

WE HEREBY CERTIFY THIS TO BE A TRUE COPY OF THE ORIGINAL

Hague Lambert

TH

DATED

30 July

1999

MR. P. E. PEARCE AND MR. T. J. WORRALL

and

SMCS INTERNATIONAL LIMITED

3042854

AGREEMENT FOR THE MERGER
OF SMCS INTERNATIONAL LIMITED
AND REP CONSULTANTS LIMITED

Hague Lambert
Solicitors
Artillery House
15 Byrom Street
Manchester M3 4PF

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THIS SHARE PURCHASE AGREEMENT is made the _____ day of _____

BETWEEN:-

- (1) **PETER EDWARD PEARCE** of 3 Hunters Court Helsby Warrington
WA6 9LR and **TIMOTHY JOHN WORRALL** of Linden Cottage The Hurst
Kingsley Cheshire WA6 8BB ("the Vendors") and
- (2) **SMCS INTERNATIONAL LIMITED** of The Maltings 100 Wilderspool Causeway
Warrington WA4 6PU ("the Purchaser") and
- (3) **THE PERSONS** whose names and addresses are set out in the First Schedule
hereto ("the Shareholders")



RECITALS:-

- (A) This is an Agreement providing for the merger of the Purchaser and the Company.
- (B) Particulars of the Company are set out in the Second Schedule hereto.
- (C) Following the implementation of the matters herein contained the Company will become a wholly owned subsidiary Company of the Purchaser.
- (D) Upon completion of the matters set out in this Agreement the Shareholders will enter into a Deed in the form set out in the Third Schedule hereto.

IT IS AGREED as follows:-

- 1.1 On the 1st September 1999 ("the Completion Date") the Purchaser will acquire from the Vendors the shares set out opposite the names of the Vendors in the Second Schedule in exchange for the shares ("the Consideration Shares") in the Purchaser set out in the Second Schedule in each case free from all claims liens charges options pre-emption rights and encumbrances and together with all

rights now or at any time hereafter attaching thereto or arising therefrom.

- 1.2 The Purchaser will not be obliged to complete the purchase of any of the shares unless the purchase of all the shares is completed simultaneously nor will the Vendors be obliged to sell the shares unless all the shares are purchased by the Purchaser.
- 1.3 Each of the Vendors hereby waives all rights of pre-emption howsoever occurring in respect of the shares or any of them.

The Consideration

- 2.1 The consideration for the shares will be apportioned between the Vendors in the manner referred to in the Second Schedule and will be satisfied by the issue and allotment of the Consideration Shares.
- 2.2 The Consideration Shares will rank pari passu in all respects with the existing ordinary shares in the capital of the Purchaser.

The Warranties

- 3.1 The Vendors hereby represent and warrant to the Purchaser in the terms of the warranties set out in the Fourth Schedule.
- 3.2 The Purchaser hereby represents and warrants to the Vendors in the terms of the warranties set out in the Fifth Schedule.
- 3.3 The parties agree that if the warranties were repeated on the Completion Date they would be true and accurate.
- 3.4 The warranties are subject to the matters expressly disclosed by one party to another details of which disclosures are set out in the Sixth Schedule.
- 3.5.1 If as a result of a breach of any of the warranties the Purchaser or the Company is worth less than it would otherwise have been then either party may by notice

to the other require that party to make good the diminution in value or loss occasioned by such breach.

3.5.2 If the parties cannot agree the quantum of any claim under sub clause 3.5.1 then either party may request the President of the Manchester Law Society to appoint an expert ("the Expert") to determine such quantum. The Expert shall be entitled to call for such papers as may be relevant and to take such representations from the parties as he shall decide. His determination shall be final and binding on the parties and such amount together with such costs as he shall award shall be paid by the responsible party by 24 equal monthly payments commencing 14 days after the issue of his award.

3.6 Neither party shall have any claim under the Warranties where such individual claim does not prima facie exceed £1,000.00 and unless and until the aggregate of all such claims shall exceed £5,000.00.

3.7 No claim shall lie under the Warranties unless a claim has been notified within a period of 2 years from the Completion Date.

3.8 The parties further agree that if the Landlord of the premises occupied by the Company shall pursue any claim for dilapidations then the Purchaser shall pay the first £5,000.00 of such claim but any amount over such figure shall be paid by the Vendors.

Matters Pending Completion

4.1 The Vendors and the SMCS Shareholders (as defined in the First Schedule) will ensure that between the date hereof and the Completion Date they on behalf of or the Company or the Purchaser will not:-

4.1.1 enter into any unusual or onerous or long term contract or do

- anything outside of the ordinary course of trading or
- 4.1.2 create any mortgage charge debenture or other security over the Company's or the Purchasers assets or
 - 4.1.3 create or issue any share or loan capital or
 - 4.1.4 enter into any capital commitment in excess of a value of £5,000.00 or
 - 4.1.5 pass any resolution in general meeting or make any alteration to the Memorandum or Articles of Association of the Company or the Purchaser.
 - 4.1.6 depart from the ordinary course of its day to day business or
 - 4.1.7 pay or agree to pay to its directors or officers or shareholders or any of them any remuneration or other emolument or benefit other than those normally and historically paid unless disclosed under the terms of the Sixth Schedule or
 - 4.1.8 acquire any asset on hire purchase credit or other deferred terms or
 - 4.1.9 dispose of any material part of its fixed assets (with the exception of the Lease of the Company's property) or
 - 4.1.10 permit any liens or charges or other encumbrance to arise on any of its assets or
 - 4.1.11 permit any of its insurances to lapse or do anything which would make such insurances void or voidable or
 - 4.1.12 incur or agree to incur any revenue expenditure which is abnormal or unusual in amount or nature or

4.1.13 do or permit or procure to be done any act or omission which would constitute a breach of any of the warranties.

4.2 If any of the terms and conditions or warranties in this Agreement contained are not complied with or have been broken at the Completion Date then the party not in default may by notice to the other forthwith terminate this Agreement and thereafter neither party shall be under any further liability to the other. This remedy shall only be available up to the Completion Date and thereafter any breach of Warranty shall be satisfied by a cash payment as herein provided for.

Completion

5.1 Completion shall take place at the office of the Purchasers on the Completion Date when the business described in Schedule 7 will be transacted.

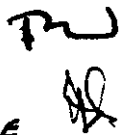
5.2 If any of the Vendors or the Purchaser is unable to comply with any of its respective obligations on the Completion Date then either party may:-

5.2.1 defer completion until a date not more than 14 days after the Completion Date or

5.2.2 proceed to completion insofar as practicable but without prejudice to the electing party's rights to require compliance with any defaults or

5.2.3 rescind this Agreement.

Mr. D. Stickley

6.1 The Purchaser acknowledges that the Company through **R.F. PEARCE**  has established a relationship with Dennis Stickley (DS) an extremely well connected individual throughout the international motor industry the city and the wider world of finance. The Company is currently and will be in the future working on a number

of projects which could generate fees after completion. These projects are highly confidential and sensitive the route to them is not always direct.

- 6.2 So that any introduction that can be traced back to (DS) or is connected with him be it by joint venture or through a third party shall be split between the parties to this agreement in accordance with the provision of the Eighth Schedule hereto.

Service Contracts

- 7.1 It is agreed between the parties hereto that the existing service contract of Mr. Peter Edward Pearce details of which are set out in the Ninth Schedule hereto shall from the Completion Date be the responsibility of the Purchaser as modified by the document attached hereto marked "PEP2"
- 7.2 On the Completion Date the Company will grant to Mr. Timothy John Worrall a service contract in the form set out in the Ninth Schedule hereto.

Mr. R. E. Pearce

- 8.1 The Purchaser will appoint R E Pearce trading as Wirral Associates as a Close Associate with effect from the 1st September 1999 on a fixed term contract which will expire on 31st December 2000, the contract will then be renewable at the option of both parties for a period of a further 12 months. The Purchaser will pay commission as set out in the Tenth Schedule hereto.
- 8.2 As a Close Associate of the Purchaser, Mr. Pearce will adhere to the terms and conditions of the Associate Agreement contract revision dated 4th December 1998.
- 8.3 Existing contracts or contacts (which are listed in the Tenth Schedule) will be completed under the agreement in force between Mr. Pearce and the Company

as amended and set out in the Tenth Schedule.

- 8.4 During the term of the contract Mr. Pearce also undertakes to introduce all clients to the Purchaser so that an effective hand-over of contacts can take place at the end of the fixed-term contract although for the avoidance of doubt Mr. Pearce will continue to be paid at the rates set out in the Tenth Schedule for any business introduced either before or during the tenure of this agreement.

Confidentiality

9. The parties hereto will at all times keep entirely private and confidential the terms of this Agreement and in particular will not mention or reveal to any third party the names of the Clients or prospective Clients referred to in the Agreements in Schedules 8 and 10 hereof.

Indemnity

10. The parties hereto recognise that their respective methods of remunerating Directors, Shareholders employees consultants and others has involved gross payments to such persons on the basis they were treated as self employed for all revenue purposes. If after the date hereof the Company or the Purchaser shall be required to pay any taxes, national insurance or other statutory payment arising out of such arrangements prior to the date hereof then either the SMCS shareholders (in the case where such claim arises out of the Purchasers prior dealings) or the Vendors (in the case where such claim arises out of the Company's prior dealings) shall indemnify the Purchaser against all such claims by refunding to the Purchaser the amount required to be paid.

Announcements


11. All announcements and circulars made published or issued by or on behalf of

the parties and relating to the Company or the matters herein contained will only be issued at the times and in terms agreed by the Purchaser.

Costs and Expenses

12. All costs and expenses incurred by or on behalf of the parties in connection with this Agreement and all stamp duties (if any) arising out of the matters herein contained will be borne by the Purchaser.

Modification and Releases

13. No purported variation of this Agreement will be effective unless made in writing and signed by and on behalf of ^{ALL -} ~~the~~ parties. 

Entire Agreement

14. This Agreement and the deeds and documents referred to herein shall comprise the entire agreement and understanding between the parties and the Schedules hereto shall form part of this Agreement and shall have such full force and effect as if they were expressly set out in the body of this Agreement.

Notices and Consents

15. To be effective all notices consents approvals waivers and requests relating to this Agreement must be in writing and may be delivered personally or sent by first class recorded delivery post or facsimile transmission to the party to be served at its office or address noted in this Agreement and it shall be sufficient in the case of personal delivery that such was made by an individual or by post that the envelope containing such notice was properly addressed as a pre-paid first class letter or if by facsimile transmission that a confirmation note be produced showing such transmission was successful. A notice will be deemed to have been served if delivered personally at the time of delivery or if posted

within 48 hours after the day of posting or by facsimile transmission within 1 hour of sending.

IN WITNESS whereof the parties hereto have executed this Agreement as a Deed the day and year first before written.

THE FIRST SCHEDULE

Name

IAN BRUCE SCOTT	Beech House, Hinderton Road, Neston, Wirral
RAYMOND HOWARD	8 Barnwood Close, Grappenhall, Warrington
KEITH ROWE	2 Springfields, Cuddington, Cheshire.
SUSANNE JANE BRIERLEY	19 Meadowcroft, Higher Kinnerton, Flintshire.
ALAN ARTHUR WATSON	Jenny Heyes, Heyes Lane, Alderley Edge, Cheshire
(the above being herein referred to as the SMCS Shareholders)	
PETER EDWARD PEARCE	3 Hunters Court, Helsby, Warrington,
TIMOTHY JOHN WORRALL	Linden Cottage, The Hurst, Kingsley, Cheshire.

THE SECOND SCHEDULE

Details of the Company

REP Consultants Limited	
Registration No.	1251640
Date of Incorporation	26 March 1976
Authorised and Issued Share Capital	10,000 £1.00 Ordinary Shares
Directors	P. E. Pearce, T. J. Worrall
Secretary	T. J. Worrall
Auditors	Downham Train Epstein
Registered Office	Station House Station Avenue Helsby
Accounting Reference Date	31st August
Bankers	Bankers - Barclays Bank
Debentures, Mortgages, Charges	Barclays Bank Plc 21.5.1999, 9.1.1997

Shares in the Company

Consideration Shares

P. E. Pearce	328 Ordinary Shares	80 Ordinary Shares
T. J. Worrall	764 Ordinary Shares	186 Ordinary Shares

THE THIRD SCHEDULE

The Shareholders Agreement

THIS SHAREHOLDERS AGREEMENT is made the day of 1999

BETWEEN:-

1. **IAN BRUCE SCOTT** of Beech House Hinderton Road Neston Wirral
2. **RAYMOND HOWARD** of 8 Barnswood Close Grappenhall Village Grappenhall Warrington.
3. **KEITH ROWE** of 2 Springfields Cuddington Cheshire
4. **SUSANNE JANE BRIERLEY** of 19 Meadowcroft Higher Kinnerton Flintshire.
5. **ALAN ARTHUR WATSON** of Jenny Heyes, Heyes Lane Alderley Edge Cheshire.
6. **PETER EDWARD PEARCE** of 3 Hunters Court Helsby Warrington Cheshire
7. **TIMOTHY JOHN WORRALL** of Linden Cottage The Hurst Kingsley Cheshire

WHEREAS:-

- (A) SMCS International Limited ("the Company") was incorporated in England on the 6th day of April 1995 as a private company under the Companies Act 1985 with number 3042854.
- (B) At the date of this Agreement the Company has an authorised share capital of £10,000.00 divided into 100,000 Ordinary Shares of 10p each which are owned beneficially by the parties herein in the proportion set out against their names

in the First Schedule.

- (C) The parties hereto (herein called the Shareholders) have agreed to enter into this Agreement for the purposes of the future conduct of the affairs of the Company and other matters as herein contained.

NOW IT IS HEREBY AGREED as follows:-

Important Management Decisions

- 1 The Shareholders shall exercise their powers of control over the Company (whether as Shareholders or as directors) so as to procure that without the prior written consent of the Shareholders holding at least 77.5% of the shares in the Company and save as provided in this Agreement no resolution decision or action will be passed made or taken by the Company or any director employee or agent of the Company after the date hereof whereby the Company or any director employee or agent of the Company do any of the following:-
 - (a) create any fixed or floating charge, or other encumbrance over the whole or any part of its undertaking property and/or assets.
 - (b) make any loan or advance or give credit (other than normal trade credit)
 - (c) give any guarantees, indemnity or other security of whatsoever nature for any borrowing or other obligations of the Company.
 - (d) give any guarantees or indemnity or other security of whatsoever nature to secure the liabilities or obligations of any person.
 - (e) sell transfer lease assign or otherwise dispose of any part of its undertaking property and/or assets (or any interest therein) or contract so to do save in the ordinary course of trade.
 - (f) acquire purchase or subscribe directly or indirectly for any shares

debentures mortgage securities interest in land or any other assets (or any interest in any of the foregoing).

- (g) issue or grant an option over any unissued shares for the time being in the capital of the Company or create or issue any new shares or debentures or other securities convertible into shares or debentures.
- (h) increase the authorised share capital of the Company or consolidate subdivide or convert any of the Company's share capital or in any way alter the rights attaching hereto.
- (i) issue renounceable allotment letters or permit any person entitled to receive an allotment of shares to nominate another person to receive such allotment.
- (j) give to anyone whomsoever any material pension commission gratuity allowance director's fee emolument payment of compensation for loss of office or any other payment to any director or vary the remuneration or emoluments of any director.
- (k) create any share option scheme or share purchase scheme or grant any rights under the terms of any such agreed scheme of any nature whatsoever.
- (l) enter into any merger partnership or profit sharing agreement with any other person
- (m) enter into any merger contract or transaction otherwise than in the ordinary course of business on a bona fide arms length basis.
- (n) reduce the share capital of the Company.
- (o) compromise or release any debt owing to the Company.

- (p) other than in the ordinary course of business enter into any contract agreement arrangement commitment or otherwise that incurs or is capable of incurring a liability to the Company except as provided for by sub-clause (q)
- (q) commence legal proceedings save if it is in the best interests of the Company to commence legal proceedings against a member of the Company the consent of that member to commence legal proceedings will not be required.
- (r) alter the provisions of its memorandum of articles of association or pass any resolution for winding up.
- (s) change the nature or scope of its business or commence any new business not being ancillary to its business carried on in the normal course.
- (t) engage any senior employee or increase the remuneration of any existing employee by more than 15% per annum.
- (u) take or agree to take any leasehold interest in or licence over land
- (v) create or acquire any subsidiary or associated company.

Shareholders Cash Reserves

- 2.1 The Shareholders acknowledge that at the date hereof the Company has cash reserves totalling [£] which it is agreed shall belong to the SMCS Shareholders (as defined in the First Schedule hereto) but which shall not be paid to them otherwise than at the times herein agreed.
- 2.2,1 Any monies due to a SMCS Shareholder shall not be withdrawn prior to the expiration of a period of 2 years from the date hereof.

- 2.2.2 After the expiration of the said 2 year period any SMCS Shareholder may give notice to the Company that he desires to withdraw the whole or part of the monies due to him at the expiration of a period of 3 months from the giving of such notice.
- 2.2.3 The parties hereto shall procure that the Company do repay such amount requested by instalments not exceeding £20,000.00 per annum
- 2.3 If there is a requirement to fix the fair value of an individual Shareholders shares pursuant to the Articles of Association of the Company, the said sum of [£] shall be deducted in any valuation of the Companys assets.
- 2.4 Upon the transfer of the whole of any shares in the Company held by any individual SMCS Shareholder pursuant to the Articles of Association of the Company then upon completion of such transfer there shall be paid by the Company to such Transferor any balance of any cash sum then due to such Transferor less any taxes required to be paid thereon by the Company by the instalments provided for under sub clause 2.2.3
- 2.5 The amount due to each SMCS shareholder at the date hereof is set out in the First Schedule hereto.

Restraint Provisions

- 3.1 Each of the shareholders covenants with the other that save as required by law they will not hereafter divulge or communicate to any person or make use of for their own benefit or for the benefit of others or to the detriment of the Company any of the trade secrets or other confidential information of the Company save that which may have come into the public domain without any act or default on the part of any shareholder and this restriction shall apply during the term of this

Agreement and at all times thereafter.

- 3.2 Each of the shareholders covenants with the other that whilst they shall remain a shareholder of the Company they will not without the consent of the Board of Directors of the Company on their own behalf or in any other capacity be interested in or engaged in any business in competition with the business of the Company.
- 3.3 Each of the shareholders covenants with the other that they will not for a period of 12 months after the date upon which they cease to be a shareholder in the Company either on their own behalf or in conjunction with any other person solicit in competition with the Company any Client of the Company who has been such a Client during the period of 12 months prior to such shareholder ceasing to be a shareholder in the Company.
- 3.4 Each of the Shareholders covenants with the others that they will not for a period of 12 months after the date on which they cease to be a shareholder solicit the employment or engagement of any person who has been an employee of or consultant with or to the Company whether directly or indirectly during the 12 month period prior to such shareholder ceasing to be a shareholder of the Company.
- 3.5 The restrictions contained in this clause are considered reasonable by the shareholders in all respects but if they are held to be unreasonable or void in some parts which if deleted would make such restriction valid then such restriction shall apply with such modification as may be necessary to make them valid and effective.

IN WITNESS whereof the parties have executed this Agreement as a Deed the day and

year first before written.

THE FIRST SCHEDULE

<u>Name</u>	<u>No. of Shares</u>
IAN BRUCE SCOTT	904
RAYMOND HOWARD	66
KEITH ROWE	5
SUSANNE JANE BRIERLEY	5
ALAN ARTHUR WATSON	20

(the above being herein referred to as the SMCS Shareholders)

PETER EDWARD PEARCE 80

TIMOTHY JOHN WORRALL 186

SIGNED AND DELIVERED as a)
Deed by **IAN BRUCE SCOTT**)
in the presence of:-)

SIGNED AND DELIVERED as a)
Deed by **RAYMOND HOWARD**)
in the presence of:-)

SIGNED AND DELIVERED as a)
Deed by **KEITH ROWE**)
in the presence of:-)

SIGNED AND DELIVERED as a)
Deed by **SUSANNE JANE**)
BRIERLEY in the presence of:-)

Total Cash as at-

31.08.99

£ 162092

Euro exch rate 1.5369
on £188865.13 Euro
Cash

£ 146532

£ 10,698

£ 810

£ 810

£ 3,242

SIGNED AND DELIVERED as a)
Deed by **ALAN ARTHUR WATSON**)
in the presence of:-)

SIGNED AND DELIVERED as a)
Deed by **PETER EDWARD**)
PEARCE in the presence of:-)

SIGNED AND DELIVERED as a)
Deed by **TIMOTHY JOHN**)
WORRALL in the presence of:-)

THE FOURTH SCHEDULE

The Vendors Warranties

- 1.1 The details of the Company as set out in the Second Schedule are full and accurate in all respects and the shares set out against the names of the Vendors represent all the issued shares in the capital of the Company and there is no option right to acquire mortgage charge pledge lien security incumbrance equity or adverse interest or commitment affecting any of the said shares and the Vendors are absolutely entitled to sell and transfer the same with a full legal and beneficial ownership.
- 1.2 Since the last accounting date, no share or loan capital has been created or agreed to be created.
- 1.3 No dividends have been declared.
- 1.4 The Company has not given any financial assistance in connection with the

purchase of any shares in the Company.

- 1.5 The statutory books are accurate and correct and up to date.
- 1.6 The memorandum and articles of the association delivered to the Purchasers is true and complete in all respects.
- 1.7 The Company has complied with all its filing obligations with the Registrar of Companies.
- 1.8 The Company has no subsidiary undertakings or beneficial interest in any other company or business organisation.
- 2.1 The last audited accounts supplied by the Vendors to the Purchaser comply with the Companies Act and all relevant statutes and give a true and fair view of the profits and assets and liabilities of the Company at the last accounting date and make proper provisions or reserves and have not been affected by any extraordinary exceptional or non recurring items.
- 2.2 All book debts owing to the Company will realise their full value and none have been factored or otherwise disposed of by the Company.
- 2.3 The Company has properly kept and maintained all necessary books of account.
- 2.4 The Company is not engaged in any financing of a type which would not be required to be reflected in the accounts.
- 2.5 There is no charge on the assets of the Company.
- 3.1 The Bank Accounts of the Company as revealed to the Purchaser are the only accounts kept by the Company.
- 3.2 The Company is not liable to repay any grant subsidy or allowance.
- 3.3 No person has given on behalf of the Company any guarantee indemnity or bond.

- 3.4 No orders have been made for the winding up of the Company or in relation to any proceedings against the Company and no power to appoint any receiver has arisen.
- 4.1 The only premises in which the Company has any legal or beneficial interest are those at Station House, Station Avenue, Helsby, Warrington and the terms of any lease or tenancy agreement in respect thereof have been fully observed and performed.
- 5.1 The Company is not the owner of any intellectual property rights.
- 5.2 Any computer systems utilised by the Company are Year 2000 compliant.
- 5.3 The Company does not carry on business under any name other than its corporate name.
- 6.1 The Company is the owner of all its physical assets free from any hire purchase credit sale or agreement hire deferred term charge lien option or other encumbrance or agreement.
- 6.2 The Company will not except in the normal course of business dispose of any of its physical assets prior to completion.
- 7.1 Since the last accounting reference date the Company has carried on its business in the ordinary and usual course.
- 7.2 There has been no material adverse change in the financial position of the Company since the last accounting date.
- 7.3 Since the last accounting date the Company has not made any change in the basis or amount of the emoluments or benefits paid for its directors or employees.
- 7.4 As at the completion date the Company will not have any overdraft with its

bankers.

- 7.5 The Company holds all necessary licences agreements permits and approvals to enable it to effectively carry on its business.
- 7.6 The Company is not engaged in any litigation arbitration or similar proceedings and has no orders or judgments against it which are outstanding.
- 7.7 The Company is not a party to any anti competitive practice or the subject of any investigation or complaint under any provision of competition law.
- 7.8 The Company has not entered into any contract obligation or commitment which it is unable to fulfil discharge or perform.
- 7.9 The Company has not given any covenant undertaking or commitment restricting its business or limiting the same to any geographical area.
- 7.10 The Company is not a party to any invalid illegal or unenforceable agreement.
- 7.11 The Company has maintained all necessary insurances relative to its business and statutory obligations.
- 8.1 Particulars of all employees of the Company have been fully revealed to the Purchaser.
- 8.2 The Company is not in dispute with any employees nor liable to pay any compensation or subject to any provisions whereby it has acquired any undertaking involving the transfer of employees to the Company.
- 8.3 There are no pension schemes in operation for any employees.
- 9.1 The Company has duly accounted for all taxation on its activities to the relevant taxing authority and submitted all proper information and returns.
- 9.2 The Company is not in dispute with any taxing authority nor liable for any penalty fine surcharge or interest.

- 9.3 Save as provided for in the last set of statutory accounts and for corporation tax due on its trading profits the Company is not liable to pay any other tax.
- 10.1 So far as applicable to it the Company has complied with all environmental laws.
- 10.2 The Company is not in dispute with anybody having the right to enforce any environmental law.
11. The financial state of the Company is as set out in the statement attached to the Vendors disclosures.
12. The Company will between the date hereof and the Completion Date conduct its business in the normal way and will make no special or unusual arrangements regarding debtors or creditors whether by the hastening of debtors or the delay in paying creditors so as to materially influence the Bank Account of the Company at the Completion Date.

THE FIFTH SCHEDULE

The Purchasers Warranties

- 1.1 The details of the Purchaser as set out in the Disclosures contained in the Sixth Schedule are full and accurate in all respects and the shares set out against the names of the SMCS Shareholders in the Shareholders Agreement represent all the issued shares in the capital of the Purchaser and there is no option right to acquire mortgage charge pledge lien security incumbrance equity or adverse interest or commitment affecting any of the said shares save as referred to in the said Disclosures and the SMCS Shareholders are absolutely entitled to sell and transfer the same with a full legal and beneficial ownership.
- 1.2 Since the last accounting date, no share or loan capital has been created or agreed to be created.

- 1.3 No dividends have been declared.
- 1.4 The Purchaser has not given any financial assistance in connection with the purchase of any shares in the Purchaser.
- 1.5 The statutory books are accurate and correct and up to date.
- 1.6 The memorandum and articles of the association delivered to the Vendors is true and complete in all respects.
- 1.7 The Purchaser has complied with all its filing obligations with the Registrar of Companies.
- 1.8 The Purchaser has no subsidiary undertakings or beneficial interest in any other company or business organisation.
- 2.1 The last audited accounts supplied by the Purchaser to the Vendors comply with the Companies Act and all relevant statutes and give a true and fair view of the profits and assets and liabilities of the Purchaser at the last accounting date and make proper provisions or reserves and have not been affected by any extraordinary exceptional or non recurring items.
- 2.2 All book debts owing to the Purchaser will realise their full value and none have been factored or otherwise disposed of by the Purchaser.
- 2.3 The Purchaser has properly kept and maintained all necessary books of account.
- 2.4 The Purchaser is not engaged in any financing of a type which would not be required to be reflected in the accounts.
- 2.5 There is no charge on the assets of the Purchaser.
- 3.1 The Bank Accounts of the Purchaser as revealed to the Purchaser are the only accounts kept by the Purchaser.

- 3.2 The Purchaser is not liable to repay any grant subsidy or allowance.
- 3.3 No person has given on behalf of the Purchaser any guarantee indemnity or bond.
- 3.4 No orders have been made for the winding up of the Purchaser or in relation to any proceedings against the Purchaser and no power to appoint any receiver has arisen.
- 4.1 The only premises in which the Purchaser has any legal or beneficial interest are those at 100 Wilderspool Causeway, Warrington and the terms of any lease or tenancy agreement in respect thereof have been fully observed and performed.
- 5.1 The Purchaser is not the owner of any intellectual property rights.
- 5.2 Any computer systems utilised by the Purchaser are Year 2000 compliant.
- 5.3 The Purchaser does not carry on business under any name other than its corporate name.
- 6.1 The Purchaser is the owner of all its physical assets free from any hire purchase credit sale or agreement hire deferred term charge lien option or other encumbrance or agreement.
- 6.2 The Purchaser will not except in the normal course of business dispose of any of its physical assets prior to completion.
- 7.1 Since the last accounting reference date the Purchaser has carried on its business in the ordinary and usual course.
- 7.2 There has been no material adverse change in the financial position of the Purchaser since the last accounting date.
- 7.3 Since the last accounting date the Purchaser has not made any change in the

basis or amount of the emoluments or benefits paid for its directors or employees.

- 7.4 As at the completion date the Purchaser will not have any overdraft with its bankers.
- 7.5 The Purchaser holds all necessary licences agreements permits and approvals to enable it to effectively carry on its business.
- 7.6 The Purchaser is not engaged in any litigation arbitration or similar proceedings and has no orders or judgments against it which are outstanding.
- 7.7 The Purchaser is not a party to any anti competitive practice or the subject of any investigation or complaint under any provision of competition law.
- 7.8 The Purchaser has not entered into any contract obligation or commitment which it is unable to fulfil discharge or perform.
- 7.9 The Purchaser has not given any covenant undertaking or commitment restricting its business or limiting the same to any geographical area.
- 7.10 The Purchaser is not a party to any invalid illegal or unenforceable agreement.
- 7.11 The Purchaser has maintained all necessary insurances relative to its business and statutory obligations.
- 8.1 Particulars of all employees of the Purchaser have been fully revealed to the Purchaser.
- 8.2 The Purchaser is not in dispute with any employees nor liable to pay any compensation or subject to any provisions whereby it has acquired any undertaking involving the transfer of employees to the Purchaser.
- 8.3 There are no pension schemes in operation for any employees.
- 9.1 The Purchaser has duly accounted for all taxation on its activities to the relevant

taxing authority and submitted all proper information and returns.

- 9.2 The Purchaser is not in dispute with any taxing authority nor liable for any penalty fine surcharge or interest.
- 9.3 Save as provided for in the last set of statutory accounts and for corporation tax due on its trading profits the Purchaser is not liable to pay any other tax.
- 10.1 So far as applicable to it the Purchaser has complied with all environmental laws.
- 10.2 The Purchaser is not in dispute with anybody having the right to enforce any environmental law.
- 11. The financial state of the Purchaser is as set out in the statement attached to the Purchasers disclosures.
- 12. The Purchaser will between the date hereof and the Completion Date conduct its business in the normal way and will make no special or unusual arrangements regarding debtors or creditors whether by the hastening of debtors or the delay in paying creditors so as to materially influence the Bank Account of the Purchaser at the Completion Date.

THE SIXTH SCHEDULE

Disclosures by the Vendor

Agreement

- 3.3 The Vendors disclose that certain warranties might not be true and accurate if repeated on Completion Date eg. Fourth Schedule 1.8, 2.2 and 7.6 and Seventh Schedule 4 below.

The Fourth Schedule.

- 1.2 The Vendors disclose the agreement for the sale and purchase of part of the

issued share capital of REP Consultants Limited dated 8th January 1999.

1.5 The Vendors disclose and warrant that the statutory books were accurate and correct and up to date at the last accounting date ie. August 1998.

1.8 The Vendors disclose that discussions are underway with various organisations which could lead to the Company having either a subsidiary undertaking or a beneficial interest, these include:-

- Courtesy Car Manager (Dennis Ryan)
- SPP Business Solutions (Jon Rayner)

2.2 The Vendors disclose that there are 2 doubtful debts viz:-

- Invoice No. 2978 dated 29.6.1999 for £25,753 inc. VAT and interest to Dean Smith Limited (Receivers appointed 8.7.1999)
- Invoice No. 2941 dated 26.1.1999 for £5,875 incl VAT to D C Cook Plc.


The Vendors note that the full amount invoiced on number 2978 has been reserved as a cost in the Company's management accounts.

2.5 The Vendors disclose a business overdraft facility arrangement with Barclays Bank Plc secured by a debenture over assets.

3.3 The Vendor discloses a guarantee given by Mr. P. E. Pearce to Railtrack for the payment of rent for Station House.

4.1 The Vendors disclose that the lease on Station House Helsby is with Railtrack and requires the Company to "put all parts of the Property in good repair and condition and to keep them in this state and properly painted and decorated to the satisfaction of the Surveyor" the Vendors are unsure as to what view the Surveyor may take in regard to the repair and condition of the property. The

Vendors also disclose their responsibility under the lease to fully insure the property.

5.2 The Vendors disclose that the Company's computer hardware (Compaq) is not yet 2000 compliant but that work is underway to ensure that it will be by the end of 1999. 

7.2 The Vendors disclose that there has been a material change in the financial position of the Company since the last accounting date due to the agreement for the sale and purchase of part of the issued share capital of REP Consultants Limited dated 8.1.1999.

7.3 The Vendors disclose that the Company has made changes in both the basis and amount of the emoluments and benefits paid to its directors and employees since the last accounting date, viz:

T. J. Worrall: Joined the Company in October 1998 as a Non-Executive Director and became Chairman on 8th January 1999, paid at the rate of £33,000 per annum plus bonus as detailed in the Shareholders Agreement dated 8.1.1999 between Peter Edward Pearce and Timothy John Worrall.

P. E. Pearce: Remuneration is detailed in the Service Contract dated 8.1.1999.

Mrs. P. T. Pearce Left the Company as an employee at the end of February 1999 and contracted via an arrangement dated 8.1.1999 to provide an out-sourced management accounting service for the payment of £531.25 per month.

Mrs. G. Worrall: Joined the Company on the 1.2.1999 as part time secretary

for Mr. Worrall at the rate of £6.00 per hour.

Mrs. J. Beech: On 15.3.1999 an annual bonus of 10% of salary was agreed if the Company achieves turnover of £200,000.00 in the financial year ending 31.8.1999.

The Vendors disclose the current pay arrangements with all employees (appendix)
The Vendors disclose that D. A. Greaves is paid at the basic rate of £400.00 per month plus commission for a 37½ hour week, an agreement struck prior to agreement as to the National Minimum Wage; this may need amendment under Chapter 12 of the D.T.I. detailed guide which covers output workers.

Mr. R. Pearce left the Board of Directors on the 8th January 1999 and became an Associate.

7.6 The bad and doubtful debts set out in 2.2 above may result in litigation in order to recover the monies owing.

7.11 The Vendors disclose the Company's current insurance arrangements including Shareholder Protection and Permanent Health Insurance (PHI) for T J Worrall and P E Pearce in the following amounts:

Shareholder Protection	TJW	£53.33 per month
	PEP	£26.36 per month
Permanent Health Insurance	TJW	£25.41 per month
	PEP	£26.63 per month
Keyman	PEP	£18.10 per month

8.1 The Vendors disclose particulars of names length of service dates of birth and current pay/bonus arrangements for all employees of the Company. The Vendors also disclose copies of employment contracts where they currently exist

and a copy of the Employee Handbook.

8.2 The Vendors disclose that a Secretary Karen Crompton is pregnant and her baby is due on November 5th 1999, her qualifying week for maternity pay purposes is week commencing the 18th July 1999. Mrs. Crompton commenced employment with the Company during October 1997.

8.3 The Vendors disclose that the Company makes monthly payments into Mr. P. E. Pearce's personal pension scheme at the rate of 6% of annual gross earnings and has an undertaking under Mr. Pearce's Service Contract to continue to do so. The vendors also disclose that the Company acts as Trustee for 2 pension plans for Mr. R. E. Pearce and one for Mr. P. E. Pearce but has no commitment to make payments into these schemes.

9.1 9.2 9.3 The Vendors disclose that negotiations have been entered into with the Inland Revenue to defer payment of Corporation tax for the period 31.8.1998 in the sum of £26,535.33. The Inland Revenue have granted a concession over a period of 6 months at the rate of £5,400.00 per month the balance being payable on the 28th August, 28th September and 28th October 1999. The Inland Revenue have advised the Vendors that interest accrues on all late payment of tax. The Vendors further disclose that the Company is currently on a cash accounting scheme for VAT payment purposes and that the next VAT payment is due during September 1999.

The Seventh Schedule 4 and Agreement 4.1.7

The Vendors disclose that the Directors have deferred the taking of salaries and bonuses in the form of interest bearing loans to the Company the total amount owing

including VAT being £ 15702.33 as at 30th July 1999. These sums are reflected in the management accounts as costs to the Company but the cash has been left in the Company's bank account. The Vendors also disclose certain exceptional costs and revenues which have been incurred in the financial year commencing 1.9.1998

Other Disclosures

1. List of assets
2. List of Debtors
3. List of Creditors
4. Management accounts to the end of June 1999
5. Exceptional costs and revenues included in the management accounts
6. The Vendors disclose an introductory fee commission arrangement of 5% of any commission earned by the Company to Mr. T. J. Worrall's brother, Richard Ian Worrall for an introduction to Ken Hunt, a U.S. entrepreneur. Mr. Hunt has contacts in the garage door business which may lead to commission being earned by the Company for market research work undertaken on behalf of a U.S. manufacturer of garage doors.
7. The Vendors disclose the contract with Mrs. P. T. Pearce for out-sourced management accounting services.
8. The Vendors disclose that private medical costs for R. E. Pearce, J. P. Pearce, G. Tabernacle and family are paid by the Company and re-billed to the individuals (the individuals being previous employees of the company). Similar arrangements exist with AA breakdown cover, the costs of which are also re-billed.
9. The Vendors disclose agreements with:

- Chub for the maintenance of the fire extinguishers
 - Troy computers for the provision and support/maintenance of specialist recruitment software.
 - Data Dimension for the maintenance of Compaq hardware.
 - L Esling for the maintenance of the internet web site
 - U-net Warrington for internet access.
 - Intercon for telephone services
10. The Vendors disclose Mr. T. J. Worrall's interest in Cammko Consulting Limited (non-executive board position and loan) and BSH Limited (loan).


Mr. T. J. Worrall carries out unpaid work for the Princes Trust.

Disclosures by SMCS International Limited

1. Lease for 100 Wilderspool Causeway.
2. Copy of Associates' Agreement.
3. 'Ring Fencing' of cash in hand/bank at time of merger and willingness of SMCS International Limited Shareholders to this money being used by the merged business as an interest free loan (subject to the clauses in the Agreement relating to means of withdrawal)
4. Confirmation that staff salaries were increased by 2.5% with effect from 1st June 1999 for all staff on the books with 12 months service at that date.
5. Copy of Lease Agreement giving provision of the Canon Copier.
COPY OF AGREEMENT WITH CHUBB FOR FIRE EXTINGUISHERS
6. Copy of Management Accounts for year ending 31st May 1999.
7. Information on office improvements/additions agreed following the move to 100 Wilderspool Causeway and prior to the date of merger ie.

Partitioning cost	£2,727
Computer rewiring cost	£1,305
Telephone extensions cost	£450
Chairs for Conference Room	£1,280

The Board have also agreed in principle to purchase a further lap top computer. Type and cost is being established but is not expected to exceed £1,300.00.

8. Company Secretary is Irene Scott. As such, she currently receives no fees.
9. While SMCS International Limited will use its best endeavours to collect as much cash as possible by end August as per good business practice, it will treat payment of creditors in the normal way ie. there will be no change to the established credit control routines as a result of the impending merger.
10. Details have been provided to REP Consultants Limited of bonuses and dividends approved by the Board relative to the last financial year end 31st May 1999.
11. The share options currently in force for S. J. Brierley, K. Rowe and E. Walker will be honoured. The share option for Raymond Howard granted by I. B. Scott in respect of his own shareholding which expired in April 1999 will be re-issued to him. OFFERED 

12. Details of The Purchaser

Company Number	3042854
Date of Incorporation	6 April 1995
Authorised Capital	£10,000 comprising 100,000 Shares of 10p
Issued Capital	1000 shares
Directors	I. B. Scott, S. J. Brierley, R. Howard, K. Rowe, A. Watson,

13. THE PURCHASER CONSIDERS
THAT IT HAS INTELLECTUAL
PROPERTY RIGHTS IN THE
TRAINING MATERIALS IT
PUBLISHES.


TW

E. Walker.

Secretary

I. Scott

THE SEVENTH SCHEDULE

The Completion Business

- 1 The Vendors shall produce the statutory books of the Company and company seal.
- 2 The Vendors shall produce bank statements from the Company's bankers dated the day before the Completion Date together with the cheque books on the Company's Accounts.
- 3 The Vendors shall as soon as possible following completion produce a certified statement as to the financial affairs of the Company as at the 31st August 1999 in the same format as referred to in the Vendors Warranties.
- 4 The Vendors will produce their resignations as officers and employees of the Company incorporating an acknowledgement that they have no claim against the Company for compensation loss of office arrears of salary or otherwise.
- 5 The Vendors will produce confirmation that they have given to the Landlord of the Company's property notice to terminate the Tenancy Agreement of the Company's premises at Station House Station Avenue Helsby Warrington and that such notice has been accepted by the Landlord.
- 6 The Vendors shall produce their share certificates in the capital of the Company and stock transfer forms signed by them in respect of their shares in favour of the Purchaser.
- 7 The resignations of the Director and Secretary and transfer of the shares shall be registered in the statutory books of the Company.

- 8 The Purchaser shall procure the appointment of Alan Arthur Watson as Director of the Company and Irene Scott as Secretary of the Company.
- 9 The registered office of the Company shall be changed to the registered office of the Purchaser.
- 10 The Purchaser will procure the allotment of the Consideration Shares which shall be treated as fully paid.
- 11 The Purchaser shall procure the appointment of T. Worrall and P. E. Pearce as Directors of the Purchaser.
- 12 The Purchaser shall enter into the service contract with T. Worrall in the form set out in the Ninth Schedule.
- 13 The Shareholders will execute and complete the Shareholders Agreement in the form set out in the Third Schedule.
- 14 The Vendors shall acknowledge that the Shareholders Agreement between them dated the 8 January 1999 is rescinded

THE EIGHTH SCHEDULE

Mr. Stickley - Calculation of net profit

1. Any sum received as a result of 6.1 net of VAT then the following deductions will be applied in order of preference.
 - (a) Any commission paid or expenses refunded to DS or paid to a third party on his behalf.
 - (b) The commission due to BP as defined in Schedule 10.
 - (c) Repayment of any debt still outstanding to the directors of REP Consultants as defined in Schedule 6 pg. 3 No. 6.
 - (d) The per diem rate charge of any time and any out of pocket expenses

expended by any consultant of SMCS in support of any such contracts with DS.

- (e) The resultant figure shall be the net profit.
2. This net profit shall be paid in accordance with Schedule 10 to the original owners of the company shares as defined in Schedule 1 as to 79% of the total net profit split pro rata to their original shareholding. The balance of 21% shall be paid as a bonus to the SMCS shareholders as defined in Schedule 1 split pro rata to their shareholding.
 3. An alternative method of payment of the net profit could be arrived at via mutual and complete agreement of the shareholders of the combined companies the consent of any individual shareholder not to be unreasonably withheld.

THE NINTH SCHEDULE

SERVICE CONTRACT

FOR T. J. WORRALL

SMCS INTERNATIONAL LIMITED agrees the following:-

1. On implementation of the Merger Agreement with REP Consultants Limited, the Purchaser will continue to pay Timothy John Worrall as per his current remuneration and expenses package. Specifically, Timothy John Worrall will receive a salary of £33,000.00 per annum plus expenses associated with the performance of his duties, ie. car mileage, subsistence, accommodation, telephone etc.

2. The review of the salary provision in line with and contemporaneously with the other Directors.
3. To raise the base salary of £33,000.00 per annum when Contracts initiated and agreed by Timothy John Worrall exceed an annualised value of £66,000.00 per year.
4. Contracts are defined as any consultancy services, business broking, training, recruitment or provision of services as a director to other organisations (see item 9 in relation to 'ring fenced' existing arrangements).
5. The mechanism for review of the annual salary provision will be to sum all contracts received in a three month period. If when the sum is annualised by multiplying it by four, the result is greater than £66,000.00. Timothy John Worrall's salary will be increased by the following formula:-

$$\frac{\text{Annualised projection of order intake} - £66,000.00}{2}$$

This process will continue until the annualised projection reaches £96,000.00 when the annual salary will become £48,000.00 (paid at a rate of £4,000.00 per month). No further adjustments will be made by this mechanism.

Any further increase in the base salary will be at the discretion of the Board.

6. Ian Bruce Scott and Timothy John Worrall will agree a mechanism for regular review of Timothy John Worrall's order intake on an individual contract, year to date and annualised bases. The first review to take place three months from the date of commencement of the Merger Agreement.
7. The Purchaser agrees to give to Timothy John Worrall six months notice of its

intention to terminate this Agreement and it is assumed Timothy John Worrall will leave the Purchaser at the expiration of such six month period. If the decision to terminate is taken by the Purchaser and it is not as a result of gross ~~industrial~~ misconduct, the Purchaser will make a payment equivalent to a further six months notice. Timothy John Worrall may be expected therefore to work for up to six months from the date of confirmation of termination but will receive the equivalent to one years' salary. If Timothy John Worrall shall decide to terminate this Agreement then he shall give 3 months notice to the Purchaser.

8. In accepting this Agreement Timothy John Worrall agrees to expend overall similar time and efforts as other directors of the Purchaser. However subject to this overriding principle his hours days and method of working will remain flexible. At the date of the merger, the Purchaser notes and is willing to 'ring fence' the following 'outside' commitments of Timothy John Worrall namely his interests in Cammko Consulting Limited and BSH Limited

noting that such commitments in time terms are likely to require a minimum of attention ie. up to 12 days per year.

Should Timothy John Worrall be invited to join or advise any other Board, such engagement(s) will be considered as a contract of the Purchaser and any fees relating thereto shall be the property of the Purchaser.

Timothy John Worrall notes that it is a normal courtesy in the Purchaser to advise the Board of any such approaches prior to accepting the position.

Peter E. Pearce

Service Contract

Position

Director responsible for recruitment activities

Duration

The contract will be for a fixed term from 1st January 1999 to 31st December 2000. Consideration will be given early in the year 2000 to a rolling notice period which will be introduced from 1.1.2001 this period will be not less than 3 months and not more than 12 months.

Hours of work

As a Director of the Company you will be expected to work the hours necessary to satisfy the company's recruitment clients but a minimum of 40 hours per week is required. These hours can be arranged on a flexi-time basis.

Salary

This will be at an annual rate of £31,000.00 paid in equal monthly sums with effect from 1.9.1998 normally on the 20th of the month and certainly by the end of each month. The salary figure will be reviewed again at the end of the contract and any new arrangements will be introduced with effect from 1.1.2001.


Bonus

A bonus will be paid in arrears based on the turnover of the recruitment business. For the financial year 1998/9 the parameters of this bonus arrangement will be:

- recruitment turnover < £103k 10% of turnover - paid monthly in arrears
- recruitment turnover £104 - £125k 15% of turnover - paid in arrears on achievement.
- recruitment turnover > £125k 20% of turnover - paid in arrears on achievement.

In the event of turnover not being turned into cash the appropriate amount of bonus paid will be back debited.

The bonus will be paid on the turnover in excess of each minimum figure above and for the avoidance of doubt will not be retrospective to unit 1, for example recruitment turnover of £125k will result in a bonus of $\text{£}103\text{k} \times 10\% = \text{£}10,300 + \text{£}22\text{k} \times 15\% = \text{£}3,300$ ie. £13,600.00.

 A similar bonus plan with similar earnings prospect will be put in place for financial year² 1999/~~99~~²⁰⁰¹ but the precise recruitment and targets figures depend on the budget which will be prepared by the board for that financial year.

Car

A car in the class of a Ford Probe 2.5 will be provided by the company on a fully expensed basis ie. taxed, insured, serviced, maintained and fuel provided at no expense to PEP (other than any benefit in kind tax which will be paid by PEP). The car will not necessarily be brand new but is unlikely to be more than 4 years old or to have travelled more than 100,000 miles.

In the event of accident damage which cannot be reclaimed from a third party, PEP will be expected to contribute £250.00 for any such claim.

The level of the car provided will be reviewed at the end of the 1998/9 financial year and will be up-graded to an appropriate executive saloon if recruitment turnover is in excess of £150k for the year.

Other Benefits.

- The company will fund the cost of private medical insurance for PEP and PEP's immediate family (Wife and Son) at no expense to PEP
- The company will contribute 6% of PEP's annual gross earnings to a pension

scheme of his choice (£2,500 for the financial year 1998/9).

Notice

In the event that PEP wishes to leave the service of the company he will give the Company at least 3 months' clear notice in writing of his intention to do so. He will also offer his shares for sale to T J Worrall the shares to be valued in accordance with the shareholders' agreement

Sick Pay

In the event of sickness the company will continue to pay PEP's full basic salary for 3 months from the first day of sickness and will pay 50% of salary for a further 3 months.

Company sick pay will cease 6 months after the first day of sickness.

A self certification form and doctor's certificate will be required in accordance with company sick pay procedures.

Holidays

PEP is entitled to take 1.67 paid days holiday per month in addition to all statutory holidays taken by the company. the holiday year will commence on the 1st January each year and holiday entitlement should be taken during the holiday year and should be agreed in advance with the board.

Termination

The Company may terminate the fixed term Contract with immediate effect without any entitlement to compensation or damages if PEP:

- (i) commits any act of gross misconduct or any other serious breach of his duties or obligations under this Contract or
- (ii) is convicted of any criminal offence (excluding an offence under road traffic legislation) punishable with at least 12 months' imprisonment

(whether or not such sentence is actually imposed on him).

The following is a non exhaustive list of examples of offences which amount to gross misconduct.

- commits any act of dishonesty relating to the Company or any of its employees or otherwise.
- wilful disregard of duties or of instructions relating to the employment.
- violent, abusive or intimidating conduct
- deliberate damage to Company property
- attending work under the influence of alcohol or drugs (other than drugs prescribed or purchased for medical purposes).

In any case for the avoidance of doubt, the Company will pay a minimum of 3 months' salary in the event that this service contract is terminated by the company for any other cause.

Restrictive Covenant

In the event of PEP terminating this contract of his own volition or if the Company terminates for just cause he undertakes not to:-

- join Wirral Associates or be involved in any way in any other business which his Father R. E. Pearce is involved in.
- set up a business in competition with REP
- solicit staff to induce them to leave REP

for a period of 9 months from the date of his leaving the service of REP Consultants Limited.

In addition PEP undertakes not to solicit customers of REP either present or past for a period equivalent to his notice period eg. 3 months if notice is given from PEP to the

company or if the company terminates his contract the period during which PEP continues to draw salary and benefits or for which a one off lump sum has been paid.

Shareholding

In the event that the company terminates the fixed term contract early arrangements will be made for the purchase of PEP's shares. The shares will be valued in accordance with the shareholders' agreement.

Signed

P E Pearce

Dated 8.1.1999

T. J. Worrall

Dated 8.1.1999

THE TENTH SCHEDULE

Commission Agreement of R. E. Pearce.

Mr. Pearce will be paid commission on the following basis:-

1. Mr. Pearce will be paid on a contingency basis ie. only when invoices are raised by the Purchaser and the cash is received in full.
2. Payments will be made to Mr. Pearce within 2 calendar weeks of the receipt of monies from the Client by the Purchaser.
3. Payment for contracts received when as a result of referral or Mr. Pearce's more in-depth involvement will be as follows:-
 - referrals (as defined in paras. 7.16 to 7.18 of the Associate Agreement) - 5% of the first contract value.
 - sales only (as defined in paras. 7.1 to 7.10 of the Associate Agreement) - 10% of the contract value.
 - sales generated by Mr. Pearce and delivered almost entirely by him - 50% of the contract value (it is envisaged that TJW will have minor involvement in such contracts as part of the hand-over procedure).

Existing contracts and contacts as set out below will be paid under Appendix 1 of the Heads of Terms for the Purchase of Shares in REP Consultants Limited dated 22.9.1998 (reproduced here as Appendix 1 to Schedule 10) except that the £50k, threshold is hereby reduced to £25k excluding VAT for the 12 month period 1st September 1999 to 31st August 2000. For the avoidance of doubt payments to Mr. Pearce are retrospective to £1.00 once the threshold level is reached and the 33.3% commission set out on Appendix 1 obtains between £25k and £100k turnover.

Specifically any fees received from Dean Smith/Brian Hoggart in relation to the Vendor's invoice number 2978 for £22,096 for the sale of Dean Smith Garages Limited are excluded. However, Mr. Pearce commits to use his best endeavours to help the Purchaser and the Vendor to collect monies due under this invoice and any such monies collected will count towards the threshold but will not pay commission.

Existing Contracts and Contacts - Fees received from:-

- Lookers/Julian Peck re property in Stockport
- Nunns/Richard Teatum or other purchaser of Nunns
- Andersons in Stockport
- Property/business of John Candler Cars Limited/Carringtons/Chequered Flag
- P. Fallon Motors Limited concerning the sale of Ashley Smithy Limited
- Acorn Ford concerning New Invention
- D C Cook re
 - the recruitment of a Financial Director after 1.9.99
 - the appointment of Bryn Thomas or Grant Findlay after 1.9.99
 - any final stage payment for the recruitment of a Chief Executive if

received after 1.9.99 (for the avoidance of doubt the £5k already invoiced by the Vendor as the 2nd stage payment in the recruitment of the Chief Executive is excluded although Mr. Pearce will continue to use his best endeavours to collect this money for the Vendor and the Purchaser)

- the sale of Chesterfield
- the sale of Brinsworth and/or Scunthorpe to Richard Teatum/Stoneacre.
- A Allman as a result of the purchase of Ashley Smithy
- Sale of Tony Bugden's contract hire business
- Sale of Rutland Motor Group or any part thereof.
- Purchase by Richard Teatum/Stoneacre of
 - Doncaster from Pendragon
 - Brinsworth from D C Cook
 - Scunthorpe from D C Cook
 - Hull from Dixons (fee from Robert Eaton)
- Purchase via Robert Eaton of Bradford from D C Cook
- Sale of Preston Road Leyland by SGL
- The "Clouds" initiative
- Sale/purchase via Dennis Stickley of
 - Green Flag
 - Halfords
 - D C Cook

Commission under this arrangement will be calculated and paid to REP based on the commission level achieved at the time, the balance to be held in a separate Royal Bank of Scotland account with interest accruing until 31 August 2000. A final payment will

then be made to REP based on the commission level achieved in the full year. Interest accrued will be paid out to the parties in proportion to their share of the total sum earned.

4. Mr. Pearce will warrant to the Purchaser that he is treated as being self employed by the Inland Revenue for all taxation purposes
5. Mr. Pearce will agree with the Purchaser that if at any time the Purchaser shall be called upon by the Inland Revenue to pay any tax for or on behalf of Mr. Pearce then:-

- (a) Mr. Pearce shall indemnify the Purchaser against the same and all costs and interest associated therewith and
- (b) the Purchaser shall be entitled to withhold from any monies due to Mr. Pearce any amounts claimed from it by the Inland Revenue and all costs and interest associated therewith.

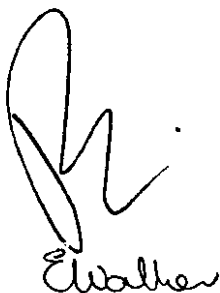
PROVIDED THAT THE PURCHASER SHALL REASONABLY COOPERATE WITH MR. R.E. PEARCE TO:

- i) AVOID THE IMPLEMENTATION OF THE INDEMNITY GIVEN BY HIM BEING ENFORCED OR*
- ii) IF IT IS TO MITIGATE ITS IMPACT*

PROVIDED THAT IT IS NOT TO THE DETRIMENT OF THE PURCHASER TO SO COOPERATE.

SIGNED AND DELIVERED as a)
Deed by the said **PETER**)
EDWARD PEARCE in the)
presence of:-)

ELIZABETH ANN
WALKER



Peter Edward Pearce

SIGNED AND DELIVERED as a)
Deed by the said **TIMOTHY**)
JOHN WORRALL in the)
presence of:-)

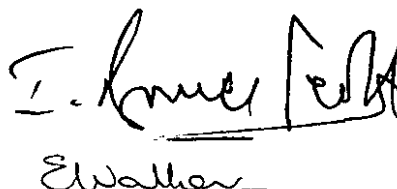
ELIZABETH ANN
WALKER



Timothy John Worrall

SIGNED AND DELIVERED as a)
Deed by **IAN BRUCE SCOTT**)
in the presence of:-)

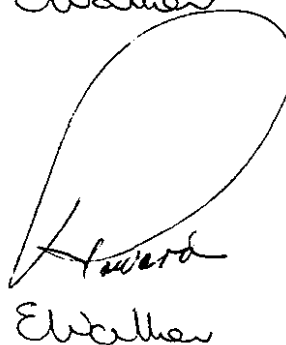
ELIZABETH ANN
WALKER



Ian Bruce Scott

SIGNED AND DELIVERED as a)
Deed by **RAYMOND HOWARD**)
in the presence of:-)

ELIZABETH ANN
WALKER



Raymond Howard

SIGNED AND DELIVERED as a)
Deed by **KEITH ROWE**)
in the presence of:-)

ELIZABETH ANN
WALKER



Keith Rowe

SIGNED AND DELIVERED as a)
Deed by **SUSANNE JANE**)
BRIERLEY in the presence of:-)

ELIZABETH ANN
WALKER



Susanne Jane Brierley

SIGNED AND DELIVERED as a)
Deed by **ALAN ARTHUR WATSON**)
in the presence of:-)

ELIZABETH ANN
WALKER

A. A. Watson

E Walker

EXECUTED as a Deed by The)
Purchaser acting by)

Director:

A. A. Watson

DIRECTOR.
Secretary:

I. Bruce Self

SMCS

INTERNATIONAL

Management Consultants

I, R.E. PEARCE, AGREE THAT SUBJECT TO THE AGREEMENT
BETWEEN SMCS, MR. P.E. PEARCE AND MR. T. J. WORRALL
AND OTHERS BEING COMPLETED, THEN THE ATTACHED
DOCUMENTS WILL BE THE SOLE RELATIONSHIP I HAVE
WITH SMCS.

R.E. Pearce

2nd *August*

Dated day of 1999

Preamble

- 1.0 The two consultancies each operate different systems of remuneration. In the event of a merger, it is proposed that neither REP nor SMCS core team and close associates, be poorer as a result.
- 1.1 The purpose of this document is two-fold:
 - a) to clearly indicate the means of remuneration of each member of the REP core team and close associate
 - b) to provide a framework for incorporation into the schedules supporting the merger agreement.
- 1.2 There are three persons recognised for inclusion in this proposal, i.e. TJW, PEP and REP.
- 1.3 TJW is the subject of the ninth schedule attached to the merger agreement. It is proposed that this schedule, subject to TJW's agreement, already clearly states the remuneration intention with regard to TJW. Therefore no further comment is felt to be necessary.
- 1.4 PEP already has a service contract established in January 1999 for a period of 2 years. SMCS International Ltd has agreed to honour this contract in full.
- 1.5 However, certain issues need to be highlighted, addressed and agreed as part of the merger agreement specifically these relate to
 - a) additional bonus which may accrue to PEP as a result of him developing the profile of recruitment for the merged consultancies
 - b) the position with regard to PEP's share of any bonus agreed by the Directors during the period of PEP's current contract
 - c) the intentions regarding what supplants PEP's current contract on its expiry. Each of these issues is addressed as follows.
- 1.6 PEP will continue to achieve bonus from existing activities as these are developed in the merged company. Such bonus to be paid as per items 1.8 to 2.1 inclusive.

Any recruitment assignment which is sold by any member of SMCS International Ltd who is remunerated by a salary or retainer (e.g. IBS, RH and LW) and is given to PEP to deliver, will attract the same bonus arrangement as per PEP's contract. This would also apply to his assistant. If, however, such assignment is delivered by another member of the SMCS core team, no bonus will be paid.

Any recruitment assignment which is sold by any member of SMCS International Ltd who is remunerated by a sales commission (e.g. SJB, KR and close associates) and is given to PEP to deliver will not attract bonus. However, it is more probable that such assignments will be delivered by the seller.

- 1.7 At the end of each financial year, the core team decide if a bonus should be paid to core team consultants and office support staff. No bonus of any kind is paid throughout the year.

The bonus calculation in 1997 and 1999 (i.e. the two years in which bonus has been paid since the formation of the company in 1995/6) has been based on a sum split in proportion to the level of invoiced sales in the year in question. Assuming a bonus is paid in 1999/00 or 2000/01, PEP's invoiced sales will be taken for calculation purposes. His notional bonus will be calculated. The sum will then be compared to the actual amount of bonus paid to PEP on his sales. If the sum calculated is greater than the sum paid, PEP will be entitled to the difference paid as a bonus. If the sum is less, no further action will be taken.

- 1.8 A bonus will be paid in arrears based on the turnover of the recruitment covered by items 1.5 and 1.6. This bonus will commence on 1 September 1999 and will be in force until the end of the SMCS budget year end May 2001. All annual figures will therefore be pro-rated to 9 months for the financial year ending May 2000.

- 1.9 The parameters of this bonus arrangement will be:

- recruitment turnover < £120k pa 10% of turnover — paid monthly in arrears
- recruitment turnover £120k - £135k pa 15% of turnover paid in arrears on achievement
- recruitment turnover >£135k pa 20% of turnover paid in arrears on achievement

- 2.0 In the event of turnover not being turned into cash, the appropriate amount of bonus paid will be back-debited.

- 2.1 The bonus will be paid on the turnover in excess of each minimum figure above, and for the avoidance of doubt will not be retrospective to unit 1, for example, recruitment turnover of £125k will result in a bonus of $\text{£120k} \times 10\% = \text{£12,000} + \text{£5k} \times 15\% = \text{£750}$ i.e. £12,750.

- 2.2 SMCS International Ltd has always committed itself to fair and equitable treatment for all. Clearly PEP's current contract is different to the arrangement enjoyed by other core team members. Discussions will therefore require to take place at say, three months from expiry of his existing contract (31 December 2000) as to the form of remuneration package which will apply. SMCS International Ltd recognises that any proposed new arrangement must not result in PEP having a lower earnings potential than under his current arrangement.

- 2.3 REP has a current agreement covering remuneration. He has expressed a wish to be covered by the terms of SMCS International Ltd's Associate Agreement revision 4 dated December 1998. While SMCS International Ltd have no objection to REP working to such terms, it must point out that the Associate's Agreement was drawn up for a specific purpose, i.e. to provide a set of agreed standards for close associates who choose to work exclusively with the Consultancy. As such, it is not a legally binding agreement and therefore while the standards listed will be applied to and accepted by REP, clauses 8.1 to 8.3 and the tenth schedule must form the contractual working arrangement between REP and the merged company.

Mr. R. E. Pearce

- 8.1 The Purchaser will appoint R E Pearce trading as Wirral Associates as a Close Associate with effect from the 1st September 1999 on a fixed term contract which will expire on 31st December 2000, the contract will then be renewable at the option of both parties for a period of a further 12 months. The Purchaser will pay commission as set out in the Tenth Schedule hereto.
- 8.2 As a Close Associate of the Purchaser, Mr. Pearce will adhere to the terms and conditions of the Associate Agreement contract revision dated 4th December 1998.
- 8.3 Existing contracts or contacts (which are listed in the Tenth Schedule) will be completed under the agreement in force between Mr. Pearce and the Company

as amended and set out in the Tenth Schedule.

- 8.4 During the term of the contract Mr. Pearce also undertakes to introduce all clients to the Purchaser so that an effective hand-over of contacts can take place at the end of the fixed-term contract although for the avoidance of doubt Mr. Pearce will continue to be paid at the rates set out in the Tenth Schedule for any business introduced either before or during the tenure of this agreement.

Confidentiality

9. The parties hereto will at all times keep entirely private and confidential the terms of this Agreement and in particular will not mention or reveal to any third party the names of the Clients or prospective Clients referred to in the Agreements in Schedules 8 and 10 hereof.

THE TENTH SCHEDULE

Commission Agreement of R. E. Pearce.

Mr. Pearce will be paid commission on the following basis:-

1. Mr. Pearce will be paid on a contingency basis ie. only when invoices are raised by the Purchaser and the cash is received in full.
2. Payments will be made to Mr. Pearce within 2 calendar weeks of the receipt of monies from the Client by the Purchaser.
3. Payment for contracts received when as a result of referral or Mr. Pearce's more in-depth involvement will be as follows:-
 - referrals (as defined in paras. 7.16 to 7.18 of the Associate Agreement) - 5% of the first contract value.
 - sales only (as defined in paras. 7.1 to 7.10 of the Associate Agreement) - 10% of the contract value.
 - sales generated by Mr. Pearce and delivered almost entirely by him - 50% of the contract value (it is envisaged that TJW will have minor involvement in such contracts as part of the hand-over procedure).

Existing contracts and contacts as set out below will be paid under Appendix 1 of the Heads of Terms for the Purchase of Shares in REP Consultants Limited dated 22.9.1998 (reproduced here as Appendix 1 to Schedule 10) except that the £50k, threshold is hereby reduced to £25k excluding VAT for the 12 month period 1st September 1999 to 31st August 2000. For the avoidance of doubt payments to Mr. Pearce are retrospective to £1.00 once the threshold level is reached and the 33.3% commission set out on Appendix 1 obtains between £25k and £100k turnover.

Specifically any fees received from Dean Smith/Brian Hoggart in relation to the Vendor's invoice number 2978 for £22,096 for the sale of Dean Smith Garages Limited are excluded. However, Mr. Pearce commits to use his best endeavours to help the Purchaser and the Vendor to collect monies due under this invoice and any such monies collected will count towards the threshold but will not pay commission.

Existing Contracts and Contacts - Fees received from:-

- Lookers/Julian Peck re property in Stockport
- Nunns/Richard Teatum or other purchaser of Nunns
- Andersons in Stockport
- Property/business of John Candler Cars Limited/Carringtons/Chequered Flag
- P. Fallon Motors Limited concerning the sale of Ashley Smithy Limited
- Acorn Ford concerning New Invention
- D C Cook re
 - the recruitment of a Financial Director after 1.9.99
 - the appointment of Bryn Thomas or Grant Findlay after 1.9.99
 - any final stage payment for the recruitment of a Chief Executive if

received after 1.9.99 (for the avoidance of doubt the £5k already invoiced by the Vendor as the 2nd stage payment in the recruitment of the Chief Executive is excluded although Mr. Pearce will continue to use his best endeavours to collect this money for the Vendor and the Purchaser)

- the sale of Chesterfield
- the sale of Brinsworth and/or Scunthorpe to Richard Teatum/Stoneacre.
- A Allman as a result of the purchase of Ashley Smithy
- Sale of Tony Bugden's contract hire business
- Sale of Rutland Motor Group or any part thereof.
- Purchase by Richard Teatum/Stoneacre of
 - Doncaster from Pendragon
 - Brinsworth from D C Cook
 - Scunthorpe from D C Cook
 - Hull from Dixons (fee from Robert Eaton)
- Purchase via Robert Eaton of Bradford from D C Cook
- Sale of Preston Road Leyland by SGL
- The "Clouds" initiative
- Sale/purchase via Dennis Stickley of
 - Green Flag
 - Halfords
 - D C Cook

Commission under this arrangement will be calculated and paid to REP based on the commission level achieved at the time, the balance to be held in a separate Royal Bank of Scotland account with interest accruing until 31 August 2000. A final payment will

then be made to REP based on the commission level achieved in the full year. Interest accrued will be paid out to the parties in proportion to their share of the total sum earned.

4. Mr. Pearce will warrant to the Purchaser that he is treated as being self employed by the Inland Revenue for all taxation purposes
5. Mr. Pearce will agree with the Purchaser that if at any time the Purchaser shall be called upon by the Inland Revenue to pay any tax for or on behalf of Mr. Pearce then:-
 - (a) Mr. Pearce shall indemnify the Purchaser against the same and all costs and interest associated therewith and
 - (b) the Purchaser shall be entitled to withhold from any monies due to Mr. Pearce any amounts claimed from it by the Inland Revenue and all costs and interest associated therewith.

PROVIDED THAT THE PURCHASER SHALL REASONABLY COOPERATE WITH MR R.F. PEARCE TO:

- i) AVOID THE IMPLEMENTATION OF THE INDEMNITY GIVEN BY HIM BEING ENFORCED OR*
- ii) IF IT IS TO MITIGATE ITS IMPACT*

PROVIDED THAT IT IS NOT TO THE DETRIMENT OF THE PURCHASER TO SO COOPERATE.

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