

3565924

DATED 1 December 2006

A J SMITH and OTHERS

and

RED BOX DESIGN GROUP LIMITED

BUSINESS SALE AGREEMENT

WE CERTIFY THAT THIS IS A
TRUE COPY OF THE ORIGINAL
DOCUMENT

Dickinson Dees
DICKINSON DEES LAW FIRM



DICKINSON DEES

St Ann's Wharf 112 Quayside Newcastle upon Tyne NE99 1SB
Telephone (0191) 279 9000 Fax (0191) 279 9100
DX No 61191 Newcastle upon Tyne
www.dickinson-dees.com



EDX
COMPANIES HOUSE

ESATJ00S

589

14 12 06

THIS AGREEMENT dated 1 December 2006 is made BETWEEN:-

- (1) The persons whose names and addresses are set out in Schedule 1 (the "Sellers"); and
- (2) RED BOX DESIGN GROUP LIMITED (CN 3565924) whose registered office is at St Ann's Wharf, 112 Quayside, Newcastle upon Tyne, NE99 1SB (the "Buyer").

BACKGROUND

- (A) The Sellers carry on business as an architects practice under the name Red Box ("the Business").
- (B) The Sellers have agreed to sell the whole of the trade and undertaking of the Business to the Buyer on the terms hereinafter contained.

IT IS AGREED as follows:-

1. The Sellers shall sell with full title guarantee and the Buyer shall purchase as and with effect from 2006 (the "Transfer Date") the whole of the trade undertaking and business of the Business as a going concern including its goodwill and all fixtures, fittings, motor vehicles, office equipment, furniture and all other chattels, freehold and leasehold properties, work in progress and the benefit of all contracts and all other assets whatsoever of the Sellers. For the avoidance of doubt the items set out in Schedule 2 belong to Mr A J Smith and are excluded from the sale.
2. The Buyer shall carry out and complete all current pending contracts and agreements of every kind entered into and take over all contracts made by the Purchaser in the course of its business prior to the Transfer Date and shall indemnify the Sellers against all claims and liabilities arising in respect thereof or otherwise arising out of the conduct of the Business by the Sellers prior to the Transfer Date.
3.
 - 3.1 The consideration for the sale shall be:-
 - 3.1.1 the assumption by the Buyer of responsibility for all debts and liabilities (both ascertained and contingent) incurred by the Sellers in respect of the business transferred existing at the Transfer Date and the Buyer shall indemnify the Sellers against all proceedings, claims and demands in respect thereof;
 - 3.1.2 subject to adjustment in accordance with clause 3.2, a sum equal to the aggregate of:-
 - (a) £4,000,000 in respect of goodwill; and
 - (b) the aggregate market value at the Transfer Date of all the assets hereby sold (taking into account all outstanding debts and liabilities of the Sellers) as shown in the balance sheet of the Business to be drawn up as at the Transfer Date; and
 - 3.2 in the event that one or either of:
 - 3.2.1 the value of the goodwill of the Business is agreed with H.M. Revenue & Customs ("HMRC") as a different amount than £4,000,000; or

3.2.2 the value of any asset in the balance sheet of the Business drawn up at the Transfer Date is agreed with HMRC as a different value

then the agreed value of such asset shall be deemed to be the value of that asset for the purposes of the consideration and the amount of the interest free debt referred to in clause 4.2 shall be amended accordingly.

4. The consideration shall be discharged as follows:

4.1 as to £600,000, by the allotment to the Sellers at the Transfer Date of 599,998 ordinary shares of £1 each credited as fully paid in the capital of the Buyer (the "Consideration Shares") which shall be allotted to the Sellers in the proportions set out in the Schedule; and

4.2 as to the balance, the balance shall be left outstanding as an interest free debt owing to the Sellers in the proportions set out in Schedule 1 such debt to be repayable at such times and in such amounts as the parties shall agree.

5. The Buyer shall accept without enquiry, requisition or objection such title as the Sellers may have in the property, rights and assets hereby agreed to be sold.

6. Completion of the sale hereunder shall take place on the Transfer Date when:

6.1 the Sellers shall deliver to the Buyer all assets capable of passing by delivery and shall allow the Buyer to take possession of all the other property and assets hereby agreed to be sold; and

6.2 the Sellers and the Buyer shall use their reasonable endeavours to procure that the matters set out in Schedule 3 of this Agreement take place.

7. The Sellers shall on the Transfer Date, or as soon as practicable thereafter, upon written request of the Buyer do all such things and execute all such transfers as shall be necessary or desirable for vesting in the Buyer the property, rights and assets hereby agreed to be sold and giving the Buyer the full benefit of this agreement.

8. The Buyer shall on the Transfer Date deliver to the Sellers definitive share certificates in respect of the Consideration Shares.

9. The parties acknowledge that the contracts of employment of all of the employees employed by the Sellers shall transfer to the Buyer under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (except insofar as such contracts relate to the provision of an occupational pension scheme as is referred to in regulation 10 of those Regulations).

10. The Buyer shall indemnify the Sellers from and against all actions, proceedings, costs, claims, demands, expenses or liabilities which it may suffer or incur in relation to the employees referred to above, whether pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006 or otherwise.

11. This agreement and the documents referred to in it, constitute the entire agreement and understanding of the parties and supersede any previous agreement between the parties relating to the subject matter of this agreement.

12. This agreement may be executed in any number of counterparts all of which taken together shall constitute one and the same document, and any party may execute this agreement by signing any one or more of such counterparts.

13. No amendment or variation of the terms of this agreement or any documents entered into or delivered in accordance with its provisions shall be effective unless made or confirmed in writing and signed by all the parties to this agreement or such document.
14. Each party shall upon demand and at its own expense execute and register or procure to be executed and registered all further deeds, documents and do all acts and things as may be necessary or desirable to give effect to this agreement or any document executed or to be delivered pursuant to it.
15. This agreement is governed by and shall be construed in accordance with the laws of England and Wales.

IN WITNESS whereof this agreement has been executed as a deed on the date specified on page 1

SCHEDULE 1

<u>Name</u>	<u>Address</u>	<u>Proportion</u>
ALAN JOHN SMITH	Herwood House Darlington Road Durham City County Durham DH1 3SS	539,998
ANDREW MARK CLARK	51 Bath Terrace Gosforth Newcastle upon Tyne NE3 1UJ	60,000

SCHEDULE 2

(Excluded Items)

Assets used in the Business but owned personally by Mr Smith (clause 1)

1. Three Charles Eames Lounge Chairs and Ottomans (mezzanine area at Red Box).
2. Leather topped table and eight black lacquer and red Russian leather Cassina chairs by Vico Magistretti (Mr Smith's office at Red Box).
3. One cherry and maple table inset with white glass and fibre optic lighting harness all upon a vitra chome and black base, extending to approximately 24' x 6' and located in Conference Room at the Red Box Design Group Studio.
4. The following works or art:

4.1	Small White Whale and Skeleton, paper	Julian Meredith
4.2	Sitting Woman 1999, bronze	Nicolas Widerberg
4.3	Torso III 1997, bronze	Nicolas Widerberg
4.4	Open ended, acrylic on canvas	Katherine Wakeman
4.5	Sidelines no.2, acrylic on canvas	Katherine Wakeman
4.6	Terrace and Gardens, oil on canvas	Arthur Pinkney
4.7	Langley Park, oil on canvas	Arthur Pinkney
4.8	Alphabet B, D, F, Q acrylic on canvas	Nicholas Hatton
4.9	Girl in Landscape – ceramic/oil	Keith Grant
4.10	Girl in Landscape – plywood/oil	Keith Grant
4.11	Cauliflower – oil	Susan Margaret Taylor
4.12	Triptych – Figure Sat in Chair – oil	Jacqueline Taylor
4.13	Chopwell, The Gardens – oil	Arthur Pinkney

SCHEDULE 3

(Completion Matters)

1. The 'Red Box' trade marks shall be assigned from Alan J Smith to the Buyer for £1.
2. The lease of the premises occupied by the Business shall be formally assigned from the Sellers to the Buyer.

SIGNED AS A DEED by ALAN JOHN SMITH in the presence of:-



Witness Signature



Witness Name (Print)

Michael Babcock

Address

112 Quayside
Newcastle upon Tyne

Occupation

Solicitor

SIGNED AS A DEED by ANDREW MARK CLARK in the presence of:-



Witness Signature



Witness Name (Print)

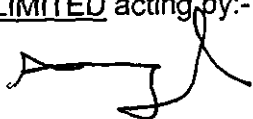
As above

Address

Occupation

EXECUTED AS A DEED by RED BOX)
DESIGN GROUP LIMITED acting by:-)

Director



Director/Secretary

