



The assistance is to be given to (note 2) MM&S (5148) Limited (the "Purchaser")

Please do not  
write in this  
margin

Please complete  
legibly, preferably  
in black type, or  
bold block  
lettering

The assistance will take the form of

See Continuation Sheet 2

The person who ~~has acquired~~ (will acquire)<sup>†</sup> the shares is

<sup>†</sup> delete as  
appropriate

the Purchaser

The principal terms on which the assistance will be given are

See Continuation Sheet 3

The amount of cash to be transferred to the person assisted is £ unlimited

The value of any asset to be transferred to the person assisted is £ nil

The date on which the assistance is to be given is within 8 weeks of declaration

Please do not  
write in this  
margin

Please complete  
legibly, preferably  
in black type, or  
bold block lettering

\* delete either (a) or  
(b) as appropriate

~~X~~We have formed the opinion, as regards the company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts (note 3)

(a) ~~X~~We have formed the opinion that the company will be able to pay its debts as they fall due during the year immediately following that date]\* (note 3)

(b) ~~[It is intended to commence the winding up of the company within 12 months of that date, and ~~X~~we have formed the opinion that the company will be able to pay its debts in full within 12 months of the commencement of the winding up]\* (note 3)~~

And ~~X~~we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835

Declared at

LANGHOLM.

Declarants to sign below

*Rdy*  
*S. Hunter*  
                    

on      Day      Month      Year  
3 | 1 | 1 | 0 | 2 | 0 | 0 | 6

before me

*[Signature]*

A Commissioner for Oaths or Notary Public or Justice of the Peace or a Solicitor having the powers conferred on a Commissioner for Oaths

## NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given, if a recipient is a company the registered office address should be shown
- 3 Contingent and prospective liabilities of the company are to be taken into account see section 156(3) of the Companies Act 1985
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form
- 5 The address for companies registered in England and Wales or Wales is  
The Registrar of Companies  
Companies House  
Crown Way  
Cardiff  
CF14 3UZ  
or, for companies registered in Scotland  
The Registrar of Companies  
37 Castle Terrace  
Edinburgh  
EH1 2EB

**EWM (IP) LIMITED****(Registered Number SC285031)****Form 155 (6)(a) – Continuation Sheet 1****LIST OF DIRECTORS**

<b>Director</b>	<b>Home Number</b>
Philip Edward Day	Hayton Hall, Edmund Castle Estate, Corby Hill, Carlisle, Cumbria CA4 8QD
David Oliver Houston	72 Royal Gardens, Sovereigns Gate, Bothwell, Glasgow G71 8SY
Alec Whitaker	Batt House Crosby on Eden, Carlisle, Cumbria CA6 4RA

**EWM (IP) LIMITED**

**(Registered Number SC285031)**

**Form 155(6)(a) – Continuation Sheet 2**

The assistance will take the form of

- 1 a composite debenture by the Company, the Purchaser, The Edinburgh Woollen Mill (Group) Limited, EWM (Financial Services) Limited, EWM Group Limited, EWM Holdings Limited, The Edinburgh Woollen Mill Limited, The Gibson Group (Scotland) Limited and The Heather Mills Company Limited (together the "Group") creating fixed and floating charges over the whole of their assets and undertaking in security for all sums due and to become due by them to the Barclays Bank PLC (the "Security Trustee") as security trustee for the Secured Parties (the "Composite Debenture"),
- 2 an intra group loan agreement between the Purchaser as borrower and the Company, The Edinburgh Woollen Mill (Group) Limited, EWM (Financial Services) Limited, EWM Group Limited, EWM Holdings Limited, The Edinburgh Woollen Mill Limited, The Gibson Group (Scotland) Limited and The Heather Mills Company Limited as lenders (the "Intra Group Loan Agreement"),
- 3 a guarantee in terms of Clause 17 of the Facility Agreement in respect of all sums due and to become due by the Group to the Finance Parties under the Finance Documents (the "Facility Guarantee")

See Continuation Sheet 3 for definitions

## **EWM (IP) LIMITED**

**(Registered Number SC285031)**

### **Form 155(6)(a) – Continuation Sheet 3**

The principal terms on which the assistance will be given are

- 1 Under the Composite Debenture the Company, the Purchaser, The Edinburgh Woollen Mill (Group) Limited, EWM (Financial Services), EWM Group Limited, EWM Holdings Limited, The Edinburgh Woollen Mill Limited, The Gibson Group (Scotland) Limited and The Heather Mills Company Limited (together the “Chargors”) undertake to pay all present and future moneys, debts and liabilities due, owing or incurred by them to any Secured Party under or in connection with any Secured Document (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise) (the “Liabilities”) when due in accordance with its terms or, if they do not specify a time for payment, immediately on demand by the Security Trustee
- 2 Under the Composite Debenture the Chargors charge in favour of the Security Trustee (as trustee for the Secured Parties) with full title guarantee and as security for the payment of the Liabilities (whether of that or any other Chargor)
  - 2 1 by way of first legal mortgage, all freehold and leasehold property in England and Wales and other real property anywhere in the world (in each case including any estate or interest therein, all rights from time to time attached or relating thereto and all fixtures, fittings (including trade fixtures and fittings) and fixed plant, machinery and apparatus excluding in the case of leasehold property landlord’s fixtures (but including other trade fixtures) and excluding in the case of freehold property and leasehold property which is sub let to a third party tenant’s and trade fixtures and fittings of such third party from time to time therein or thereon) excluding Excluded Leasehold Property (the “Real Property”) (including that described in Schedule 3 (*Real Property*) of the Composite Debenture) now belonging to them,
  - 2 2 by way of first fixed equitable charge, all other Real Property now belonging to them and all Real Property acquired by them in the future, and
  - 2 3 by way of first fixed charge
    - 2 3 1 all book and other debts of any nature, and all other rights to receive money (excluding Bank Accounts (as defined below)), now or in the future due, owing or payable to them

and the benefit of all related negotiable instruments, rights, Security, guarantees and indemnities of any kind,

- 2 3 2 all current, deposit or other accounts with any bank or financial institution in which they now or in the future have an interest and (to the extent of their interest) all balances now or in the future standing to the credit of or accrued or accruing on those accounts (the “Bank Accounts”),
- 2 3 3 securities and investments of any kind (including shares, stock, debentures, units, depositary receipts, bonds, notes, commercial paper and certificates of deposit), warrants, options or other rights to subscribe for, purchase or otherwise acquire securities and investments, all rights relating to securities and investments which are deposited with, or registered in the name of, any depositary, custodian, nominee, clearing house or system, investment manager, chargee or other similar person or their nominee, in each case whether or not on a fungible basis (including rights against any such person) and all other rights attaching or relating to securities or investments and all cash or other securities or investments in the future deriving from Investments or such rights, in each case now or in the future owned by them or (to the extent of their interest) in which they now or in the future have an interest (including the shares described in Schedule 4 (*Investments*) of the Composite Debenture), \*
- 2 3 4 uncalled capital and goodwill,
- 2.3 5 all trade marks, service marks, trade names, domain names, logos, get up, patents, inventions, registered and unregistered design rights, copyrights, topography rights, database rights, rights in confidential information and know how, and any associated or similar rights anywhere in the world, which they now or in the future own or (to the extent of their interest) in which they now or in the future have an interest excluding Excluded Intellectual Property (in each case whether registered or unregistered and including any related licences and sub licences of the same granted by them or to them, applications and rights to apply for the same) (including that described in Schedule 5 (*Intellectual Property*) of the Composite Debenture) (the “Intellectual Property”),
- 2 3 6 plant and machinery (except that mortgaged or charged by paragraph (a) or (b) of Clause 3 1 of the Composite Debenture) excluding any of the same for the time being forming part of any Chargor’s stock in trade or work in progress or held under finance lease or hire purchase agreement,

- 2 3 7 (to the extent that they are not subject to an effective assignment under Clause 3 2 (*Assignments*) of the Composite Debenture) all contracts and policies of insurance of any kind now or in the future taken out by or on behalf of them or (to the extent of their interest) in which they now or in the future have an interest, including the Keyman Policies and all related proceeds, claims of any kind, returns of premium and other benefits,
- 2 3 8 (to the extent that they are not subject to an effective assignment under Clause 3 2 (*Assignments*) of the Composite Debenture) all rights under Hedging Documents excluding for the purposes of this paragraph 2 3 8 any Excluded Contract Right, and
- 2 3 9 (to the extent that they are not subject to an effective assignment under Clause 3 2 (*Assignments*) of the Composite Debenture) all rights under the Assigned Contracts, excluding for the purposes of this paragraph 2 3 9 any Excluded Contract Right
- 3 Pursuant to the Composite Debenture each Chargor, with full title guarantee, assigns absolutely to the Security Trustee all its present and future right, title and interest in and to
- 3 1 any Hedging Documents including all moneys payable to that Chargor and any claims, awards and judgments in favour of receivable or received by that Chargor under or in connection with or pursuant to any Hedging Document,
- 3 2 each of the Keyman Policies and all proceeds in respect of those Keyman Policies and all benefits of those Keyman Policies (including all claims relating to, and all returns of premium in respect of, those Keyman Policies), and
- 3 3 the Assigned Contracts, including all moneys payable to that Chargor, and any claims, awards and judgments in favour of receivable or received by that Chargor, under or in connection with or pursuant to any Assigned Contract



- 4 Pursuant to the Composite Debenture each Chargor, with full title guarantee and as security for the payment of all Liabilities (whether of that or any other Chargor), charges in favour of the Security Trustee by way of first floating charge its undertaking and (i) all its assets, both present and future (including assets expressed to be charged by Clause 3 (*Fixed charges and Assignments*)) of the Composite Debenture situated outside Scotland or governed by a body of law other than Scots law and (ii) all of its assets situated in Scotland or otherwise governed by Scots law
- 5 Pursuant to the Composite Debenture the Security Trustee may convert the floating charge over all or any of the Charged Assets into a fixed Charge by notice to the relevant Chargor specifying the relevant Charged Assets (either generally or specifically)
- 5 1 if it considers it desirable to do so in order to protect or preserve the Charges over those Charged Assets and/or the priority of those charges, and/or
- 5 2 while an Enforcement Event is continuing
- 6 Pursuant to the Composite Debenture if
- 6 1 any Chargor takes any step to create any Security in breach of Clause 5 1 (*Security*) of the Composite Debenture over any of the Charged Assets not subject to a fixed Charge, or
- 6 2 any person takes any step to effect any expropriation, attachment, sequestration, distress or execution against any of those Charged Assets,
- the floating Charge over the relevant Charged Assets shall automatically and immediately be converted into a fixed Charge
- 7 Pursuant to the Composite Debenture no Chargor shall create or permit to subsist any Security over any Charged Asset, nor do anything else prohibited by clause 21 3 (*Negative pledge*) of the Facility Agreement, except as permitted by that clause
- 8 Pursuant to the Composite Debenture no Chargor shall (nor shall any Chargor agree to) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, license, sub license, transfer or otherwise dispose of any Charged Asset except as permitted by clause 21 4 (*Disposals*) of the Facility Agreement
- 9 Each Chargor shall promptly do whatever the Security Trustee requires
- 9 1 to perfect or protect the Charges or the priority of the Charges, or
- 9 2 to facilitate the realisation of the Charged Assets or the exercise of any rights vested in the Security Trustee or any Receiver,

including executing any transfer, conveyance, charge, assignment or assurance of the Charged Assets (whether to the Security Trustee or its nominees or otherwise), making any registration and giving any notice, order or direction

- 10 Under the terms of the Facility Guarantee each Guarantor irrevocably and unconditionally jointly and severally
- 10 1 guarantees to each Finance Party punctual performance by each Chargor of all that Chargor's obligations under the Finance Documents,
- 10 2 undertakes with each Finance Party that whenever a Chargor does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor, and
- 10 3 indemnifies each Finance Party immediately on demand against any cost, loss or liability suffered by that Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal The amount of the cost, loss or liability shall be equal to the amount which that Finance Party would otherwise have been entitled to recover
- 11 Under the terms of the Intra Group Loan Agreement the Company, The Edinburgh Woollen Mill (Group) Limited, EWM (Financial Services) Limited, EWM Group Limited, EWM Holdings Limited, The Edinburgh Woollen Mill Limited, The Gibson Group (Scotland) Limited, and The Heather Mills Company Limited as lenders (the "Lenders") grant to the Purchaser as borrower loan facilities in such amounts as may be required from time to time to enable the Purchaser to pay any amount due to the Lenders under the Facility Agreement and such other purposes as the relevant Lender may agree

In this form 155(6)(a),

<b>"Accession Letter"</b>	means a document substantially in the form set out in Schedule 6 ( <i>Form of Accession Letter</i> ) to the Facility Agreement,
<b>"Affiliate"</b>	means Barclays Bank PLC,
<b>"Agent"</b>	means Barclays Bank PLC,
<b>"Ancillary Lender"</b>	means Barclays Bank PLC,
<b>"Ancillary Facility"</b>	means any overdraft, guarantee, letter of credit and/or other ancillary facilities of up to (in aggregate) £15,000,000 made

	available by the Ancillary Lender,
<b>“Ancillary Facility Documents”</b>	means any document setting out the terms of an Ancillary Facility,
<b>“Arranger”</b>	means Barclays Capital, the investment banking division of Barclays Bank PLC,
<b>“Charged Assets”</b>	means the assets from time to time subject, or expressed to be subject, to the Charges or any part of those assets,
<b>“Charges”</b>	means all or any of the Security created or expressed to be created by or pursuant to the Composite Debenture,
<b>“Enforcement Event”</b>	means <ol style="list-style-type: none"> <li>1 an event of default or early termination event (howsoever described in each of the Finance Documents and/or the Hedging Documents), and</li> <li>2 any demand by the Ancillary Lender for the repayment of outstandings under an Ancillary Facility and/or the provision of cash cover in respect of any contingent liabilities of the Ancillary Lender under an Ancillary Facility where repayment is not made and/or cash cover is not provided within 7 days of such demand,</li> </ol>
<b>“Excluded Contract Right”</b>	means any contract in which any Chargor has an interest pursuant to any licence or other agreement the terms of which preclude absolutely the Chargor from assigning or creating any charge over its interest in such contract or require the consent of any third party prior to the making of such assignment or the creation of such charge until the relevant consent shall have been obtained,
<b>“Excluded Intellectual Property Rights”</b>	means any Intellectual Property in which any Chargor has an interest pursuant to any licence or other agreement the terms of which preclude absolutely the Chargor from assigning or creating any charge over its interest in such Intellectual Property or require the consent of any third party prior to the making of such assignment or the creation of such charge until the relevant consent

shall have been obtained,

**“Excluded Leasehold Property”**

means any leasehold property held by any Chargor under a lease the terms of which preclude absolutely the Chargor from creating any charge over its leasehold interest in such property or require the consent of any third party prior to the creation of such charge until the relevant consent shall have been obtained,

**“Facility”**

means the revolving loan facility made available under the Facility Agreement as described in Clause 2 (*The Facility*) of the Facility Agreement but shall exclude, for the avoidance of doubt, any Ancillary Facility,

**“Facility Agreement”**

means the facility agreement dated 31 October 2006 between, *inter alia*, the Chargors as borrowers and guarantors, the Arranger, the Lenders named in that agreement and Barclays Bank PLC as Agent and as Security Trustee,

**“Finance Document”**

means

- 1 the Facility Agreement,
- 2 the Mandate Letter,
- 3 any Accession Letter,
- 4 any Resignation Letter,
- 5 any Security Document,
6. the Hedging Letter,
- 7 a Transfer Certificate, and
- 8 any other document designated as such by the Agent and the Purchaser,

**“Finance Party”**

means the Agent, the Security Trustee, the Arranger or a Lender

**“Guarantor”**

means the companies listed in Part 1 of Schedule 1 of the Facility Agreement and any company which becomes an additional guarantor in accordance with Clause 24 of the Facility Agreement,

<b>“Hedging Bank”</b>	means a Lender (or an Affiliate of a Lender) in its capacity as a party under the Hedging Documents and which is a party to the Facility Agreement or which has acceded to the Facility Agreement pursuant to Clause 24.7 ( <i>Accession of Hedging Banks</i> ) of the Facility Agreement,
<b>“Hedging Documents”</b>	means the documents entered into between a member of the Group and the Hedging Bank for the purpose of implementing the hedging strategy required by the Hedging Letter,
<b>“Hedging Letter”</b>	means a letter dated on or about the date of the Facility Agreement between the Arranger and the Purchaser setting out the hedging strategy agreed in relation to the revolving loan facility made available under the Facility Agreement,
<b>“Keyman Policies”</b>	means the life assurance policies incorporating death and critical illness cover on terms satisfactory to the Agent for each of Philip Day, Alec Whitaker and David Houston,
<b>“Lender”</b>	means <ol style="list-style-type: none"> <li>1 any Original Lender, and</li> <li>2 any bank, financial institution, trust, fund or other entity which has become a party to the Facility Agreement in accordance with Clause 23 (<i>Changes to the Lenders</i>) of the Facility Agreement,</li> </ol> <p style="margin-left: 40px;">which in each case has not ceased to be a party in accordance with the terms of the Facility Agreement;</p>
<b>“Mandate Letter”</b>	means the letter dated 9 October 2006 between the Purchaser, the Arranger and Barclays Bank PLC as underwriter relating to amongst other things, the primary syndication of the Facility and set out the fees referred to in Clauses 11.2 ( <i>Arrangement fee</i> ) and 11.3 ( <i>Agency and Security Trustee fee</i> ) of the Facility Agreement,
<b>“Obligor”</b>	means a Chargor or a Guarantor,
<b>“Original Lender”</b>	means the financial institutions listed in Part II of Schedule 1 to the

Facility Agreement,

<b>“Receiver”</b>	means a receiver and manager or other receiver appointed in respect of the Charged Assets and shall, if allowed by law, include an administrative receiver;
<b>“Resignation Letter”</b>	means a document substantially in the form set out in Schedule 7 ( <i>Form of Resignation Letter</i> ) of the Facility Agreement,
<b>“Scottish Property”</b>	means a property listed in Schedule 11 ( <i>Properties</i> ) of the Facility Agreement that it situated in Scotland;
<b>“Secured Documents”</b>	means the Finance Documents, the Hedging Documents and the Ancillary Facility Documents,
<b>“Secured Party”</b>	means the Finance Parties, the Ancillary Lender and the Hedging Bank,
<b>“Security”</b>	means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect,
<b>“Security Document”</b>	means <ol style="list-style-type: none"><li>1 the Composite Debenture,</li><li>2 any Standard Security, and</li><li>3 any other security document that may at any time be given as security for any of the Liabilities pursuant to or in connection with any Finance Document,</li></ol>
<b>“Standard Security”</b>	means a standard security entered into or to be entered into by an Obligor in favour of the Security Trustee in respect of a Scottish Property,
<b>“Subsidiary”</b>	means a subsidiary within the meaning of section 736 of the Companies Act 1985 and, for the purposes of Clause 20 ( <i>Financial Statements</i> ) and in relation to financial statements of the Group, a subsidiary undertaking within the meaning of section 258 of the Companies Act 1985,

**“Transfer Certificate”** means a certificate substantially in the form set out in Schedule 5 (*Form of Transfer Certificate*) of the Facility Agreement, or any other form agreed between the Agent and the Purchaser



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**Private & confidential**

The Directors  
EWM (IP) Limited  
Waverley Mills  
Langholm  
Dumfriesshire  
DG13 OEB

Our ref ca/sm/149

31 October 2006

Dear Sirs

**Auditors' report to the directors of EWM (IP) Limited (the "Company") pursuant to Section 156(4) of the Companies Act 1985**

We have examined the attached statutory declaration of the directors dated 31 October 2006 in connection with the proposal that the Company should give financial assistance for the purchase of the entire issued ordinary shares of its holding company, The Edinburgh Woollen Mill (Group) Limited

This report is made solely to the Company's directors as a body in accordance with section 156(4) of the Companies Act 1985. Our work has been undertaken so that we as the Company's auditors might state to the Company's directors those matters we are required to state to them in a report under section 156(4) of that Act and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's directors as a body for our work under section 156(4) of that Act or for this report.

We have enquired into the state of the Company's affairs in order to review the bases for the statutory declaration.

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in Section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances.

Yours faithfully

*KPMG LLP*

KPMG LLP  
Registered Auditor