

DATED 4th December 1995

PASSED FOR FILING
(1)

E. CAMPBELL & OTHERS

LOWFIELDS TECHNOLOGY GROUP LIMITED (2)

3i GROUP PLC NATWEST VENTURES
INVESTMENTS LIMITED & COUNTY NATWEST
NOMINEES LIMITED (3)

A G R E E M E N T

for the sale and purchase of the
entire issued share capital of
GORSELINE INTERNATIONAL LIMITED



EATON SMITH & DOWNEY

Britannia Buildings

St. Peter's Street

Huddersfield HD1 1BB

Tel: 01484 537433 - Fax: 01484 545060

THIS AGREEMENT is made on *4th December* 1995

BETWEEN:-

- (1) **EDWARD CAMPBELL** of Trouville Pontefract Road Hemsworth West Yorkshire WF5 5LW and **NATWEST VENTURES INVESTMENTS LIMITED** whose registered office is at 135 Bishopgate London EC2N 3UR and **COUNTY NATWEST NOMINEES LIMITED** whose registered office is at 135 Bishopgate London aforesaid and **3i GROUP PLC** whose Registered Office is at 91 Waterloo Road London SE1 8XP ("the Vendors")
- (2) **LOWFIELDS TECHNOLOGY GROUP LIMITED** (formerly Maletone Limited) whose registered office is at Mill Lane, Wingerworth, Chesterfield, Derbyshire S42 6NG ("the Purchaser")
- (3) **3i GROUP PLC** whose registered office is at 91 Waterloo Road, London SE1 8XP and **NATWEST VENTURES INVESTMENTS LIMITED** and **COUNTY NATWEST NOMINEES LIMITED** whose registered offices are at 135 Bishopgate London aforesaid ("the Investors")

1. Interpretation

In this Agreement:-

- 1.1 the following expressions have the following meanings unless inconsistent with the context:-

<u>Expression</u>	<u>Meaning</u>
"the Act"	The Companies Act 1985
"Business Day"	Any day (other than Saturday or Sunday) on which Clearing Banks are open for a full range of banking transactions
"Clearing Bank"	A bank which is a member of CHAPS and Town Clearing Company Limited
"the Company"	Gorseline International Limited registered number 2759515
"Completion"	Completion of the sale and purchase in accordance with clause 5
"the Consideration Shares"	The shares, credited as fully paid, of the Purchaser to be allotted to the Vendors pursuant to and as stated in Clause 3

"the Disclosure Letter"	The letter having the same date as this Agreement from the Warrantor to the Purchaser relating to the Warranties
"Group Companies"	the Company and the Subsidiary
"the Investment Agreement"	means an agreement of even date made between the Purchaser (1) the Warrantor and D.J. Jackson (2) and the Investors (3)
"the Investment Agreement Warranties"	means the warranties contained and defined as the Warranties in the Investment Agreement
"the Leases"	means the Leases pursuant to which the Company and/or the Subsidiary occupies the Property set out at 2, 3 and 4 of Schedule 3.
"the Property"	The property specified in Schedule 3 (and, if more than one, each such property) and each and every part of such property
"the Shares"	All the shares in issue in the capital of the Company as set out in Schedule 1
"the Subsidiary"	means Gorseline Limited registered number 1624747
"Taxation Warranties"	The warranties representations and undertakings set out or referred to in Part II of Schedule 5
"the Warranties"	The warranties, representations and undertakings set out or referred to in clause 4 and Schedule 4 and Part II of Schedule 5;
"the Warrantor"	The said Edward Campbell
"Warranty Claim"	Any claim made by the Purchaser for breach of any of the Warranties

- 1.2 references to any statute or statutory provisions will, unless the context otherwise requires, be construed as including references to any earlier statute or the corresponding provisions of any earlier statute, directly or indirectly amended, consolidated, extended or replaced by such statute or provisions, or re-enacted in such

statute or provisions, and to any subsequent statute or the corresponding provisions of any subsequent statute in force at any time prior to Completion directly or indirectly amending, consolidating, extending, replacing or re-enacting the same, and will include any orders, regulations, instruments or other subordinate legislation made under the relevant statute or statutory provisions which are in force prior to Completion provided always that this clause 1.2 shall not operate to increase the liability of the Vendors from that which exists at Completion;

- 1.3 references to persons will be construed so as to include bodies corporate, unincorporated associations and partnerships;
- 1.4 references to a document being "in the agreed terms" will be construed as references to that document in the form agreed and initialled by or on behalf of the Vendors and the Purchaser;
- 1.5 references to clauses and Schedules are to clauses of and Schedules to this Agreement, and references to paragraphs are to paragraphs in the Schedule in which such references appear; and
- 1.6 the Schedules form part of this Agreement and will have the same force and effect as if expressly set out in the body of this Agreement.

2. Sale and purchase

- 2.1 The obligations of the parties for the sale and purchase of the Shares under this Agreement are conditional on the agreement proposed to be entered in to on the date of this Agreement between (1) D.J. Jackson and 3i Group PLC (2) Lowfields Technology Group Limited (3) the Investors as therein defined and (4) BCRA Holdings Limited under which Lowfields Technology Group Limited will purchase the entire issued share capital of BCRA Holdings Limited becoming unconditional in all respects. If the condition precedent specified in this Clause 2.1 is not satisfied before 5.00pm on 8th December 1995, this Agreement shall be of no further effect and no party shall have any liability to any other party save in respect of antecedent breaches.
- 2.2 Each of the Vendors will sell with full title guarantee, and the Purchaser will buy, the number of the Shares specified opposite that Vendor's name in Schedule 1.
- 2.3 Each of the Shares will be sold and bought free from any, charge, lien, encumbrance, equity or third party right, and with all rights attached or accruing to it including all rights to any dividends or other distributions declared, made or paid after the execution of this Agreement.

- 2.4 The Vendors waive all rights of pre-emption over any of the Shares conferred by the articles of association of the Company or otherwise.
- 2.5 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.

3. Consideration

The consideration for the sale of the Shares will be the allotment and issue to the Vendors credited as fully paid of the number of Consideration Shares specified opposite that Vendor's name in column 3 Schedule 1.

4. Warranties

4.1 The Warrantor:-

4.1.1 warrants, represents and undertakes to the Purchaser in the terms of the Warranties, provided however that the Purchaser will not be entitled to claim that any matter constitutes a breach of any of the Warranties if and to the extent that:

4.1.1.1 such matter has been fairly disclosed in the Disclosure Letter; or

4.1.1.2 the Warrantor was not aware of the fact or matter giving rise to the breach having made no enquiry if the warranty so provides but otherwise after having made reasonable enquiries in to the subject matter of that Warranty Provided that this exception shall not apply in respect of the Warranties set out at paragraphs 6 (excluding 6.4), 8.1, 11, 22 and 25 of Schedule 4 and paragraph 18 of part II of Schedule 5

4.1.2 agrees that the Purchaser is entering into this Agreement in reliance on each of the Warranties; and

4.1.3 undertakes that, in the event of any Warranty Claim being made against the Warrantor whether under the Warranties or otherwise in connection with the sale of the Shares to the Purchaser, he will not make any claim against either of the Group Companies, or against any director or employee of either of the Group Companies, on which or on whom he may have relied before agreeing to any term of this Agreement or authorising any statement in the Disclosure Letter.

- 4.2 The Warrantor undertakes to the Purchaser that in the event that the Warrantor admits in writing liability for a Warranty Claim or judgement for a Warranty Claim shall have been awarded by a competent court the Warrantor will, subject to the provisions of Schedule 6 forthwith on demand in writing by the Purchaser pay to the Purchaser the amount of the Warranty Claim so admitted or awarded.
- 4.3 Each of the Warranties will be construed as a separate Warranty and will not be limited or restricted by reference to, or inference from, the terms of any other Warranty.
- 4.4 The Warrantor, the Purchaser and the Investors agree that the terms of Schedule 6 shall apply to limit the Warrantor's liability and to govern the making and conduct of any claims under the Warranties and the Investment Agreement Warranties.

5. Completion

The sale and purchase of the Shares will be completed at Cloth Hall Court Infirmary Street Leeds LS1 2JB immediately after the signing and exchange of this Agreement when:-

- 5.1 the Vendors will produce and deliver to the Purchaser:-
- 5.1.1 duly executed transfers of the Shares in favour of the Purchaser (or as it will direct) together with all relevant share certificates (or in the case of any lost certificate an indemnity satisfactory to the Purchaser in relation to it) and together also with such waivers and consents as the Purchaser may require to enable the Purchaser and its nominee(s) to be registered as the holders of the Shares together with Share certificates in respect of all the issued shares of the Subsidiary (or in the case of any lost certificate an indemnity satisfactory to the Purchaser in relation to it)
 - 5.1.2 the certificate of incorporation, any certificate(s) of incorporation on change of name, the common seal and the statutory books and registers (all entered up to date) of the Company and the Subsidiary;
 - 5.1.3 Any continuing director of the Company and/or the Subsidiary shall deliver to the Purchaser an acknowledgement under seal that he has no claim against the Company and/or the Subsidiary in respect of breach of contract, compensation for loss of office, redundancy or unfair dismissal or on any other account whatsoever;
- 5.2 the Warrantor will:-

- 5.2.1 repay, and will procure that any spouse or child of him or any company of which the Warrantor (and/or any such spouse or child) has control (as defined in section 840 Income and Corporation Taxes Act 1988) will repay, all amounts owed by him, her or it to the Group Companies or either of them, whether due for payment or not;
- 5.2.2 deliver to the Purchaser a deed in the agreed terms acknowledging that neither the Warrantor nor any such spouse, child or company has any claim against the Group Companies or either of them and that there is no agreement or arrangement other than this agreement under which the Group Companies or either of them) has any actual, contingent or prospective obligation (including, but not limited to, any obligation under any guarantee entered into by the Group Companies or either of them to or in respect of any of them;
- 5.3 the Vendors will to the extent they can do so by exercising their rights and powers as shareholders of the Company procure that duly convened meetings are held at which:-
 - 5.3.1 the transfers referred to in clause 5.1.1 (subject to stamping if not previously effected) are approved for registration in the books of the Company;
 - 5.3.2 new articles of association are adopted by the Company in the agreed terms;
 - 5.3.3 all existing instructions to the bankers of each of the Group Companies are revoked and new instructions given to such bankers as the Purchaser may nominate, in such form as the Purchaser directs;
- 5.4 The Purchaser shall procure that:
 - 5.4.1 the Consideration Shares are allotted to the Vendors in accordance with Clause 3 and that duly executed share certificates in respect of the Consideration Shares are issued to the Vendors; and
 - 5.4.2 the Warrantor is appointed as Managing Director of the Purchaser.

6. Announcements

No announcement concerning the transactions contemplated by this Agreement or any matter ancillary to it and no disclosure of the terms of this Agreement will (save as required by law) be made by the Vendors except with the prior written approval of the Purchaser or by the Purchaser except with the prior written

approval of the Vendors and the Purchaser shall procure that no such disclosure shall be made by the Company.

7. Costs

Each party to this Agreement will bear such party's own costs and expenses relating to the preparation and completion of this Agreement.

8. Notices

8.1 Any demand, notice or other communication given or made under or in connection with this Agreement will be in writing.

8.2 Any such demand, notice or other communication will be addressed as provided in this clause 8 and if so addressed will be deemed to have been duly given or made as follows:-

8.2.1 if sent by prepaid first class post, on the second Business Day after the date of posting; or

8.2.2 if delivered by hand, upon delivery at the address provided for in this clause 8, unless such delivery occurs on a day which is not a Business Day or after 4 p.m. on a Business Day, in which case it will be deemed to have been given or made at 9 a.m. on the next Business Day.

8.3 Any such demand, notice or other communication will be addressed (subject as provided in this clause 8) to the recipient at the recipient's address stated in this Agreement or at such other address as may from time to time be notified in writing by the recipient to the sender as being the recipient's address for service, provided however that in the case of a company it may instead (at the option of the sender) be addressed to its registered office for the time being.

8.4 Any such demand, notice or other communication, and any service of process relating to any proceeding, suit or action arising out of or in connection with this Agreement, will be validly given or made to the Vendors if given or made to the Vendors or their personal representatives.

8.5 Any demand, notice or communication will be deemed to have been given to the personal representatives of a deceased Vendor, notwithstanding that no grant of representation has been made in respect of such Vendor's estate, if the notice is addressed either:-

8.5.1 to the deceased Vendor by name; or

8.5.2 to the deceased Vendor's personal representatives by title at the Vendors's address in accordance

with clause 8.3 or at such other address as may have been notified by them in writing to the sender as being their address for service,

and is otherwise served in accordance with the foregoing provisions.

9. General

- 9.1 This Agreement will be binding on and will enure for the benefit of each party's successors, assigns and personal representatives (as the case may be) but except as otherwise expressly provided for herein none of the rights of the parties under this Agreement shall be assigned or transferred.
- 9.2 Except insofar as the same have been fully performed at Completion, each of the agreements, covenants, obligations, warranties, indemnities and undertakings contained in this Agreement will continue in full force and effect notwithstanding Completion.
- 9.3 The parties agree that they will do all such acts and things and execute all such documents as may be required on or subsequent to Completion to vest in the Purchaser legal and beneficial ownership of the Shares in accordance with this Agreement and otherwise to give effect to its terms.
- 9.4 Failure or delay by any party in exercising any right or remedy under this Agreement will not in any circumstances operate as a waiver of it, nor will any single or partial exercise of any right or remedy in any circumstances preclude any other or further exercise of it or the exercise of any other right or remedy.
- 9.5 Any waiver of any breach of, or any default under, any of the terms of this Agreement will not be deemed a waiver of any subsequent breach or default and will in no way affect the other terms of this Agreement.
- 9.6 The Purchaser may release or compromise the liability of, or grant time or any other indulgence to, any person who is a party to this Agreement without in any way prejudicing or affecting the liability (whether joint and several or otherwise) of any other person who is a party to this Agreement.
- 9.7 The headings to the Clauses of this Agreement and to the paragraphs of the Schedules (save for the headings in Schedules 1, 2 and 3) will not affect its construction.
- 9.8 The rights and remedies expressly provided for by this Agreement will not exclude any rights or remedies provided by law.

9.9 This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, each of which so executed and delivered will be an original, but all the counterparts will together constitute one and the same agreement.

9.10 The formation, existence, construction, performance, validity and all aspects whatsoever of this Agreement or of any term of this Agreement shall be governed by English law. The English Courts shall have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement.

10. Time


Time shall be of the essence in this Agreement.

IN WITNESS whereof this Deed has been entered into the day and year first hereinbefore written


SIGNED AS A DEED by the said)
EDWARD CAMPBELL in)
the presence of:)



SIGNED AS A DEED by)
NATWEST VENTURES INVESTMENTS)
LIMITED acting by ~~two~~)
~~directors or a director and~~)
~~its Company Secretary duly~~)
authorised attorney


..... Director
..... Director/
Secretary

SIGNED AS A DEED by)
COUNTY NATWEST NOMINEES)
LIMITED acting by ~~two~~)
~~directors or a director and~~)
~~its Company Secretary duly~~)
authorised attorney



..... Director
..... Director/
Secretary

SIGNED AS A DEED by)
)
3i GROUP PLC acting by two)
~~directors or a director and~~)
its Company Secretary duly)
authorised signatory

GM Short

..... Director
..... ~~Director/~~
Secretary

SIGNED AS A DEED by)
)
LOWFIELDS TECHNOLOGY GROUP)
LIMITED acting by two)
directors or a director and)
its Company Secretary)

 Director
..... ~~Director/~~
Secretary

SCHEDULE 1

The Vendors

<u>Name and address</u>	<u>Number and class of Shares to be sold</u>	<u>Amount of Consideration receivable</u>
E. Campbell Trouville Pontefract Road Hemsworth West Yorkshire WF9 5LW	90,000 Ordinary Shares of £1 each	809,742 Ordinary Shares of 15p each
NatWest Ventures Investments Limited 135 Bishopgate London EC2M 3UR	36,784 "A" Ordinary and 316,415 Redeemable Cumulative Preference	233,728 'A' Ordinary Shares of 15p each and 341,415 'A' Preference Shares of 1p each
County NatWest Nominees Limited 135 Bishopgate London EC2M 3UR	36,784 "A" Ordinary and 316,415 Redeemable Cumulative Preference	233,728 'A' Ordinary Shares of 15p each and 341,415 'A' Preference Shares of 1p each
3i Group Plc 91 Waterloo Road London SE1 8XP	10,000 Ordinary Shares of £1 each	89,971 'A' Ordinary Shares of 15p each

The Shares in the capital of the Subsidiary

<u>Name and address of holder</u>	<u>Number and class of Shares issued</u>
Gorseline International Limited	999 Ordinary Shares of £1 each
Edward Campbell	1 Ordinary Share of £1 each

SCHEDULE 2

Part I

Details of the Company

Name of the Company	:	Gorseline International Limited
Registered number	:	2759515
Registered office	:	16 High Street Hatfield Doncaster South Yorkshire DN7 6RY
Date of incorporation	:	27th October 1992
Place of incorporation	:	England and Wales
Status of Company	:	private limited company
Authorised share capital	:	£523,808 divided into 100,000 Ordinary Shares of £1 each, 66,664 "A" Ordinary Shares of £1 each and 357,144 Redeemable Cumulative Preference Shares of £1 each
Issued share capital	:	£506,398 divided into 100,000 Ordinary Shares of £1 each, 49,254 "A" Ordinary Shares of £1 each and 357,144 Redeemable Cumulative Preference Shares
Directors' full names	:	Edward Campbell Martin Arthur Craighill John Anthony Farmer Bernard Quirk Steven John Dunn Dean Roger Ellis
Secretary's full name	:	Mark Warwick Dodson
Accounting ref. date	:	31st December
Auditors	:	Touche Ross, Chartered Accountants 10/12 East Parade, Leeds
Bankers	:	National Westminster Bank PLC
Description of business	:	Specialist survey contractor

PART II

Details of the Subsidiary

Name of the Company	:	Gorseline Limited
Registered number	:	1624747
Registered office	:	16 High Street, Hatfield, Doncaster South Yorkshire DN7 6RY
Date of incorporation	:	
Place of incorporation	:	England
Status of Company	:	private limited company
Authorised share capital	:	£1,000 divided into 1,000 Ordinary Shares of £1 each
Issued share capital	:	£1,000 divided into 1,000 Ordinary Shares of £1 each
Beneficially owned by the Company	:	the whole of the issued share capital
Directors' full names	:	Edward Campbell Martin Arthur Craighill Bernard Quirk Steven John Dunn Dean Roger Ellis
Secretary full name	:	Mark Warwick Dodson
Accounting ref. date	:	31st December
Auditors	:	Touche Ross, Chartered Accountants 10/12 East Parade, Leeds
Bankers	:	National Westminster Bank PLC
Description of business	:	Specialist survey contractor

SCHEDULE 3

The Property

Short particulars of the Property
(stating whether freehold or
leasehold; in the case of
leasehold, giving brief details
of the lease; and including short
particulars of any tenancy or
licence affecting the title)

Title holder

Use

- | | | |
|----|--|----------------------------------|
| 1. | Freehold land and premises known as 16 High Street, Hatfield, Doncaster, South Yorkshire registered at HM Land Registry with Title Number SYK 324416 | Offices &
Workshop
Storage |
| 2. | Ground floor premises known as 14 High Street, Hatfield, Doncaster, South Yorkshire and occupied by the Company under the terms of a tenancy agreement dated 6th April 1992 and made between Raymond Anthony Jackson and Greenbank Gorseline Limited (new Gorseline Limited) | Offices |
| 3. | Manchester - Unit 5(c) Kayleigh Industrial Estate Richmond Street, Ashton-u-Lyne

Lease for a term expiring 31st December 1995 extended by mutual consent to 25th December 1996 | Offices
Storage |
| 4. | Simpson House, Doncaster Road, and Stanley Road, Stairfoot, Barnsley, South Yorkshire
Lease dated 13th April 1995 for a term of 3 years from 13th April 1995 | Office
Workshop
Storage |

SCHEDULE 4

Non-Taxation Warranties

1. INTERPRETATION

In this Schedule 4:-

- 1.1 the following expressions have the following meanings unless inconsistent with the context:-

<u>Expression</u>	<u>Meaning</u>
"the Accounting Date"	31st December 1994
"Accounting Standards"	The statements of standard accounting practice referred to in section 256 of the Act issued by the Accounting Standards Board or such other body as may be prescribed thereunder by the Secretary of State from time to time, including, without limitation, the statements of standard accounting practice formerly issued by the Accounting Standards Committee and since adopted by the Accounting Standards Board and any financial reporting statements issued by the Accounting Standards Board or such other body as aforesaid
"the Accounts"	The audited accounts of the Group Companies for the financial year which ended on the Accounting Date, comprising a balance sheet, a profit and loss account, notes and directors' and auditors' reports
"Contract"	Any material agreement or contract to which either of the Group Companies is a party whether conditional or unconditional and whether by deed, under hand, oral or otherwise, but for the avoidance of doubt specifically excluding quotations tenders or estimates given by either of the Group Companies

"EPCA"	Employment Protection (Consolidation) Act 1978
"ICTA"	Income and Corporation Taxes Act 1988
"Insider"	The Warrantor, and/or any person who is connected with the Warrantor
"Intellectual Property Rights"	Any and all patents, trade marks, service marks, copyright, moral rights, rights in a design, know-how, confidential information and all or any other intellectual or industrial property rights whether or not registered or capable of registration and whether subsisting in the United Kingdom or any other part of the world together with all or any goodwill relating or attached thereto
"Management Accounts"	The unaudited management accounts of the Group Companies for the period from the Accounting Date to 31st October 1995
"Management Accounts Date"	The 31st October 1995
"Stock"	Stocks (as defined in Statement of Standard Accounting Practice No. 9 adopted by the Accounting Standards Board) of the Group Companies including but not limited to raw materials, components, work in progress, finished goods and consumables;

- 1.2 any question as to whether a person is connected with any other person will be determined in accordance with section 839 ICTA, which will apply in relation to the Warranties as it applies in relation to ICTA.

2. SCHEDULES 1 & 2; CAPITAL

- 2.1 The information contained in Schedules 1 and 2 is true, complete and accurate in all respects.
- 2.2 The Shares and the shares in the capital of the Subsidiary are in issue fully paid and registered as set out in

Schedule 1 free from any encumbrance, equity or third party right (including but not limited to any mortgage, charge, pledge, option or lien).

2.3 No Contract has been entered into which requires or may require the Company or the Subsidiary to allot or issue any share or loan capital and neither the Subsidiary or the Company has allotted or issued any securities which are convertible into share or loan capital or which may require the Company to sell or transfer any of the Shares in the capital of the Subsidiary.

2.4 The Company has no interest, and it has not at any time during the period from 23rd December 1992 to the date of this Agreement had any interest, in the share capital of any body corporate save for the share capital of the Subsidiary and the Subsidiary has no interest and has not at any time during the period of six years ended on the date of this Agreement had any interest in the share capital of any body corporate.

THE WARRANTOR

3. Capacity

The Warrantor has full power to enter into and perform this Agreement and this Agreement constitutes obligations binding on the Warrantor in accordance with its terms.

4. Insiders' interests

4.1 There is not outstanding at Completion:-

4.1.1 any loan, guarantee or indemnity given by the Company or the Subsidiary in favour of any Insider or in favour of any other person in respect of any liability of any Insider;

4.1.2 any loan, guarantee or indemnity given by any Insider in favour of the Company and/or the Subsidiary or in favour of any other person in respect of any liability of the Company and/or the Subsidiary; or

4.1.3 any other Contract to which the Company and/or the Subsidiary is a party and in which any Insider is interested in any way whatsoever (excluding any Contract of employment between the Company or the Subsidiary and any of their respective directors, full details of which are set out in the Disclosure Letter).

4.2 No Insider has any interest, direct or indirect, in any trade or business which competes or is likely to compete with the business of the Group Companies or either of them.

5. INFORMATION SUPPLIED TO PURCHASER

- 5.1 The factual information given in the Disclosure Letter or in any document referred to in the Disclosure Letter is true and accurate in all material respects save that this Warranty shall not apply in respect of the Accounts or the Management Accounts in respect of which the Purchaser shall rely on paragraph 6 below. Neither will it apply to the Personal Search of the Local Authority carried out in respect of 16 High Street Hatfield Doncaster which forms part of the Annexures to the Disclosure Letter

ACCOUNTS AND RECORDS

6. The Accounts

- 6.1 The Accounts:-
- 6.1.1 comply with the requirements of the Act;
 - 6.1.2 have been prepared in accordance with the historical cost convention, with all applicable Accounting Standards and (to the extent that no Accounting Standard is applicable) with accounting principles and practices generally accepted in the United Kingdom;
 - 6.1.3 have been prepared on bases and principles which are consistent with those used in the preparation of the audited statutory accounts of the Group Companies for the financial year immediately preceding that which ended on the Accounting Date; and
 - 6.1.4 show a true and fair view of the state of affairs of the Company and the Subsidiary as at the Accounting Date and of the results of the Company and the Subsidiary for the financial year ended on that date.
- 6.2 Without prejudice to the generality of the provisions of paragraph 6.1, the Accounts:-
- 6.2.1 fully provide for all liabilities (other than contingent or potential liabilities which are not expected to crystallise) and fully disclose all contingent or potential liabilities which are not expected to crystallise and all capital commitments of the Group Companies as at the Accounting Date;
 - 6.2.2 correctly and accurately set forth the capital and reserves and all the assets of the Group Companies as at the Accounting Date and the profits (or losses) of the Group Companies for the financial year which ended on the Accounting Date;
 - 6.2.3 fully provide for all bad debts as at the Accounting Date and adequately provide for all

doubtful debts as at that date;

6.2.4 attribute a value to Stock which does not exceed the lower of cost and net realisable value as at the Accounting Date after wholly writing off all redundant or obsolete Stock and appropriately writing down all slow moving and damaged Stock; and

6.2.5 are not affected (except as disclosed in the Accounts) by any extraordinary or exceptional event, circumstance or item.

6.3 True copies of the Accounts and of the audited accounts for each financial year of the Subsidiary preceding that which ended on the Accounting Date have been laid before the Subsidiary in general meeting and delivered to the Registrar of Companies in compliance with the Act, and the auditors' reports thereon were unqualified.

6.4 The Management Accounts

6.4.1 have been prepared in accordance with the historical cost convention, with all Accounting Standards which would be applicable thereto if they were annual accounts and (to the extent that no Accounting Standard would be applicable) with accounting principles and practices generally accepted in the United Kingdom as applicable to annual accounts;

6.4.2 have been prepared on bases and principles which are consistent with those used in the preparation of the Accounts; and

6.4.3 so far as the Warrantor is aware show a true and fair view of the state of affairs of the Company and the Subsidiary as at the Management Accounts Date and of the results of the Company and the Subsidiary for the period to which the Management Accounts relate.

7. Records

7.1 The accounting records of the Company and the Subsidiary are up to date and contain accurate details of all transactions of the Company and the Subsidiary and comply with the provisions of sections 221 and 222 of the Act.

7.2 The Group Companies' records, systems and information, and the means of access to them, are exclusively owned by them and are under their direct control.

ASSETS

8. Unencumbered title; possession

8.1 Each asset reflected in the Accounts (save for current assets disposed of by the Group Companies in the ordinary course of its business since the Accounting Date) and each asset treated as an asset of the Group Companies and/or used by either of the Group Companies at the date of this Agreement:-

8.1.1 is in the legal and beneficial ownership of the Company or the Subsidiary;

8.1.2 is free from any encumbrance, equity or third party right (including but not limited to any mortgage, charge, pledge, option or lien), and

8.2 Neither Group Company has agreed to acquire any asset on terms that the property in it does not pass until full payment is made other than in the ordinary course of business.

8.3 No charge in favour of the Company or the Subsidiary is void or voidable for want of registration.

9. Debtors

9.1 Save as disclosed in the Accounts neither of the Group Companies has made, or entered into any Contract to make, any loan to, or other arrangement with, any person as a result of which it is or may be owed any money other than trade debts incurred in the ordinary course of business and cash at bank.

9.2 Neither of the Group Companies is entitled to the benefit of any debt otherwise than as the original creditor and has not factored or discounted any debt or agreed to do so.

9.3 All of the debts which are reflected in the Accounts as owing to the Subsidiary (apart from bad and doubtful debts to the extent to which they have been provided for in the Accounts) or which have subsequently been recorded in the books of the Subsidiary prior to 31st October 1995 have realised in the normal course of collection their full value as included in the Accounts.

10. Plant etc.

10.1 The plant and machinery, vehicles, fixtures and fittings, furniture, tools and other equipment used in connection with the business of the Group Companies:-

- 10.1.1 are having regard to their age and usage in a good and safe state of repair and condition and satisfactory working order; and
- 10.1.2 are capable and will (subject to fair wear and tear) be capable over the periods of time during which they will be written down to a nil value (at the rates adopted in the Accounts) of meeting the needs for which they were designed or purchased.

11. Property

- 11.1 The particulars of the Property shown in Schedule 3 (including in the case of registered land the class of title and title number) are true, complete and correct. The use of the Property for the purpose stated in Schedule 3 corresponds to the use to which it is in fact put.
- 11.2 The Subsidiary has a good and marketable title to the Property for the estate or interest stated in Schedule 3, subject to and excepting and reserving as set out in the Leases. So far as the Warrantor is aware there is not in force any policy relating to defective title or restrictive covenant indemnity.
- 11.3 The Company and the Subsidiary are not in occupation of or entitled to any estate or interest in any land or premises save for the Property.

12. Intellectual Property

- 12.1 The Group Companies have no interest in any registered Intellectual Property Rights save for the registered Intellectual Property Rights details of which are given in the Disclosure Letter, all of which are (where applicable) registered in the name of the Subsidiary and/or are otherwise beneficially owned by it; in particular the Group Companies have not entered into any Contract relating to the licensing or use (by it or any other person) of any registered Intellectual Property Rights.
- 12.2 The products and services dealt in by the Group Companies do not use, embody or infringe any Intellectual Property Rights vested in any other party or in which any other party has any interest (whether under licence or otherwise) and do not give rise (contingently or otherwise) to payment by the Group Companies or either of them of any royalty or of any sum in the nature of a royalty and the Warrantor is not aware of any claim for compensation under sections 40 and 41 Patents Act 1977 or otherwise.
- 12.3 Neither of the Group Companies has received any notice, and the Warrantor is not aware, that any person is

infringing any of the Group Companies' Intellectual Property Rights.

- 12.4 Neither of the Group Companies is passing off any part of its business as and for the business of any other person and, so far as the Warrantor is aware, no person is passing off its business as and for any part of the business of the Group Companies.

EMPLOYEES

13. Remuneration and employees

- 13.1 Full particulars of the identities, dates of commencement of employment (or appointment to office) and terms and conditions of employment (including remuneration and any bonus, commission or profit sharing arrangement) of all the employees and officers of the Group Companies are fully and accurately set out in the Disclosure Letter, and copies of all their written service agreements and/or their contracts of employment or particulars of employment statements are enclosed with the Disclosure Letter.
- 13.2 No change has been made since the Accounting Date in the terms of employment of any person employed by the Group Companies at the date of this Agreement, and neither of the Group Companies is a party to any Contract to make any such change.
- 13.3 There are no amounts owing to any present or former officers or employees of either of the Group Companies, other than remuneration accrued (but not yet due for payment) in respect of the calendar month in which this Agreement is executed or for reimbursement of business expenses incurred during such month, and none of them is entitled to accrued holiday pay other than in respect of the Group Companies current holiday year.
- 13.4 All Contracts of employment between the Group Companies and their directors and employees are terminable by the relevant Group Company without compensation (except under the EPCA) by giving the applicable minimum period of notice specified in section 49 EPCA.
- 13.5 No person employed by the Subsidiary at or since the Accounting Date and no person employed by the Company since its incorporation has ceased, or given or received notice to cease, to be so employed.
- 13.6 There is no person previously employed by either of the Group Companies who now has a right to return to work or a right to be re-instated or re-engaged by a Group Company under the provisions of the EPCA.
- 13.7 Neither of the Group Companies has recognised, a trade union and neither of them is a party to any collective agreement with any trade union or organisation of workers.

- 13.8 Neither of the Group Companies is involved, nor has it during the 12 months prior to the date of this Agreement been involved, in any strike, lock-out, industrial or trade dispute or any negotiations with any trade union or body of employees.
- 13.9 Neither of the Group Companies has any share incentive scheme or arrangement, share option scheme or arrangement or any other scheme or arrangement relating to the acquisition of any interest in any shares in either of the Group Companies for all or any of its directors or employees.
- 13.10 There are no job share arrangements, flexitime arrangements or early retirement schemes applicable to any employees of either of the Group Companies. There are no schemes or programmes for the employment or training of people by either of the Group Companies other than under that Group Company's full control.
- 13.11 Neither of the Group Companies has introduced any short time working scheme or any redundancy scheme under which payments greater than those required by statute are payable.
- 13.12 None of the products or services supplied by either of the Group Companies are produced or provided by outworkers.

14. Pensions

- 14.1 There is not in existence, and no proposal has been announced to establish, any retirement, death or disability benefit scheme for officers or employees of either of the Group Companies or any obligation to or in respect of present or former officers or employees or the dependants of any such person with regard to retirement, death or disability pursuant to which a Group Company is or may become liable to make payments.

CONTRACTS

15. Insurance

- 15.1 All assets of the Group Companies of an insurable nature are insured in amounts equal to their full replacement or reinstatement value against fire and other risks normally insured against by persons carrying on the same classes of business as the Group Companies.
- 15.2 Each of the Group Companies is adequately covered against employer's liability, public liability, product liability and professional indemnity liability.
- 15.3 All premiums due in relation to the Group Companies' insurances have been paid, and nothing has been done or omitted to be done which would make any policy of

insurance of either of the Group Companies void or voidable or which is likely to result in an increase in premium or which would release any insurer from any of its obligations under any policy of insurance of the Group Companies.

- 15.4 There is no insurance claim pending or outstanding and there are no circumstances likely to give rise to any such claim.
- 15.5 No claims have been made against either of the Group Companies by employees in respect of industrial injury in the two years prior to the date of this Agreement.
- 15.6 Full particulars of all the Group Companies insurances are set out in or enclosed with the Disclosure Letter.

16. Financing and working capital

- 16.1 The amount borrowed by the Group Companies from each of their bankers does not exceed the facility agreed with each such banker and the total amount borrowed by the Group Companies from any source whatsoever does not exceed any limitation on their borrowing contained in their articles of association or in any debenture or loan stock trust deed or any other document.
- 16.2 Neither of the Group Companies has engaged in any borrowing or financing not required to be reflected in its statutory accounts.
- 16.3 Full and accurate details of all overdrafts, loans or other financial facilities outstanding or available to each of the Group Companies are contained in the Disclosure Letter; true and correct copies of all documents relating to such facilities are enclosed with the Disclosure Letter; nothing has been done or omitted to be done whereby the continuance of any such facility in full force and effect might be affected or prejudiced; and no person who provides any such facility has given any indication that it may be withdrawn or its terms altered.
- 16.4 No person other than the Group Companies has given any guarantee of or security for any overdraft, loan or other financial facility granted to either of the Group Companies.
- 16.5 Other than in the ordinary course of business no indebtedness of either of the Group Companies is due and payable and no security over any of the assets of the Group Companies is now enforceable, whether by virtue of the stated maturity date of the indebtedness having been reached or otherwise, and neither of the Group Companies has received any formal or informal notice (whose terms have not been fully complied with and/or carried out) from any creditor of either of the Group Companies, requiring

any payment to be made and/or intimating the enforcement of any security which it may hold over any assets of either of the Group Companies.

- 16.6 Neither of the Group Companies has applied for or received any grant, subsidy, payment or allowance from any government, authority, body or agency (whether supra-national, national, regional or local) which may at any time be or become repaid or repayable.

17. Material Contracts

Neither of the Group Companies is, and nor has it since the Accounting Date been, a party to or subject to any Contract which:-

- 17.1 involves agency, distributorship, franchising, Intellectual Property Rights licensing or marketing rights;
- 17.2 involves partnership, joint venture, consortium, joint development, shareholders or similar arrangements;
- 17.3 involves hire purchase, conditional sale, credit sale, leasing, hiring or similar arrangements;
- 17.4 commits the Group Companies or either of them to substantial capital expenditure (being expenditure in excess of £50,000);
- 17.5 cannot readily be fulfilled or performed by the relevant Group Company on time and without undue or unusual expenditure of money or effort;
- 17.6 the Warrantor believes may result in a loss to the Group Companies or either of them;
- 17.7 requires the Group Companies or either of them to pay any commission, finder's fee, royalty or the like;
- 17.8 is for the supply of goods by or to the Group Companies or either of them on terms under which retrospective or future discounts, price reductions or other financial incentives are given by or to the relevant Group Company dependent on the level of purchases or any other factor;
- 17.9 involves delegation of any power under a power of attorney or authorisation of any person (as agent or otherwise) to bind or commit the Group Companies or either of them to any obligation;
- 17.10 restricts the freedom of the Group Companies or either of them to provide or take goods or services by such means and to and from such persons as it may from time to time think fit;
- 17.11 involves conditions, warranties, indemnities or representations given in connection with a sale of shares

or assets, or is a guarantee or indemnity in respect of the obligations of a third party, under which any liability or contingent liability is outstanding;

17.12 is an outstanding offer which if accepted would result in a loss to the Group Companies or either of them;

17.13 is not on arm's length terms or is in any way otherwise than in the ordinary and proper course of the Group Companies' business.

18. Other business matters

18.1 During the 12 months ended on the date of this Agreement there has been no substantial change in the basis or terms on which any person is prepared to do business with the Group Companies or either of them (apart from normal price changes), and no substantial customer or supplier of the Group Companies has ceased or substantially reduced its business with the Group Companies or either of them, and no indication has been received by either of the Group Companies or the Warrantor that there will or may be any such change, cessation or reduction.

18.2 Neither of the Group Companies carries on business under or uses on its letterhead, sales material, invoices or vehicles or otherwise any name other than its own corporate name or any name specified in the Disclosure Letter as being a name under which it does business and there are no circumstances which might prevent the Group Companies from continuing to carry on business under any such name.

COMPLIANCE; DISPUTES

19. Company law matters

19.1 Compliance has been made with all legal requirements in connection with the formation of the Subsidiary and all issues and grants of shares, debentures, notes, mortgages or other securities of each of the Group Companies.

19.2 The copy of the memorandum and articles of association of each of the Group Companies enclosed with the Disclosure Letter is true and complete.

19.3 All returns, particulars, resolutions and other documents required to be filed with or delivered to the Registrar of Companies by each of the Group Companies or any of its officers have been correctly and properly prepared and so filed and delivered, and no such returns, particulars, resolutions or other documents have been so filed or delivered during the period of 14 days ending with the date of this Agreement.

19.4 The statutory books (including all registers and minute books) of each of the Group Companies have since February

1993 been properly kept and contain an accurate and complete record of the matters which should be dealt with in those books and no notice or allegation that any of them is incorrect or should be rectified has been received.

- 19.5 None of the activities of either of the Group Companies is ultra vires that Group Company.

20. General legal compliance

- 20.1 All necessary licences, consents, permits and authorities (public and private) have been obtained by the Group Companies or either of them to enable the Group Companies to carry on their business effectively in the places and in the manner in which such business is now carried on. All such licences, consents, permits and authorities are valid and subsisting and have been complied with in all respects and so far as the Warrantor is aware there is no reason why any of them should be suspended, cancelled or revoked.
- 20.2 All vehicles owned, leased or hired by the Group Companies or either of them have current road fund licences and Department of Transport test certificates (where necessary) and, where appropriate, the relevant Group Company holds current operators' licences in respect of them.
- 20.3 Each of the Group Companies has conducted its business in accordance with all applicable laws and regulations of the United Kingdom (including but not limited to the Consumer Credit Act 1974 and the Data Protection Act 1984) and of any relevant foreign country. So far as the Warrantor is aware there is no order, decree or judgment of any court or governmental agency of the United Kingdom or any foreign country outstanding against either of the Group Companies.
- 20.4 There is not pending, or in existence, any investigation or enquiry by, or on behalf of, any governmental or other body in respect of the affairs of either of the Group Companies.

21. Fair trading

- 21.1 No agreement, practice or arrangement carried on by either of the Group Companies:-
- 21.1.1 is or ought to be or ought to have been registered in accordance with the provisions of the Restrictive Trade Practices Acts 1976 and 1977;
- 21.1.2 is the subject of an enquiry, investigation, reference or report under the Fair Trading Act

1973 (or any other legislation relating to monopolies or mergers) or the Competition Act 1980;

- 21.2 Neither of the Group Companies has made or threatened to make any complaint against any other person to any relevant authority under any law or legislation referred to in this paragraph 21.
- 21.3 Neither of the Group Companies has given any assurance or undertaking to the Restrictive Practices Court, the Director General of Fair Trading, the Secretary of State for Trade and Industry, the Commission or Court of First Instance or Court of Justice of the European Communities, or any other court, person or body, and neither are they subject to any act, decision, regulation, order or other instrument (statutory or otherwise) made by any of them relating to any matter referred to in this paragraph 21.

22. Litigation

- 22.1 Neither of the Group Companies is involved (whether as plaintiff, defendant or any other party) in any civil, criminal, tribunal or arbitration proceedings, and neither of the Group Companies has received notice that any such proceedings are pending or threatened by or against either of the Group Companies, and so far as the Warrantor is aware there are no facts likely to give rise to any such proceedings.
- 22.2 There is no unsatisfied judgment or unfulfilled order outstanding against either of the Group Companies and neither of the Group Companies is party to any undertaking or assurance given to a court, tribunal or any other person in connection with the determination or settlement of any claim or proceedings.

23. Default

- 23.1 Neither of the Group Companies has sold, supplied or provided any product or service which did not comply in all material respects with all applicable laws, regulations, standards (including British and/or European Community standards) and customers' specifications or which was faulty, defective or dangerous or not in accordance with any express warranty or contractual term given in respect of or relating to it.
- 23.2 Neither of the Group Companies is in material breach of any Contract to which it is a party, and no other party to any such Contract is in breach of it. All Contracts to which the group Companies or either of them is a party are valid and enforceable. The Warrantor is not aware of any grounds for the termination, rescission, avoidance or repudiation of any Contract by the Group Companies or either of them or any other party to any such Contract.

24. Insolvency

- 24.1 No petition has been presented, no order has been made and no resolution has been passed for the winding-up of the Group Companies or either of them, no administrative receiver, receiver and/or manager has been appointed of the whole or any part of the property of the Group Companies or either of them, no administration order has been made appointing an administrator in respect of the Group Companies or either of them and no petition has been presented for an administration order in respect of the Group Companies or either of them.
- 24.2 No voluntary arrangement has been approved under Part I Insolvency Act 1986 and no compromise or arrangement has been sanctioned under section 425 of the Act in respect of the Group Companies or either of them.
- 24.3 No distress, execution or other process which remains undischarged has been levied on the assets of the Group Companies or either of them, neither of the Group Companies has stopped the payment of its debts or received a written demand pursuant to section 123(1) (a) Insolvency Act 1986 and neither of them is unable to pay its debts within the meaning of section 123 Insolvency Act 1986.
- 24.4 No disqualification order has at any time been made pursuant to the provisions of the Company Directors Disqualification Act 1986 against any current officer or employee of the Company or the Subsidiary.

25. EVENTS SINCE THE ACCOUNTING DATE

Since the Accounting Date:-

- 25.1 there has been no reduction in the value of the net assets of the Company or the Subsidiary determined in accordance with the same accounting policies as those applied in the Accounts (and on the basis that each of the assets of the Subsidiary is valued at a figure no greater than the value attributed to it in the Accounts or, in the case of any of the said assets acquired by the Subsidiary or the Company after the Accounting Date, at a figure no greater than cost);
- 25.2 Neither of the Group Companies has acquired, or agreed to acquire, any tangible asset, interest in any single Intellectual Property Right or investment having a value in excess of £25,000 or tangible assets (excluding Stock), interests in Intellectual Property Rights or investments having an aggregate value in excess of £25,000;
- 25.3 Neither of the Group Companies has disposed of, or agreed to dispose of, any tangible asset (excluding Stock), interest in any single Intellectual Property Right or investment either having a value reflected in the Accounts in excess of £10,000 or acquired since the Accounting Date;

- 25.4 no loan made by the Subsidiary which remains outstanding has become due and payable in whole or in part to the Subsidiary; the Company has not made any loans to any party whatsoever;
- 25.5 neither of the Group Companies has borrowed or raised any money or taken up any financial facilities;
- 25.6 no dividend or other payment which is, or could be treated as, a distribution for the purposes of Part VI ICTA or section 418 ICTA has been declared, paid or made by the Company or the Subsidiary;
- 25.7 the trade and business of the Company and the Subsidiary has been carried on in the ordinary and normal course;
- 25.8 there has been no adverse material change in the financial or trading position or prospects of the Company and/or the Subsidiary including, but not limited to, any adverse change in respect of turnover, profits, margins of profitability, liabilities (actual or contingent) or expenses (direct or indirect) of the Company and/or the Subsidiary;
- 25.9 no resolution of the shareholders of the Company or the Subsidiary has been passed;
- 25.10 neither of the Group Companies' accounting reference date has been changed;
- 25.11 no management or similar charge has become payable or been paid by the Company or the Subsidiary; and
- 25.12 no payment has been made by the Company or the Subsidiary to, or benefit conferred (directly or indirectly) by the Company or the Subsidiary on any Insider.

26. EFFECTS OF AGREEMENT

- 26.1 The execution of this Agreement and the observance and performance of its provisions will not and will not be likely to:-
 - 26.1.1 result in a breach of any Contract to which the Company and/or the Subsidiary are party, or entitle any person to terminate or avoid any Contract to which the Company and/or the Subsidiary are party, or have any material effect on any such Contract;
 - 26.1.2 result in the loss or impairment of or any default under any licence, authorisation or consent required by the Company and/or the Subsidiary for the purposes of its business;
 - 26.1.3 result in any present or future indebtedness of the Company and/or the Subsidiary becoming due and payable, or capable of being declared due and

payable, prior to its stated maturity date or in any financial facility of the Company and/or the Subsidiary being withdrawn.

SCHEDULE 5

Taxation

PART I - INTERPRETATION

1. Interpretation

In this Schedule 5:-

- 1.1 the following expressions have the following meanings unless inconsistent with the context:-

<u>Expression</u>	<u>Meaning</u>
"the Accounting Date"	The same meaning as in paragraph 1 of Schedule 4
"ACT"	Advance corporation tax
"the Auditors"	The auditors for the time being of the Company
"the Balance Sheet"	The audited balance sheet of the Group Companies as at the Accounting Date
"CAA"	Capital Allowances Act 1990
"Company"	Notwithstanding the definition contained in clause 1 each company individually details of which are set out in Schedule 2 as if the provisions of this Schedule were set out in full in respect of each such company provided that where used other than in this Schedule "Company" shall have the meaning given in clause 1
"FA"	Finance Act
"Group Relief"	The meaning given to that expression by section 402 ICTA
"ICTA"	Income and Corporation Taxes Act 1988
"IHTA"	Inheritance Tax Act 1984

"Taxation"

(a) Any tax, duty, impost or levy, past or present, of the United Kingdom or elsewhere, whether governmental, state, provincial, local governmental or municipal, including but not limited to income tax (including income tax required to be deducted or withheld from or accounted for in respect of any payment under section 203 ICTA or otherwise), corporation tax, ACT, capital gains tax, inheritance tax, VAT, customs and other import or export duties, rates, stamp duty, stamp duty reserve tax, national insurance and social security contributions; and

(b) Any fine, penalty, surcharge, interest or other imposition relating to any tax, duty, impost or levy mentioned in paragraph (a) of this definition or to any account, record, form, return or computation required to be kept, preserved, maintained or submitted to any person for the purposes of any such tax, duty, impost or levy

"Taxation Authority"

Any authority, whether of the United Kingdom or elsewhere, competent to impose, assess or collect Taxation, including but not limited to the Board of Inland Revenue, the Commissioners of Customs and Excise and the Department of Social Security

"Taxation Statute"	Any statute (and all regulations and other documents having the force of law under such statute) published, enacted, issued or coming into force on or before the date of this Agreement relating to Taxation
"TCGA"	Taxation of Chargeable Gains Act 1992
"TMA"	Taxes Management Act 1970
"VAT"	Value added tax
"VATA"	Value Added Tax Act 1994
"VAT Group"	Any group of companies for the purposes of section 43 VATA of which the Company is or has been a member on or before Completion;

- 1.2 references to any statute or statutory provisions will, unless the context otherwise requires, be construed as including references to any earlier statute or the corresponding provisions of any earlier statute, directly or indirectly amended, consolidated, extended or replaced by such statute or provisions, and to any subsequent statute or the corresponding provisions of any subsequent statute in force on the date of this Agreement directly or indirectly amending, consolidating, extending, replacing or re-enacting the same, and will include any orders, regulations, instruments or other subordinate legislation made under the relevant statute or statutory provisions.

PART II - TAX WARRANTIES

2. Returns, disputes and clearances

- 2.1 All notices, returns, computations, registrations and payments which should have been made by the Company for any Taxation purpose have been made within the requisite periods and are up-to-date, correct and on a proper basis and none of them is, or is likely to be, the subject of any dispute with any Taxation Authority.

- 2.2 The Company is not involved in any dispute with any Taxation Authority concerning any matter likely to affect in any way the liability of the Company to Taxation and there are no circumstances which are likely to give rise to any such dispute.
- 2.3 The Taxation affairs of the Company have not since February 1993 been the subject of any investigation or enquiry by any Taxation Authority (other than routine questions), no Taxation Authority has indicated that it intends to investigate the Taxation affairs of the Company and there are no circumstances which are likely to give rise to any such investigation.
- 2.4 The Company has punctually supplied all information requested by any Taxation Authority for any Taxation purpose.
- 2.5 All particulars furnished to the Inland Revenue or any other Taxation Authority in connection with the application for any consent or clearance made on behalf of or affecting the Company accurately disclosed all facts, circumstances and (where appropriate) law material to the decision of the Inland Revenue or such other Taxation Authority and any such consent or clearance given remains valid and effective and any transaction for which such consent or clearance has previously been obtained has been carried into effect (if at all) only in accordance with the terms of the relevant application, consent or clearance.
- 2.6 The Disclosure Letter contains details so far as they affect the Company of all concessions, arrangements and agreements (whether formal or informal) negotiated with any Taxation Authority and no action has been taken by or on behalf of the Company which has had or is likely to have the result of altering, prejudicing or in any way disturbing any such concession, arrangement or agreement.

3. Penalties and interest

- 3.1 The Company has not since the Accounting Date paid, and is not liable to pay, any fine, penalty, charge, surcharge or interest charged by virtue of any of the provisions of TMA or any other Taxation Statute and has not since the Accounting Date become subject to any forfeiture by virtue of any such provisions or to the operation of any penal provisions contained in any Taxation Statute.

- 3.2 There are no circumstances which are likely to cause the Company to become liable to pay any fine, penalty, charge, surcharge or interest, or become subject to any forfeiture, as mentioned in paragraph 3.1.

4. Taxation claims, liabilities and reliefs

- 4.1 The Company has sufficient records to calculate the liability to Taxation or relief arising on the disposal of any asset owned at the Accounting Date or acquired since the Accounting Date but before Completion.
- 4.2 The Company has duly and properly made all Taxation claims, disclaimers, elections and surrenders and given all notices and consents and done all other things in respect of Taxation the making, giving or doing of which was assumed to have been made for the purposes of the Balance Sheet, all such claims, disclaimers, elections, surrenders, notices, consents and other things have been accepted as valid by the relevant Taxation Authorities and none has been revoked or otherwise withdrawn.
- 4.3 The Company has neither made nor is entitled to make any claim under section 23, 24, 48, 242, 279 or 280 TCGA or section 584 ICTA.
- 4.4 The Company is not, and will not become, liable to pay, or make reimbursement or indemnity in respect of, any Taxation (or amounts corresponding to any Taxation) payable by or chargeable on or attributable to any other person, whether in consequence of the failure by that person to discharge that Taxation within any specified period or otherwise, where such Taxation relates to a profit, income or gain, transaction, event, omission or circumstance arising, occurring or deemed to arise or occur (whether wholly or partly) on or prior to Completion.
- 4.5 No relief (whether by way of deduction, reduction, set off, exemption, repayment or allowance or otherwise) from, against or in respect of any Taxation has been claimed by and/or given to the Company which would or might be effectively withdrawn, postponed, restricted or otherwise lost as a result of any act, omission, event or circumstance arising, occurring or effected after Completion.
- 4.6 The Company has not received a notice under the provisions of section 23 ICTA.

5. Distributions and payments

- 5.1 The Company has deducted and properly accounted to the appropriate Taxation Authority for all amounts which it has been obliged to deduct in respect of Taxation, has complied fully with all reporting requirements relating to all such amounts and has (where required by the applicable Taxation Statute) duly provided certificates of deduction of tax to the recipients of payments from which deductions have been made.
- 5.2 The Company has not at any time declared, paid or made any dividend or other payment which is, or could be treated as, a distribution for the purposes of Part VI ICTA or section 418 ICTA except any dividend disclosed in its audited statutory accounts nor is it bound to make such a distribution.
- 5.3 There are no securities (within the meaning of section 254(1) ICTA) of the Company in issue or which the Company has agreed to issue any payment in respect of which falls to be treated as a distribution for the purposes of section 209 ICTA.
- 5.4 The Company has not at any time issued or agreed to issue any share capital as paid up otherwise than by the receipt of new consideration, after repaying any share capital, as mentioned in section 210 ICTA.
- 5.5 The Company has not made or received any exempt distribution within the meaning of section 213 ICTA, and has at no time been a relevant company in relation to an exempt distribution for the purposes of that section or concerned in an exempt distribution for the purposes of section 214 ICTA.
- 5.6 The Company has not at any time received a capital distribution to which section 189 TCGA could apply.
- 5.7 No rents, interest, annual payments or other sums of an income nature paid or payable by the Company since the Accounting Date, or which the Company is under an obligation to pay, will be wholly or partially disallowable as deductions or charges in computing the profits of the Company for the purposes of corporation tax, whether by virtue of the provisions of section 74, 79, 125, 338, 577, 779 to 786 (inclusive) or 787 ICTA or otherwise.
- 5.8 The Company has not since the Accounting Date made any payment to, or provided any benefit for, any present or former director, employee or officer which is wholly or partially disallowable as a

deduction in computing the profits of the Company for the purposes of corporation tax, and is under no obligation to make any such payment or provide any such benefit.

- 5.9 The Company is not and never has been a party to any interest rate contract or option, or currency contract or option which is or may become a qualifying contract as described in Chapter II Part IV FA 1994.
- 5.10 The Company has no assets or liabilities to which Chapter II Part II FA 1993 could apply.
- 5.11 The Company has not elected that any dividend it has paid be treated as a foreign income dividend as described in Chapter VA Part VI ICTA.
- 5.12 The Company has not paid any dividend to which section 246T ICTA has applied.

6. Employee benefits

- 6.1 Without prejudice to the generality of paragraph 5.1, the Company has properly operated the Pay As You Earn system, by making deductions, as required by the applicable Taxation Statute, from all payments made, or treated as made, to its directors, employees or officers or former directors, employees or officers or any persons required to be treated as such, and accounting to the Inland Revenue for all Taxation so deducted and for all Taxation chargeable on the Company on benefits provided for its directors, employees or officers, or former directors, employees or officers.
- 6.2 The Company has complied fully with all reporting requirements, and proper records have been maintained, relating to all payments and benefits made or provided, or treated as made or provided, to its directors, employees or officers or former directors, employees or officers.
- 6.3 Without prejudice to the generality of paragraph 2.6, the Disclosure Letter contains full details of all dispensations granted to the Company by the Inland Revenue under section 166 ICTA or otherwise relating to payments and benefits made or provided, or treated as made or provided, to its directors, employees or officers or former directors, employees or officers or any persons required to be treated as such, and the reporting requirements mentioned in relation to such payments and benefits in paragraph 6.2.

- 6.4 The Company has complied fully with its obligations under the provisions of sections 136(6) and 139(5) ICTA and section 85 FA 1988.
- 6.5 The Disclosure Letter contains full details of all share option schemes and profit sharing schemes established by the Company whether approved by the Inland Revenue under the provisions of Schedule 9 ICTA or otherwise.
- 6.6 The Company has not established a qualifying employee share ownership trust within the meaning of section 74 and Schedule 5 FA 1989 and no chargeable event within the meaning of section 69 FA 1969 has occurred.
- 6.7 The Disclosure Letter contains full details of all profit-related pay schemes providing for the payment to any employee of the Company of emoluments calculated by reference to profits, which have ever been registered under Chapter III Part V ICTA.
- 6.8 The Company has complied fully with its obligations under Chapter IV Part XIII ICTA.
- 6.9 The Company has complied fully with all its obligations relating to Class 1 and Class 1A National Insurance Contributions, both primary and secondary.

7. Close companies

- 7.1 The Company is not, and has not since February 1993 been, a close investment-holding company within the meaning of section 13A ICTA.
- 7.2 The Company has not at any time since February 1993:-
 - 7.2.1 made any loan or advance or effected any transaction falling within section 419, 421 or 422 ICTA or released or written off or agreed to release or write off the whole or any part of any such loans or advances; or
 - 7.2.2 made a transfer of value which is or may be liable to Taxation under the provisions of section 94 IHTA.
- 7.3 No distribution within section 418 ICTA has been made by the Company since February 1993.

8. Group transactions

The Company has not at any time since February 1993:-

- 8.1 acquired any asset from any company which at the time of the acquisition was a member of the same group of companies as defined in section 170 TCGA;
- 8.2 entered into or been otherwise involved in any transaction to which section 774 ICTA applies;
- 8.3 surrendered or claimed or agreed or arranged to surrender or claim (and prior to Completion will not surrender or claim or agree or arrange to surrender or claim) any amount by way of Group Relief pursuant to sections 402 to 413 (inclusive) ICTA and has not made or received and is not liable to make or entitled to receive a payment for Group Relief;
- 8.4 surrendered or claimed or agreed or arranged to surrender or claim (and prior to Completion will not surrender or claim or agree or arrange to surrender or claim) any amount of ACT pursuant to section 240 ICTA and has not made or received and is not liable to make or receive a payment for surrender of ACT;
- 8.5 joined in the making of any election pursuant to section 247 ICTA or paid any dividend without paying ACT or made any payment without deduction of income tax in circumstances such that ACT ought to have been paid or income tax ought to have been deducted as mentioned in section 247(6) ICTA;
- 8.6 been a party to any such reconstruction as is described in section 343 ICTA;
- 8.7 been the subject of or otherwise involved in any arrangements as are referred to in section 240(11) or 410 ICTA;
- 8.8 acquired an asset as trading stock from a member of the same group where the asset did not form part of the trading stock of any trade carried on by the other member, as mentioned in section 173(1) TCGA, or disposed of an asset which formed part of the trading stock of any trade carried on by the Company to another member of the same group which acquired the asset otherwise than as trading stock of a trade carried on by the other member, as mentioned in section 173(2) TCGA;
- 8.9 been, and there are no circumstances by virtue of which the Company could be, assessed or charged to corporation tax by virtue of the provisions of

section 178(9), 179(11), 190 or 191 TCGA and is not entitled to recover or liable to have recovered from it any sums paid pursuant to any of those sections; or

- 8.10 ceased to be a member of a group of companies in such circumstances that a profit or gain was deemed to accrue to the Company by virtue of section 178 or 179 TCGA or at a time when it held an interest in land which could have been chargeable to Taxation under section 21 Development Land Tax Act 1976 and neither the execution of this Agreement nor Completion will result in any profit or gain being deemed to accrue to the Company for any Taxation purpose whether pursuant to section 178 or 179 TCGA or otherwise

9. Gifts

- 9.1 There is no outstanding Inland Revenue charge (as defined in section 237 IHTA) over any asset of the Company or over any of the Shares.
- 9.2 There are in existence no circumstances by virtue of which any such power as is mentioned in section 212 IHTA could be exercised in relation to any asset of the Company or to any of the Shares or by virtue of which any such power could be exercised but for the provisions of section 204(6) IHTA.
- 9.3 The Company has not been a party to associated operations in relation to a transfer of value within the meaning of section 268 IHTA.
- 9.4 The Company has not received any asset by way of gift as mentioned in section 282 TCGA.
- 9.5 No expenditure incurred by the Company on the acquisition of any shares is liable to be reduced under the provisions of section 125 TCGA.

10. Tax avoidance

The Company has not since February 1993 entered into or been a party to any scheme, arrangement or transaction designed partly or wholly or containing steps or stages designed partly or wholly for the purpose of avoiding or deferring Taxation or reducing a liability to Taxation.

11. Base values and acquisition costs

- 11.1 If each of the capital assets of the Subsidiary owned at the Accounting Date was disposed of for a consideration equal to the book value of that asset in, or adopted for the purpose of, the Balance Sheet, or in the case of assets acquired by the Company or the Subsidiary since the Accounting Date, equal to the consideration given on acquisition, no liability to corporation tax on chargeable gains or balancing charge under the CAA would arise (and for this purpose there will be disregarded any relief or allowance available to the Company other than amounts falling to be deducted from the consideration receivable under section 38 TCGA).
- 11.2 The Company does not own any wasting asset within the meaning of section 44 TCGA which does not qualify in full for capital allowances as described in section 47(1) TCGA.

12. Capital gains

The Company has not since February 1993 and save for transactions contemplated by this Agreement:-

- 12.1 made a claim under sections 152 to 158 (inclusive) or 175 or 247 TCGA which affects the amount of the chargeable gain or allowable loss which would, but for such claim, have arisen upon a disposal of any asset or acquired any asset or any interest in any asset in circumstances in which another company has made a claim under section 175 TCGA which affects for the purposes of the TCGA the amount or value of the consideration given for such asset or interest;
- 12.2 been a party to, involved in, or connected with any disposal of assets within the meaning of section 29 TCGA or any scheme or arrangement such as are mentioned in section 30 TCGA;
- 12.3 been a party to, involved in, or connected with any exchange of securities whether or not (by virtue of section 135 TCGA) section 127 TCGA applied to the exchange;
- 12.4 carried out or been involved in or connected with any reorganisation or scheme of reconstruction or amalgamation whether or not (by virtue of section 126 or 136 TCGA) section 127 TCGA applied to such reorganisation or scheme of reconstruction or amalgamation;

- 12.5 carried out or been involved in or connected with any scheme of reconstruction or amalgamation involving a transfer of business assets whether or not section 139 TCGA applied to the transfer;
- 12.6 been a party to, involved in, or connected with, any depreciatory transaction to which section 176 TCGA applied (including any transaction to which that section applied by virtue of section 177 TCGA);
- 12.7 acquired or disposed of any asset or entered into any transaction or arrangement whatsoever otherwise than by way of bargain at arm's length or in respect of which there may be substituted for the actual consideration given or received by the Company a different consideration for any Taxation purpose;
- 12.8 realised a loss to which section 18(3) TCGA applied;
- 12.9 realised a pre-entry loss or acquired any pre-entry asset as defined in Schedule 7A TCGA;
- 12.10 disposed of any chargeable asset for a consideration not payable wholly in cash on completion of the disposal;
- 12.11 acquired any debt (other than a debt on a security (as defined in section 132 TCGA)) in respect of which it is not the original creditor;
- 12.12 made an election under paragraph 4 Schedule 2 TCGA and no asset owned by the Company is subject to a deemed disposal and re-acquisition under paragraph 16, 19 or 20 Schedule 2 TCGA;
- 12.13 made an election under section 35(5) TCGA nor has the Company made its first relevant disposal for the purposes of section 35(6) TCGA;
- 12.14 acquired any policy of assurance or contract for a deferred annuity or interest in any such policy or contract in circumstances such that a chargeable gain could arise on disposal under section 210 TCGA;
- 12.15 transferred a trade carried on by it outside the United Kingdom through a branch or agency in circumstances such that a chargeable gain could be deemed to arise at a date after such transfer under section 140 TCGA;
- 12.16 made any claim or election under section 161(3) TCGA;

- 12.17 made any claim under section 253 or 254 TCGA and no chargeable gain has arisen or is likely to arise under section 253 or 254 TCGA.

13. Capital allowances

- 13.1 All capital expenditure incurred by the Company since the Accounting Date and all capital expenditure which may be incurred by the Company under any existing contract has qualified or will be capable of qualifying for capital allowances.
- 13.2 There are set out in the Disclosure Letter details of all capital allowances claimed in respect of the accounting period of the Company ended on the Accounting Date in respect of each asset or pool of assets in respect of which separate computations for capital allowances are required to be made or, as a result of any election, are made.
- 13.3 Nothing has occurred since the Accounting Date as a result of which the Company could be required to bring a disposal value into account or suffer a balancing charge for the purpose of capital allowances under section 4, 24, 87, 100 or 128 CAA or a withdrawal of first year allowances or a recovery of excess relief under section 46 or 47 CAA.
- 13.4 The Company has not incurred any expenditure on the provision of any capital allowance bearing asset for leasing.
- 13.5 The Company has not made any election under section 37 CAA nor is it taken to have made any such election under section 37(8)(c) CAA.
- 13.6 The Company has not obtained any capital allowances under Chapter VI Part II CAA.

14. VAT: general

- 14.1 The Company:-
- 14.1.1 is duly registered and is a taxable person for the purposes of VAT and such registration is not subject to any conditions imposed by or agreed with the Commissioners of Customs and Excise;
- 14.1.2 has complied in all respects with all statutory requirements, orders, provisions, directions or conditions relating to value added tax;

- 14.1.3 maintains complete, correct and up-to-date records for the purposes of all legislation relating to value added tax and is not subject to any condition imposed by the Commissioners of Customs and Excise under paragraph 6 Schedule 11 VATA;
- 14.1.4 is not in arrears with any payment or returns under legislation relating to VAT or excise duties, or liable to any abnormal or non-routine payment of VAT, or any forfeiture or penalty, or to the operation of any penal provision;
- 14.1.5 has not within the two years ending on the date of this Agreement been served with any penalty liability notice under section 64 VATA or any surcharge liability notice under section 59 VATA or been issued with any written warning under section 76(2) VATA;
- 14.1.6 has not been required by the Commissioners of Customs and Excise to give security under paragraph 4 Schedule 11 VATA;
- 14.1.7 has no interest and has not at any time within the period of ten years preceding the date of this Agreement had any interest in any assets to which Part VA of the Value Added Tax (General) Regulations 1985 apply; and
- 14.1.8 is not, and has not agreed to become, an agent, manager or factor for the purposes of section 47 VATA of any person who is not resident in the United Kingdom.
- 14.2 All supplies of goods and services made by the Company are taxable supplies for the purposes of the VATA and the Company has not been and will not be denied credit for any input tax by reason of the operation of section 26 VATA or otherwise.
- 14.3 All goods or services supplied to the Company, or goods imported by the Company, in respect of which the Company has claimed credit for input tax under section 25 VATA, are used or to be used wholly for the purposes of the Company's business.
- 14.4 The Company has never disposed of or acquired any business or assets in the circumstances mentioned in section 49 VATA or Article 5 of the Value Added Tax (Special Provisions) Order 1992.
- 14.5 The Company has never been registered for the purposes of value added tax by reason of its

intention to make taxable supplies (within the meaning of section 4 VATA).

- 14.6 The Company has made no claims under section 22 Value Added Tax Act 1983 and section 36 VATA.

15. VAT: property transactions

- 15.1 The Company has not incurred any liability in respect of value added tax (whether to H.M. Customs and Excise or to any other person) by reason of the provisions of paragraph 2(1) Schedule 10 VATA and there are no circumstances whereby the Company could become so liable as a result of a person making an election under that paragraph.
- 15.2 Neither the Company nor any relevant associate (within the meaning of paragraph 3(7) Schedule 10 VATA) has made any election under paragraph 2(1) Schedule 10 VATA in respect of any land in, over or in respect of which the Company has any interest, right or licence to occupy and the Company is not aware of any intention to make such an election.
- 15.3 The Company does not own the fee simple in any building or work such as is referred to in Item 1(a) Group 1 Schedule 9 VATA.
- 15.4 No interest in or right over land or any licence to occupy land of the Company constitutes or is subject to a developmental tenancy, developmental lease or developmental licence such as is referred to in Item 1(b) Group 1 Schedule 9 VATA.
- 15.5 The Company has not incurred any liability under the provisions of paragraph 6 Schedule 10 VATA or the Value Added Tax (Self Supply of Construction Services) Order 1989 and there are no circumstances in existence at the date of this Agreement whereby the Company would become so liable on the occurrence of any of the events mentioned in paragraph 5(1)(a) or 5(1)(b) Schedule 10 VATA or paragraph 3 of the Value Added Tax (Self Supply of Construction Services) Order 1989.
- 15.6 The Company has not issued any certificate such as is mentioned in paragraph 13(4)(f) Schedule 3 FA 1989 and has not constructed any building or work (or reconstructed any building) in circumstances in which such a certificate could have been issued.

16. Stamp duty and stamp duty reserve tax

- 16.1 All documents which are liable to stamp duty and which confer any right upon the Company have been duly stamped and no document which confers any right upon the Company and which is outside the United Kingdom would attract stamp duty if it were brought into the United Kingdom and there is no liability to any penalty in respect of such duty or circumstances which may give rise to such a penalty.
- 16.2 The Company has never incurred or otherwise been under a liability to stamp duty reserve tax and there are no circumstances which may result in the Company being so liable.
- 16.3 In the period from February 1993 until the date of this Agreement, the Company has not made any claim for relief or exemption under section 42 FA 1930 or section 75, 76 or 77 FA 1986.

17. Residence and offshore interests

The Company is and has at all times been resident in the United Kingdom for the purposes of all Taxation Statutes and has not at any time been resident outside the United Kingdom for the purposes of any Taxation Statute or any double taxation arrangements.

18. The Balance Sheet

The Balance Sheet fully provides for all Taxation (on the basis of the rates applicable to the financial year which ended on the Accounting Date) liable to be assessed on or in respect of or by reference to:-

- 18.1 the profits, gains, income and earnings (whether actual or deemed) for any period ended on or before the Accounting Date; or
- 18.2 any distributions (within the meaning of Part VI or section 418 ICTA) made or deemed to be made on or before the Accounting Date; or
- 18.3 any other transaction entered into or deemed to be entered into on or before the Accounting Date.

19. Post-Accounting Date

Since the Accounting Date:-

- 19.1 the Company has not incurred and has not become liable to incur expenditure which will not be wholly deductible in computing its taxable profits, except for expenditure on the acquisition of an asset to be held otherwise than as Stock and expenditure for entertainment details of which are, in each case, set out in the Disclosure Letter;
- 19.2 no event has occurred which has given rise or will or may give rise to a liability to Taxation on the Company in respect of deemed (as opposed to actual) income, profits or gains or which has resulted or will or may result in the Company becoming liable to Taxation directly or primarily chargeable against or attributable to another person;
- 19.3 the Company has not entered into any transaction which has given rise or may give rise to a Liability to Taxation on a chargeable gain; and
- 19.4 no event has occurred as a result of which the Company could be required to bring a disposal value into account or suffer a balancing charge for the purposes of capital allowances under section 4, 24, 87, 100 or 128 CAA or a withdrawal of first year allowances or a recovery of excess relief under section 46 or 47 CAA.

20. Losses and ACT

- 20.1 Since February 1993 there has been no major change in the nature or conduct of a trade or business carried on by the Company within the meaning of section 245, 245A or 768 ICTA.
- 20.2 There has at no time been a change in the ownership of the Company (otherwise than pursuant to this Agreement) such that section 245B, 768 or 768A ICTA has been or may be applied to deny relief in respect of any ACT or loss or losses or excess charges or income of the Company.

21. Shares and securities

- 21.1 The Company has not at any time:-
 - 21.1.1 purchased or agreed to purchase, repaid or agreed to repay or redeemed or agreed to redeem any shares of any class of its share capital or any amount paid up on any of its shares;
 - 21.1.2 capitalised or agreed to capitalise in the form of redeemable shares or debentures any

profits or reserves of any class or description or passed or agreed to pass any resolution to do so; or

- 21.1.3 provided capital to any company on terms whereby the company so capitalised has in consideration of the provision of capital issued loan stock or other securities on terms which were otherwise than by way of a bargain made at arm's length.

SCHEDULE 6

Warrantor's Protection Provisions

1. The provisions of this Schedule shall operate to limit the liability of the Warrantor under or in connection with the Warranties and the Investment Agreement Warranties words and phrases used herein shall have the same meaning as given to them elsewhere in this Agreement and the Schedules thereto
2. (A) The Warranties and the Investment Agreement Warranties are and have been given by the Warrantor to the Purchaser and in the case of the Investment Agreement Warranties to the Investors upon and subject to the following terms and conditions and shall be treated as qualified and limited in the following manner:-
 - (i) The Warranties and the Investment Agreement Warranties and the Taxation Warranties are subject to and qualified by all and any matters reasonable details of which are set out in the Disclosure Letter and the Warrantor shall to the extent that such matters have been disclosed have no liability to the Purchaser, the Company the Subsidiary in respect of the Warranties or to the Investors in respect of the Investment Agreement Warranties
 - (ii) The Warranties and the Investment Agreement Warranties are given on the basis that the business of the Company and the Subsidiary continues to be carried out by the Company or the Subsidiary or the Purchaser after Completion as a going concern
 - (iii) No claim shall be brought against the Warrantor for breach of any of the Warranties or the Investment Agreement Warranties unless notice in writing of such claim (specifying in reasonable detail the event matter or default which gives rise to the claim the breach that results and the approximate amount claimed) shall have been given to the Warrantor before the date falling 3 calendar months after the audited accounts of the Group Companies for the financial year ending 30th November 1996 have been laid before the Company in a general meeting and adopted "the relevant date" and in such case any claim of which notice shall have been given shall (if not previously satisfied settled or withdrawn) be deemed to have been waived or withdrawn at

the expiry of six months after the relevant date unless legal proceedings in respect thereof shall already have been commenced against the Warrantor and for this purpose such legal proceedings shall not be deemed to have commenced unless they have been served upon the Warrantor or his personal representatives unless service of such notice or proceedings is impossible for reasons beyond the Purchaser's or the Investors (as appropriate) control. Save that where notice has been served on the Warrantor prior to the relevant date in respect of a matter which is contingent only the Purchaser or the Investors as appropriate shall have six months from the date of that liability becoming actual to serve proceedings as aforesaid failing which such claim shall be deemed to have been waived or withdrawn.

- (iv) If any claim under or in respect of the Warranties or the Investment Agreement Warranties is based upon a liability of the Company which is contingent only the Warrantor shall not be liable hereunder or thereunder to make any payment unless and until such contingent liability becomes an actual liability and is discharged.
- (v) Where a claim is made by a third party in relation to which it appears that the Warrantor is or may be liable under or in respect of the Warranties or the Investment Agreement Warranties:-
 - (a) the Purchaser or the Investors (as appropriate) shall as soon as practicable give notice thereof to the Warrantor and the Purchaser and/or the Investors (as appropriate) and the Warrantor shall use their respective reasonable endeavours to agree upon a course of action. Notwithstanding this the Purchaser and/or the Investors (as appropriate) shall use its reasonable endeavours to avoid dispute resist appeal compromise or defend the claim and adjudication in respect thereof subject to an indemnity in respect of costs for the Company the Subsidiary and the Purchaser being secured by the Warrantor to the reasonable satisfaction of the Purchaser but subject always to the provisions of paragraph 2.(G)(iii) hereof.

- (b) neither the Purchaser, the Investors, the Company nor the Subsidiary shall make any admission or liability of compromise thereof without first consulting the Warrantor
- (vi) Where a third party is liable to the Purchaser, the Investors or to the Company and/or the Subsidiary in relation to any matter which has given rise to a liability on the part of the Warrantor under or in respect of the Warranties or the Investment Agreement Warranties which they have discharged in full then the Purchaser or the Investors (as appropriate) shall either (at the Warrantors option):-
 - (a) procure subject to an Indemnity against costs for the Company, the Subsidiary and the Purchaser being secured by the Warrantor to the reasonable satisfaction of the Purchaser but subject always to the provisions of paragraph 2(G)(iii) hereof that reasonable endeavours are used to recover any amounts due from any such third party and shall forthwith upon such recovery reimburse the Warrantor an amount equal to any sum paid by him in respect of such liability less the reasonable costs of recovery or
 - (b) procure the assignment to the Warrantor of the rights to recover any amounts due from any such third party
- (B) (i) In the event that the Purchaser, the Investors, the Company or the Subsidiary recovers any sum (whether by payment discount credit or otherwise) from any third party (including any Taxation Authority) in respect of any matter for which a claim has been made under the Warranties or the Investment Agreement Warranties and the Warrantor has made or makes payment of such claim the Purchaser or the Investors shall account to the Warrantor for the benefit thereof less costs of recovery and any Taxation thereon up to the amount or such sum paid by the Warrantor
- (ii) If the Warrantor is liable to the Purchaser, the Investors, the Company or the Subsidiary under the Warranties or the Investment Agreement Warranties by reason of any obligation of the Company to pay advance Corporation Tax or any sum payable by the Company as if it were advance Corporation Tax or to pay tax under the

provisions of Section 419 of the ICTA any amount paid to the Purchaser or the Investors in respect of such liability under the Warranties or the Investment Agreement Warranties shall be refunded by the Purchaser to the Warrantor when and to the extent that the Purchaser, the Investors, the Company or the Subsidiary obtains the benefit of a reduction in liability to mainstream Corporation Tax or is entitled to relief under Section 419(4) of the ICTA as the case may be by reason of such payment and the Purchaser and the Investors shall and shall procure that the Company and/or the Subsidiary make all such claims and elections that are reasonable in the circumstances to ensure that such benefit is obtained as soon as reasonably possible

(C) No liability shall attach to the Warrantor in respect of the Warranties or the Investment Agreement Warranties to the extent that:-

- (i) Such liability arises or is increased as a result of any change in the basis or method of application or calculation of or any increase in the rate or rates of Taxation or the introduction of any change or new form of Taxation made after the date hereof with retrospective effect
- (ii) The claim occurs arises or is increased as a result of any enactment statutory instrument or other governmental regulation passed or any change of law or administrative or Revenue practice after the date hereof
- (iii) It relates to Taxation and would not have arisen but for something voluntarily done or omitted to be done or procured to be done by the Purchaser, the Investors, the Company or the Subsidiary (or persons deriving title from them) after Completion other than in the ordinary course of business as now carried on by the Company and/or the Subsidiary which at the time it was done was known or should reasonably have been known by the Purchaser or the Investors would give rise to the liability
- (iv) Such claim would not have arisen but for any change in accounting policy or practice of the Purchaser, the Company or the Subsidiary introduced or having effect after Completion

- (v) Provision or reserve or allowance in respect thereof was made in the Accounts latest Management Accounts of the Group Companies to the extent that payment or discharge of such liability was taken into account therein
 - (vi) The Company has recovered any sum under any insurance policy of the Company for the time being in force in respect of the liability unless the claim is repudiated by the insurers
 - (vii) The Company and/or the Subsidiary has losses or other reliefs available to it which may be set off or used to reduce the liability which is the subject matter of the claim under the Warranties
 - (viii) Such claim relates to any liability to Taxation arising out of the normal and ordinary course of business of the Company or the Subsidiaries since the Accounting Date
- (D) The liability of the Warrantor under or in respect of the Warranties and the Investment Agreement Warranties shall be reduced if and to the extent that:-
- (i) any claim made against the Warrantor thereunder results in the Purchaser, the Investors, the Company or the Subsidiary receiving credit allowance relief repayment or other Taxation benefit
 - (ii) the amount by which any Taxation for which the Company or the Subsidiary is or may be liable to be assessed or accountable is reduced or extinguished as a result of such liability and/or claim
- (E) Any amount paid by the Warrantor under or in respect of any of the Warranties shall be treated as a reduction in the Consideration payable by the Purchaser to the Vendors hereunder
- (F) After Completion the sole remedy of the Purchaser and the Investors against the Warrantor under or in respect of the Warranties and the Investment Agreement Warranties shall be in damages only
- (G) (i) The Warrantor shall not be liable for any claim in respect of the Warranties or the Investment Agreement Warranties unless the aggregate amount of the liability of the Warrantor for all claims in respect of the Warranties, the Investment Agreement

Warranties or all claims under Schedule 5 exceeds £25,000

- (ii) Individual claims in respect of the Warranties or the Investment Agreement Warranties of less than or equal to £1,000 shall not be recoverable by the Purchaser under any circumstances (and for the avoidance of doubt shall not be taken into account in calculating the aggregate figure in paragraph G(i) above)
 - (iii) The aggregate amount of the liability of the Warrantor for all claims in respect of the Warranties and the Investment Agreement Warranties shall not under any circumstances exceed the amount of £162,000
- (H) All amounts available for set-off or otherwise liable to be deducted from or which reduce the amount of any claim under the Warranties or the Investment Agreement Warranties shall be taken into account for the purpose of determining the amount of loss sustained in connection with the de minimis limits referred to in paragraph (G) above such that any reduction in or exemption under the de minimis limit shall be cancelled and any payments made by the Warrantor shall be repaid forthwith to the extent that such reduction would not have occurred or such payment made if the said amounts available for set-off or otherwise liable to be deducted from or which reduce the said claim had been so available at the time such reduction or payment was made
- (I) This Schedule shall remain in full force and be fully applicable in all circumstances and in particular shall not be discharged by any claim under or in respect of the Warranties or the Investment Agreement Warranties whatever its nature or consequences