

DATED 11 August 2008

THE SELLERS
(as defined)

and

LYCETTS HOLDINGS LIMITED

5866203

and

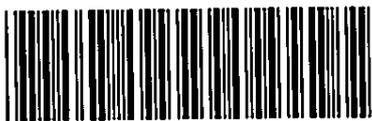
CARROLL FOLEY LLOYD LIMITED

AGREEMENT

for sale and purchase of the entire issued share capital of
CARROLL FOLEY LLOYD LIMITED

We certify that this is a true
copy of the original document
Watson Burton LLP 15/8/08
WATSON BURTON LLP
1 ST JAMES' GATE
NEWCASTLE UPON TYNE NE99 1YQ

SATURDAY



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COMPANIES HOUSE

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THIS AGREEMENT is made on

11 August

2008

BETWEEN -

- (1) **THE PERSONS** whose names and addresses are set out in Part 1 of Schedule 1 (the "Sellers"), and
- (2) **LYCETTS HOLDINGS LIMITED** (CRN 05866203) whose registered office is at Milburn House, Dean Street, Newcastle upon Tyne, NE1 1PP (the "Buyer"), and
- (3) **CARROLL FOLEY LLOYD LIMITED** (CRN 02744908) whose registered office is at 2 White Lion Court, London, EC3V 3NP (the "Company")

IT IS AGREED as follows -

1 **INTERPRETATION**

1.1 In this Agreement the following words and expressions have the following meanings -

Accounting Bases means the methods developed by the Company for applying fundamental accounting concepts to financial transactions and items contained within the Accounts

Accounts means the audited balance sheet of the Company as at, and the audited profit and loss account of the Company for the financial period ended on, the Accounts Date, together with the notes and directors report and auditors report and all other documents or statements annexed thereto or incorporated therein

Accounting Practice means the practice of preparing accounts in compliance with all applicable laws and accounting conventions, principles and practices generally accepted in the UK as at the Accounts Date required to be used in the preparation of accounts, which accounts are intended to show a true and fair view, as required by the Act but restricting the accounting treatment to UK accounting standards as specified in Financial Reporting Standards ("FRS"), Statements of Standard Accounting Practice ("SSAP") and Abstracts or Statements of Recommended Practice issued by the Urgent Issues Task Force

Accounts Date means 31 December 2007

Act means the Companies Act 1985 and (where appropriate) the Companies Act 2006

Business Day means any day (other than a Saturday, Sunday or a public holiday in England) on which clearing banks in the City of London are open for the transaction of normal sterling banking business

Buyer's Group means the Buyer and any subsidiary or holding company for the time being of the Buyer and any subsidiary of any such holding company

Buyer's Solicitors means Watson Burton LLP of 1 St James' Gate, Newcastle upon Tyne, NE99 1YQ (Ref TJS/KJ)

CC Limited means Carroll & Carroll Limited (CRN 01610554) whose registered office is at 2 White Lion Court, London, EC3V 3NP

CC Limited NAV means a sum equal to 60% of the Net Asset Value

Claim means a claim for breach of any of the Warranties

Completion means completion of the sale and purchase of the Shares in accordance with this Agreement

Completion Accounts means the completion accounts prepared in accordance with Schedule 5

Completion Date means the date of this Agreement

Confidential Information means all information not in the public domain and which is used in or which otherwise relates the Company's business, its customers or financial or other affairs, including, without limitation, information relating to -

- a) the marketing of products or services including, without limitation, customer names and lists and other details of customers, financial information, sales targets, sales statistics, market share statistics, prices, market research reports and surveys, and advertising or other promotional materials, or
- b) future projects, business development or planning, commercial relationships and negotiations

existing in whatever form

Consideration means the consideration for the purchase of the Shares set out in Clause 3

Consideration Shares means 50,163 ordinary shares of £0.01 each in the capital of the Buyer to be issued to Mr Lloyd on Completion pursuant to Clause 3.3

Deed of Surrender means the deed of surrender for the Property Licence in the agreed form to be entered into between Carroll Insurance Group Limited and the Company on Completion,

Disclosed means a matter has been fairly disclosed in the Disclosure Letter with sufficient details to enable the Buyer to identify the nature and scope of the matter disclosed and to make an informed assessment of the matter concerned

Disclosure Letter means the letter dated on the date hereof (together with all the documents attached to it) in the agreed form from the Sellers to the Buyer executed by the Sellers and delivered to the Buyer immediately prior to the execution of this Agreement and making certain disclosures against the Warranties for the purposes of Clause 5

Employee means an employee, director or officer of the Company

Encumbrance means any encumbrance or security interest of any kind whatsoever including without limitation a mortgage, charge, pledge, lien, hypothecation, restriction, right to acquire, right of pre-emption, option, conversion right, third party right or interest, right of set-off or counterclaim, equities, trust arrangement or any other type of preferential agreement (such as a retention of title arrangement) having similar effect

Estimated CC Limited NAV means the sum of £330,000

Finance Agreement means any lease, hire purchase, credit sale and similar agreement or arrangement

FSA means the Financial Services Authority

Group means in relation to a company that company, any company of which it is a Subsidiary (its holding company) and any other Subsidiaries of any such holding company, and each company in a group is a member of the group and unless the context otherwise requires, the application of the definition of Group to any company at any time will apply to the company as it is at that time

Health and Safety Laws means all or any applicable law, whether past or present including common law, statute, statutory instrument, regulation, codes of practice or guidance, European law, directives, regulations, decisions of the European Court and any by-law, order, notice, demand, decree, injunction, resolution or judgment of any competent authority in so far as they are legally binding upon the Company and relate to or apply to the health and safety of any person

ICTA means the Income and Corporation Taxes Act 1988

Initial Net Asset Payment means the sum of £264,000 (a sum equal to 80% of the Estimated CC Limited NAV)

Intellectual Property means patents, trade marks, service marks, logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software), database rights, semi-conductor topography rights, utility models, rights in Know-How and other intellectual property rights, in each case whether registered or unregistered and including applications for registration, and all other rights or forms of protection having equivalent or similar effect anywhere in the world

Intellectual Property Rights means all Intellectual Property used, or required to be used, by the Company in, or in connection with its business and/or legally or beneficially owned by the Company

Know-How means all information (whether publicly known or otherwise) which is owned by the Company and/or used or required to be used by the Company in or in connection with its business existing in any form (including, but not limited to that comprised in or derived from engineering and other data, specifications, experience, drawings, manuals, component lists, instructions, designs, brochures, catalogues and other descriptions) and relating to -

- a) the design, development, manufacture or production of any products,
- b) the operation of any process,
- c) the provision of any services,
- d) quality control, testing or certification

Leased Assets means any asset of the Company that is the subject of a Finance Agreement and true, complete and accurate particulars of which have been provided to the Buyer and are specifically set out in the Disclosure Letter

Licence means a licence, permit, certificate, consent, approval, filing of notifications, reports and assessments, registrations or authorisation required by law for the operation of the Company's business, their ownership, use, possession or occupation of any asset or the performance of this Agreement

Management Accounts means the unaudited balance sheet of the Company as at, and the unaudited profit and loss account of the Company for the financial period ended on the Management Accounts Date and the notes and all other documents annexed thereto

Management Accounts Date means 30 June 2008

Mr Lloyd means Jonathan Harry Ayshford Lloyd of 98 Inglethorpe Street, London, SW6 6NX

Net Asset Value means the value of the net tangible assets of the Company being a sum equal to the aggregate amount of the assets of the Company less the aggregate amount of the liabilities of the Company (including any contingent and prospective liabilities) as derived from the Completion Accounts

Prohibited Customer means any person who during the period two years prior to Completion has been a customer of the Company or has purchased or agreed or offered to purchase products or services from the Company and who is not a Retained Customer

Property means the part of the property occupied by the Company at 2 White Lion Court, London, EC3V 3NP

Property Licence means the undocumented licence between Carroll Insurance Group Limited and the Company for the Property under which the Company was paying £2,469 per month (inclusive of rates and service charge)

Provisional Cash Consideration means the sum of £570,000.00 (five hundred and seventy thousand pounds), being the amount to be paid to CC Limited on Completion under Clause 3.3

Relevant Benefits means any pension (including an annuity), lump sum, gratuity or other like benefit given or to be given on retirement or on death, or by virtue of a pension sharing order or provision, or in anticipation of retirement, or, in connection with past service, after retirement or death, or to be given on or in anticipation of or in connection with any change in the nature of the service of the employee in question. For the purpose of this definition employee includes (a) any officer of the company, any director of the company and any other person taking part in the management of the affairs of the company, and (b) a person who is to be or has been an employee, and the terms service and retirement are to be construed accordingly

Retained Customer means those customers listed at Schedule 6

Sellers' Accountants means Baker Tilly of Hanover House 18 Mount Ephraim Road, Tunbridge Wells, Kent, TN1 1ED

Sellers' Solicitors means Clarke Willmott of 1 Georges Square, Bath Street, Bristol BS1 6BA (Ref 541/336/360918.1)

Shares means the 1,000 fully paid ordinary shares of £1 each of the Company comprising the whole of the issued share capital of the Company

Substantiated Claim means a Claim in respect of which liability is admitted by the party against whom such Claim is brought, or which has been adjudicated on by a Court of competent jurisdiction and no right of appeal lies in respect of such adjudication, or the parties are debarred by passage of time or otherwise from making an appeal

Tax means has the meaning given in the Tax Deed

Tax Authority means has the meaning given in the Tax Deed

Tax Deed means the tax deed in the agreed form executed by the parties and delivered immediately prior to Completion

Tax Warranties means the Warranties contained in paragraph 20 of Schedule 3

TCGA means the Taxation of Chargeable Gains Act 1992

Trade Debtors means the aggregate amount due and owing to the Company as set at the close of business, on the last Business Day before Completion by or in respect of trade debtors accounts of the Company arising through normal business transactions including any VAT in respect thereof

Transaction Documents means the Disclosure Letter, the Tax Deed and the other documents referred to in this Agreement

VAT means in the United Kingdom, value added tax and, elsewhere, any equivalent tax

VATA means the Value Added Tax Act 1994

Warranties means the warranties contained in Schedule 3 and references to a Warranty shall be construed accordingly

Worker means a person who personally performs work for the Company but who is not an Employee or in business on their own account or in a client/customer relationship

1 2 In this Agreement, reference to -

1 2 1 a Clause or Schedule is a reference to a Clause of or schedule to this Agreement,

1 2 2 a document "**in the agreed form**" is a reference to a document in the form approved, and for the purposes of identification signed, by or on behalf of the Buyer and the Sellers (in each case with such amendments as may be agreed by or on behalf of the Buyer and the Sellers),

1 2 3 save to the extent that any modification, replacement, amendment or re-enactment made after the date of this Agreement would increase the liability of any party to this Agreement a statutory provision includes a reference to that provision as modified, replaced, amended and/or re-enacted from time to time (before or after the date of this Agreement) and any prior or subsequent subordinate legislation made under it and, where the context so requires, references to an Article of the EC Treaty shall include a reference to the equivalent Article in the EC Treaty prior to its re-numbering by the Treaty of Amsterdam,

1 2 4 any gender includes a reference to the other genders,

1 2 5 "**costs**" includes a reference to costs, charges and expenses of every description,

1 2 6 a "**person**" includes a reference to an individual, partnership, unincorporated association, body corporate, government, state or agency of a state, local or municipal authority or government body or any joint venture wherever incorporated or situate (in each case whether or not having a separate legal personality) and includes a reference to that person's legal personal representatives and successors,

1 2 7 a "**subsidiary**", "**holding company**" and "**body corporate**" has the respective meaning set out in sections 736 and 740 of the Act,

1 2 8 a "**company**" has the meaning set out in section 735 of the Act,

- 1 2 9 "subsidiary undertaking" or a "parent undertaking" has the respective meaning set out in sections 258 and 259 of the Act,
- 1 2 10 a "group undertaking" has the meaning set out in section 259 of the Act,
- 1 2 11 a "connected person" is a reference to a person connected with another within the meaning of section 839 of ICTA,
- 1 2 12 something being "in writing" or "written" shall include a reference to that thing being produced by any legible and non-transitory substitute for writing (excluding in electronic form) as defined in section 1168 of the Companies Act 2006,
- 1 2 13 a time of day is to London time prevailing on the relevant day,
- 1 2 14 a "day" (including within the phrase "Business Day") shall mean a period of 24 hours running from midnight to midnight,
- 1 2 15 any other document referred to in this Agreement is a reference to that other document as amended, varied, novated or supplemented (other than in breach of the provisions of this Agreement) at any time, and
- 1 2 16 any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than England be treated as a reference to any analogous term in that jurisdiction
- 1 3 The Schedules form part of this Agreement and shall be interpreted and construed as though they were set out in this Agreement
- 1 4 The headings to the Clauses, Schedules and paragraphs of the Schedules are for convenience only and shall not affect the interpretation or construction of this Agreement
- 1 5 The rule known as the ejusdem generis rule shall not apply and accordingly general words introduced by the word "other" shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things
- 1 6 General words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words
- 1 7 Any statement which refers to the knowledge or knowledge and belief of the Sellers or is expressed to be "so far as the Sellers are aware" or any similar expression shall be deemed to include an additional statement that it has been made after due and careful enquiry of each Seller and the Directors of the Company and the Sellers' Solicitors and Seller's Accountants whom the Sellers may reasonably be expected to make enquiries given the subject matter of the relevant provision
- 1 8 Unless otherwise expressly stated in this Agreement, any agreement, warranty, representation, indemnity, covenant or undertaking on the part of two or more persons shall be deemed to be given or made by such persons on a joint and several basis
- 2 **SALE AND PURCHASE OF THE SHARES**
- 2 1 The Sellers agree to sell and transfer with full title guarantee, and the Buyer agrees to buy, or procure the purchase of, the whole of the legal and beneficial interest in the Shares with effect

from and including Completion together with all rights attached or accruing to them at the date of this Agreement

- 2 2 The Sellers covenant to the Buyer that they have, and will at Completion have, the right to sell and transfer the whole of the legal and beneficial interest in and title to the Shares
- 2 3 Each Seller undertakes to the Buyer that there is no Encumbrance on, over or affecting any of the Shares or any unissued shares, debentures or other securities of the Company and no person has, or has claimed, the right (whether exercisable now or in the future and whether contingent or not) to call for the issue or transfer of any shares, debentures or other securities of the Company
- 2 4 The Sellers covenant to the Buyer that the Buyer will on Completion be entitled to exercise all rights attached or accruing to the Shares including, without limitation, the right to receive all dividends or other distributions or any return of capital declared, made or paid by the Company on or after the date of this Agreement
- 2 5 Part I of the Law of Property (Miscellaneous Provisions) Act 1994 shall not apply for the purpose of this Agreement
- 2 6 The Sellers hereby waive any pre-emption rights they may have under the Company's articles of association or otherwise
- 2 7 In consideration of the Buyer entering into this Agreement each Seller -
 - 2 7 1 confirms that neither he nor any of his connected persons has any claim of any kind (actual or contingent) against the Company on any account, and
 - 2 7 2 waives and shall procure that each such connected person shall waive with effect from Completion any claim (actual or contingent) which any of them may have against the Company

3 **CONSIDERATION**

- 3 1 Subject to any adjustment required pursuant to Clause 3 5 and 3 6 the maximum consideration payable for the purchase of the Shares is the aggregate of -
 - 3 1 1 the Provisional Cash Consideration,
 - 3 1 2 the Initial Net Asset Payment, and
 - 3 1 3 the Consideration Shares
- 3 2 The Sellers have directed that the Provisional Cash Consideration and the Consideration Shares shall be allocated as between the Sellers as set out in Schedule 1 and the Buyer shall not be concerned in any way with such allocation
- 3 3 At Completion the Buyer shall -
 - 3 3 1 pay the Provisional Cash Consideration and the Initial Net Asset Payment by telegraphic transfer in accordance with Clause 4 4 1, and
 - 3 3 2 allot and issue the Consideration Shares to Mr Lloyd

- 3 4 The Completion Accounts shall be prepared and the Net Asset Value ascertained in accordance with the provisions of Schedule 5
- 3 5 If the CC Limited NAV is less than the Initial Net Asset Payment (a "CC Shortfall") then CC Limited shall within 10 Business Days of the agreement or determination of the Completion Accounts pay the amount of such CC Shortfall to the Buyer. If the CC Limited NAV is more than the Initial Net Asset Payment (a "CC Excess") then the Buyer shall within 10 Business Days of the agreement or determination of the Completion Accounts pay the amount of such CC Excess to the Sellers' Solicitors client account such monies to be paid to CC Limited
- 3 6 If the Net Asset Value is less than £550,000 (a "Shortfall") Mr Lloyd shall within 10 Business Days of the agreement or determination of the Completion Accounts pay 40% of the amount of such Shortfall to the Buyer. If the Net Asset Value is more than £550,000 (an "Excess") then the Buyer shall within 10 Business Days of the agreement or determination of the Completion Accounts pay 40% of the amount of such Excess to the Sellers' Solicitors client account such monies to be paid to Mr Lloyd
- 3 7 Any amount due under this Clause 3 or Schedule 5 or not paid when due shall carry interest (accrued daily and compounded monthly) at the rate of 4 0% per annum above the base rate from time to time of Lloyds TSB Bank Plc from time to time from the due date until the date of actual payment (as well after judgment as before)

4 COMPLETION

- 4 1 Completion shall take place at the offices of the Buyer's Solicitors on the Completion Date when all the business referred to in this Clause 4 and in Schedule 4 shall be transacted
- 4 2 At Completion the Sellers shall deliver to the Buyer the documents and evidence specified in Schedule 4
- 4 3 At Completion the Sellers shall procure that a board meeting of the Company is held at which the directors -
- 4 3 1 approve the registration of the transfers in respect of the Shares referred to in paragraph 1 of Schedule 4 (subject only to due stamping),
 - 4 3 2 accept the resignations referred to in paragraph 3 of Schedule 4 and appoint the persons nominated by the Buyer as directors and secretary of the Company with effect from the end of the meeting,
 - 4 3 3 accept the resignation referred to in paragraph 4 of Schedule 4 and appoint auditors of the Company as the Buyer directs,
 - 4 3 4 revoke all existing authorities to bankers regarding the operation of the Company's bank accounts and give authority in favour of the persons nominated by the Buyer to operate such accounts,
 - 4 3 5 change the Company's registered office address as the Buyer directs, and
 - 4 3 6 change the Company's accounting reference date as the Buyer directs
- 4 4 Upon completion of all the matters referred to in Clauses 4 2 to 4 3 above, the Buyer shall -

- 4 4 1 pay the Provisional Consideration and the Initial Net Asset Payment by delivering by telegraphic transfer to the Sellers' Solicitors client account held at National Westminster Bank plc (Account number 29642973, Sort code 60-80-06) the sum of £834,000 00, who are irrevocably authorised, by each of the Sellers to accept the same, and whose receipt shall be an absolute discharge to the Buyer of its obligation to pay that part of the Consideration,
- 4 4 2 issue and allot the Consideration Shares to Mr Lloyd, credited as fully paid,
- 4 4 3 deliver to the Sellers a copy, certified to be a true copy by a director or secretary of the Buyer, of a resolution of the Buyer's board of directors (or an authorised committee of that board) authorising the execution and completion of this Agreement and the documents referred to in this Clause 4,
- 4 4 4 where applicable, deliver to the Sellers a copy of the power of attorney authorising the person executing this Agreement and each document referred to in this Agreement on behalf of the Buyer,
- 4 4 5 deliver to the Sellers the Tax Deed duly executed by the Buyer, and
- 4 4 6 deliver to the Sellers the Disclosure Letter duly executed by the Buyer
- 4 5 The Buyer is not obliged to complete this Agreement unless the purchase of all the shares is completed simultaneously in accordance with this Agreement and each of the Sellers has fulfilled all of his or her obligations to be performed at Completion under this Clause
- 4 6 Each Party shall indemnify the others and keep them indemnified against all costs, losses or damages incurred or suffered as a result of any document delivered by it under this Clause being unauthorised, invalid or for any other reason ineffective for its purpose
- 4 7 The Sellers covenant with the Buyer that they shall pay to the Company an amount equal to the aggregate amount of all claims (if any) made against the Company by any director or secretary of the Company resigning from office on Completion arising from or in connection with that resignation together with an amount equal to the aggregate of all costs, charges and expenses incurred by the Company arising from any such claim
- 4 8 The Buyer shall be under no obligation to see that the Consideration is divided and paid to each Seller in accordance with Schedule 1
- 4 9 The Company agrees to surrender and yield up to Carroll Insurance Group Limited all of its estate, interest and rights in the Property on Completion in accordance with the terms of the Deed of Surrender and the Sellers shall procure that Carroll Insurance Group Limited agrees to accept the surrender on those terms This clause does not operate as a surrender and the Property Licence shall continue in full force and effect until completion of the Deed of Surrender
- 4 10 The Company confirms that -
 - 4 10 1 Carroll Insurance Group Limited served a notice on the Company, as required by section 38A(4)(a) of the Landlord and Tenant Act 1954, before this Agreement was entered into (a certified copy of which is annexed to this Agreement), and
 - 4 10 2 Mr Lloyd who was duly authorised by the Company to do so, made a statutory declaration dated 7 August 2008 in accordance with the requirements of section

38A(4)(b) of the Landlord and Tenant Act 1954 (a certified copy of which is annexed to this Agreement)

5 TRADE DEBTORS

5 1 To the extent that any of the accounts comprising the Trade Debtors remain outstanding (in part or in full) as at the date falling 12 months after the date of Completion (such period between those dates being hereafter referred to as the "**Collection Period**") the Sellers shall pay to the Company (or other member of the Buyer's Group as the Buyer directs) a sum equal to the full amount of the Trade Debtors outstanding at that time (including, for the avoidance of doubt, the aggregate amount of any credit notes issued since the date of Completion in respect of the Trade Debtors) within 7 days of the end of the Collection Period

5 2 To the extent that the amount of any provision or reserve contained in or otherwise taken into account in, or in the preparation of the Completion Accounts in respect of debtors is found to be an overprovision ("**Overprovision**") the amount of such Overprovision shall firstly be offset against any payment due from the Sellers to the Buyer pursuant to clause 5 1 (if any) and secondly, to the extent that there remains a balance of the Overprovision the balance of the Overprovision shall be paid by the Buyer to the Sellers

5 3 If any dispute arises as to the amount of any outstanding debt or any Overprovision, which can not be resolved between the Parties within 20 Business Days of the end of the Collection Period, the matter may be referred by either party to an independent chartered accountant to be agreed between the parties or, in default of agreement within 10 Business Days, to be appointed by the President of the Institute of Chartered Accountants in England and Wales at the instance of whichever party shall first apply to him. The independent accountant shall act as expert and not as arbitrator and shall determine the amount of any outstanding debts and / or Overprovision. Any determination made by the independent accountant shall be final and binding (in the absence of clear or manifest error) on the parties for the purposes of this Agreement

5 4 In consideration of the payment to the relevant Company or other member of the Buyer's Group, the Buyer shall, if requested by the Sellers, procure that the relevant member of the Buyer's Group shall assign to the Sellers such title to such outstanding Trade Debtors as the relevant Company is lawfully able (acting on a unilateral basis)

5 5 Following the assignment of any Trade Debtors pursuant to Clause 5 4, the Sellers shall be free to institute proceedings or take enforcement action against any of the Trade Debtors as it thinks fit, subject to the receipt of the prior written agreement of the Buyer

5 6 Any payment by the Sellers under the provisions of this Clause 5 shall be deemed to be a reduction in the Consideration

6 WARRANTIES

6 1 Each of the Sellers warrants to the Buyer that (subject to Clause 6 2) each Warranty is true in all respects as at the date of this Agreement

6 2 The Warranties are subject only to -

6 2 1 any matter which is Disclosed to the Buyer,

6 2 2 the provisions of Clause 7 and Schedule 7

6 3 Each Seller acknowledges that the Buyer is entering into this Agreement in reliance upon the Warranties. Save as provided in Clause 6 2, no information of which the Buyer has knowledge (actual, constructive or imputed) shall prejudice any claim being made by the Buyer under any of the Warranties nor shall it affect the amount recoverable under any such claim and neither the rights and remedies of the Buyer nor the Sellers' liability in respect of the Warranties shall be affected by any investigation made by or on behalf of the Buyer into the Company. The Buyer covenants and undertakes to the Sellers that immediately prior to entering into this Agreement it had no actual knowledge of any matters which constitute a breach of the Warranties. For the purposes of this Clause 6 3, the actual knowledge of Charles Hamilton, James Beazley, Edward Nicholl and Angus Keate alone shall be deemed to be the actual knowledge of the Buyer for the purposes of this Agreement.

6 4 Each of the Warranties shall be interpreted as a separate and independent Warranty so that the Buyer shall have a separate claim and right of action in respect of every breach of each Warranty.

6 5 No information supplied by, or on behalf of, the Company to one or more of the Sellers or their advisers in connection with the business and affairs of the Company prior to Completion constitutes a representation, warranty or undertaking as to its accuracy to the Sellers by the Company and each Seller waives each and every claim which he or she may have against the Company or its Employees in respect of such information.

7 LIMITATION ON SELLERS' LIABILITY

7 1 Where more than one person is jointly and severally liable for the same Claim, liability for the total sum recoverable shall be attributed to the relevant person in the proportions set out opposite their names in column 6 of Schedule 1.

7 2 A Claim is **connected** with another Claim or Substantiated Claim if they all arise out of the occurrence of the same event or relate to the same subject matter.

7 3 This clause and the provisions of Schedule 7 limit the liability of the Sellers in relation to any Claim and any claim under the Tax Deed.

7 4 The liability of the Sellers for all Substantiated Claims and all claims under the Tax Deed when taken together shall not exceed £1,000,000.

7 5 CC Limited's maximum aggregate liability in respect of the Warranties (including costs, fines, penalties and surcharges) is limited to £600,000 (but excluding interest).

7 6 Jonathan Lloyd's maximum aggregate liability in respect of the Warranties (including costs, fines, penalties and surcharges) is limited to £400,000 (but excluding interest).

7 7 The Sellers shall not be liable for a Claim unless

7 7 1 the amount of a Substantiated Claim, or of a series of connected Substantiated Claims of which that Substantiated Claim is one, exceeds £5,000,

7 7 2 the amount of all Substantiated Claims that are not excluded under clause 7 7 1 when taken together, exceeds £25,000, in which case the whole amount (and not just the amount by which the limit in this clause 7 7 2 is exceeded) is recoverable by the Buyer.

7 8 The Sellers are not liable for a Claim to the extent that the Claim

7 8 1 relates to matters Disclosed, or

7 8 2 relates to any matter specifically and fully provided for in the Completion Accounts

7 9 The Sellers are not liable for a Claim or a claim under the Tax Deed unless the Buyer has given the Sellers notice in writing of the Claim or the claim under the Tax Deed, summarising the nature of the Claim or claim under the Tax Deed as far as is known to the Buyer and the amount claimed

7 9 1 in the case of a claim made under the Tax Deed or Tax Warranties, within the period of seven years beginning with the Completion Date, and

7 9 2 in any other case, within the period of 18 months beginning with the Completion Date

7 10 Nothing in clause 7 or Schedule 7 applies to a Claim or a claim under the Tax Deed that arises or is delayed as a result of dishonesty, fraud, wilful misconduct or wilful concealment by the Sellers, their agents or advisers

8 INDEMNITY

8 1 The Sellers hereby covenant to indemnify and keep indemnified ^{the} ~~each~~ Company, the Buyer and/or any member of the Buyer's Group in respect of all ~~proven, foreseeable and fully mitigated~~ costs, claims, losses, judgements, damages, penalties, fines, liabilities, obligations or expenses paid, incurred, suffered, sustained or payable by the Company, the Buyer and/or any member of the Buyer's Group as a result of, or in connection with -

8 1 1 the Company's failure to comply with any relevant statutory or other requirement of a legal nature in relation to the Property,

8 1 2 the Company's occupation of the Property, and

8 1 3 the write back of old insurer balances in the accounts for the year ended 31 December 2007 in the sum of £143,965 65 and any liability that may arise towards Carroll & Partners Limited, and

8 1 4 the Company's failure prior to the Completion date to identify separately debit and credit balances in the non-statutory trust bank account on its RMAR return, as required; and

9 **PROTECTION OF GOODWILL** ^{§1.5 any claim by any of the Employees that they have any contractual, moral or other entitlement to or legitimate expectation of any bonus/commission or other}

9 1 For the purpose of this Clause 9, the words "Restricted Person" mean spouse or child or other family member or a connected person and shall include, without limitation, any subsidiary or holding company of CC Limited and any other subsidiaries of any such holding company

9 2 Subject to Clause 9 6, each of the Sellers severally undertake to the Buyer (for itself and as trustee for the holders for the time being of the Shares but so that the Buyer shall not as trustee be under any obligation to such holders to enforce the undertakings and may release or waive them in whole or in part as it, in its absolute discretion, thinks fit) that without the written consent of the Buyer -

9 2 1 for a period of three years from Completion he will not knowingly do any act or thing and shall procure that no other Restricted Person (excluding the other Seller) shall do any act or thing which has the effect of causing any customer or supplier of or other person in the habit of dealing with the Company to be unable or unwilling to deal with the Company or the Buyer's Group at all or in part or on the terms on which it had previously dealt with the Company or that would have the effect of causing any person

13 (H) similar payment over and above their basic salary for the period prior to Completion ("bonus") and any failure to pay such bonus.

- 7 8 2 relates to any matter specifically and fully provided for in the Completion Accounts
- 7 9 The Sellers are not liable for a Claim or a claim under the Tax Deed unless the Buyer has given the Sellers notice in writing of the Claim or the claim under the Tax Deed, summarising the nature of the Claim or claim under the Tax Deed as far as is known to the Buyer and the amount claimed
- 7 9 1 in the case of a claim made under the Tax Deed or Tax Warranties, within the period of seven years beginning with the Completion Date, and
- 7 9 2 in any other case, within the period of 18 months beginning with the Completion Date
- 7 10 Nothing in clause 7 or Schedule 7 applies to a Claim or a claim under the Tax Deed that arises or is delayed as a result of dishonesty, fraud, wilful misconduct or wilful concealment by the Sellers, their agents or advisers

8 INDEMNITY

8 1 The Sellers hereby covenant to indemnify and keep indemnified ^{the} ~~each~~ Company, the Buyer and/or any member of the Buyer's Group in respect of all ~~proven, foreseeable and fully mitigated~~ costs, claims, losses, judgements, damages, penalties, fines, liabilities, obligations or expenses paid, incurred, suffered, sustained or payable by the Company, the Buyer and/or any member of the Buyer's Group as a result of, or in connection with -

CW.

- 8 1 1 the Company's failure to comply with any relevant statutory or other requirement of a legal nature in relation to the Property,
- 8 1 2 the Company's occupation of the Property, and
- 8 1 3 the write back of old insurer balances in the accounts for the year ended 31 December 2007 in the sum of £143,965 65 and any liability that may arise towards Carroll & Partners Limited, and

8 1 4 the Company's failure prior to the Completion date to identify separately debit and credit balances in the non-statutory trust bank account on its RMAR return, as required, and

CW.

8.1 5 *any claim by any of the Employees that they have any contractual, moral or other entitlement to or legitimate expectation of any bonus/commission or other similar payment over and above their basic salary for*

9 PROTECTION OF GOODWILL

9 1 For the purpose of this Clause 9, the words "Restricted Person" mean spouse or child or other family member or a connected person and shall include, without limitation, any subsidiary or holding company of CC Limited and any other subsidiaries of any such holding company

⊗

9 2 Subject to Clause 9 6, each of the Sellers severally undertake to the Buyer (for itself and as trustee for the holders for the time being of the Shares but so that the Buyer shall not as trustee be under any obligation to such holders to enforce the undertakings and may release or waive them in whole or in part as it, in its absolute discretion, thinks fit) that without the written consent of the Buyer -

9 2 1 for a period of three years from Completion he will not knowingly do any act or thing and shall procure that no other Restricted Person (excluding the other Seller) shall do any act or thing which has the effect of causing any customer or supplier of or other person in the habit of dealing with the Company to be unable or unwilling to deal with the Company or the Buyer's Group at all or in part or on the terms on which it had previously dealt with the Company or that would have the effect of causing any person

⊗ ¹³ *The period prior to Completion ("Bonus") and any failure to pay such Bonus.*

CW.

having a contract or arrangement with the Company to breach, terminate or modify that contract or arrangement or to exercise any right under it,

- 9 2 2 for a period of three years from Completion he will not and will procure that no other Restricted Person (excluding the other Seller) will solicit or endeavour to entice away from the Company or the Buyer's Group, employ or offer employment to any employee of the Company or the Buyer's Group who is at the date of this Agreement an Employee nor knowingly do any act or thing that has the effect of causing any such employee to terminate his employment with a company in the Buyer's Group whether or not such employee would thereby breach his contract of employment,
- 9 2 3 he will not and will procure that no other Restricted Person (excluding the other Seller) will at any time in connection with any business carried on by him or otherwise howsoever use directly or indirectly or authorise any person to use directly or indirectly any of the Intellectual Property Rights including the phrase "Carroll Foley Lloyd" or any phrase similar to or likely to be confused with them or the words "Foley" or "Lloyd"
- 9 3 Subject to Clause 9 6, CC Limited undertakes to the Buyer (for itself and as trustee for the holders for the time being of the Shares but so that the Buyer shall not as trustee be under any obligation to such holders to enforce the undertakings and may release or waive them in whole or in part as it, in its absolute discretion, thinks fit) that without the written consent of the Buyer for a period of three years from Completion it will not and will procure that no other Restricted Person (excluding Mr Lloyd) will in any capacity whatsoever directly or indirectly canvass, solicit or endeavour to entice away from the Company or the Buyer's Group or knowingly accept any orders, enquiries, or business of, any Prohibited Customer
- 9 4 Subject to Clauses 9 5 and 9 6, Mr Lloyd undertakes to the Buyer (for itself and as trustee for the holders for the time being of the Shares but so that the Buyer shall not as trustee be under any obligation to such holders to enforce the undertakings and may release or waive them in whole or in part as it, in its absolute discretion, thinks fit) that without the written consent of the Buyer -
- 9 4 1 for a period of three years from Completion he will not and will procure that no other Restricted Person (excluding CC Limited) will in any capacity whatsoever directly or indirectly carry on or assist in carrying on or be engaged, concerned or interested in any activity or undertaking which is the same as, or substantially similar to, the business of the Company within the United Kingdom, and
- 9 4 2 for a period of three years from Completion he will not and will procure that no other Restricted Person (excluding CC Limited) will for the purpose of any business supplying products or services similar to or capable of being used in substitution for any product or service supplied by the Company within the 12 months preceding Completion canvass, solicit or endeavour to entice away from the Company any person who during the period of two years prior to Completion has been a customer of the Company or has purchased or agreed or offered to purchase products or services from the Company or who has been canvassed by the Company (otherwise than by general advertising) with a view to becoming a customer of the Company
- 9 5 In the event that Mr Lloyd's employment is terminated by the Buyer or a member of the Buyer's Group, the restrictions in Clause 9 4 shall not apply and Mr Lloyd undertakes to the Buyer (for itself and as trustee for the holders for the time being of the Shares but so that the Buyer shall not as trustee be under any obligation to such holders to enforce the undertakings and may release or waive them in whole or in part as it, in its absolute discretion, thinks fit) that without the written consent of the Buyer -

- 9 5 1 for a period of one year from Completion he will not and will procure that no other Restricted Person (excluding CC Limited) will in any capacity whatsoever directly or indirectly carry on or assist in carrying on or be engaged, concerned or interested in any activity or undertaking which is the same as, or substantially similar to, the business of the Company within the United Kingdom, and
- 9 5 2 for a period of one year from Completion he will not and will procure that no other Restricted Person (excluding CC Limited) will for the purpose of any business supplying products or services similar to or capable of being used in substitution for any product or service supplied by the Company within the 12 months preceding Completion canvass, solicit or endeavour to entice away from the Company any person who during the period of two years prior to Completion has been a customer of the Company or has purchased or agreed or offered to purchase products or services from the Company or who has been canvassed by the Company (otherwise than by general advertising) with a view to becoming a customer of the Company
- 9 6 Nothing in Clauses 9 2, 9 3, 9 4 or 9 5 shall prevent -
- 9 6 1 either of the Sellers from owning not more than five per cent of any class of the issued share capital of a company which is dealt in on a recognised investment exchange (as defined in the Financial Services and Markets Act 2000),
- 9 6 2 Mr Lloyd from carrying out his duties as an employee of the Company or any other member of the Buyer's Group,
- 9 6 3 CC Limited from dealing with the Retained Customers, and
- 9 6 4 Carroll Insurance Group Limited or any member of its Group from using the word "Carroll" as part of a corporate name, trade name or otherwise or from using any mark, style or logo which it uses or has used on or before Completion
- 9 7 Each of the Sellers has taken independent legal advice and acknowledges that he considers the undertakings contained in Clause 9 2 reasonable and necessary for the proper protection of the business and further acknowledges that damages would not be an adequate remedy for breach of such undertakings
- 9 8 Each of the undertakings contained in Clause 9 2 is separate and severable and shall be construed on that basis. In the event that any of such undertakings is found to be void but would be valid if some part of it were deleted or if the period or extent of it were reduced such undertaking shall apply with such modification as may be necessary to make it valid and effective
- 9 9 The Buyer for itself and as agent for the Company may by written notice to one or more Sellers vary the terms of any part of this Clause as it may affect the Sellers by reducing the period during and the extent of the activities to which the commitments are to apply or the geographical area to which the commitments relate
- 9 10 The Buyer undertakes to the Sellers that -
- 9 10 1 without the written consent of the Sellers, following the date one month from the Completion Date it will not and will procure that no member of the Buyer's Group (for the avoidance of doubt including the Company) will use directly or indirectly any logo or distinctive mark used by the Company prior to the Completion Date or any logo or distinctive mark similar to or likely to be confused with any such logo or distinctive mark in any manner which is likely to or may result in confusion between or other association

with the business, goods, services or other activities of CC Limited including by using the name "Carroll Foley Lloyd" as part of a corporate name or trade name, and

9 10 2 prior to the date one month from the Completion Date it shall procure the change of name of the Company so as to exclude the words "Carroll" and "Foley" and shall cease to use the word "Carroll" and the phrase "Carroll Foley Lloyd" as its trading name

10 CONFIDENTIAL INFORMATION AND KNOW-HOW

10 1 Each of the Sellers severally undertakes that after Completion he shall -

10 1 1 not copy, make use of or disclose to any person Confidential Information or Know-How, and

10 1 2 take all reasonable steps to prevent the copy, use or disclosure of any such Confidential Information or Know-How

10 2 Clause 10 1 does not apply to -

10 2 1 the copy, use or disclosure of Confidential Information or Know-How required to be used or disclosed by law or by the rules of any stock exchange or governmental authority provided that the relevant Seller gives the Buyer prior notice of such disclosure (where legally authorised to do so),

10 2 2 the disclosure of Confidential Information or Know-How to a director, officer or employee of the Buyer or of the Company whose function requires that he has possession of the Confidential Information or Know-How,

10 2 3 disclosure of Confidential Information or Know-How to an adviser for the purpose of advising the Sellers but only on terms that Clause 10 1 applies to use or disclosure by the adviser, or

10 2 4 Confidential Information or Know-How which becomes publicly known except as a result of any one or more of the Sellers' breach of Clause 10 1

10 3 The restrictions contained in this Clause 10 shall continue to apply after the termination of this Agreement without limit in time

11 ANNOUNCEMENTS

11 1 Subject to Clause 11 2, neither the Buyer nor the Sellers shall make or send before or after Completion any announcement, communication or circular relating to the subject matter of this Agreement unless such party has first obtained the other party's written consent to the form and text of such announcement, such consent not to be unreasonably withheld or delayed

11 2 Clause 11 1 does not apply to an announcement, communication or circular -

11 2 1 required by law or by the rules of any stock exchange or by any governmental authority, in which event the party required to make or send such announcement, communication or circular shall, where practicable, first consult with the other party as to the content of such announcement, or

11 2 2 made or sent by the Buyer after Completion to the Company's customers, clients or suppliers advising them of the change of control of the Company

12 **NOTICES**

- 12 1 Any notice or other communication pursuant to, or in connection with, this Agreement shall be in writing and delivered personally, or sent by first class pre-paid recorded delivery post (air mail if overseas) to the Buyer at its registered office from time to time, and to each Seller at the address given for that Seller in Schedule 1 (or to such other address as may from time to time have been notified in writing to the other party in accordance with this Clause 12) Any notice to be given to the Sellers or any of them may be given to the Sellers' Solicitors on their behalf
- 12 2 Subject to Clause 12 3, any notice or other communication shall be deemed to have been served -
- 12 2 1 if delivered personally, when left at the address referred to in Clause 12 1,
- 12 2 2 if sent by pre-paid first class recorded delivery post (other than air mail), two days after posting it, or
- 12 2 3 if sent by air mail, six days after posting it
- 12 3 If a notice is given or deemed given at a time or on a date which is not a Business Day, it shall be deemed to have been given on the next Business Day

13 **ENTIRE AGREEMENT**

- 13 1 This Agreement (and all the documents referred to herein) sets out the entire agreement and understanding between the parties in respect of the sale and purchase of the Shares This Agreement supersedes and extinguishes any previous agreements between the parties, whether orally or in writing, in respect of the sale and purchase of the Shares which shall cease to have any further force or effect It is agreed that this Clause 13 shall not exclude any liability for, or remedy in respect of fraud or fraudulent misrepresentation
- 13 2 No variation of this Agreement shall be effective unless made in writing and signed by or on behalf of the Buyer and each of the Sellers

14 **FURTHER ASSURANCE**

- 14 1 Each of the Sellers declares that for so long as he remains the registered holder of any of the Shares after Completion he shall -
- 14 1 1 hold the Shares and the dividends and other distributions of profits or surplus or other assets declared, paid or made in respect of them after Completion and all rights arising out of or in connection with them in trust for the Buyer and any successors in title to the Buyer, and
- 14 1 2 deal with and dispose of the Shares and all such dividends, distributions and rights in relation thereto as the Buyer or any such successor may direct
- 14 2 Each of the Sellers appoints the Buyer by way of security as his lawful attorney for the purpose of receiving notices of and attending and voting at all meetings of the members of the Company from Completion to the day on which the Buyer or its nominee is entered in the register of members of the Company as the holder of the Shares and for that purpose each of the Sellers authorises -

- 14 2 1 the Company to send any notices or other communications in respect of his holding of Shares to the Buyer, and
- 14 2 2 the Buyer to complete in such manner as it thinks fit and to return proxy forms, consents to short notice and any other document required to be signed by it in its capacity as a member
- 14 3 Each of the Sellers undertakes to provide the Buyer before or after Completion with all such information as he or she has in his or her possession or under his or her control relating to the business and affairs of the Company and for this purpose each of the Sellers shall give the Buyer and any persons authorised by the Buyer full access to all such information, and the Buyer may copy any such documents
- 14 4 Each of the Sellers at its own cost shall -
 - 14 4 1 at any time before and after Completion do or procure the doing of all such acts and things and/or execute or procure the execution of such documents in a form satisfactory to the Buyer as the Buyer considers necessary for the purpose of vesting the Shares in the Buyer or giving the Buyer the full benefit of all the provisions of this Agreement, and
 - 14 4 2 give to the Buyer such assistance as the Buyer may reasonably require in connection with any dispute or threatened dispute directly or indirectly relating to the Company, the Property, the Intellectual Property and/or the Confidential Information

15 INVALIDITY

If any provision of this Agreement is held to be unenforceable or illegal, in whole or in part, such provision or part shall to that extent be deemed not to form part of this Agreement but the enforceability of the remainder of this Agreement shall remain unaffected

16 EFFECT OF COMPLETION

This Agreement and in particular the Warranties and the Tax Deed in so far as any of its provisions remain to be, or are capable of being, performed or observed, shall remain in full force and effect after Completion

17 WAIVER

- 17 1 The failure by the Buyer to exercise or delay in exercising any right or remedy under this Agreement shall not constitute a waiver of the right or remedy or a waiver of any other rights or remedies the Buyer may otherwise have and no single or partial exercise of any right or remedy under this Agreement shall prevent any further exercise of the right or remedy or the exercise of any other right or remedy
- 17 2 The Buyer's rights and remedies contained in this Agreement are in addition to, and not exclusive of, any other rights or remedies available at law
- 17 3 Any waiver, release or compromise or any other arrangement of any kind whatsoever which the Buyer gives or enters into with any other party in connection with this Agreement shall not affect any right or remedy of the Buyer as regards any other parties or the liabilities of any other such parties under or in relation to this Agreement

18 **COSTS**

The Buyer and the Sellers shall pay their own costs in relation to the negotiation, preparation, execution and implementation of this Agreement and of each document referred to in this Agreement

19 **ASSIGNMENT**

This Agreement is personal to the parties and neither it nor any of the benefits arising under it may be assigned without the prior written consent of the other party and neither party shall purport to assign or transfer the same provided always that this Agreement and the benefits arising under it may be assigned by the Buyer to any member of the Buyer's Group provided further that in the event of such undertaking ceasing to be a member of the Buyer's Group this Agreement shall be deemed to be transferred to any other member of the Buyer's Group immediately before such cessation

20 **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

Except as expressly provided in this Agreement, a person who is not a party to this Agreement shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to rely upon or enforce any term of this Agreement provided that this does not affect any right or remedy of the third party which exists or is available apart from that Act. No party may declare itself as a trustee of the rights under this Agreement for the benefit of any third party save as expressly provided in this Agreement

21 **LIMITATION OF TIME**

In the event of any claim being made against any one or more of the Sellers under the Warranties or the Tax Deed, none of the Sellers shall plead against such claim the provisions of the Limitation Act 1980 or any other statute or rule of law relating to limitation of time in which an action can be brought or claim made, provided that this Clause 21 is without prejudice to any express provision of this Agreement regarding time limits for notifying or making claims

22 **COUNTERPARTS**

This Agreement may be executed in any number of counterparts and by each of the parties on separate counterparts each of which when executed and delivered shall be deemed to be an original, but all the counterparts together shall constitute one and the same agreement

23 **LAW AND JURISDICTION AND SERVICE OF PROCESS**

- 23 1 This Agreement shall be governed by and construed in accordance with the laws of England and Wales
- 23 2 The parties hereby submit to the exclusive jurisdiction of the High Court of England and Wales in relation to any dispute or claim arising out of or in connection with this Agreement or in relation to its existence or validity
- 23 3 The parties hereby agree that any legal proceedings may be served on them by delivering a copy of such proceedings to them at their respective addresses set out in this Agreement

EXECUTED as a DEED by the parties on the date which first appears in this Agreement

**SCHEDULE 1
SELLERS' NAMES, ADDRESSES AND SHAREHOLDINGS**

(1)	(2)	(3)	(4)	(5)	(6)
Names and Addresses of Sellers	Number of Shares	Cash Consideration	Consideration Shares	Percentage of Liability for Substantiated Claims or claims under the Tax Deed	Amount of Shortfall or Excess (if any) pursuant to Clause 3.5 or 3.6
Carroll & Carroll Limited (CRN 01610554) 2 White Lion Court London EC3V 3NP	600	£570,000.00	Nil	60%	60%
Jonathan Harry Ayshford Lloyd 98 Inglethorpe Street London SW6 6NX	400	Nil	50,163 ordinary shares of £0.01 each	40%	40%

**SCHEDULE 2
THE COMPANY**

1	Registered number	02744908
2	Previous company names and effective date(s) of change(s)	KI(6) Limited
3	Registered office	2 White Lion Court, London, EC3V 3NP
4	Date and place of incorporation	3 September 1992, England & Wales
5	Authorised share capital	£10,000 divided into 10,000 Ordinary Shares of £1 00 each
6	Issued share capital	£1,000 divided into 1,000 Ordinary Shares of £1 00 each
7	Shareholders	Carroll & Carroll Limited Jonathan Harry Ayshford Lloyd
8	Directors	Toby William Baker Peter Robert Carroll Jonathan Harry Ayshford Lloyd Phillip Alfred Norman
9	Secretary	Phillip Alfred Norman
10	Accounting reference date	31 December
11	Charges	None
12	Main activity	Insurance Brokers
13	Bank accounts	GBP Lloyds TSB - Account 00009263/1681968 GBP Close Bros (Call) - Account 925001 GBP Close Bros (14 Day) - Account 925002 US \$ Lloyds TSB - Account 11439634 US \$ Lloyds TSB - Account 12043 Euro Lloyds TSB Account - 86221487/88062416 GBP Close Bros (Call) – Account 925003 Baker Tilly LLP
14	Auditors	Baker Tilly LLP
15	VAT number	None
16	Tax district and reference number	Manchester Trinity 951/XZ36217

**SCHEDULE 3
WARRANTIES**

1 SHARE CAPITAL, SUBSIDIARIES AND JOINT VENTURES

Ownership of Shares

- 1 1 Each Seller is the legal and beneficial owner of, and is entitled to sell with full title guarantee on the terms of this Agreement without the consent of any third party, the number of Shares set out opposite their names in Schedule 1
- 1 2 The Shares constitute the whole of the Company's allotted and issued share capital and are fully paid or credited as fully paid
- 1 3 There is no Encumbrance on, over or affecting any of the Shares or any un-issued shares, debentures or other securities of the Company and no person has the right (whether exercisable now or in the future and whether contingent or not) to call for the issue, allotment, conversion, redemption, sale or transfer of any shares, debentures or other securities of the Company

Subsidiaries

- 1 4 The Company does not have and never has had any subsidiary and the Company has not nor has it agreed to acquire any interest in any body corporate

Joint Ventures

- 1 5 The Company is not nor has it agreed to become a member of any partnership or other unincorporated association, joint venture, European Economic Interest Grouping or consortium (other than a recognised trade association) or other profit or income sharing arrangement

Shadow Directors

- 1 6 The Company has no liability as a former member, officer or shadow director of any person nor are there any circumstances in which such liability could arise
- 1 7 No person is or has been a shadow director of the Company within the meaning of section 741(2) of the Act

Branch

- 1 8 The Company does not have any branch, agency or place of business outside the United Kingdom and does not use its letterhead, books or vehicles or otherwise carry on its business under any name other than its corporate name

2 CAPACITY

Authority

- 2 1 Each Seller has the necessary power and authority and has taken all necessary action to enter into and perform its obligations under this Agreement, the Tax Deed and each of the documents to be executed by each of them at or before Completion in accordance with this Agreement which will, when executed, become binding and enforceable obligations of the Sellers in accordance with their respective terms

Effect of sale

- 2 2 The execution or the performance by the Sellers of this Agreement or any of the Transaction Documents or any other document referred to herein or therein to be executed at or before Completion in accordance with this Agreement will not -
- 2 2 1 result in a breach of, conflict with, or give rise to an event of default under, any agreement or arrangement to which the Company is party or by which the Company is bound,
 - 2 2 2 relieve any other party to an agreement or arrangement with the Company of its obligations or enable it to terminate the agreement or arrangement,
 - 2 2 3 result in the creation or imposition of an Encumbrance on any of the assets of the Company,
 - 2 2 4 result in a breach of a Licence, an undertaking to, or order of, any court or governmental agency or regulatory body, or
 - 2 2 5 result in the Company losing the benefit of a Licence
- 2 3 The Company has the necessary power and authority to operate its business as conducted at the date of this Agreement

3 INFORMATION, RECORDS AND DOCUMENTS

Written Information and Material Disclosure

- 3 1 The contents of this Agreement and all information contained in Schedule 2 are true, complete and accurate

Storage of records

- 3 2 The Company does not have any of its records, systems, or data recorded or operated or otherwise wholly or partly dependent on, or held by, any means (including any electronic, mechanical or photographic process whether computerised or not) which (including all means of access to it and from it) are not under the exclusive ownership and direct control of the Company

Possession of Documents

- 3 3 All title deeds relating to the assets of the Company and an executed copy of all agreements to which the Company is a party or by which it is bound and the original copies of all other documents which are owned by, or which ought to be in the possession of, the Company, are in the possession or under the control of the Company All documents are whole, undefaced, duly executed and where relevant stamped with the correct amount of stamp duty

Schedules

- 3 4 The particulars relating to the Company set out in Schedule 2 to this Agreement are in all material respects true and accurate

4 ACCOUNTS AND RECORDS

Accuracy of the Accounts

4 1 The Accounts -

- 4 1 1 give a true and fair view of the state of the Company's affairs and of its assets and liabilities as at, and of the profits and losses of the Company for the financial period ended on, the Accounts Date,
- 4 1 2 have been prepared in accordance with Accounting Practice,
- 4 1 3 have been prepared in accordance with the provisions of the Act and audited by a certified auditor, and
- 4 1 4 have been prepared on a consistent basis and using consistent Accounting Practice and consistent application of Accounting Bases for the previous three financial years ended on the Accounts Date

Content of Accounts

4 2 At the Accounts Date the Accounts include -

- 4 2 1 tangible fixed assets valued at the lower of cost, less depreciation since the date of acquisition (at a rate sufficient to write down their value to nil at the end of their useful lives) or recoverable amount, or current market value if lower,
- 4 2 2 investments valued at the lower of cost and net realisable value after making full provision for diminution in value,
- 4 2 3 debtors, prepayments and other current assets valued at the lower of cost and net realisable value after making full provision for all bad and doubtful debts, all liabilities (actual, contingent or otherwise) and any other amounts considered to be irrecoverable,
- 4 2 4 creditors, accruals and liabilities for all amounts payable by each Company in respect of goods and services rendered, liabilities including PAYE, National Insurance, VAT, wages and salaries, holiday pay, closure and redundancy costs on fixed-term projects or contracts, bonuses, royalties, discounts, customer rebates and provisions for warranties, pensions, deferred taxation and such similar items whether or not of an occasional or seasonal nature, and
- 4 2 5 full provision or reserve for all Tax which has been or may be assessed or for which either Company may become accountable in respect of any act, omission or event (whether of either Company or any other person) up to and including the Accounts Date and for any contingent or deferred liability to Tax

Completeness of Accounts

- 4 3 Any other assets and liabilities included in the Accounts are detailed in full either in the notes to the Accounts or the Disclosure Letter, together with the relevant accounting policies and bases adopted
- 4 4 The Company has not been party to any transaction or arrangement of which one of the main purposes was the removal or exclusion of an asset or liability (including a contingent liability) from the Accounts

Trend of Profits

- 4 5 The Company's profits or losses as shown by the Accounts and by the Company's audited profit and loss account for the previous three financial periods delivered to the Buyer and the trend of profits thereby indicated have not (save as disclosed in such accounts) been affected by changes or inconsistencies in Accounting Practice, by the inclusion of non-recurring items of expenditure or income, by transactions of an unusual nature or entered into otherwise than on normal commercial terms or by any other factors rendering the Company's profit or loss for all or any part of such periods unusually high or low

Accounting Reference Date

- 4 6 The accounting reference date of the Company is as set out in Schedule 2 and has not at any time been any other date

Books and Records

- 4 7 The Company's accounts, books, ledgers, financial and other records are in its possession or under its control, up-to-date and contain a complete and accurate record of all matters required to be entered in them by the Act, Accounting Practice and other relevant legislation

Events since the Accounts Date

- 4 8 Since the Accounts Date -

- 4 8 1 there has been no decrease in the monthly turnover (whether by value or by volume) or in the gross or net profit margins of the Company's business (or any material part of the Business) as compared with the corresponding months in the financial year ended on the Accounts Date,
- 4 8 2 there has been no material adverse change in the financial, cashflow, trading position or prospects of the Company,
- 4 8 3 there has been no material change in the assets and liabilities as shown in the Accounts nor has there been a reduction in the value of the Company's net tangible assets using the same valuations as applied in the Accounts,
- 4 8 4 no distributions within the meaning of Part VIII of the Act or of ICTA have been declared, paid or made by the Company except as provided in the Accounts,
- 4 8 5 there has been no material change in the level of work-in-progress of the Company's business or any material part of the business,
- 4 8 6 no share or loan capital of the Company has been, or agreed to be, issued, allotted, redeemed, purchased or repaid by the Company,
- 4 8 7 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, and the Company has not agreed to do any of the foregoing and no debt has proved to any extent irrecoverable,
- 4 8 8 the Company has not borrowed any money or raised any money in the nature of borrowings except for borrowings on overdraft in the ordinary course of business from

Lloyds TSB Bank PLC within the Company's existing overdraft facility with that bank as set out in the Disclosure Letter,

- 4 8 9 no asset has been acquired or disposed of by the Company except for current assets in the ordinary and usual course of trading, no contract, arrangement or transaction has been entered into and no payment has been made by the Company otherwise than in the ordinary and usual course of carrying on its business and on entirely arm's length terms and the Company has not assumed or incurred or agreed to assume or incur any liability (actual or contingent) otherwise than in the ordinary and usual course of carrying on its business,
- 4 8 10 no capital expenditure has been, or agreed to be, incurred and no commitments of a capital nature have been or agreed to be, entered into exceeding £10,000 in total by the Company,
- 4 8 11 no management, consultancy or like charges have been incurred or agreed to by the Company,
- 4 8 12 the Company's business has not been materially adversely affected by the loss (whether before or after the Accounts Date) of any contract or customer or supplier or by any other factor not affecting similar businesses to a like extent and so far as the Sellers are aware, there are no circumstances which are likely to give rise to any such effect on the Company's business,
- 4 8 13 no provision or reserve included in the Accounts has proved to be inadequate in the light of subsequent circumstances and there are no circumstances which indicate that any such provision or reserve may prove to be inadequate, and
- 4 8 14 no resolution of the shareholders of the Company has been passed

Management Accounts

- 4 9 The Management Accounts have been prepared in accordance with Accounting Practice and Accounting Bases consistent with those used in preparing the Accounts The Management Accounts -
 - 4 9 1 are true, correct and not misleading and neither overstate the value of the assets nor understate the liabilities (actual, contingent or otherwise) of the Company as at the Management Accounts Date and do not overstate the profits or turnover of the Company in respect of the periods to which they relate,
 - 4 9 2 accord with the accounting records of the Company, and
 - 4 9 3 fairly reflect the financial condition of the Company

5 FINANCE

Bank Borrowing

- 5 1 The total amount borrowed by the Company is from its bankers or raised by way of acceptance credit and does not exceed its loan and other financial facilities True, complete and accurate details of all such facilities, including the amounts outstanding under them, are set out in the Disclosure Letter The total amount borrowed does not exceed the limitation on its borrowing and

other powers contained in its articles of association or any other deed or document binding upon it

Repayment of borrowings

- 5 2 All of the Company's borrowings may be repaid by the Company at any time on no more than one month's notice and without any premium or penalty (howsoever called) on repayment

Notice of repayment of borrowings

- 5 3 The Company has not received notice from any lenders of any money requiring repayment or relating to term loan facilities becoming on demand or altering to the disadvantage of the Company the terms of any such facility or intimating the enforcement by any such lender of any security which it may hold over any assets of the Company and so far as the Sellers are aware there are no circumstances which would now (or which could with the giving of notice or lapse of time or both) give rise to any such notice

Guarantee

- 5 4 None of the facilities of the Company are dependent on the guarantee or support or indemnity of, or any security provided by, a third party

Loan Capital

- 5 5 The Company has no outstanding loan capital nor has it factored its debts or borrowed or raised any money (save for short term borrowings from its bankers) which it has not repaid nor has the Company engaged in financing of a type which would not require to be shown or reflected in the Accounts

Bank Certificate

- 5 6 A statement certified by the Company's bankers of the credit or debit balances of the Company's bank accounts as at a date not more than two Business Days before the date of this Agreement has been supplied to the Buyer and the Company has no other bank or deposit account (whether in credit or overdrawn) not included in such statement and since the date of such statement there have been no payments out of any such accounts except for routine payments and the aggregate balance on all current accounts is not substantially different from the aggregate balance shown on such statements

Creation of charges

- 5 7 The Company has not created, or agreed to create, any Encumbrance or given, or agreed to give, any guarantee, suretyship, indemnity or similar encumbrance or agreement for the postponement of debt or (except in the ordinary course of business) for lien or set-off

Grants and Allowances

- 5 8 True, complete and accurate particulars of all grants, allowances, subsidies, loans or financial assistance paid or pledged to the Company during the last six years by any supranational, national or local authority or government agency are set out in the Disclosure Letter and the Company has not done or failed to do any act or thing (including the entering into of this Agreement) which could result in such grant or allowance becoming repayable or forfeited in whole or in part or in a claim for such grant not being granted

5 9 The Company has not received any such grants which fall to be taken into account in computing profits pursuant to section 93 of ICTA

6 ASSETS

Title

6 1 All assets included in the Accounts or acquired by the Company since the Accounts Date and all assets owned or used by the Company are -

6 1 1 legally and beneficially owned by the Company free from any Encumbrance,

6 1 2 in the possession or under the exclusive control of the Company,

6 1 3 situated in the United Kingdom, and

6 1 4 where subject to a requirement for a Licence duly licensed or registered in the sole name of the Company

6 2 The Company is able to prove title to all the assets owned by it

6 3 The Company has not received any sum, property or benefit, the payment or transfer of which is liable to be avoided, or which is liable to be recovered from it under any rule of law and does not hold any sum, property or right as trustee or constructive trustee

Asset registers

6 4 The asset registers of the Company attached to the Disclosure Letter comprise a true, complete and accurate record of all equipment and vehicles owned, held or used by the Company

Condition

6 5 All equipment and assets owned or used by the Company -

6 5 1 are in a safe condition and in working order and have been maintained,

6 5 2 are not to any extent surplus to requirements at Completion, and

6 5 3 are all capable of doing the work for which they were purchased

Maintenance

6 6 Maintenance contracts are in full force and effect in respect of all assets of the Company which it is normal or prudent to have maintained by independent or specialist contractors and in respect of all assets which the Company is obliged to maintain or repair under any hire purchase, leasing, rental, insurance or other agreement

Assets sufficient for business

6 7 The assets owned by the Company comprise all assets necessary for the continuation of the business of the Company as previously carried on

Leased assets

- 6 8 The Company is not a party to or liable under a lease or hire, hire purchase, credit sale or conditional sale, agreement

Retention of Title

- 6 9 The Company has not purchased any goods or materials on terms that title in it does not pass until full payment is made or all indebtedness discharged or any other condition is met

Trade Debtors

- 6 10 None of the debts which are shown in the Accounts, or which have arisen subsequently, have been outstanding for more than three months from the Company's due date for payment or have been released such that the debtor has paid less than the full amount of his debt and so far as the Sellers are aware all such debts will in the normal course of collection realise their full value as included in the Accounts or the books of the Company (subject to any provision for bad and doubtful debts made in the Accounts) within six months from Completion
- 6 11 So far as the Sellers are aware there are no circumstances which indicate that any of the debts owing to any Company at the date of this Agreement and which were not fully written off or fully provided against in the Accounts or the Management Accounts may prove to be irrecoverable to any extent
- 6 12 No single debtor, taken together with any connected person of that debtor, owes to the Company an amount or amounts in aggregate greater than ten per cent of the total of all debts owing to the Company

7 INSURANCE

Policies

- 7 1 True, complete and accurate particulars of all insurances and indemnity policies in respect of which the Company has an interest (the "Policies") are attached to the Disclosure Letter

Insurance of Assets

- 7 2 All of the Company's assets which are of an insurable nature have at all material times been, and are insured to their full reinstatement or replacement value against all such risks normally insured against by a prudent person carrying on a similar business to the Company

Other Insurances

- 7 3 The Company has at all material times been and is adequately insured against accident, injury, third party liability (including, without limitation, product liability), loss of profits, damage and all other risks normally insured against by a prudent person carrying on a similar business to the Company and has at all times effected all insurances required by law
- 7 4 The Company has no interest in and is not a beneficiary under, and does not pay and is not liable to pay any part of the premiums on, any policy of life assurance/insurance
- 7 5 The Company does not have keyman insurances or equivalent insurances with respect to any of its directors, officers or employees

Status and payment of premiums

- 7 6 All premiums due on the Policies have been duly and punctually paid and all the Policies are valid and in force and the Company has not nor so far as the Sellers are aware has any agent of the Company done anything or omitted to do anything which might make any of the Policies void or voidable or might entitle any insurer not to pay all or part of any claim under any of the Policies

Claims

- 7 7 No claim is outstanding under any of the Policies and no circumstance exists (including, without limitation, any claim by any third party against the Company or any event or circumstance which might give rise thereto) which might give rise to a claim under any of the Policies
- 7 8 Details of all claims made in the last three years by the Company or any other person under any insurance or indemnity policy in respect of which the Company has an interest are set out in the Disclosure Letter

8 CONTRACTS

Material Contracts

- 8 1 The Company is not a party to or subject to any contract, arrangement, obligation or liability which -
- 8 1 1 is long term (ie not terminable on 60 days notice or less without payment of compensation or damages),
 - 8 1 2 is unusual or not wholly on an arm's length basis in the ordinary course of business or differs from its standard terms of business (a true, complete and accurate copy of which is attached to the Disclosure Letter),
 - 8 1 3 is onerous (ie cannot readily be performed by the Company on time or without undue or unusual expenditure of money, effort or personnel or that involves payments of more than £20,000 annually),
 - 8 1 4 is loss making,
 - 8 1 5 is a distributorship, agency or management agreement or arrangement,
 - 8 1 6 is likely to involve in aggregate sales values which will represent in excess of ten per cent of turnover for the preceding financial year of the Company,
 - 8 1 7 restricts its freedom to carry on its business in any part of the world in such manner as it thinks fit,
 - 8 1 8 has been registered under the RTPA, notified to the Commission of the European Communities under Article 81 of the Treaty of Rome or the EFTA Surveillance Authority under Article 53 of the Agreement on the European Economic Area (or for which application for negative clearance under such articles has been made), or
 - 8 1 9 is an 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 any of sub-paragraphs 8 1 1 to 8 1 8 above

- 8 2 Save as disclosed in the Accounts, there is not outstanding any guarantee, indemnity or suretyship given by or for the benefit of the Company

Assignability

- 8 3 All the contracts of the Company except those between the Company and its Employees are assignable by the Company without the consent of any other party

Breach of Contract

- 8 4 The Company has not materially defaulted under any agreement, trust deed, instrument or any legally binding arrangement to which it is a party and no claim of any default has been made against the Company nor is the Company or any one or more of the Sellers aware that any other party is in material default under any agreement with the Company

Creditors

- 8 5 The Company has paid all its creditors within the credit periods normally applied by the Company to such creditors (and no earlier) and no debt owing by the Company has been due for more than eight weeks

Customers and suppliers

- 8 6 During the six months preceding the date of this Agreement there has been no substantial change in the basis or terms on which any person (including any supplier) is prepared to enter into contracts or do business with the Company (apart from normal price changes) and no such change is likely

- 8 7 No person who is, or who has during the last two years been, a substantial customer or supplier of goods or services to the Company has ceased, or has threatened or indicated an intention to cease, trading with or supplying the Company or has reduced, or is likely to reduce, substantially its trading with or supply to the Company

- 8 8 The loss of any single supplier to or customer of the Company would not have a material effect on its business, and not more than ten per cent of the products and services sold by the Company were purchased by the same customer and for the purposes of this paragraph groups of companies shall be deemed a single person

9 INSIDER CONTRACTS

- 9 1 The Company is not, and during the three years preceding the date of this Agreement the Company has not been, a party to any agreement or arrangement (whether legally enforceable or not) -

9 1 1 which is or was not of an entirely arm's length nature, and

9 1 2 in which any Seller or the Company or any director or former director of the Company or any connected person of any of them is or was directly or indirectly interested

- 9 2 None of the Company's assets (including the benefit of any licences or agreements) have been acquired for a consideration otherwise than for its market value at the date of such acquisition

- 9 3 There are no debts (whether or not due for payment and including contingent liabilities) or unfulfilled obligations (present or future, actual or contingent) owing between the Company and any Seller or any director or former director of the Company or any connected person of it
- 9 4 So far as the Sellers are aware there is no claim or circumstance which may give rise to a claim against the Company by any director or former director of the Company or any connected person of it on any account whatsoever
- 9 5 No person is entitled to receive from the Company a finder's fee, brokerage or commission in connection with this Agreement or any document to be executed at or before Completion in accordance with this Agreement

Other interests of the Sellers

- 9 6 None of the Sellers nor any connected person of any of the Sellers have a direct or indirect interest in any person or any intellectual property rights which is or is likely to be or become, competitive with the business of the Company (save as the beneficial owner of any class of securities of any company listed on a recognised investment exchange (as defined in the Financial Services and Markets Act 2000) and in respect of which each Seller or such person is beneficially interested in less than three per cent of all the issued securities of that class)

10 CONDUCT OF BUSINESS

- 10 1 The Company has not paid or received any commission or made any payments or entered into any other arrangement, whether to secure business or otherwise, to any person, firm or body which in the hand of such person, firm or body would be regarded under the laws of any part of the United Kingdom (or so far as the Warrantors are aware, the laws of any other country to which such person, firm or body may be subject) as illegal
- 10 2 The Company has not committed any material breach of any regulation or legally enforceable code of practice applicable to it, in particular (without limitation) the rules of the FSA So far as the Sellers are aware, there are no grounds for any disciplinary enquiries or proceedings by any regulatory body against the Company or its directors and other employees and all documents, accounts, reports and returns required by the applicable regulatory body to be filed, deposited or submitted have been duly filed, deposited or submitted
- 10 3 As far as the Sellers are aware, no cover note or other intimation of cover has been issued or sent to any person by the Company unless and until the relevant risk has been properly bound and all cover notes and intimations of cover issued by the Company are complete and accurate in all material respects
- 10 4 The Company's insurance broking accounts have been maintained and used in accordance with all applicable rules, regulations and codes of conduct and no notice has been received from any regulatory authority (or is threatened) with regard to the use of such insurance broking accounts
- 10 5 The Company has not purported to bind any risk under any authority, or other facility except in accordance with the terms of such authority or facility The Company has not given anyone else authority to bind any risk under any authority or other facility except in accordance with the terms of such authority or facility granted
- 10 6 The Disclosure Letter sets out accurately the policy of the Company with respect to the crediting of brokerage in its books of account and no credit has been taken for brokerage except in accordance with that policy

- 10 7 The Company's policy on funding either premium or claims is contained in the Disclosure Letter All sums funded will be collected in the ordinary course of business within credit terms agreed
- 10 8 The Company has not settled insurance premiums, claims returns, brokerage, commission adjustments and other items in account except with the authority (expressed or implied) of the principal on whose behalf such settlements purport to have been made
- 10 9 When settling accounts with insurance intermediaries the Company has taken credit only for its share of commission receivable
- 10 10 The Company has not been party to the placement, directly or indirectly, of insurances which are
 - 10 10 1 unlawful under the law of any relevant jurisdiction, or
 - 10 10 2 contrary to the regulations, directions or codes of the FSA, or
 - 10 10 3 so far as the Sellers are aware fictitious or sham transactions
 and the Company has not purported to arrange insurances with companies not authorised to carry on business as insurers in the relevant territory
- 10 11 All insurance premium tax required to be collected on behalf of and/or accounted to underwriters has been so accounted and credited in accordance with agreed terms of business and law
- 10 12 Neither the Company nor any officer, employee or agent of the Company has carried on insurance business as insurance carrier in any part of the world without being the agent of a duly authorised carrier
- 10 13 There are no agreements with any insurance carriers whereby the Company is liable to pay additional premium to such carriers to preserve such carrier's premium/loss

11 LITIGATION

- 11 1 The Company is not nor has it, during the two years preceding the date of this Agreement been engaged in any civil, criminal, administrative or arbitration claim, proceedings or enquiries and there are no such proceedings or enquiries pending or threatened by or against the Company or any director of the Company or any person for whose acts or defaults the Company may be vicariously liable and, to the best knowledge, information and belief of the Sellers, there is no matter or fact in existence which might give rise to the same
- 11 2 The Company is not, nor has it, during the two years preceding the date of this Agreement been, engaged in any arbitration, civil or criminal proceedings or material dispute with any person who is or was a major supplier or customer to the Company or where such arbitration, proceedings or dispute resulted in adverse publicity or loss of goodwill
- 11 3 The Company has not given any undertaking to any court or to any third party arising out of any legal proceedings and neither the Company nor any of its property or assets are subject to any outstanding injunction, order, judgment, decree or arbitral award of any court, tribunal arbitrator, governmental agency or other regulatory body
- 11 4 The Company nor any Employee, officer, agent or former officer, agent or employee of the Company has been convicted of any offence in relation to the Company, and no Employee or officer has, so far as the Sellers are aware, been convicted of any offence which reflects upon his suitability to hold his position or upon the reputation of the Company

12 COMPETITION

- 12 1 The Company is not nor has it been a party to, or directly or indirectly concerned in, any agreement, arrangement or course of conduct which in whole or in part -
- 12 1 1 has been or should have been notified to the Office of Fair Trading or to the European Commission, or referred by the Office of Fair Trading to the Competition Commission under Part 3 of the Enterprise Act 2002,
- 12 1 2 is capable of giving rise to an investigation by the Office of Fair Trading or the Serious Fraud Office or a reference to the Competition Commission or an investigation by the Secretary of State for Trade and Industry or the European Commission or any other person or body in any jurisdiction or been the subject of a report or decision or order or judgment of such person or bodies, or
- 12 1 3 contravenes or is under investigation in relation to any anti-trust, anti-monopoly or anti-cartel legislation or regulations in any jurisdiction

13 LEGAL MATTERS

Compliance with law

- 13 1 So far as the Sellers are aware the Company has conducted its business to a material extent in accordance with its memorandum and articles of association, all applicable law and regulations of any jurisdiction in which it carries on business and there has been no violation of, or default with respect to, any order or judgement of any court, tribunal, governmental agency or regulatory authority in any jurisdiction which has, or could have, an adverse effect on the assets or business of the Company
- 13 2 Due compliance has been made with the provisions of the Act and other legal requirements in connection with the formation of the Company, the allotment and issue, purchase and redemption of shares, debentures or other securities, the payment of dividends, any reduction of share capital and the conduct of its business and no notice or allegation has been received that any of the foregoing is incorrect or should be rectified

Investigations

- 13 3 There is no governmental, regulatory or other investigation, enquiry or disciplinary action regarding the Company and none is pending or threatened nor has there been any within the last six years and to the best of the Sellers' knowledge, information and belief, there are no circumstances which could give rise to such an investigation, enquiry or action

Licences

- 13 4 The Company has all necessary Licences (true, complete and accurate details of which are contained in the Disclosure Letter) for the proper carrying on of its business and each Licence is valid, in force and unconditional or subject only to a condition that has been fulfilled and under which no further action is required
- 13 5 So far as the Sellers are aware there are no factors that might in any way prejudice the continuance or renewal of any Licence and the Company has at all times carried on its business in compliance with their terms and conditions

- 13 6 No Licence is personal to any one or more of the Sellers and no Licence will be revoked, cancelled, suspended, varied or not renewed as a result of the execution or performance of this Agreement or any document to be executed at or before Completion in accordance with this Agreement

Documents filed

- 13 7 All returns, particulars, resolutions and other documents required to be delivered to the Registrar of Companies by the Company have been properly prepared and delivered

Memorandum and Articles of Association

- 13 8 The copy of the memorandum and articles of association of the Company attached to the Disclosure Letter is true, complete, accurate and up-to-date and includes copies of all resolutions or agreements required by law to be annexed to it and each register, minute book and other book required to be kept by the Act has been properly kept, is up-to-date and contains a true, accurate and complete record of the matters which should be dealt with in those books and no notice or allegation that any of them is incorrect or should be rectified has been received

Powers of attorney

- 13 9 The Company has not given any power of attorney which remains in effect nor has it given any other similar authority which is still outstanding (other than authority for an Employee to enter into routine trading contracts in the usual course of their duties)

Financial Services Authority

- 13 10 The Company has engaged in appropriate discussions with, made all appropriate notifications to and has obtained all relevant permissions from the Financial Services Authority ("FSA") regarding the sale of the Shares to the Buyer under this Agreement
- 13 11 The Company has notified the FSA in the appropriate manner that the Company will cease to trade on Completion, that its business and assets will be transferred to Lycett, Browne-Swinburne & Douglass Limited with effect from that date, and that its authorisation will therefore be cancelled
- 13 12 The Company has at all times complied with all relevant FSA notifications, requirements and obligations in the conduct of its business
- 13 13 The Company does not sell and has never sold any financial services products, including but not limited to life insurance and pensions, for which the Company would be required to be authorised and regulated by the FSA

14 INSOLVENCY

- 14 1 In relation to the Company -

14 1 1 no resolution has been passed (and no meeting has been convened, and no written resolution has been circulated), no petition has been presented and no order has been made, for the purpose of its winding up and no application or order has been made for a provisional liquidator to be appointed,

14 1 2 no notice of intention to appoint an administrator has been filed, no application for the appointment of an administrator has been made and no other steps in relation to the

appointment of an administrator have been taken nor has any administrator been appointed,

- 14 1 3 no procedure has been commenced, by the Registrar of Companies or any other person, with a view to striking off under section 652 of the Act,
- 14 1 4 no administrative receiver, receiver, administrator, liquidator or provisional liquidator or similar officer has been appointed and no Encumbrance has been enforced,
- 14 1 5 no floating charge has crystallised and no holder of a floating charge has taken any steps to enforce such security,
- 14 1 6 no event has occurred or will occur by virtue of the execution and performance of this Agreement and the other agreements and documents referred to in it which would cause, or entitle any person to cause, any of the events cited at 14 1 4 and 14 1 5 above,
- 14 1 7 it has not stopped paying its creditors, is not insolvent, and is not unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986,
- 14 1 8 there is no unsatisfied judgment or order of any court or tribunal, or award of any arbitrator, outstanding against it,
- 14 1 9 no distress, attachment, execution or other process has been levied against any of its assets,
- 14 1 10 no meeting of its creditors, or any class of them, has been held or summoned and no proposal has been made for a moratorium, composition or arrangement in relation to any of its debts, or for a voluntary arrangement under Part 1 of the Insolvency Act 1986, and
- 14 1 11 no event analogous to any of the above has occurred in any jurisdiction

14 2 In relation to each Seller -

- 14 2 1 no statutory demand has been issued against him or her nor are there are any reasonable grounds for believing that he or she is unable to pay any debts within the meaning of section 268 of the Insolvency Act 1986 as amended,
- 14 2 2 no petition has been presented and no order made for his or her bankruptcy or for the appointment of a receiver over any of his or her assets,
- 14 2 3 no Encumbrance has been enforced and no distress, execution or other process has been levied, on or over any of the Shares or any assets held by him or her,
- 14 2 4 no proposal has been made in respect of an individual voluntary arrangement of him or her, pursuant to the Insolvency Act 1986 as amended, and
- 14 2 5 no event analogous to any of the above has occurred in any jurisdiction

15 **INTELLECTUAL PROPERTY**

- 15 1 Details of all registered Intellectual Property, all applications for registration, all unregistered trade and/or service marks comprising part of the Intellectual Property and all other unregistered

Intellectual Property material for the carrying on of the business of the Company or which comprises a significant asset of it are set out in the Disclosure Letter and such particulars are true and accurate in all respects

- 15 2 All Intellectual Property is valid and enforceable, free from any Encumbrances or claims from third parties and all renewal and other fees have been paid when due and all other steps necessary for the maintenance or protection of the registrations or applications have been taken as and when due
- 15 3 All Intellectual Property is legally and beneficially owned by the Company and is used exclusively by it
- 15 4 The Sellers have not received notice that any rights of the Company in the Intellectual Property have at any time been infringed by any third party
- 15 5 So far as the Sellers are aware the processes and methods employed, the services provided, the business conducted and the products manufactured used or dealt with by the Company do not infringe any intellectual property of any third party

16 **INFORMATION TECHNOLOGY**

For the purposes of the warranties in this paragraph 16 "**Computer Systems**" includes all hardware, firmware, peripherals, communication links, storage media, networking equipment and other equipment used in conjunction therewith together with all computer software and all related object and source codes and databases used by or on behalf of the Company

- 16 1 All the Computer Systems used or required to be used by the Company -
 - 16 1 1 are in full operating order and at the date of Completion fulfil the purposes for which they were acquired,
 - 16 1 2 have adequate capacity for the Company's present needs,
 - 16 1 3 have adequate security, back-up systems, duplication, hardware and software support and maintenance (including emergency cover) and trained personnel to preserve the availability, security and integrity of the Computer Systems and the data and information stored on the Computer Systems
- 16 2 The domain names listed in the Disclosure Letter are all the domain names used, or required to be used, in or in connection with the business of the Company as presently carried on and in accordance with the current documented plans of the Sellers for the Company's business (the "Domain Names")

17 **DATA PROTECTION**

- 17 1 The Company has a valid registration under the Data Protection Act 1998 (the "DPA 1998") and has at all times complied with all applicable data protection laws, guidelines and industry standards
- 17 2 The Company has not received any notices from the Information Commissioner (or any equivalent officer) nor has it received any claims from individuals for breach of the DPA 1998 or any relevant analogous legislation in other jurisdictions

18 **EMPLOYEES**

Particulars of Employees

- 18 1 The Disclosure Letter includes details of all of the Employees, and of those individuals to whom the Company has offered employment but whose employment has not yet started
- 18 2 There is attached to the Disclosure Letter the following details for each Employee which are true, complete and accurate -
- 18 2 1 Name,
 - 18 2 2 Age and date of birth,
 - 18 2 3 Sex,
 - 18 2 4 Date of commencement of employment and date of commencement of any period of continuous employment,
 - 18 2 5 Employing Company,
 - 18 2 6 Location,
 - 18 2 7 Position,
 - 18 2 8 Job title or job description,
 - 18 2 9 Holiday entitlement,
 - 18 2 10 Hours per week worked,
 - 18 2 11 Notice entitlement,
 - 18 2 12 Pay review date,
 - 18 2 13 All remuneration and benefits actually provided or which the Company is bound to provide (whether now or in the future) including, but not limited to, details of the following in respect of each Employee
 - (a) wages or salary,
 - (b) overtime pay,
 - (c) commission,
 - (d) allowances,
 - (e) bonus or other profit-sharing or incentive arrangements (whether contractual or not),
 - (f) enhanced redundancy pay,
 - (g) payments payable on termination, breach, suspension or variation of the contract of employment,

- (h) payments or allowances, lump sums or other benefits payable on death or during any periods of sickness or disablement for the benefit of any of the Employees or their dependants,
 - (i) motor vehicle,
 - (j) any benefit schemes, arrangements or understandings operated
- 18 3 Each Employee is employed solely by the Company and not by any other person or jointly with any other person Each Employee is employed exclusively in the business of the Company

Terms and Conditions

- 18 4 Copies of the following are attached to the Disclosure Letter -
- 18 4 1 all standard terms and conditions of employment between the Company and the Employees and details of which terms and conditions apply to each Employee,
 - 18 4 2 all service agreements between the Company and its directors and the terms of engagement for the Company's non-executive directors,
 - 18 4 3 all staff handbooks, policies and procedures (including, without limitation, any disciplinary or grievance policy and procedure and any equal opportunities policies and procedures) which apply to the Employees,
 - 18 4 4 any other written agreement and details of any verbal agreement or arrangement relevant to the Employees (including, for the avoidance of doubt, any collective agreement)

Workers

- 18 5 The Company does not have any -
- 18 5 1 consultants, or
 - 18 5 2 sub-contractors, or
 - 18 5 3 non-executive directors (other than those listed in the Disclosure Letter),
 - 18 5 4 secondees, or
 - 18 5 5 Workers
- and there are no written or verbal contracts or letters of appointment for the same

Termination

- 18 6 The contract of employment of each of the Employees can be terminated without the payment of damages or compensation (other than that payable under statute) by giving three months' notice or less
- 18 7 The Company has not within the last 12 months given or received notice of resignation from any of the Employees and the Company is not aware of any Employee who intends to give notice of resignation

- 18 8 No Employee will be entitled as a result of or in connection with any change of control of the Company or as a result of this Agreement -
- 18 8 1 to terminate his employment with the Company, or
 - 18 8 2 to receive any payment, reward or benefit of any kind, or
 - 18 8 3 to receive any enhancement in or improvement to his remuneration, benefits or terms and conditions of service, or
 - 18 8 4 to treat himself as being dismissed on the ground of redundancy or otherwise released from any obligation to the Company
- 18 9 There has been no change in the numbers or identities of the individuals employed by the Company during the 12 months preceding this Agreement

Changes in Remuneration

- 18 10 There is no contractual or other obligation to increase or otherwise vary the remuneration payable to any Employee
- 18 11 The Company has not within the last 12 months
- 18 11 1 increased or offered or agreed to increase the remuneration of, or
 - 18 11 2 increased or offered or sought to alter any of the terms and conditions of employment of
- any Employee, nor are any negotiations for any such increase or alterations expected or likely to take place within the next 6 months

Accrued and Potential Liabilities

- 18 12 There is no liability, outstanding or contingent or anticipated, to any present or former Employee or Worker other than remuneration accrued for the current wage or salary period or for reimbursement of normal business expenses (in either case in respect of present Employees only)
- 18 13 No present or former Employee or Worker or any applicant for any role in the Company has any -
- 18 13 1 claim, outstanding or contingent or anticipated, against or
 - 18 13 2 right to be indemnified by
- the Company arising out of an act or omission by the Company on or before the date of this Agreement and so far as the Sellers are aware there are no facts or circumstances that might give rise to the same
- 18 14 So far as the Company is aware, none of the present or former Employees is in material breach of his contract of employment with the Company or any other obligation or duty he owes to the Company
- 18 15 No Employee has any current disciplinary sanction in force against him or is the subject of any current disciplinary investigation or procedure (whether under the Company's disciplinary policy, the Employment Act 2002 (Dispute Resolution) Regulations or otherwise), and no Employee has

brought a grievance or otherwise raised a complaint against the Company or any of its employees, officers or workers within the last 2 years (whether under the Company's grievance policy, the Employment Act 2002 (Dispute Resolution) Regulations 2004 or otherwise)

18 16 The Company is not nor has it within the last 2 years been engaged in any dispute, claim or legal proceedings whether arising under common law, contract, statute, pursuant to European Community law or otherwise in relation to any present or former Employee or Worker and as far as the Sellers are aware there is no fact or matter in existence which can reasonably be foreseen as likely to give rise to any such dispute, claim or legal proceedings

18 17 No present or former Employee or Worker has at the date of this Agreement any

18 17 1 accrued rights to holiday pay or to pay in lieu of holidays,

18 17 2 loan or advance or has received any financial assistance from the Company,

18 17 3 outstanding claim under any PHI or medical expenses insurance scheme provided by the Company,

18 17 4 right now or in the future -

(a) to return to work (whether for reasons connected with maternity, paternity, adoption or parental leave or absence by reason of illness or incapacity, secondment or otherwise),

(b) to be reinstated or re-engaged by the Company, or

(c) to any other compensation

18 18 The Company has not received notice that any of the Employees is suffering from or has suffered from within the last 12 months any medical or other condition which impairs his or her ability to continue to perform their employment duties and/or which require any arrangement or adjustment within the workplace

18 19 No arrangements or adjustments have been made, nor so far as the Sellers are aware, need to be made by virtue of the provisions of the Disability Discrimination Act 1995 to any of the Employees

18 20 No Employee has at any time in the last six months exercised a right to request a contract variation under section 80F of the Employment Rights Act 1996

18 21 No Employee has made a protected disclosure for the purposes of the Employment Rights Act 1996 at any time during the last 12 months

18 22 Since 8 April 1976, no Employee has been precluded from joining a pension scheme on the basis of the number of hours he or she works

Restrictive Covenants

18 23 No Employee is currently bound by a restrictive covenant entered into with a former employer or any other business or undertaking

18 24 There is no former employee of the Company who is currently bound by a restrictive covenant enforceable by the Company

Representation, collective issues and disputes

- 18 25 The Company does not have and has never had any agreement or other arrangement, whether oral or written, formal or informal (whether legally binding or not) with any trade union or works council or other body representing Employees or any of them
- 18 26 The Company does not recognise and has received no request to recognise any trade union or works council or other body representing the Employees or any of them
- 18 27 The Company has not within the period of 12 months preceding the date of this Agreement
- 18 27 1 given notice of any redundancies to the Secretary of State or
- 18 27 2 started consultations with any appropriate representative
- under the provisions of Part IV of the Trade Union and Labour Relations (Consolidation) Act 1992, nor has the Company failed to comply with such obligation under that Part
- 18 28 The Company has not within the period of 12 months preceding the date of this Agreement been a party to any relevant transfer as defined in the Transfer of Undertakings (Protection of Employment) Regulations 1981 for the purpose of any transfers of undertakings taking place before 6 April 2006, and in the Transfer of Undertakings (Protection of Employment) Regulations 2006 for the purpose of any transfers or service provision changes taking place on or after 6 April 2006

Compliance

- 18 29 The Company, has in relation to each of its present and former Employees and Workers, and any representatives of such Employees or Workers -
- 18 29 1 complied and continues to comply with all obligations, awards, orders and legally binding recommendations imposed on it or made by or under statute, statutory instrument, European Community law, common law, contract, any collective agreement, the terms and conditions of employment, staff handbook, company policy, any customs and practice and any codes of conduct and practice,
- 18 29 2 complied and continues to comply with any recommendations made by the Advisory Conciliation and Arbitration Service, the Equality and Human Rights Commission or its predecessor bodies, the Central Arbitration Committee or any other bodies with similar functions or powers in relation to employees, and with any arbitration awards and declarations, and
- 18 29 3 maintained and continues to maintain adequate and suitable personnel records (including records of working time) which are now up to date, complete and accurate
- 18 30 The Company has not operated any rolled up holiday pay arrangements in respect of any of its present or former Employees or Workers
- 18 31 The Company is not nor has it been the subject of any enquiry or investigation by the Equality and Human Rights Commission or its predecessor bodies, any health and safety enforcement body or any other statutory or regulatory body in respect of any act, event, omission or other matter relating to any Employee and as far as the Sellers are aware there are no facts which might give rise to the same

18 32 All Employees have leave to enter and remain in the United Kingdom and are entitled to work in the United Kingdom under the Asylum and Immigration Act 1996

19 PENSIONS

19 1 The Company does not have nor may have any obligation (whether or not legally binding) to provide or contribute towards pension, lump sum, death, ill-health, disability or accident benefits in respect of its past or present officers and employees ("Pensionable Employees") and no proposal or announcement has been made to any Employee or officer of the Company about the introduction, continuance, increase or improvement of, or the payment of a contribution towards, any pension, lump sum, death, ill-health, disability or accident benefit

19 2 There are no former schemes which provided any pension, lump sum, death, ill-health, disability or accident benefit in respect of any past or present officers and employees of the Company

19 3 The Company has facilitated access for its Pensionable Employees to a designated stakeholder scheme as required by Section 3 of the Welfare Reform and Pensions Act 1999

20 TAX MATTERS

Tax returns and compliance

20 1 The Company has within the relevant time limits correctly made all returns, given all notices and submitted all computations, accounts or other information required to be made, given or submitted to any Tax Authority and all such returns and other documentation were and are true, complete and accurate

20 2 All claims, elections and disclaimers assumed for the purposes of the Accounts or the returns have within the relevant time limits been correctly made and submitted, and remain valid in all respects and the Disclosure Letter contains full details of any claims, elections, disclaimers, returns or other documentation which need to be submitted to a Tax Authority, where the time limit has not expired at Completion

Deductions and Payments of Tax

20 3 The Company has -

20 3 1 properly deducted and/or withheld from payments made by it all Tax required to be deducted and/or withheld, and

20 3 2 within the relevant time limits paid or accounted for all Tax which it is or was liable to pay or account for (including Tax required to be deducted or withheld from payments)

20 4 The Company is liable to pay corporation tax in instalments for the accounting period which will be current at Completion and the Disclosure Letter contains true, complete and accurate particulars of any instalments of corporation tax paid by the Company or apportioned to the Company under any group payment arrangement for the accounting period beginning immediately after the Accounts Date and the basis for calculating such instalments (including the basis upon which the total corporation tax liability for the accounting period was estimated)

Records

- 20 5 The Company has maintained and is in possession of all records required for Tax purposes and all such records remain true, complete and accurate. In particular, without limitation, the Company has sufficient records -
- 20 5 1 to enable it to calculate any present or, so far as possible, future liability for Tax or its entitlement to any deduction, relief or repayment of Tax, and
- 20 5 2 to enable the accurate analysis of its share capital history, including without limitation, records of all repayments, redemptions or purchases of own share capital (and agreements for the same), the issue of any share capital paid up otherwise than for new consideration, the grant of any options over or rights to acquire share capital, and the capitalisation (or agreement for capitalisation) or any profits or reserves

Penalties, disputes and investigations

- 20 6 The Company is not, nor has it within the last six years been, liable to pay any fine, interest, surcharge or penalty in relation to Tax, nor involved in any dispute with, or the subject of an enquiry or investigation by, a Tax Authority and so far as the Sellers are aware, there are no facts which are likely to cause it to become liable to pay any fine, interest, surcharge or penalty nor to give rise to any such dispute, enquiry or investigation
- 20 7 No enquiry which has been made into a corporation tax return of the Company remains outstanding

Secondary Liabilities

- 20 8 No Tax has been or may be assessed on or required to be paid by the Company where the amount in question is the primary liability of another person, and where such assessment or requirement arises or arose by reason of the failure by any other person to satisfy a Tax liability

Close Company

- 20 9 The Company is a close company for the purposes of United Kingdom Tax but the Company -
- 20 9 1 Is not nor has it ever been a close investment holding company for the purposes of Section 13A ICTA, or
- 20 9 2 has not made any loan to any participator or any associate for the purposes of Section 419 ICTA or provided any payment or benefit to a participator which has or could be treated as a distribution for the purposes of Section 418 ICTA

Residence and Overseas Matters

- 20 10 The Company is, and always has been, resident only in the United Kingdom for Tax purposes (and has never been treated as resident outside the United Kingdom for the purposes of any double tax convention)
- 20 11 The Company is not carrying on nor has it ever carried on any trade or otherwise been liable to Tax other than in the United Kingdom, or is acting or has ever acted as the branch, agent, factor, or tax representative of any person resident outside the United Kingdom for Tax purposes and no such person carries on any trade or business through the Company

Employee Tax

- 20 12 The Company has properly operated the PAYE system and complied with all its obligations in respect of national insurance and has complied with all its reporting, accounting and payment obligations to the relevant authorities in connection with payments (including notional payments) and benefits provided for employees or directors (including former employees and directors) of the Company or others
- 20 13 No employee or director or former employee or director of the Company or any person associated with it holds or has within the last three years held any shares or securities or options over or interests in any shares or securities of the Company

VAT and Indirect Taxes

- 20 14 The Company is registered in the United Kingdom for the purposes of the legislation relating to VAT and is not registered, and is not required to register, in any other jurisdiction in respect of VAT or any similar tax
- 20 15 The Disclosure Letter contains true, complete and accurate details of all companies which are or have been treated as a member of the same group of companies as the Company for the purposes of Section 43 VATA, including details of the representative member of such groups, and neither Section 43(1AA) nor Section 43(2A) has applied or could apply in relation to a member of such groups
- 20 16 The Company -
- 20 16 1 Has not been given any penalty liability notice within Section 64 VATA, any surcharge liability notice within Section 59 or 59A VATA or any written warning within Section 76(2) VATA, and
- 20 16 2 is not required to make payments on account of VAT pursuant to the Value Added Tax (Payments on Account) Order 1993 or to give security to a Tax Authority in relation to VAT or customs or excise duties
- 20 17 The Company (or any "relevant associate" of the Company) has not made an election to waive exemption in respect of the Property pursuant to the provisions of Schedule 10 VATA
- 20 18 The Company does not own any asset which is subject to the capital goods scheme under Part XV of the Value Added Tax Regulations 1995

Chargeable Gains

- 20 19 The amount at which any asset is included in the Accounts and/or the amount of consideration given on the acquisition of any asset by the Company since the Accounts Date, is such that on the disposal of such asset for a consideration equal to such amount (disregarding any statutory right to make any election or to claim any allowance or relief other than one allowable under Section 38 TCGA), no liability to corporation tax in respect of any chargeable gain will arise

Capital Allowances

- 20 20 The value attributed in the Accounts to each asset, or the aggregates of the values attributed to the assets in each pool of assets in respect of which separate computations for capital allowances are required to be made or, as a result of any election, are made, is such that on a

disposal of each such asset or pool of assets on the Accounts Date for a consideration equal to such a value or aggregate value no balancing charge would arise

Intangible Assets

- 20 21 The Company does not own any chargeable intangible assets as defined in Schedule 29 Finance Act 2002

Loan Relationships

- 20 22 All interest, discounts and premiums payable by the Company in respect of its loan relationships (as defined in section 81 Finance Act 1996) are eligible to be brought into account by the Company as a debit for the purposes of Chapter II Part IV Finance Act 1996 at the time and to the extent that such debits are recognised in the statutory accounts of the Company

Stamp Taxes

- 20 23 All instruments executed by the Company which are not subject to stamp duty land tax and by virtue of which the Company has any rights have been duly stamped and, where appropriate, stamped with the particulars delivered stamp by HM Revenue & Customs and the Company has not executed outside the United Kingdom any instrument relating to any property situated or to any matter or thing done, or to be done, in any part of the United Kingdom

- 20 24 No relief from stamp duty previously granted or stamp duty land tax will or may be withdrawn on or in connection with the sale of the Company pursuant to this Agreement

- 20 25 The Company has not -

20 25 1 entered into a contract to purchase any land or an agreement to take a lease of any land which in either case has not been completed by a conveyance or the grant of a lease, or

20 25 2 entered into a land transaction where there will or may be an obligation in the future to make a further land transaction, or

20 25 3 applied to defer payment of stamp duty land tax under section 90 Finance Act 2003

Inheritance Tax

- 20 26 Neither the assets nor the shares of the Company are or may be subject to any charge by virtue of section 237 Inheritance Tax Act 1984, no person has or may have the power under section 212 Inheritance Tax Act 1984 to raise inheritance tax by sale or mortgage of, or a terminable charge on, any of the Company's assets or shares and the Company has not made any transfer of value to which Part IV Inheritance Tax Act 1984 might apply

Anti-avoidance

- 20 27 Neither the Company nor any connected company within the meaning of section 839 ICTA has carried out, been party to, or otherwise involved in any transaction -

20 27 1 which could give rise to a liability to Tax under Part XVII ICTA,

- 20 27 2 where the sole or main purpose or one of the main purposes was the avoidance of Tax or the obtaining of a tax advantage, whether as part of a scheme, arrangement, series of transactions or otherwise, and/or
- 20 27 3 in relation to which the Company considered or was advised that there was a risk of a liability or increased liability to Tax in accordance with principles established in relation to tax avoidance in case law
- 20 28 The Company has not been party to any transaction in respect of which a different amount or value than the amount or value of the actual consideration given or received by the Company should or could be substituted for Tax purposes including, for the avoidance of doubt, any transaction to which any of Sections 770, 770A or Schedule 28AA ICTA do or might apply
- 20 29 The Company has not been party to or otherwise involved in any transaction in respect of which disclosure has been made or is required pursuant to Part 7 Finance Act 2004 or Schedule 11A VATA

Events since Accounts Date

20 30 Since the Accounts Date -

- 20 30 1 the Company has not been involved in any transaction outside the ordinary and normal course of business which has given or could give rise to a Liability to Tax (as defined in the Tax Deed) or would have given rise to such a liability but for the availability of any Relief (as defined in the Tax Deed),
- 20 30 2 the Company has not incurred or become liable to incur, and there is no continuing obligation to pay, any amount which will not be wholly deductible in computing taxable profits, except for capital expenditure qualifying for capital allowances and expenditure on entertainment,
- 20 30 3 the Company has not entered into any transaction which will or may (disregarding any statutory right to make any election or claim any allowance or relief other than one allowable under Section 38 TCGA) give rise to a liability to corporation tax on chargeable gains,
- 20 30 4 nothing has occurred as a result of which the Company could be required to bring a disposal value into account or suffer a balancing charge, or withdrawal of first year allowances or a recovery of excess relief for the purpose of capital allowances, and
- 20 30 5 the Company has not disposed of or otherwise realised any intangible assets for the purposes of Schedule 29 Finance Act 2002 nor been involved in any transaction or arrangement whereby it would be treated as having done so

Groups of companies

- 20 30 6 The Company has not entered or agreed to enter into an election pursuant to section 171A or section 179A of TCGA 1992 or paragraph 66 of Schedule 29 to the Finance Act 2002
- 20 30 7 Completion or any other event since the Accounts Date will not result in any chargeable asset being deemed to have been disposed of and re-acquired by the Company for Taxation purposes pursuant to section 179 of TCGA 1992, paragraphs 58 or 60 of

Schedule 29 to the Finance Act 2002 or as a result of any other Event (as defined in the Tax Covenant) since the Accounts Date

20 30 8 The Company has not ever been party to any arrangements pursuant to section 36 of the Finance Act 1998 (group payment arrangements)

20 30 9 The Company has not been, and is not, required by Schedule 28AA of ICTA 1988 to compute its profits or losses as if an arm's length provision had been made instead of any actual provision

21 **PROPERTY MATTERS**

21 1 The Property is the only premises owned, used or occupied by the Company

21 2 Other than the Property Licence, the Company has not ever been the tenant, licensee, assignee or guarantor of any lease, licence or tenancy agreement

21 3 The Company has never acquired, assigned or otherwise disposed of any freehold or leasehold property in any such way that it retains any residual liability in respect of it

21 4 Since the Accounts Date the Company has not acquired or disposed of, or agreed to acquire or dispose of, or granted any option in respect of, any interest in any land or premises nor will it do so before Completion without the prior written consent of the Buyer

21 5 The Company has no legal or equitable estate or interest in any land or buildings other than its interest in the Property under the Property Licence

22 **ENVIRONMENTAL MATTERS & HEALTH AND SAFETY**

22 1 All environmental and health and safety permits necessary for the carrying on of the activities of the Company at any time have been obtained and the terms and conditions of all environmental permits and so far as the Sellers are aware Health and Safety Laws have been complied with

22 2 At no time has the Seller or the Company had knowledge of and/or received any notice, claim or other communication alleging any contravention of or actual or potential liability under the Health and Safety Laws

**SCHEDULE 4
COMPLETION OBLIGATIONS**

At Completion the Sellers shall deliver or make available to the Buyer the following -

- 1 duly executed transfers of the Shares to the Buyer or as it directs together with the share certificates for all of the Shares (or an express indemnity in a form satisfactory to the Buyer in the case of any missing certificate),
- 2 executed power(s) of attorney in favour of the Buyer or as it directs in the agreed form, and such duly executed waivers or consents as may be required, to give a good title to the Shares to the Buyer or as it directs and to enable the Buyer or other such person to be registered as the holder of the Shares and, pending registration, to exercise all voting and other rights attaching to the Shares,
- 3 letters of resignation from each director and the secretary of the Company in the agreed form,
- 4 a letter of resignation from the auditors of the Company accompanied by a statement under section 394 of the Act in the agreed form together with evidence that any letter required by the Act to be deposited by the auditors at the registered office of the Company has been so delivered pending which the resignation is not effective,
- 5 all the financial and accounting books and records of the Company,
- 6 the statutory books of the Company (duly written up to date as at immediately prior to Completion), its common seal, Certificate of Incorporation and Certificates of Incorporation on Change of Name,
- 7 all documents of title relating to the Intellectual Property and Confidential Information of the Company,
- 8 bank statements together with certificates from Lloyds TSB Bank PLC and Close Brothers certifying the current and deposit account balances of the Company at the close of business on the Business Day preceding Completion,
- 9 the cash book balances of the Company as at Completion with reconciliation statements reconciling such cash book balances with the certificates referred to in paragraph 8,
- 10 bank mandate for the bank accounts of the Company,
- 11 the Tax Deed in the agreed form duly executed by each of the Sellers,
- 12 a copy, certified to be a true copy, of a resolution of CC Limited authorising the execution and completion of this Agreement and the documents referred to in it and authorising the person executing this Agreement to do so on behalf of CC Limited, and
- 13 the Deed of Surrender in the agreed form duly executed by Carroll Insurance Group Limited

**SCHEDULE 5
COMPLETION ACCOUNTS**

- 1 The Completion Accounts shall consist of a balance sheet of the Company as at the close of business on the Completion Date, a profit and loss account of the Company for the period from the Accounts Date up to Completion, a Net Asset Value Statement (the "Net Asset Value Statement") and appropriate notes (so far as are relevant to the ascertainment of the Net Asset Value)
- 2 The Sellers' Accountants shall prepare the draft Completion Accounts within 60 Business Days after Completion and deliver these to the Buyer. The Sellers and the Sellers' Accountants shall be afforded reasonable access to the accounting records of the Company for the purpose of preparing the Completion Accounts. The cost of the Sellers' Accountants in preparing the draft Completion Accounts shall be borne by the Sellers.
- 3 If the Buyer considers that the draft Completion Accounts do not comply in all respects with this Schedule it may within 40 Business Days after delivery to it of the draft Completion Accounts give notice to the Sellers ("Objection Notice") of any adjustments which it considers are required to the Completion Accounts so that they comply with this Schedule. The Sellers shall use reasonable endeavours to procure that the Buyer shall be afforded access to the Sellers' Accountants' working papers for the purpose of considering the draft Completion Accounts, and any such adjustments.
- 4 If the Sellers do not agree to the adjustments proposed in the Objection Notice they shall notify the Buyer accordingly and the Sellers and the Buyer shall within 20 Business Days of the Objection Notice attempt to resolve the points of disagreement or, to the extent that they cannot be resolved, to prepare a joint statement of the adjustments in the Objection Notice which are not agreed and the reasons for the disagreement.
- 5 The adjustments (if any) proposed in the Objection Notice which are not agreed or omitted by agreement at the end of the period referred to in paragraph 4 may be referred by either party to an independent chartered accountant to be agreed between the parties or, in default of agreement within 10 Business Days, to be appointed by the President of the Institute of Chartered Accountants in England and Wales at the instance of whichever party shall first apply to him. The independent accountant shall act as expert and not as arbitrator and shall determine which if any of the adjustments proposed in the Objection Notice (or what lesser adjustments in respect of the matter giving rise to the adjustments proposed in the Objection Notice) should be made to the Completion Accounts so that they comply with this Schedule. Any determination made by the independent accountant shall be final and binding (in the absence of clear or manifest error) on the parties for the purposes of this Agreement.
- 6 The adjustments agreed by the Sellers or determined by the independent accountant (as appropriate) shall be deemed to form part of the Completion Accounts. The Net Asset Value appearing from the Net Asset Value Statement shall be the Net Asset Value for the purpose of any balancing up payment required pursuant to clause 3.
- 7 The Sellers and the Buyer shall procure that their respective accountants (if any) comply with this Schedule. The Sellers shall pay the costs of the Sellers' Accountants and the Buyer shall pay the costs of the Buyer's Accountants. The costs of the independent accountant shall be borne as the independent accountant determines.
- 8 Subject to the specific requirements of Paragraph 9, which shall take priority over the general requirements set out below, the Completion Accounts shall (in order of priority) -

- 8 1 make full provision for all actual, future and contingent liabilities of the Company as at the date of Completion excluding any future cost which relates to the sale and purchase under this Agreement (including but limited to relocation costs and obtaining computer licences),
- 8 2 be prepared under the historic cost convention and in accordance with the requirements of all relevant statutes and generally accepted accounting practices and principles, SSAPs and Financial Reporting Standards,
- ~~8 3 show a true and fair view of the state of affairs of the Company at the date of Completion and the profits (or loss) of the Company for the period from the Balance Sheet Date to the date of Completion,~~ CW
- 8 4 apply and adopt the same bases and policies of accounting as applied or adopted for the purposes of the Accounts, except as provided for by paragraph 9 below
- 9 In preparing the Completion Accounts -
- 9 1 no value shall be attributed to goodwill or any other intangible asset or to fixtures and fittings, vehicles, trade equipment and other tangible fixed assets, excluding land and buildings,
- 9 2 no value shall be attributed to any assets (including in particular any prepayment or debt) except to the extent that (following Completion) the Company will have the benefit of the same,
- 9 3 full provision shall be made for rebates or discounts that will fall due and fees and commissions that will become payable after Completion in either case in respect of sales or other transactions that took place before Completion,
- 9 4 full provision shall be made for the wine account fee commission of £7,718 for the year 2003/2004 that will be received after Completion in respect of sales or other transactions that took place before Completion,
- 9 5 full provision shall be made for any debts due in the ordinary course of trading outstanding at Completion and uncollected thereafter for a period of more than 90 days, excluding payments made by standing order or other instalment payment arrangements. For the avoidance of doubt provision shall be made in respect of any instalment payment that is overdue for payment,
- 9 6 provision shall be made for deferred tax in accordance with ^{FRS 19} ~~normal accounting principles~~, CW
- 9 7 full provision shall be made in respect of any Tax payable by the Company arising before Completion and/or attributable to the period up to and including the Completion Date,
- 9 8 without prejudice to sub-paragraph 9 7 full provision shall be made in respect of any Tax payable ~~either~~ by the Company ~~or an employee~~ in respect of discounts enjoyed by employees, and CW
- 9 9 any Tax in the Completion Accounts shall be calculated on the basis that the Company is not part of the Buyer's Group and remains part of the Group it was a member of prior to Completion

- 8 1 make full provision for all actual, future and contingent liabilities of the Company as at the date of Completion excluding any future cost which relates to the sale and purchase under this Agreement (including but limited to relocation costs and obtaining computer licences),
- 8 2 be prepared under the historic cost convention and in accordance with the requirements of all relevant statutes and generally accepted accounting practices and principles, SSAPs and Financial Reporting Standards,
- 8 3 ~~show a true and fair view of the state of affairs of the Company at the date of Completion and the profits (or loss) of the Company for the period from the Balance Sheet Date to the date of Completion,~~ WB
- 8 4 apply and adopt the same bases and policies of accounting as applied or adopted for the purposes of the Accounts, except as provided for by paragraph 9 below
- 9 In preparing the Completion Accounts -
- 9 1 no value shall be attributed to goodwill or any other intangible asset or to fixtures and fittings, vehicles, trade equipment and other tangible fixed assets, excluding land and buildings,
- 9 2 no value shall be attributed to any assets (including in particular any prepayment or debt) except to the extent that (following Completion) the Company will have the benefit of the same,
- 9 3 full provision shall be made for rebates or discounts that will fall due and fees and commissions that will become payable after Completion in either case in respect of sales or other transactions that took place before Completion,
- 9 4 full provision shall be made for the wine account fee commission of £7,718 for the year 2003/2004 that will be received after Completion in respect of sales or other transactions that took place before Completion,
- 9 5 full provision shall be made for any debts due in the ordinary course of trading outstanding at Completion and uncollected thereafter for a period of more than 90 days, excluding payments made by standing order or other instalment payment arrangements. For the avoidance of doubt provision shall be made in respect of any instalment payment that is overdue for payment,
- 9 6 provision shall be made for deferred tax in accordance with ^{FRS 19} ~~normal accounting principles~~, WB
- 9 7 full provision shall be made in respect of any Tax payable by the Company arising before Completion and/or attributable to the period up to and including the Completion Date,
- 9 8 without prejudice to sub-paragraph 9 7 full provision shall be made in respect of any Tax payable ~~either~~ by the Company ~~or an employee~~ in respect of discounts enjoyed by employees, and WB
- 9 9 any Tax in the Completion Accounts shall be calculated on the basis that the Company is not part of the Buyer's Group and remains part of the Group it was a member of prior to Completion

**SCHEDULE 6
RETAINED CUSTOMERS**

F10162	276	Mr & Mrs S Jeffreys	19/07/2007	18/07/2008	£335 85	£117 16	Solicitors Household
F12259	276	Mr & Mrs J Nelson-Jones	07/05/2008	06/05/2009	£545 57	£192 80	Solicitors Household
F15684	276	Mrs C M Walton	10/12/2007	09/12/2008	£1,049 55	£366 75	Solicitors Household
F11036	276	Mrs L Jeffreys	14/11/2007	13/11/2008	£1,202 94	£406 93	Solicitors Household
F10874	276	Mr G C Dixon	25/06/2008	24/06/2009	£1,365 04	£477 17	Solicitors Household
F05835	276	Mr & Mrs A Fincham	24/03/2008	23/03/2008	£1,368 57	£473 64	Solicitors Household
F10978	276	Mr & Mrs G R Tyler	22/10/2007	21/10/2008	£1,442 60	£504 32	Solicitors Household
F10900	276	Mr J M Innes	01/07/2008	30/06/2009	£1,461 81	£511 04	Solicitors Household
F11290	276	Mr S Morris & Mr P Aitchison	12/08/2007	11/08/2008	£1,483 98	£518 79	Solicitors Household
F10885	276	Mr M J Musgrave	14/06/2008	13/06/2008	£1,849 81	£646 85	Solicitors Household
F13455	276	Mr P Fincham	07/03/2008	06/03/2009	£347 21	£115 74	
F15202	276	Mr D Hunter	05/04/2008	04/04/2009	£1,037 89	£337 28	
F15203	276	Mr D Hunter	05/04/2008	04/04/2009	£1,355 75	£453 77	
F11240	276	Mr F Partridge	05/02/2008	04/02/2009	£1,102 31	£369 29	
F13041	276	Mr D Tredinnick	13/06/2008	12/06/2009	£2,802 12	£935 89	
F21356	276	Mr M J Musgrave	01/08/2008	31/07/2009	£192 12	£65 89	
					£18,943 12	£6,493 31	

**SCHEDULE 7
LIMITATION ON CLAIMS**

1 APPLICATION OF THIS SCHEDULE

- 1 1 Notwithstanding any other provision of this Agreement, the provisions of this Schedule shall operate to limit the liability of the Sellers in respect of any Claim and any claim under the Tax Deed (where expressly provided)
- 1 2 For the purposes of this Schedule 7, the term Claim shall not include any claim made pursuant to the Tax Deed

2 MITIGATION AND RESCISSION

- 2 1 The Buyer shall, and shall procure that the Company shall, take all reasonable steps to avoid or mitigate any loss or liability which may give rise to a Claim
- 2 2 The Buyer agrees that rescission shall not be available as a remedy for any breach of this Agreement and agrees not to claim that remedy

3 LIMITATIONS

- 3 1 The Sellers shall not be liable in respect of a Claim to the extent that
- 3 1 1 the liability arises as a result of the failure by either the Company or the Buyer to act in accordance with the reasonable written request or directions of the Sellers pursuant to the provisions of paragraph 6 of this Schedule in respect of any liability or prospective liability, or
- 3 1 2 the liability arises as a result of or is otherwise attributable wholly or partly to any voluntary act, transaction or omission of the Company or the Buyer or their respective directors, employees or agents on or after Completion otherwise than in the ordinary course of business or pursuant to legally binding obligations of the Company entered into before Completion, or
- 3 1 3 the liability arises wholly or partly out of any act, transaction or omission authorised by or carried out at the written request of the Buyer or any member of the Buyer's Group, or
- 3 1 4 any Claim or the subject matter thereof has been or is made good or is otherwise compensated for (otherwise than by the Buyer or any member of the Buyer's Group), or
- 3 1 5 the liability comprises penalties, charges or interest arising directly or indirectly from any act, transaction or omission of the Buyer or the Company after Completion

4 INSURANCES

- 4 1 If, in respect of any matter which would give rise to a Claim, the Buyer or the Company is entitled to make a claim under any policy of insurance, then no such matter shall be the subject of a Claim and no Claim shall lie unless and until the Buyer or the Company (as the case may be) has made a claim against its insurers. Liability in respect of any such Claim shall then be reduced by the amount recovered under such policy of insurance (less all reasonable costs, charges and

expenses incurred by the Buyer in recovering that sum from its insurers), or extinguished if the amount recovered exceeds the amount of the Claim

- 4 2 The Buyer covenants with the Sellers that it shall for the period set out in Clause 7 9 2 maintain professional insurance cover up to £25 million for errors and omissions for its Group, which shall include, with effect from Completion, cover in respect of the business of the Company

5 RECOVERY FROM THIRD PARTIES

- 5 1 Where the Buyer or the Company is at any time entitled to recover from some other person (not being the Buyer or any member of the Buyer's Group) (a "**Third Party**") any sum in respect of any matter giving rise to a Claim, the Buyer shall take all necessary steps to enforce such recovery before making a Claim

- 5 2 If the Buyer recovers any amount from a Third Party, the amount of the Claim shall then be reduced by the amount recovered (less all reasonable costs, charges and expenses incurred by the Buyer in recovering that sum from such Third Party) or be extinguished if the amount recovered exceeds the amount of the Claim

- 5 3 If the Sellers at any time pay to the Buyer an amount pursuant to a Claim and the Buyer subsequently becomes entitled to recover from a Third Party any sum in respect of the matter giving rise to such Claim, the Buyer shall take all necessary steps to enforce such recovery, and shall repay to the Sellers as soon as possible so much of the amount paid to the Buyer as does not exceed the sum recovered from such Third Party (less all reasonable costs, charges and expenses incurred by the Buyer in recovering that sum from such Third Party)

- 5 4 If any amount is repaid to the Sellers by the Buyer in accordance with paragraph 5 3 of this Schedule 7, an amount equal to the amount so repaid shall for the purposes of this Agreement be deemed never to have been paid by the Sellers to the Buyer

6 CONDUCT OF THIRD PARTY CLAIMS

- 6 1 The Buyer shall inform, or shall procure that the Company shall inform, the Sellers in writing of any claim by any third party (a "**Third Party Claim**") which comes to the notice of the Buyer or any other member of the Buyer's Group whereby it appears that the Sellers are likely to become liable under any Claim within 28 days from the day on which such Third Party Claim comes to the notice of the Buyer or other member of the Buyer's Group provided that a failure to make such a notification shall not preclude or restrict or limit a Claim by the Buyer in respect of the matter concerned

- 6 2 Subject to the Buyer being indemnified and secured to its satisfaction in accordance with paragraph 6 4 of this Schedule 7

6 2 1 The Buyer shall, and shall procure that the Company shall, take such action and give such information and assistance as the Sellers may reasonably request in writing to avoid, dispute, resist, mitigate, compromise or defend any Third Party Claim and to appeal against any judgment given in respect thereof provided such requests are made promptly in sufficient time for action to be taken, and such actions do not have a material adverse effect on the Buyer's Group's business. For the avoidance of doubt the Buyer acknowledges that litigation per se will not necessarily have a material adverse effect on the Buyer's Group's business,

6 2 2 Where agreed between the Buyer and the Sellers, the sole conduct of any legal proceedings of whatsoever nature arising out of any Third Party Claim ("Proceedings")

shall be delegated to the Sellers. For this purpose, the Buyer shall give or procure to be given to the Sellers all such assistance as the Sellers may reasonably require and shall appoint such solicitors and other professional advisers as the Sellers may nominate to act of behalf of the Buyer or the Company in accordance with the Sellers' instructions

6.3 Where Proceedings are delegated to the Sellers in accordance with paragraph 6.2.2 of this Schedule 7

6.3.1 The Sellers shall keep the Buyer fully and promptly informed of the Proceedings, shall consult the Buyer on any matter which is or is likely to be material in relation to any Proceedings and shall take account of all reasonable requirements of the Buyer in relation to such Proceedings, and

6.3.2 The Sellers shall not make any settlement or compromise of the Third Party Claim which is the subject of Proceedings, or agree to any matter in the conduct of such Proceedings which may affect the amount of the liability in connection with such Third Party Claim without the prior approval of the Buyer, such approval not to be unreasonably withheld or delayed and provided always that, in the event of the Buyer refusing approval of such settlement or compromise, the Seller's shall have no liability in respect of any Claim arising therefrom in excess of the figure at which they could have settled or compromised the relevant Third Party Claim. The Buyer shall be liable for any costs incurred since the proposed date of settlement or compromise

6.4 Where the Sellers take over the conduct of any Proceedings pursuant to the provisions of this Schedule, the Sellers shall indemnify and secure the Buyer to its reasonable satisfaction in respect of all costs, charges and expenses reasonably and properly incurred by the Buyer as a consequence of any actions taken at the request of the Sellers pursuant to paragraph 6.2.2 of this Schedule 7

7 CONTINGENT LIABILITIES

7.1 If any Claim arises by reason of some liability of the Company which, at the time such Claim is notified to the Sellers, is contingent only or otherwise not capable of being quantified, the Sellers shall not be under any obligation to make any payment in respect of such breach or Claim unless and until such liability ceases to be contingent or becomes capable of being quantified, provided that such Claim has been notified to the Sellers in accordance with clause 6.9 and legal proceedings have been commenced within 4 months from the end of the time limits in clause 6.9

8 ASSIGNEES

8.1 Any third party which is entitled under the terms of this Agreement to claim against the Sellers or any of them shall be subject to the provisions of this Schedule 7 as if it were the Buyer

SIGNED as a DEED by JONATHAN HARRY)
AYSHFORD LLOYD in the presence of -)

Jonathan Harry

Witness Signature

JBL

Witness Address

1, REDMAYNE DRIVE
CHELMSFORD
ESSEX CM2 9XF

Witness Occupation

ACCOUNTANT

SIGNED as a DEED by)
for and on behalf of)
CARROLL & CARROLL LIMITED)
in the presence of -)

Kevin R. Conroy

Witness Signature

Kevin R. Conroy

Witness Address

1, REDMAYNE DRIVE
CHELMSFORD
ESSEX CM2 9XF

Witness Occupation

ACCOUNTANT

SIGNED as a DEED by)
for and on behalf of)
CARROLL FOLEY LLOYD LIMITED)
in the presence of -)

Witness Signature

Witness Address

SIGNED as a DEED by JONATHAN HARRY)
AYSHFORD LLOYD in the presence of -)

Witness Signature

Witness Address ..

Witness Occupation:

SIGNED as a DEED by .. .)
for and on behalf of)
CARROLL & CARROLL LIMITED)
in the presence of-)

Witness Signature

Witness Address ..

Witness Occupation ..

SIGNED as a DEED by J.H.A. LLOYD)
for and on behalf of)
CARROLL FOLEY LLOYD LIMITED)
in the presence of-)

Handwritten signature

Witness Signature

Witness Address ..

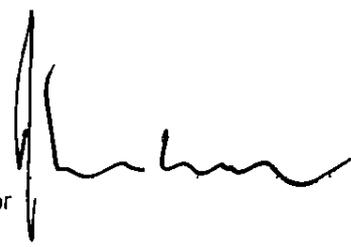
Handwritten signature
1, REDMAINE DRIVE
CHELMSFORD
ESSEX CM2 9XF

Witness Occupation

EXECUTED as a **DEED** by **LYCETTS HOLDINGS LIMITED** acting by two directors or by one director and the company secretary -

)
)
)
)
)

Director



Director/Secretary

