affected by mining or the extraction or quarrying of minerals.

19.6.4 There are no disputes with any adjoining or neighbouring owners with respect to boundary walls and fences or with respect to any easement, right or means of access to any of the Properties.

19.6.5 None of the Properties is subject to any outgoings (other than uniform business rates, water charges and other standard payments to the relevant water company and in the case of leasehold property, rent, service charge and insurance premiums under the lease) whether of a periodically recurring nature or otherwise, and whether payable by the owner or occupier of the Properties.

19.6.6 Each of the Properties is in good and substantial repair and condition and free from any material defects, whether or not inherent defects or design defects and are fit for the purpose for which they are currently used.

19.6.7 None of the Properties is affected by any matter which is of an onerous or unusual nature, or which conflicts with the present use of such Property or would otherwise restrict its present and continued use or enjoyment by the Company or otherwise affect its value.

20 ENVIRONMENTAL MATTERS

20.1 For the purposes this paragraph 20.1:-

20.1.1 **"the Environmental Legislation"** means all statutes subordinate legislation regulations codes of practice guidance notes and the like concerning the protection of human health or the environment or the conditions of the work place or the generation transportation storage treatment or disposal of Hazardous Items (as defined by this paragraph 20.1) including in particular the following statutes:

The Environmental Protection Act 1990 (the "EPA")

The Environment Act 1995

The Control of Pollution Act 1974

The Planning (Hazardous Substances) Act 1990

The Radioactive Substances Act 1993

The Clean Air Act 1993

The Water Resources Act 1991

The Water Industry Act 1991

The Health and Safety at Work etc. Act 1974

The Alkali etc. Works Regulation Act 1906

The Public Health Act 1936

as the same are from time to time varied or amended;

20.1.2 **"Hazardous Items"** means any waste of any kind noise vibration smell fumes smoke soot ash dust grit pollution chemicals leachate petroleum products

ground water noxious radioactive inflammable explosive dangerous or offensive gases or materials and any other substances of whatever nature which may cause harm to the health of living organisms or the environment or to public health or welfare;

20.1.3 "Consents" means all necessary licences consents authorisations and registrations required under the Environmental Legislation with regard to the Properties and their use and/or any activities processes and substances from time to time on the Properties.

20.2 So far as the Sellers are aware the Company has at all material times complied with the Environmental Legislation and has all necessary Consents for the operation of its business. There are no works or other expenditure required to comply with and maintain any such Consents and so far as the Sellers are aware there are no proposals to vary, modify, revoke or suspend any such Consents.

21 TAXATION

INFORMATION AND RETURNS

21.1 Returns

The Company has made all returns and computations and supplied all information and given all notices to HM Revenue & Customs or other Taxation Authority as reasonably requested or required by law within any requisite period and all such returns, computations and information and notices are materially correct, up-to-date and accurate in all respects and have been made on a proper basis, and so far as the Sellers are aware are not the subject of any dispute with any Taxation Authority and there are no facts or circumstances likely to give rise to or be the subject of any such dispute.

21.2 Clearances

No action has been taken by the Company in respect of which any consent or clearance from HM Revenue & Customs or other Taxation Authority was required except in circumstances where such consent or clearance was validly obtained before the transaction was entered into and on the basis of a full and accurate disclosure of all relevant matters and where any conditions attaching thereto were met and nothing has occurred which has, or might have, been in breach of such conditions.

21.3 Claims and elections

21.3.1 The Company has not made and is not subject to any claim or election under any or all of the following:

- a) section 35 of the TCGA (capital gains: rebasing to 31 March 1982);

- b) section 24 of the TCGA (assets of negligible value or lost or destroyed);
- c) section 175 of the TCGA and sections 152 and 153 of the TCGA (roll-over relief);
- d) section 247 of the TA (group income).

21.3.2 The Company has made all claims, elections and disclaimers assumed to have been made for the purposes of the Accounts.

21.4 Records

The Company has kept and maintained such records for Tax purposes as are required by law or which are necessary to calculate the liability to Tax or relief from Tax which would arise on any disposal or other realisation of any asset owned by the Company at Completion.

PROVISION FOR AND PAYMENT OF TAX

21.5 General

The Accounts make full provision or reserve in respect of any period ended on or before the Last Accounts Date for all Tax (including deferred Tax) assessed or liable to be assessed on the Company or for which it is accountable at the Last Accounts Date whether or not the Company has or may have any right of reimbursement against any other person including (without limitation) Tax in respect of property (of whatever nature) income, profits or gains held, earned, accrued or received by or to any person on or before the Last Accounts Date or by reference to any event occurring, act done or circumstances existing on or before that date including distributions made down to such date or provided for in the Accounts.

21.6 Payment of Tax

21.6.1 The Company has duly and punctually paid all Tax which it is liable to pay and is not liable nor has it within 3 years prior to the date hereof been liable to pay any penalty or interest in connection therewith nor are there any circumstances by reason of which the Company is likely to become liable to pay any such penalty or interest.

21.6.2 All payments by the Company to any person which ought to have been made under deduction of Tax have been so made and the Company has (if required by law to do so) provided certificates of deduction in the required form to such person and accounted to the relevant Taxation Authority for the Tax so deducted.

21.6.3 The Company is not liable for any Tax (whether arising inside or outside the ordinary course of business) the due date for payment of which has passed or will arise in the 30 days following Completion.

21.7 Pay As You Earn

21.7.1 The Company has properly operated the PAYE system deducting Tax as required by law from all payments to or treated as made to or benefits provided for employees, ex-employees, directors, ex-directors, officers or ex-officers or independent contractors of the Company (including any such payments within section 134 of the TA) and duly accounted to HM Revenue & Customs for Tax so deducted and has complied with all its reporting obligations to HM Revenue & Customs in connection with any such payments made or benefits provided, and no PAYE audit in respect of the Company has been made by HM Revenue and Customs nor has the Company been notified that any such audit will or may be made.

21.7.2 In respect of each of its employees, workers and, where relevant, consultants, the Company has made all payments due in respect of National Insurance Contributions (including the employer's contribution) and has kept all proper records in relation to the same and no NIC audit has been made on the Company nor has the Company been notified that any such audit will or may be made.

21.7.3 The Disclosure Letter contains full details of any profit related pay schemes, employee share schemes, phantom schemes, employee incentive schemes or payroll deduction schemes operated by the Company.

21.7.4 No liability to national insurance contributions or obligation to account for income tax under PAYE could fall on the Company as a result of a chargeable event (within the meaning of Part 7 ITEPA) before, at or after Completion in respect of securities and interests in securities made available or securities options granted to an employee or director prior to Completion.

21.8 Secondary liability

No transaction or event has occurred in consequence of which the Company is or may be held liable to pay or bear a liability to any Tax including any liability to indemnify any person in respect of any Tax, where such Tax is directly or primarily chargeable against or attributable to some other company or person (whether by reason of any such other company being or having been a member of a group of companies or otherwise).

CORPORATION TAX

21.9 Revenue investigations, audits

The Company has not at any time been the subject of a discovery or investigation by any Taxation Authority and so far as the Sellers are aware there are no facts which are likely to cause a discovery or investigation to be made. The Disclosure Letter contains full details of any non-routine audits of or visits to the Company by any Taxation Authority occurring in the previous 12 months and of any such audits and visits planned for the future of which the Sellers are aware.

21.10 Special arrangements

There are set out in the Disclosure Letter full details of any special arrangement (being an arrangement which is not based on a strict and detailed application of the relevant legislation or on generally published statements of practice or generally published extra statutory concessions) operated by the Company with the agreement of any Taxation Authority and the Company has not taken any action which has had the result of altering or prejudicing any such arrangement which it has previously negotiated.

21.11 Administration

There are set out in the Disclosure Letter full details of all:

21.11.1 elections, claims for Relief (whether by way of deduction, reduction, set-off, exemption, repayment, allowance or otherwise), surrenders, disclaimers, applications for postponement and appeals against assessments required to be made by the Company (whether alone or jointly with any other person) after Completion and assumed to be available for the purposes of the provision for Tax in the Accounts; and

21.11.2 details of any open assessments and appeals, or rights to appeal against assessments for any accounting periods of the Company or other matters where the tax affairs of the Company have not yet been agreed with the relevant Taxation Authority.

21.12 Withdrawal of Reliefs

21.12.1 So far as the Sellers are aware no Relief has been claimed by and/or given to the Company, or taken into account in determining or eliminating any provision for Tax or deferred Tax in the Accounts, which could be withdrawn or otherwise lost as a result of the sale and purchase hereunder.

21.12.2 Nothing has been done, and so far as the Sellers are aware no event or series of events has occurred, which might cause, in relation to the Company, either

the disallowance or the carry forward or carry back of losses, excess charges or debits in respect of loan relationships.

21.13 Changes in trade etc

21.13.1 Within the period of 3 years ending with the date hereof there has been:

- a) no major change in the nature or conduct of any trade or business carried on by the Company within the meaning of section 245 or 768 of the TA;
- b) no major change in the nature or conduct of any trade or business of a company which has surrendered advance corporation tax to the Company under the provisions of section 240 of the TA.

21.13.2 Within the period of 3 years ending with the date hereof there has been no cessation or discontinuance of any trade or business carried on by the Company nor has the scale of activities in any trade or business carried on by the Company within 3 years hereof become small or negligible.

21.13.3 Prior to the execution of this Agreement no change of ownership of the Company has taken place such that either or both of section 245 or 768 of the TA has or may be applied to deny relief in respect of a loss or losses of the Company.

21.14 Deductions

The Company has not made any payment or incurred any liability to make any payment which could be disallowed (whether in whole or in part) as a deduction in computing the taxable profits of the Company or as a charge on the Company's income including without limitation any payment which could be disallowed under sections 74 (general rules as to deductions not allowable), 125 (annual payments for non-taxable consideration), 338-340 (allowance of charges on income), 779-785 (leased assets) or 787 (restriction of relief for payments of interest) of the TA.

21.15 Sales at undervalue/overvalue

21.15.1 All transactions entered into by the Company or to which the Company is or has been a party have been entered into on an arm's length basis and the consideration (if any) charged or received or paid by the Company on all transactions entered into by it has been equal to the consideration which might have been expected to be charged, received or paid (as appropriate) between independent persons dealing at arm's length.

21.15.2 No notice or enquiry pursuant to section 770 of the TA or the transfer pricing provisions of any arrangements made under section 788 of the TA (relief by agreement with other countries) has been made in connection with any of such

transactions nor are such transactions within the provisions of Schedule 28AA TA.

21.15.3 Documentation is available to demonstrate the criteria taken into account in determining arm's length terms for transactions or provisions of goods and services between the Company and any of the Sellers or the SVG Companies.

21.15.4 The Company has not by reason of being connected with any of the Sellers or the SVG Companies obtained the whole or any part of a loan or obtained the benefit of a loan on more favourable terms than it would have received in the absence of such relationship.

21.16 Exchange gains and losses

The Company is not and has not since the Last Accounts Date been:

21.16.1 the holder of a qualifying asset;

21.16.2 subject to a qualifying liability; or

21.16.3 party to a currency contract,

for the purposes of chapter II of the FA 1993.

21.17 Loan relationships

21.17.1 The Company is and has since the Last Accounts Date been taxed on an authorised accruals basis of accounting in relation to all loan relationships which are creditor relationships as defined in section 103 of the FA 1996 and in relation thereto:

- a) the accruals on which the Company is taxable are computed only by reference to interest;
- b) if any such debt were to be repaid at its face value the Company would not suffer any charge to Tax in excess of Tax on interest accrued; and
- c) there is no connection between the Company and the debtor as mentioned in section 87 of the FA 1996.

21.17.2 The Company obtains and has since the Last Accounts Date obtained tax relief on an authorised accruals basis of accounting in relation to all loan relationships which are debtor relationships as defined in section 103 of the FA 1996 and in relation to each such relationship:

- a) the deduction given in computing the taxable profits of the Company in consequence of that relationship is not less than the interest accruing for the period concerned;

- b) the Company would suffer no adverse tax consequences were such debts to be repaid at face value except that the tax deduction for interest accrued would cease.

21.17.3 The Company has not since the Last Accounts Date been the creditor or the debtor under any relevant discounted security as defined in Schedule 13 of the FA 1996 or any loan relationship which is subject to the provisions of sections 92 (convertible securities) or sections 93 or 93B (loan relationships linked to the value of chargeable assets) of the FA 1996.

21.17.4 The Company has not since the Last Accounts Date been released from any debt either in whole or in part which is a loan relationship. The Company has not accrued a debit for interest which is unpaid or likely to remain unpaid for a period of 12 months after the end of the accounting period in which it was accrued.

21.18 Investment grants

Details of all grant subsidies or similar payments or allowances from the Crown or any government or public or local authority whether in the United Kingdom or elsewhere are set out in the Disclosure Letter and the same will remain available at Completion.

21.19 Instalment payments

21.19.1 The Company is not a "large company" as defined by regulation 3 of the Corporation Tax (Instalment Payment) Regulations 1998 and no instalment payments are required to be made by the Company under the Corporation Tax (Instalment Payment) Regulations.

21.20 Shadow ACT

The Company has not at any time had any unrelieved surplus advance corporation tax, as defined in the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999.

CAPITAL ASSETS

21.21 Capital allowances

21.21.1 No balancing charge in respect of any capital allowances claimed or given would arise if all the assets of the Company were to be realised for a consideration equal to the amount of the book value thereof as shown or included in the Accounts.

21.21.2 All necessary conditions for all capital allowances (as defined in section 832(1) of the TA) claimed by the Company were at all material times satisfied

and remain satisfied and the Company has not since the Last Accounts Date become liable for any balancing charge.

21.21.3 The capital allowances computations for the period ending on the Last Accounts Date are complete, correct and are in the Disclosure Documents.

21.21.4 The Company has not made any claim for capital allowances in respect of an asset which is leased to or from or hired to or from the Company and no election affecting the Company has been made or agreed to be made under sections 177 or 183 of the CAA in respect of any such assets.

21.21.5 The Company does not own any long life assets as defined by section 91(1) of CAA.

21.21.6 The Company is not in dispute with any person as to the availability of capital allowances on fixtures under section 196 of CAA and sections 197 to 199 of CAA do not apply to any fixtures acquired by the Company for a capital sum so as to determine the disposal value of the fixture.

DISTRIBUTIONS

21.22 Repayments of share capital

21.22.1 The Company has not at any time after incorporation repaid or agreed to repay or redeemed or agreed to redeem or purchased or agreed to purchase (or made any contingent purchase contract within the meaning of section 165 of the Companies Act 1985) in respect of any of its issued share capital or any class thereof. Further the Company has not after incorporation capitalised or agreed to capitalise in the form of shares, debentures or other securities or in paying up amounts unpaid on any shares, debentures or other securities any profits or reserves of any class or description or passed or agreed to be passed any resolution to do so.

21.22.2 The Company has not made (and will not be deemed to have made) any distribution within the meaning of sections 209 or 210 of the TA (bonus issue following repayment of capital) since incorporation except dividends properly authorised and shown in its Accounts nor is the Company bound to make any such distribution.

21.22.3 The Company has not been party to any transaction involving an exempt distribution within section 213 of the TA within the period commencing 5 years prior to the Last Accounts Date.

21.23 Payments to be treated as distributions

The Company has not since the Last Accounts Date been party to any debt or security where the interest payable thereon fell or falls or could on its assignment fall to be treated as a distribution for tax purposes.

CHARGEABLE GAINS

21.24 Sales at book value

No chargeable gain or profit (disregarding the effects of any indexation relief available) would arise if any asset of the Company (other than trading stock) were to be realised for a consideration equal to the amount of the book value thereof as shown or included in the Accounts.

21.25 Value shifting

The Company has not been involved in any scheme or affected by any arrangements whereby section 29 of the TCGA (value shifting) or section 30 of the TCGA (tax-free benefits) might be applicable in relation to any disposal by the Company since the Last Accounts Date or on any asset of the Company being disposed of after the date of this Agreement.

21.26 Valuation of assets

21.26.1 The Company does not hold and has not held at any time since the Last Accounts Date any asset where, on the disposal of that asset, the amounts deductible under section 38 of the TCGA fall or would fall to be determined by reference to the application of section 42 of the TCGA (part disposal of assets) to a previous transaction.

21.26.2 The Company has not since the Last Accounts Date disposed of any asset so that section 17 of the TCGA (disposals and acquisitions treated as made at market value) might apply to increase the consideration deemed to be given on such disposal.

21.26.3 The Company has not since the Last Accounts Date held or had any interest in any asset where section 17 of the TCGA might apply to reduce the consideration deemed to be given on the acquisition of that asset.

21.27 Reconstructions

21.27.1 Save as Disclosed, the Company has not been involved in any share for share exchange or any scheme of reconstruction or amalgamation such as is mentioned in sections 135 and 136 of the TCGA or section 139 of the TCGA under which shares or debentures have been or will be issued or assets have been or will be transferred.

21.27.2 The Company has not been a party to any such reconstruction as is described in section 343 ICTA in the six years prior to Completion.

21.28 Depreciatory transactions

No loss which has arisen or which may hereafter arise on a disposal by the Company of shares in or securities of any company is liable to be reduced, and no chargeable gain is liable to be created or increased by virtue of the application of section 176 of the TCGA (transactions in a group) or section 177 of the TCGA (dividend stripping) in consequence of any transaction occurring prior to the date of this Agreement.

21.29 Rollover Relief

The Company has not at any time;

21.29.1 made a claim under sections 152 to 158 (inclusive) or 175 or 247 TCGA which affects the amount of the chargeable gain or allowable loss which would, but for such claim, arise or have arisen upon a disposal of any asset or acquired any asset or any interest in any asset in circumstances in which another company has made a claim under section 175 TCGA which affects for the purposes of the TCGA the amount or value of the consideration given for such asset or interest;

21.29.2 realised a loss to which section 18(3) TCGA (transactions between connected persons) applied;

21.29.3 realised a pre-entry loss or acquired any pre-entry asset as defined in Schedule 7A TCGA;

21.29.4 transferred a trade carried on by it outside the United Kingdom through a branch or agency in circumstances such that a chargeable gain could be deemed to arise at a date after such transfer under section 140 TCGA; or

EVENTS SINCE THE LAST ACCOUNTS DATE

Since the Last Accounts Date:-

21.30 the Company has incurred no liability to Tax other than Tax in respect of income, profits or gains attributable to transactions undertaken in the ordinary course of its business.

21.31 no disposal has taken place or other event occurred which will or may have the effect of crystallising a liability to Tax which would have been included in the provision for actual or deferred Tax contained in the Accounts if such disposal had been effected, planned or predicted at the Last Accounts Date.

21.32 no material payment has been made by the Company which will not be deductible for the purposes of corporation tax (or for any corresponding Tax on profits in any relevant foreign jurisdiction), either in computing the profits of the Company or in computing the corporation tax (or corresponding Tax liability) of the Company.

21.33 no event has occurred which has or so far as the Sellers are aware is likely to have the effect of prejudicing any Relief taken into account in computing or eliminating the provision for deferred Tax in the Accounts.

21.34 no accounting period (as defined in section 12 of the TA) of the Company has ended.

ANTI-AVOIDANCE PROVISIONS

21.35 Tax schemes

The Company has not entered into nor been a party to nor otherwise involved in any scheme or arrangement which was designed wholly or partly for the purpose of avoiding, reducing or deferring Tax such that any part of such transaction may be disregarded or reconstructed.

21.36 Transactions in securities

The Company has not:

21.36.1 become liable for Tax; or

21.36.2 received and will not receive or be the subject of or be adversely affected by any Claim for Tax

arising under or imposed by or resulting from the operation of sections 703-709 of the TA (whether alone or in conjunction with any other provisions of any Taxation Statutes whatsoever) and which wholly or partly results or arises from or is computed by reference to circumstances existing or events occurring at any time on or before the date hereof whether alone or in conjunction with other circumstances arising before or after Completion.

21.37 Sale and leaseback of land

The Company has not entered into any transaction as is mentioned in sections 34-37 or section 780 of the TA.

21.38 Loans or credit

The Company has been involved in no transactions such that section 786 of the TA (transactions associated with loans or credit) might apply.

FOREIGN ELEMENT

21.39 Tax residence

The Company has always been resident for the purposes of Taxation in the United Kingdom and has never been resident in any other territory or treated as so resident for the purposes of any double tax agreement. The Company has no branch, agency, place of business or permanent establishment in any jurisdiction other than the United Kingdom.

21.40 Company migration

Since 15 March 1988, no election has been made by the Company as the principal company as defined in section 187 of the TCGA (postponement of charge on deemed disposal of assets by company ceasing to be resident in the United Kingdom) nor has any company over which the Company had control or which was a member of the same group of companies as the Company ceased to be resident in the United Kingdom otherwise than in compliance with section 765 TA or section 130 of the FA 1988.

21.41 Transfers to non-resident company

The Company has not made any such transfer as is mentioned in section 140 of the TCGA.

21.42 Double taxation

The Company has received or is entitled to receive credit against its UK Tax liability for all Tax charged (whether by Tax being withheld or through direct assessment) on the Company's income from any foreign jurisdiction and the Company holds all deduction certificates or other documents necessary to claim all relief due to it under part XVIII of the TA.

21.43 Withholding of tax and agency for non-residents

The Company is not and has not been assessable to Tax by virtue of section 78 of the TMA or sections 42A or 43 of the TA or section 126 of the FA 1995.

21.44 Unremittable income and gains

The Company has not made any claim under section 584 TA or section 279 TCGA.

CLOSE COMPANY

21.45 The Company is a close company as defined in section 414 TA (close companies) but has never been a close investment-holding company as defined in section 13A TA (close investment-holding companies).

- 21.46 No distributions within section 418 TA (additional matters to be treated as distributions) or transfers of value within section 94 ITA (charge on participators) have been made by the Company.
- 21.47 No loan or advance within section 419 TA (loans to participators, etc), 421 or 422 TA has been made or agreed to be made by the Company and the Company has not since the Last Accounts Date released or written off, and there has been no agreement or arrangement for the release or writing off of the whole or part of the debt in respect of any such loan or advance.

GROUPS OF COMPANIES

21.48 Intra-group transfers

21.48.1 Save as Disclosed, the Company has not acquired any asset other than trading stock from any other company belonging at the time of acquisition to the same group of companies as the Company within the meaning of section 170 of the TCGA and no member of any group of companies of which the Company is or has at any material time been the principal company (as defined in section 170(2)(b) of the TCGA) has so acquired any asset.

21.48.2 Neither section 178 nor section 179 TCGA will have effect in relation to any asset or property of the Company by virtue or in consequence of the entering into or performance of this Agreement, Completion or any event since the Last Accounts Date.

21.49 Group relief and consortium relief

The Disclosure Letter contains particulars of all arrangements relating to relief under sections 402-413 of the TA ("**group relief**") to which the Company is or has been a party and:

21.49.1 all claims by the Company for such relief were when made and are now valid and have been or will be allowed by way of relief from corporation tax;

21.49.2 the Company has not made nor is it liable to make any payment for group relief otherwise than in consideration for the surrender of group relief allowable to the Company by way of relief from corporation tax;

21.49.3 the Company has received all payments due to it under any arrangement or agreement for surrender of group relief by it for periods prior to the Last Accounts Date;

21.49.4 no such payment exceeds or could exceed the amount permitted by section 402(6) of the TA;

21.49.5 there exist or existed for any period of account in respect of which a surrender has been made or purports to have been made no arrangements such as are specified in section 410(1)–(6) of the TA.

INHERITANCE TAX

21.50 The Company is not, and will not become, liable to be assessed to corporation tax or inheritance tax as donor or donee of any gift or transferor or transferee of value (actual or deemed) nor as a result of any disposition, chargeable transfer or transfer of value (actual or deemed) made by or deemed to be made by any other person on or prior to the date of Completion.

21.51 There is no actual or potential unsatisfied liability to inheritance tax attached or attributable to the Shares or any asset of the Company and in consequence no person has or may acquire the power to raise the amount of such tax by sale or mortgage of or by a terminable charge on any of the Shares or assets of the Company as mentioned in section 212 of the ITA and none of the Shares or assets of the Company are or may become subject to a charge by HM Revenue & Customs within section 237 of the ITA whether as a result of any event or events occurring prior to Completion or as a result of any events only one or some of which occur prior to Completion.

VALUE ADDED TAX

21.52 VAT: general

The Company:

21.52.1 is registered in the United Kingdom for VAT purposes and such registration is not subject to any conditions set down by HM Revenue & Customs and is not registered or required to be registered for VAT or any similar tax in any other jurisdiction;

21.52.2 maintains complete, correct and up-to-date records for the purposes of all legislation relating to VAT and is not subject to HM Revenue & Customs conditions in this regard and is not in arrears with any payment or return under that legislation or in respect of Intrastats or excise or customs duties, or liable to any abnormal or non-routine payment of VAT, or any forfeiture or penalty, or to the operation of any penal provision;

21.53 The Company:

21.53.1 has not been treated as, or applied for treatment as a member of a group for VAT purposes under section 43 VATA and no transaction has been effected in consequence of which the Company is or may be held liable for any VAT arising from supplies made by another company and the Company has not been a party to any transaction or arrangement as a result of which a direction

has been or may be given under Schedule 9A VATA (anti-avoidance provisions for groups of companies);

21.53.2 has an interest in any assets to which Part XV of the Value Added Tax Regulations 1995 (Capital Goods Scheme) applies;

21.54 All supplies of goods and services made by the Company are taxable supplies for the purposes of VATA, no goods or services supplied to the Company, or goods imported by the Company, are or have been used otherwise than for business purposes, each the Company is able to obtain credit as deductible input tax (as defined in section 24 VATA) for all the VAT which it has incurred and no input tax has been claimed on the basis of anticipated taxable supplies which have not yet been made.

21.55 The Company has not received any supplies of the type described in Schedule 5 VATA. (Services supplied were received), which would give rise to a reverse charge under section 8 VATA.

21.56 The Company has not reclaimed input tax from HM Revenue & Customs which it will be obliged to repay under the provisions of Part XIXB Value Added Tax Regulations 1995 (Repayment of input tax where consideration not paid).

21.57 The Company has not entered into a scheme or arrangement that is designated by order of the Treasury under paragraphs 3 or 4, Schedule 11A VATA 1994 such that disclosure to HM Revenue & Customs has been or will be required.

21.58 VAT: property transactions

21.58.1 The Company has not incurred any liability in respect of VAT (whether to HM Revenue & Customs or to any other person) by reason of the provisions of paragraph 2(1) Schedule 10 VATA (Election to waive the exemption) and there are no circumstances whereby the Company could become so liable as a result of a person making an election under that paragraph.

21.58.2 The Company does not own the fee simple in any building or work such as is referred to in Item 1(a) Group 1 Schedule 9 VATA the supply of which would be standard rated.

CUSTOMS DUTIES

21.59 The Company has no arrangement or authorisation in place under the Council Regulation EEC Number 2913/92 or Community Customs Code and Commissions Regulation EEC Number 2454/93 in relation to any relief from customs duty.

21.60 The Company does not hold any authorisation from the HM Revenue & Customs to import goods upon which the customs duty has not been paid at importation or upon which there may be a clawback of duty paid.

STAMP DUTY

- 21.61 All documents in the enforcement of which the Company is or may be interested have been either duly stamped or have had the requisite amount of stamp duty land tax duly paid in respect of any document which is subject to stamp duty land tax and the Company has not been a party to any transaction whereby the Company was or is or could become liable to stamp duty reserve tax.
- 21.62 The Company has made no claim for relief from stamp duty under section 151 Finance Act 1995, section 42 Finance Act 1930 or section 75, 76 or 77 Finance Act 1986 in respect of UK land or buildings.
- 21.63 The Company owns no interest in any UK land or building which is evidenced by an uncompleted contract.
- 21.64 The Company has made, given and kept accurate, complete, correct and up-to-date returns, records and other documents appropriate or required for the purposes of stamp duty land tax and is not in arrears with any payments or returns due in respect of stamp duty land tax.
- 21.65 All stamp duty land tax payable to HM Revenue & Customs by the Company has been paid in full on the due date and the Company has never applied to defer payment of stamp duty land tax.
- 21.66 The Company has made no claim for relief from stamp duty land tax under Schedule 7 Finance Act 2003 or section 57A Finance Act 2003.
- 21.67 The Company has never been liable to pay any penalty or interest in connection with stamp duty land tax nor are there any circumstances by reason of which the Company is likely to become liable to pay such penalty or interest.

22 PENSIONS

22.1 Pension arrangements disclosed

Save for the current schemes disclosed in the Disclosure Documents (in this paragraph 22 called the "Schemes"), there are no schemes, agreements, arrangements, customs or practices (whether legally enforceable or not) for the payment of or contribution towards 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 of the employees or directors or former employees or directors of the Company (together called for the purposes of paragraphs 22.1 to 22.10 hereof the "Employees") or for the benefit of any dependants of any such Employees, and no proposal to establish any such schemes, agreement or arrangement has been announced.

22.2 Documents disclosed

22.2.1 Details of the Schemes have been Disclosed

22.3 Membership details

Details of those Employees who are active members of the Schemes are listed in the Disclosure Letter and no other Employees are or will before Completion become members of the Schemes.

22.4 Payment of contributions

All contributions due to be paid to or in respect of the Schemes by the Company and by any Employees (including all contributions due to any of the Schemes which are personal pension schemes as defined for the purposes of the Pension Schemes Act 1993), all insurance premiums due to be paid in respect of the Schemes and all fees and expenses in relation to the Schemes have been duly paid.

22.5 Approvals

Each of the Schemes is an exempt approved scheme within the meaning of section 592 TA and there is no reason why such approval may be withdrawn.

22.6 Money purchase benefits only

Each of the Schemes is a money purchase scheme (as defined in section 181(1) Pension Schemes Act 1993) and the benefits payable under each of the Schemes whether immediate, prospective or contingent, are solely the benefits which can be provided by the funds available for each member under that Scheme.

22.7 Compliance

The Company has fulfilled all its obligations under the Schemes and each of the Schemes has at all times complied with and been administered in accordance with all applicable laws, regulations and requirements (including without limitation those of HM Revenue & Customs, the Pensions Act 1995 and of trust law).

22.8 Stakeholder pensions

The Company has designated a registered stakeholder pension scheme in accordance with the requirements of the Welfare Reform and Pensions Act 1999 (and Regulations made under it) in relation to all of its "relevant employees" (as defined for the purposes of that Act), and full details of that designated scheme are contained in the Disclosure Letter.

SCHEDULE 4

Tax Covenant

For the purposes of this Schedule 4 references to the "Company" shall include Mass and the Company

1 DEFINITIONS AND INTERPRETATION

In this Schedule 4 and in Schedule 5:

- 1.1 "Accounts Relief" means any Relief treated as an asset in the Accounts or which was used to reduce the amount of any provision for deferred tax which appears in the Accounts or which would have appeared in the Accounts but for the presumed availability of such Relief in the Accounts;
- 1.2 "Claim for Tax" means any claim, assessment, notice, demand or other document issued or action taken on or behalf of any person, authority or body whatsoever and of whatever country, including any Tax Authority and the submission of any Taxation form, return or computation from which in either case it appears to the Buyer that the Company is liable or may be subject to a Liability for Tax or other liability in respect of which the Sellers are or may be liable under paragraph 2 or the Tax Warranties;
- 1.3 "Event" includes any payment, transaction, circumstance, act, omission or occurrence of whatever nature and any distribution, failure to distribute, acquisition, disposal, transfer, payment, loan or advance, the expiry of any time period, membership of or ceasing to be a member of any group or partnership or any change in the residence of any person whether or not the Company or the Buyer is a party thereto and including completion of the sale of the Shares to the Buyer and references to an Event occurring on or before a particular date (including without limitation Completion) shall include an Event deemed, pursuant to any Taxation Statute, to occur or be treated or regarded as occurring or existing on or before that date or in respect of that period;
- 1.4 "Relief" includes any loss, relief, allowance, exemption, set-off, credit, rebate, refund, right to repayment or deduction in respect of any Tax or any set-off or deduction in computing or against profits income or gains of any description or source for the purposes of any Tax;
- 1.5 references to the loss of a Relief or of a right to repayment of Tax shall include the loss, reduction, modification, counteracting, nullification, cancellation, disallowance, withdrawal or clawback of any Relief or right to repayment of Tax;
- 1.6 "Liability for Tax" means
 - 1.6.1 any liability of the Company to make an actual payment of or in respect of Tax (whether or not the Company is primarily so liable and whether the Company has any right of recovery against any other person); and

- 1.6.2 the loss, for whatever reason, of any Accounts Relief; and
- 1.6.3 the loss or set-off of a right to repayment of Tax including any repayment supplement which would (were it not for the Claim for Tax in question) have been available to or which has been claimed by the Company; and
- 1.6.4 the use or set-off against income, profits or gains arising, accrued, received or earned on or before Completion or against an actual Liability for Tax of any Relief which either arises after the Accounts Date, or any Accounts Relief in circumstances where, but for such use or set-off, the Company would have had an actual Tax liability in respect of which the Buyer would have been able to make a claim against the Sellers under this Schedule,

and in a case within paragraphs 1.6.1, 1.6.2, 1.6.3 and 1.6.4 above there shall be treated as an amount of Tax for which a liability has arisen and fallen due:

- a) where the Liability for Tax falls within paragraph 1.6.1 the Liability for Tax will be the amount of the actual payment of tax which the Company is liable to make;
 - b) where the Liability for Tax falls within paragraph 1.6.2 the amount of the Liability for Tax will be:
 - i the amount of Tax which would, on the basis of the rates of Tax current at the date of such loss, have been saved had such Relief been available (on the assumption that the Company would have been in a position to utilise such Relief and irrespective of whether the Company actually was in such a position); or
 - ii if the Accounts Relief lost was a right to a repayment of tax, the amount of the repayment so lost
 - c) where the Liability for Tax falls within paragraphs 1.6.3 or 1.6.4 the Liability for Tax will be the amount of the repayment so lost or the amount of Taxation saved by the Company as a result of the use or set-off of the relevant Relief;
- 1.7 in determining for the purposes of paragraphs 2.5 and 2.6 below whether a charge on or power to sell, mortgage or charge any of the Shares or assets of the Company exists at any time 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 and the provisions of section 213 of the ITA shall not apply;

- 1.8 "Sellers Relief" means any Relief arising out of an Event on or before the Last Accounts Date other than an Accounts Relief or a Relief arising in relation to any person other than the Company;
- 1.9 references to income, profits or gains shall include any other measure by reference to which Tax is computed;
- 1.10 references to income, profits or gains arising, accrued, received or earned by any person shall include income, profits, or gains which are for the purpose of any Tax deemed to have been regarded or treated as arising, accrued, received or earned by such person;
- 1.11 references to income, profits or gains arising accrued, received or earned on or before a particular date (including, without limitation, Completion) or in respect of a particular period shall include income, profits or gains which are for the purposes of any Tax deemed to have been treated or regarded as arising accrued, received or earned on or before that date or in respect of that period; and
- 1.12 references to the occurrence of any Event on or before Completion shall include the combined result of two or more Events the first of which shall have occurred or shall be deemed to have occurred on or before Completion, provided that there shall be disregarded any Event occurring after Completion outside the ordinary course of the Company's business;

2 COVENANT

Subject as hereinafter provided the Sellers hereby severally covenant on behalf of themselves and their respective legal personal representatives to pay to the Buyer or as it directs an amount equal to:

- 2.1 any Liability for Tax resulting from or by reference to any receipts, income, profits or gains earned, accrued or received by the Company on or before Completion or any Event occurring on or before Completion whether or not the Tax is chargeable against or attributable to any other person;
- 2.2 any liability of the Company to repay or the loss of the right to receive in whole or in part any payment for the surrender of group relief or of the benefit of any surplus advance corporation tax or the transfer of a tax refund received or receivable by the Company pursuant to any agreement or claim made on or before the date hereof;
- 2.3 any Liability for Tax which arises in whole or in part in consequence of an Event occurring before, on or after Completion and for which the Company is liable for any reason as a result of, or which could have been avoided but for:
- 2.3.1 the Company having at any time before Completion been a member of a group for any Tax purposes;

- 2.3.2 the Company having had control of, or been connected with, any company at any time before Completion for any Tax purpose; and/or
- 2.3.3 the Company having been under the control of any company or other person at any time before Completion for any Tax purpose.
- 2.4 any Liability for Tax for which the Company is liable as a result of being treated as a member of the same group with any body corporate which is not one of the bodies corporate listed in Schedule 1 to this Agreement for the purposes of section 43 of VATA during any prescribed accounting period (as defined in section 25(1) of VATA) which ended on or prior to or was current on the date hereof and (so far as any such other bodies corporate are concerned with which it was on the date hereof or has previously been in such a group) the next following prescribed accounting period;
- 2.5 any amount of inheritance tax which is at Completion unpaid and in respect of which HM Revenue & Customs has a charge on any of the Shares or assets of the Company or a power to sell, mortgage or charge any of the Shares or assets of the Company; or
- 2.6 any amount of inheritance tax which after Completion becomes a charge on or gives rise to a power to sell, mortgage or charge any of the Shares or assets of the Company being a liability in respect of additional inheritance tax payable on the death of any person within 7 years after a transfer of value if a charge on or power to sell, mortgage or charge any such Shares or assets of the Company existed at the date of Completion or would have existed at Completion, if the death had occurred immediately before Completion and the inheritance tax payable as a result of such death had not been paid;
- 2.7 any Liability to Tax which arises as a result of any Event which occurs after Completion pursuant to a legally binding obligation (whether or not conditional) entered into by the Company on or before Completion otherwise than in the ordinary course of business of the Company;
- 2.8 any liability which arises at any time to the Company to account for income tax or national insurance contributions in respect of an option or other right to acquire securities granted prior to Completion by the Company or by any other person or in respect of the exercise of such option or right or in respect of any employment-related securities (as defined for the purposes of Part 7 ITEPA) acquired whether or not as a result of the exercise of such a right or option;
- 2.9 any liability of the Company to make a payment in respect of Tax to any person other than the Company which has arisen or arises as a result of or in connection with any Event which occurred on or before Completion, whether or not such liability has been discharged on or before Completion, including any liability of the Company to make a payment in respect of Taxation to any person under any indemnity, covenant, guarantee or charge entered into by the Company on or before Completion; and

- 2.10 any Liability to Taxation which arises as a result of or in connection with any persons engaged by the Company who have not been dealt with by the Company as employees but treated as self-employed, being or being deemed by HM Revenue and Customs to have been employees of the Company at any time for tax purposes;
- 2.11 any Liability to Tax which arises as a result of or in connection with any disallowance or withdrawal of any Research and Development tax claim pursuant to Schedule 20 FA 2000;
- 2.12 any Liability of the Company to repay to HM Revenue and Customs any Research and Development tax credit obtained pursuant to Schedule 20 FA 2000 which the Company has received on or prior to Completion;
- 2.13 any Liability of Tax which arises as a result of the pre-sale-reorganisation undertaken by the Sellers' prior to Completion;
- 2.14 all costs and expenses incurred by the Company or the Buyer in connection with any Liability for Tax, or any Claim for Tax or any liability or loss under paragraph 2 above or in connection with any action taken to avoid resist or settle any Liability for Tax or Claim for Tax or otherwise taking or defending any action under this Schedule.

3 DISPUTES AND CONDUCT OF CLAIMS

- 3.1 If the Buyer or the Company receives a Claim for Tax which appears to either of them to be relevant for the purposes of this Schedule or in relation to a potential Tax Warranty Claim, the Buyer or the Company shall within a reasonable time thereafter give written notice thereof to the Sellers setting out reasonable details of the Claim for Tax.
- 3.2 If the Sellers shall indemnify and secure the Company and/or (as the case shall require) the Buyer to the Buyer's reasonable satisfaction against all liabilities, costs, damages or expenses which may be incurred thereby including any additional Liability for Tax within 15 Business Days of the date of the notice to the Sellers specified in paragraph 3.1 above, the Buyer shall and shall procure that the Company shall (except where fraudulent or negligent conduct is alleged) take such action as the Sellers may reasonably request by notice in writing given to the Buyer to avoid, dispute, defend, resist, appeal or compromise any Claim for Tax (such a Claim for Tax where action is so requested being hereinafter referred to as a "Dispute") provided that:
 - 3.2.1 neither the Company nor the Buyer shall be obliged to appeal or procure an appeal against any assessment to Tax raised on either of them if, the Sellers having been given written notice of the receipt of such assessment, the Company and the Buyer have not within 15 Business Days of the date of the notice received instructions in writing from the Sellers to do so,

- 3.2.2 neither the Buyer nor the Company shall be obliged to take any action pursuant to this paragraph 3 which would involve contesting a Claim for Tax beyond the first appellate body (excluding the Taxation Authority demanding the Tax in question) in the jurisdiction concerned;
- 3.2.3 where the Liability for Tax the subject of the Dispute is required to be paid as a precondition to an appeal or before any other action requested by the Sellers may be taken, the Company shall not be obliged to take any such action until the Sellers shall have paid to the Buyer or the Company an amount equal to such Liability for Tax for the purpose of discharging the same.
- 3.3 If the Sellers do not request the Buyer or the Company to take any action under, or otherwise fail to comply with any provision of, this paragraph 3 or the Dispute concerns fraudulent or negligent conduct, the Buyer or Company shall have the conduct of the Dispute absolutely (without prejudice to the rights of the Buyer under this Agreement) and shall be free to pay or settle the Claim for Tax on such terms as the Buyer or the Company may in its absolute discretion consider fit.
- 3.4 The Buyer will not be required to take or procure that the Company will take any action referred to in paragraph 3.2 which it reasonably considers will have a materially adverse financial effect on the business of the tax affairs of the Buyer or the Company or any other member of the same group of companies as the Buyer.
- 3.5 Subject to paragraph 3.3 above, by agreement in writing between the Buyer and the Sellers, the conduct of a Dispute may be delegated to the Sellers upon such terms as may be agreed from time to time between the Buyer and the Sellers, provided that, unless the Buyer and the Sellers specifically agree otherwise in writing, the following terms shall be deemed to be incorporated into any such agreement:
- 3.5.1 the Company and the Buyer shall promptly be kept fully informed of all matters pertaining to a Dispute and shall be entitled to see copies of all correspondence and notes or other written records of telephone conversations or meetings and, in the event that there is no written record, shall be given an immediate report of all telephone conversations with any Taxation Authority to the extent that it relates to a Dispute;
- 3.5.2 the appointment of solicitors or other professional advisers shall be subject to the approval of the Buyer, such approval not to be unreasonably withheld or delayed;
- 3.5.3 all written communications pertaining to the Dispute which are to be transmitted to any Tax Authority or other governmental authority or body whatsoever shall first be submitted to the Buyer and the Company for approval (not to be unreasonably withheld) and shall only be finally transmitted if such approval is given; and

3.5.4 the Sellers shall make no settlement or compromise of the Dispute or agree any matter in the conduct of the Dispute which is likely to affect the amount thereof or the future Liability to Tax of the Company or of the Buyer without the prior written approval of the Company and/or the Buyer (as may be appropriate).

3.6 Neither the Buyer nor the Company shall be subject to any claim by or liability to either of the Sellers for non-compliance with any of the foregoing provisions of this paragraph 3 if the Buyer or the Company has acted bona fide in accordance with the instructions of either of the Sellers.

4 PAYMENT DATE

4.1 Where the Sellers are liable to the Buyer pursuant to the covenant contained in paragraph 2 above the following provisions shall apply in determining when a payment in respect of such liability shall be made on:

4.1.1 the date falling 5 Business Days after the Buyer has served notice on the Sellers demanding payment; or

4.1.2 in a case which involves an actual payment by the Company (whether or not a payment of Tax), the later of the date mentioned in paragraph 4.1.1 and 5 Business Days prior to the date on which the Tax in question would have had to have been paid in order to prevent a liability to interest or a fine, charge, penalty or surcharge from arising; and

4.1.3 in a case involving the loss of an Accounts Relief other than a right to a repayment of tax, the later of the date mentioned in paragraph 4.1.1 the date falling 5 Business Days before the last date upon which the payment of Taxation is or would be required to be made in respect of the accounting period in which the Accounts Relief is lost; and

4.1.4 if the Accounts Relief lost was a right to a repayment the later of the date mentioned in paragraph 4.1.1 and the date upon which the repayment was due from the relevant Tax Authority.

5 TAXATION OF CLAIMS

5.1 Subject to paragraph 5.2, all payments made by the Sellers pursuant to this Schedule shall be made gross, free of any rights of counterclaim or set-off and without any deduction or withholding of any nature other than a deduction or withholding required by law.

5.2 If the Sellers make any deduction or withholding (including Tax) required by law from any payment under this Schedule then the sum due from the Sellers in respect of the payment shall be increased to the extent necessary to ensure that after the making of any such deduction or withholding the Buyer (or, as the case may be, the

Company) receives and retains a sum equal to the sum it would have received and retained had no deduction or withholding been required to be made.

5.3 If any Tax Authority seeks to charge to Tax any sum received by the Buyer from the Sellers hereunder, the Sellers shall be obliged to pay such additional amount as will ensure that the Buyer (or, as the case may be, the Company) receives and retains a net sum equal to the sum it would have received and retained had the payment not been subject to Tax. Such additional amount shall be paid within 10 Business Days after the service of notice on the Sellers that such additional sum is due.

5.4 If any payment required to be made by the Sellers under this Schedule is not made by the due date, ascertained in accordance with paragraph 4 of this Schedule then such payment will bear interest in accordance with clause 18.3 of this Agreement.

6 EXCLUSIONS AND LIMITATIONS

6.1 The provisions of Schedule 5 shall, where specified, limit the liability of the Sellers for any Tax Claim.

6.2 No Tax Claim nor any Tax Warranty Claim shall be capable of being brought in respect of any Liability for Tax:

6.2.1 to the extent that provision or reserve was made for such Liability for Tax in the Accounts;

6.2.2 for which the Company is, or may become, liable wholly, or primarily, as a result of transactions in the ordinary course of its business after the Last Accounts Date;

6.2.3 to the extent that the Liability for Tax in question would not have arisen but for any change in legislation relating to or an increase in the rates of Tax introduced or made in either case after Completion;

6.2.4 to the extent that such Liability for Tax would not have arisen but for any voluntary act of the Company carried out after Completion (including, without limitation, the disclaimer of any Relief or capital allowances available to the Company at or prior to Completion) which the Company knew or ought reasonably to have known would give rise to such liability but excluding any act:

a) carried out pursuant to a legally binding obligation of the Company entered into prior to Completion;

b) (subject to paragraph 6.2.3) carried out pursuant to an obligation imposed by any law, regulation or requirement having the force of law;

- c) taking place pursuant to this Agreement or any document executed pursuant to this Agreement;
 - d) occurring in the ordinary course of business of the Company as carried on at Completion; or
 - e) consisting of the lodging of a document for stamping with the Stamp Office of HM Revenue & Customs (or other equivalent Taxation Authority outside the United Kingdom) or the bringing into the United Kingdom of any document executed prior to Completion outside the United Kingdom, where such act is required by law or in the bona fide commercial interests of the Company or the Buyer;
- 6.2.5 to the extent that such Liability for Tax arises or is increased as a result of any change after Completion in the bases, methods or policies of accounting of the Company save where such change is made to comply with generally accepted accounting practice, the published practice of any Taxation Authority or the law or rule of any regulating authority or body in force at Completion;
- 6.2.6 to the extent that any such Liability for Tax results from cessation of any trade of the Company after Completion;
- 6.2.7 to the extent that any Sellers' Relief is available and is actually used to reduce or eliminate the Liability for Tax.

7 OVER-PROVISIONS

- 7.1 If overall (taking account of any under-provision) the provisions for Taxation in the Accounts shall be certified by the auditors to the Company (on application of either party) to be excessive then:-
- 7.1.1 the amount of the excess shall first be set off against the liability of the Sellers then outstanding under this Schedule;
 - 7.1.2 so far as it extends, any liability shall to the extent of any payments already made by the Sellers under this Schedule, be repaid to the Sellers; and
 - 7.1.3 so far as it is not set off in paragraph 7.1.1 above or repaid in paragraph 7.1.2 above any excess shall be set against any future payments to be made under this Schedule and if the Buyer or the Company is notified in writing by its auditors that such provisions are excessive the Buyer shall as soon as it is reasonably able, give details of them to the Sellers.

8 BUYER'S WARRANTY AND COVENANT

- 8.1 The Buyer warrants and represents to the Sellers and its successors in title that the Buyer does not intend to permit the corporation tax liabilities of the Company, to the

extent provided for in the Accounts and to the extent payable by the Company, to remain undischarged, and that it is not entering into this transaction on the assumption referred to in section 767AA(2) ICTA 1988.

8.2 The Buyer hereby covenants with the Sellers that it will indemnify the Sellers and all Related Persons and keep them indemnified against any liability arising pursuant to section 767A ICTA 1988 or Schedule 28 Finance Act 2000 where the taxpayer company is the Company or under section 767AA ICTA 1988 where the transferred company is the Company.

8.3 The covenants contained in paragraphs 8.1 and 8.2 shall:

8.3.1 extend to any reasonable costs incurred by the Sellers and/or Related Persons in connection with any Taxation in respect of which a payment or an indemnity obligation arises under this paragraph 8;

8.3.2 not extend to any Taxation in respect of which the Buyer would (but for such Taxation having been satisfied by the Sellers or the Related Persons) or would have had a claim under this Schedule, provided that this paragraph 8.3.2 shall not apply to the extent that such claim has previously been satisfied by the Sellers; and

8.3.3 not extend to any Taxation which has been recovered by the Sellers or any Related Persons under any relevant statutory provision.

9 CORPORATION TAX RETURNS

9.1 Subject to this paragraph 9, the Buyer will have exclusive conduct of all Tax affairs of the Company after Completion.

9.2 The Buyer will procure that the Company keeps the Sellers fully informed of its Tax affairs in respect of any accounting period ended on or prior to Completion for which final agreement with the relevant Taxation Authority of the amount of Tax due from the Company has not been reached and will not submit any correspondence or submit or agree any return or computation for any such period to any Taxation Authority without giving the Sellers a reasonable opportunity to make representations thereon.

9.3 The Buyer will procure that the Company keeps the Seller fully informed of its Tax affairs in respect of the period current at Completion and will not submit any correspondence or submit or agree any return or computation for such period to any Tax Authority without giving the Sellers a reasonable opportunity to make representations thereon provided that such comments relate only to the accounting period up to and including Completion.

SCHEDULE 5

Limitations on Liability

1 LIMITS

- 1.1 The following paragraphs of this Schedule shall operate to limit the liability of the Sellers and each of them under or in connection with the Warranties and where specifically stated under the Tax Covenant.
- 1.2 In this Schedule "Claim" shall mean a Tax Claim and/or a Warranty Claim, as appropriate.

2 FINANCIAL LIMITS

- 2.1 The Sellers shall not be liable in respect of a Claim unless the liability of the Sellers for such Claim exceeds £5,000 (and for these purposes a series of related Claims with respect to related facts or circumstances shall be treated as a single Claim).
- 2.2 The Sellers shall not be liable in respect of one or more Claims unless the cumulative amount of all such Claims exceeds £250,000 in which case the Sellers shall be liable for the excess only over £250,000.
- 2.3 The liability of each Warrantor in respect of all Claims shall be limited to £3,125,000 and by the proportion of the Claim defined by the amount of the Consideration received by him.

3 TIME LIMITS

- 3.1 The Sellers shall have no liability in respect of any Claim unless the Buyer shall have given notice in writing to the Sellers of such Claim specifying (in reasonable detail) the matter which gives rise to the Claim, the nature of the Claim and the amount claimed in respect thereof:-
 - 3.1.1 in the case of a Tax Claim, not later than 31 December 2012; and
 - 3.1.2 in the case of a Warranty Claim not later than three months after the date of publication by the Buyer of its annual results for the year ending 30 April 2007.
- 3.2 Any Warranty Claim shall (if it has not previously been settled or withdrawn) be deemed to have been withdrawn at the expiration of six months after the date on which notice thereof is first given to the Sellers pursuant to the provisions of this Schedule or and if later, at the expiration of six months after the date upon which the cumulative threshold of Warranty Claims specified in paragraph 2.2 above has been exceeded, unless proceedings in respect of it have been commenced by being both issued and served on the Sellers prior to such expiry.

- 3.3 Any Tax Claim shall (if it has not previously been settled or withdrawn) be deemed to have been withdrawn at the expiration of six months after the date on which the said Tax Claim has become final unless proceedings in respect of it have been commenced by being both issued and served on the Sellers.

4 OTHER BENEFIT

- 4.1 If the Sellers make any payment by way of damages (the "Relevant Payment") for breach of the Warranties and the Buyer receives, subsequent to the making of the Relevant Payment, any payment otherwise than from the Sellers which:-

4.1.1 is not already taken into account in calculating the level of the Relevant Payment; and

4.1.2 would not have been received but for the circumstances giving rise to the Warranty Claim in respect of which the Relevant Payment was made;

then once the excess amount paid has been established or, once the Buyer or the Company has received such payment, the Buyer shall as soon as reasonably practicable repay to the Sellers an amount equal to the lesser of:-

4.1.3 the amount of such payment; and

4.1.4 the Relevant Payment,

in each case less the Buyer's reasonable unrecovered costs relating thereto.

5 REDUCTION IN LIABILITY

The liability of the Sellers in respect of any Warranty Claim or Tax Claim (the amount of which has not been previously agreed or in respect of which judgment has been obtained or which has otherwise been determined as between the parties) shall be reduced:-

5.1.1 to the extent of the amount by which any Taxation for which the Company is liable to be assessed or accountable is reduced or extinguished as a result of any such liability; and

5.1.2 to the extent of the amount of any losses or other allowable sums that become available (as a result of any such liability) and are actually used for set off against Taxation;

and any reduction in the amount of liability under this paragraph 5 shall be taken into account for the purpose of ascertaining the amount of the loss sustained in connection with the financial limits referred to in paragraph 2 of this Schedule 5.

6 REDUCTION IN CONSIDERATION

Any amount paid by the Sellers pursuant to a Claim shall be regarded as a reduction of the Consideration.

7 EXCLUSION OF LIABILITY

The Sellers shall not be under any liability whatsoever for any Warranty Claim (other than a Tax Warranty Claim to which the provisions of Schedule 4 shall apply where specified):-

7.1 to the extent that the Claim arises by reason of any change after Completion in law or any increase or alteration after Completion in the rates, incidence, imposition or extent of Taxation or any withdrawal after Completion of any generally published extra statutory concession previously made by HM Revenue and Customs (in each case announced and coming into force after the date of this Agreement); or

7.2 to the extent that the Claim arises as a result of a voluntary act, omission or transaction of the Company or the Buyer carried out after Completion otherwise than in the ordinary course of business or pursuant to a legally binding obligation of the Company created on or before Completion; or

7.3 in respect of any matter to the extent that any provision or reserve has been made in respect thereof in the Accounts; or

7.4 to the extent that the Warranty Claim would not have arisen but for any change after Completion in the bases on which the Accounts were prepared and / or unless such policies or practices adopted in the preparation of the Accounts unless such policies and practices are changed because of a change in generally accepted accounting practice in the United Kingdom.

8 INSURANCE COVER

No Claim shall be capable of being brought to the extent that the Buyer and / or Company has recovered an amount in respect of any loss or damages suffered by it arising out of the subject matter thereof from insurers under a valid subsisting insurance policy (the Buyer using its reasonable endeavours to effect such recovery).

9 MITIGATION

Nothing contained herein shall be deemed to relieve the Buyer of its obligation to mitigate its loss in respect of any Warranty Claim.

10 NOTIFICATION / PAYMENT OF WARRANTY CLAIMS

10.1 The Buyer shall (in the manner specified in paragraph 3.1 of this Schedule 5) notify the Sellers of any Warranty Claim (other than a Tax Warranty Claim to which the

provisions of Schedule 4 shall apply where specified) within 60 business days of the Buyer becoming aware of the same.

10.2 If any claim is made or brought against the Buyer or the Company which may give rise to a Warranty Claim (other than a Tax Warranty Claim to which the provisions of Schedule 4 shall apply where specified) the Buyer, the Buyer shall (without prejudice to paragraph 3.2):-

10.2.1 ensure that no admission of liability or agreement or compromise in relation to the matter or circumstance is made by the Buyer or the Company without the written consent of the Sellers (not to be unreasonably withheld, delayed or conditioned);

10.2.2 give the professional advisers of the Sellers such access during normal business hours to the premises and personnel of the Company as it may reasonably request, and afford it any opportunity it may reasonably request to examine any relevant accounts, documents records and other things in the possession or control of the Company to enable the Sellers to give their consent pursuant to paragraph 10.2.1 above;

10.2.3 subject to the Buyer being indemnified and secured in respect of such indemnity to its reasonable satisfaction, take reasonable steps to avoid, dispute, resist, appeal, compromise or defend any matter which may otherwise result in a Warranty Claim (other than a Tax Warranty Claim) provided that neither the Buyer nor the Company shall be required to take any such steps if in the Buyer's opinion that step may damage the goodwill of the Company and / or the Buyer.

11 BUYERS RIGHTS

11.1 The Buyer acknowledges that it has not been induced to enter into this Agreement by any representation or warranty other than the Warranties [and acknowledges that at the date of this Agreement it has no actual knowledge of any Claim to which the Buyer is entitled and for which purpose the actual knowledge of the Buyer shall mean [the actual knowledge of Stanley Carter and Simon Walther].

11.2 By way of confirmation, the Buyer Agrees that it shall have no right to rescind this Agreement after Completion by reason of any Claim under this Agreement, under the Tax Covenant or under the Misrepresentation Act 1967 or for any other reason whatsoever (save in the case of fraudulent misrepresentation) and that the Buyer's remedy in respect of any Warranty Claim shall be in damages and in respect of any valid Tax Claim shall be to receive payment in accordance with the terms thereof.

12 GENERAL

12.1 The Buyer shall procure that the Company complies with the provisions of this Schedule 5 (as applicable).

12.2 If the Buyer is entitled to make a Claim in respect of the same act, event or default both under the Warranties and under the Tax Covenant, the Buyer may claim under either, however, the amount recovered pursuant to:

12.2.1 a Warranty Claim shall pro tanto reduce the amount of a Tax Claim;
and

12.2.2 a Tax Claim shall pro tanto reduce the amount of a Warranty Claim.

12.3 If in respect of any Claim, the liability of the Sellers or the Company is contingent only then the Sellers shall not be under any obligation to make any payment to the Buyer (or the Company) until such time as the contingent liability ceases to be contingent and becomes actual provided that the provision of paragraphs 3.2 and 3.3 of this Schedule shall not apply to such claim whilst such liability remains contingent and provided further that no claim shall be deemed contingent where the Buyer has been obliged to make a provision or reserve in respect of the same in its annual accounts.

12.4 The Buyer shall not exercise any right of set off or counterclaim against or otherwise withhold payment of any sums stated to be payable to the Sellers (or any of them) by the Buyer pursuant to this Agreement on account of any liability of the Sellers under this Agreement, unless either such liability relates to or arises out of a Bona Fide Claim or it shall have been agreed or adjudged payable in legal proceedings.

SCHEDULE 6

List of all documents in the agreed terms

- Clause 4.2.2 - Written resignations
- Clause 4.2.5 – Auditor's resignations
- Clause 4.2.6 - Disclosure Letter
- Clause 4.2.13 – Sellers release and acknowledgement
- Clause 4.6 – Board minutes of the each Group Company
- Schedule 6 – List of Employees