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DATED

14 September

2004

SHARE PURCHASE AGREEMENT

(1) D H KERR ESQ AND OTHERS
(2) POLARON PLC



EDX
COMPANIES HOUSE

EU2E400S

0309

13/11/04

Kingsley Napley
Knights Quarter
14 St John's Lane
London EC1M 4AJ

Tel: 020 7814 1200
Ref: DOCUMENT6
Date Printed: 1 September 2004

THIS AGREEMENT is dated

1st September

2004

PARTIES

- (1) The Several persons whose names and addresses are set out in column (1) of Schedule 1 (together "the Sellers" which expression shall include their respective successors); and
- (2) POLARON PLC incorporated and registered in England with company number 05029521 whose registered office is at 26 Greenhill Crescent Watford Business Park Watford Hertfordshire WD18 8XG ("the Buyer")

BACKGROUND

The Company has an issued share capital of £120,000 comprising 120,000 ordinary shares of £1 each

Further particulars of the Company and of its Subsidiaries at the date of this agreement are set out in Schedule 2

The Sellers own the legal and beneficial title to the Shares

The Sellers have agreed to sell and the Buyer has agreed to buy the Shares on the terms of this agreement

AGREED TERMS

1. Interpretation

- (a) In this agreement the definitions and rules of interpretation in this clause apply

"Accounts"	the audited financial statements of the Company and its Subsidiaries as at and to the Balance Sheet Date comprising the individual accounts of the Company and its Subsidiaries including in each case the notes thereon and the auditor's and directors' reports (copies of which are included in the Disclosure Documents)
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"Admission"	the Admission of the Consideration Shares to AIM
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"AIM"	the Alternative Investment Market of the London Stock Exchange
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"Arbuthnot"	Arbuthnot Securities Limited of Arbuthnot House 20 Ropemaker Street London EC2Y 9AR being the Nominated Adviser and Stockbroker of the Buyer for the time being
"Associate"	any associate or associated company as such terms are respectively defined in Sections 417 and 416 of the TA 1988
"Balance Sheet Date"	30 th April 2004
"Business Day"	a day (other than a Saturday or Sunday) when clearing banks in London are open for business
"Buyer's Accountants"	BDO Stoy Hayward LLP of Prospect Place 85 Great North Road Hatfield Hertfordshire AL9 5BS
"Buyer's Solicitors"	Kingsley Napley of Knights Quarter 14 St John's Lane London EC1M 4AJ
"CA 2001"	the Capital Allowances Act 2001
"Companies Acts"	the Companies Act 1985 and the Companies Act 1989 (as amended)
"Closing"	the completion of the sale and purchase of the Shares in accordance with this agreement
"Closing Accounts"	the accounts of the Company and the Subsidiaries prepared in accordance with clause 5
"Closing Date"	date of this agreement
"Company"	iLight Group Limited a company incorporated and registered in England with company number 02860867 whose registered office is at Tenon Highfield Court Tollgate Chandlers Ford Eastleigh Hampshire SO53 3TY

"Compromise Agreement"	the compromise agreement in the agreed form to be entered into between iLight Limited and Mr Glossop at Closing
"Connected"	in relation to a person has the meaning contained in section 839 TA 1988
"the Consideration Shares"	the Ordinary Shares of 10p each in the capital of the Buyer to be issued in satisfaction of the Deferred Consideration pursuant to clause 3
"Control"	<p>in relation to a body corporate means the power of a person to secure that the affairs of a body corporate are conducted in accordance with the wishes of that person:</p> <p>(a) by the means of the holding of shares, or the possession of voting power, in or in relation to that or any other body corporate; or</p> <p>(b) by virtue of any powers conferred by the constitutional or corporate documents or any other document regulating that or any other body corporate</p> <p>and a change of Control occurs if a person who controls any body corporate ceases to do so or if another person acquires control of it</p>
"Director"	each person who is a director of the Company or any of its Subsidiaries the names of whom are set out in Schedule 2
"Dealing Day"	a day on which the London Stock Exchange is open for business
"Disclosed"	fairly disclosed by the Disclosure Documents
"Disclosure Documents"	the Disclosure Letter and the two identical bundles of documents collated by or on behalf of the Sellers the outside covers of each of which have been signed for

	identification by or on behalf of the Sellers and the Buyer
"Disclosure Letter"	the letter described as such of even date addressed by the Sellers to the Buyer
"Encumbrance"	includes all encumbrances (whether monetary or not) and all other rights exercisable by third parties
"Event"	has the meaning given in Schedule 3 (Tax Covenant)
"Expert"	a person appointed in accordance with clause 6 to resolve a matter relating to the Closing Accounts as required pursuant to this agreement
"FSMA"	the Financial Services and Markets Act 2000
"Mr Glossop"	Andrew Paul Glossop being one of the Sellers
"Guarantee"	means the guarantee entered into by Zero88 Lighting Ltd in favour of Fortis Bank in relation to indebtedness of Durango SARL to that bank
"Buyer's Group"	the Buyer and each of its Subsidiaries
"Indemnities"	means the indemnities given by the Sellers pursuant to Clause 15
"Intellectual Property Rights"	has the meaning given in paragraph 18.1 of Schedule 5
"Mr Kerr"	David Hugh Kerr being one of the Sellers
"the Lock in Agreements"	in the agreed form to be entered into between (1) the Sellers (2) Arbuthnot and (3) the Company pursuant to clause 3.4

"Market Value"	means the average closing middle market quotation of an Ordinary Share as derived from the Daily Official List on the three Dealing Days immediately preceding the Closing Date
"MCC Project"	means the existing contract of iLight Limited in Beirut which:- <ul style="list-style-type: none"> (a) involves the sale and installation of a large proportion of Adaptive Dimmers; and (b) includes the provision by iLight Limited of a 5 year warranty to Cesar Debbas & Fils, distributors in the Lebanon
"Net Tangible Assets"	has the meaning given in clause 5.7
"Ordinary Shares"	Ordinary Shares of 10 pence each in the capital of the Buyer
"Properties"	has the meaning given in paragraph 20.1 of Schedule 5
"Sellers Accountants"	Tenon Group, Highfield Court, Tollgate, Chandlers Ford, Eastleigh, Hampshire SO53 3TY
"Sellers Group"	the Company and each of its Subsidiaries
"Sellers' Solicitors"	Shoosmiths of Russell House 1550 Parkway Solent Business Park Fareham PO15 7AG
"the Service Agreements"	the Service Agreements in the agreed form to be entered into between Polaron Controls Limited and each of Mr Glossop and Mr Kerr at Closing
"Shares"	the 120,000 Ordinary Shares issued in the Company of £1 all of which have been allotted and are fully paid
"Subsidiary"	in relation to a company (the holding company) any other company in which the holding company (or a person acting on its behalf) directly or indirectly holds or controls either

(a) a majority of the voting rights exercisable at general meetings of the company or

(b) the right to appoint or remove directors having a majority of the voting rights exercisable at meetings of the board of directors of the company

and any company which is a Subsidiary of another company is also a Subsidiary of that company's holding company

Unless the context otherwise requires the application of the definition of Subsidiary to any company at any time will apply to the company as it is at that time

"TA 1988"	The Income and Corporation Taxes Act 1988
"Tax or Taxation"	has the meaning given in Schedule 3
"Tax Claim"	has the meaning given in Schedule 3
"Tax Covenant"	the tax covenant in the agreed form set out in Schedule 3
"Tax Warranties"	the warranties in part 11 of Schedule 5
"Taxation Authority"	has the meaning given in Schedule 3
"Taxation Statute"	has the meaning given in Schedule 3
"TCGA 1992"	Taxation of Chargeable Gains Act 1992
"TMA 1970"	Taxes Management Act 1970
"Third Party Rights Act"	Contracts(Rights of Third Parties) Act 1999

"Transaction"	the transaction contemplated by this agreement or any part of that transaction
"VATA"	Value Added Tax Act 1994
"Warranties"	the warranties referred to in clause 7 and set out in Schedule 5

- (b) Clause and schedule headings do not affect the interpretation of this agreement
- (c) A person includes a corporate or unincorporated body
- (d) Words in the singular include the plural and in the plural include the singular
- (e) A reference to one gender includes a reference to the other gender
- (f) A reference to a law is a reference to it as it is in force for the time being taking account of any amendment extension application or re-enactment and includes any subordinate legislation for the time being in force made under it
- (g) Writing or written includes faxes but not e-mail
- (h) Documents in agreed form are documents in the form agreed by the parties to this agreement and initialled by them or on their behalf for identification
- (i) Any representation warranty covenant undertaking or obligation given or made by more than one person shall except where the contrary is stated be deemed to be given or made by such person on a several basis and not on a joint and several basis

2. Sale and Purchase

- (a) The Sellers shall sell as beneficial owners the Shares to the Buyer with full title guarantee free from all liens charges and encumbrances and with all rights now attached thereto and the Buyer shall purchase the Shares on the terms of this agreement
- (b) The Shares are sold with all rights that attach or may in the future attach to them (including in particular the right to receive all dividends and distributions declared made or paid on or after the date of this agreement)
- (c) The Buyer is not obliged to complete the purchase of and the Sellers are not obliged to sell any of the Shares unless the sale and purchase of all the Shares is completed simultaneously

3. Consideration

- (a) The total consideration for the Shares shall be the aggregate of:-

- (i) the sum of £1,000,000 ("Initial Consideration") payable in cleared funds at Closing by way of electronic transfer to the Sellers' Solicitors in accordance with clause 4.4; and
 - (ii) the sum of £700,000 ("Deferred Consideration") subject to adjustment pursuant to clauses 5.5 and 5.6 (such adjusted sum being the "Deferred Consideration Shares")
- (b) The Deferred Consideration shall be satisfied by the issue of Consideration Shares (credited as fully paid and ranking pari passu in all respects with the existing issued Ordinary Shares) in accordance with clause 3.3 of such number of Ordinary Shares which by reference to the Market Value shall be equal to the Deferred Consideration
- (c) The Buyer undertakes to the Sellers to:-
 - (i) issue the Consideration Shares within 3 Business Days of final determination of the Net Tangible Assets pursuant to clauses 5.5 and 5.6;
 - (ii) use its best endeavours to procure Admission of the Consideration Shares as soon as reasonably practicable after the date of issue
- (d) Each of the Sellers severally undertakes to the Buyer that upon Admission of the Consideration Shares they will enter into the Lock in Agreements

4. Closing

- (a) Closing will take place immediately following the execution of this agreement:
 - (i) at the offices of the Sellers' Solicitors; or
 - (ii) at any other place agreed in writing by the Sellers and the Buyer.

when all (but not part only unless the Buyer shall so agree) of the business specified in this clause 4 shall be transacted

- (b) The Sellers shall deliver or procure delivery to the Buyer:-
 - (i) transfers in respect of the Shares duly executed by the Sellers and completed in favour of the Buyer together with the certificates therefor or an indemnity in the agreed form in the case of any certificate found to be missing
 - (ii) all the statutory and minute books of the Company and the Subsidiaries (written up to date) and their respective common seals certificates of incorporation books of account cheque books and unused cheques and other documents and records
 - (iii) the written resignations of each of the directors of the Company and the Subsidiaries together with acknowledgements in the agreed form save in the case of Mr C Fenwick and Mr R Thornton Brown in their capacity as directors of Zero 88 Lighting Limited
 - (iv) the written resignations of the secretary of the Company and the Subsidiaries together with acknowledgements in the agreed form

- (v) statements from all banks at which the Company or any of the Subsidiaries has an account of the balance on all accounts as at the close of the last Business Day but one preceding Closing
 - (vi) at Closing or within 5 Business Days thereafter the cash book balances of the Company and the Subsidiaries as at Closing with reconciliation statements reconciling such cash book balances with the bank balances on the bank accounts of the Company as at the close of business on the last Business Day preceding Closing
 - (vii) a letter from the Auditors of the Company and the Subsidiaries resigning their office as auditors of the Company and the Subsidiaries acknowledging that they have no claim against the Company and the Subsidiaries and containing the statement referred to in s.394(1) of the Companies Act
 - (viii) the Compromise Agreement duly executed
 - (ix) the Service Agreements duly executed
 - (x) an acknowledgement in an agreed form duly executed by each of the Sellers confirming that he has no claims (save for claims in respect of salaries expenses and benefits accrued by them in their capacity as Employees details of such claim are set out at Schedule 9) on any account against the Company or any of its Subsidiaries and waiving his right and entitlement to receive repayment of any sums owing to him. For the avoidance of doubt this clause in no way prejudices any claim derived from any Seller's employment relationship with any member of the Seller's Group
- (c) The Sellers shall:-
- (i) procure that the Sellers repay to the Company and the Subsidiaries all sums owing by them or by their associates to the Company and the Subsidiaries
 - (ii) cause the transfers mentioned at 4.2.1 of this clause to be approved for registration (subject to stamping) notwithstanding any provision to the contrary in the articles of association of the Company; and
 - (iii) cause to be validly appointed as additional directors of the Company and the Subsidiaries Joseph Nigel Stelzer, Jonathan Clough and Simon Sparrow
 - (iv) procure that the registered office of the Company and the Subsidiaries is changed to 26 Greenhill Crescent Watford Business Park Watford Hertfordshire WD18 8XG
- (d) Subject to the Sellers having complied with its obligations under this clause the Buyer shall pay the Initial Consideration by telegraphic transfer to the client account of the Sellers' Solicitors at the Royal Bank of Scotland PO Box 412 62/63 Threadneedle Street London EC2R 8LA account number 21738479 sort code 15-10-00

- (e) The parties shall join in procuring that all existing bank mandates in force for the Company and/or any of the Subsidiaries shall be altered in such manner as the Buyer shall require
- (f) The Sellers hereby declare that so long as they remain the registered holder of any of the Shares after Closing they:
 - (i) stand and be possessed of the Shares and the dividends and other distributions of profit or surplus or other assets in respect thereof and all rights arising out of or in connection therewith in trust for the Buyer and its successors in title
 - (ii) at the request of the Buyer or any such successor vote at all meetings which they shall be entitled to attend as the registered holder of the Shares in such manner as the Buyer or any such successor may direct
 - (iii) (if so required by the Buyer) execute an instrument of proxy to enable the Buyer to attend and vote at such meetings

5. Adjustment of Purchase Price

- (a) As soon as possible after Closing the Sellers shall prepare draft Closing Accounts as at the close of business on the Closing Date
- (b) The Sellers shall ensure the Closing Accounts are submitted to the Buyer for review in accordance with the principles set out in Schedule 4 within 20 Business Days of the Closing Date (the first day being that date)
- (c) The Closing Accounts will consist of:
 - (i) a balance sheet for each of the Company and its Subsidiaries as at the close of business on the Closing Date and
 - (ii) a profit and loss account for each of the Company and its Subsidiaries for the period starting with the day immediately following the Balance Sheet Date and ending on the Closing Date.
- (d) The Closing Accounts must be prepared and reviewed in accordance with the principles set out in Schedule 4
- (e) Subject to the provision of clause 5.13, the Deferred Amount will be reduced by an amount equal to the amount by which the Closing Accounts show the Net Tangible Assets of the Company and its Subsidiaries as being less than £262,865 ("the Shortfall")
£247,877
- (f) Subject to the provision of clause 5.13, the Deferred Amount will be increased by an amount equal to the amount by which the Closing Accounts show the Net Tangible Assets of the Company and its Subsidiaries as being more than £396,198 ("the Excess")
£381,210
- (g) The Net Tangible Assets of each of the Company and its Subsidiaries are their fixed assets plus their current assets less their liabilities and do not include any intangible assets (the figures for the fixed and current assets and the liabilities are the consolidated figures set out in the Closing Accounts)

- (h) The Buyer or the Buyer's Accountants have 20 Business Days starting with the day on which they receive the Closing Accounts within which to notify the Sellers that it disagrees with the Closing Accounts; if no Notice is received the parties are deemed to have accepted the Closing Accounts as accurate at the expiry of the 20 Business Day period
 - (i) Where the Buyer or the Buyer's Accountants serves a Notice disagreeing with the Closing Accounts the parties have 20 Business Days starting with the day on which the Sellers receive the Notice within which to resolve the disagreement
 - (j) Where the parties are unable to resolve their disagreement within the 20 Business Days the Closing Accounts will be referred to an Expert who will decide the amount (if any) of any Excess or Shortfall and as a consequence the amount of the Deferred Consideration
 - (k) The Sellers and the Buyer and the Buyer's Accountants (as the case may be) must supply each other with all information and give each other access to all documentation and personnel as the other party reasonably requires to prepare or review the Closing Accounts.
 - (l) The Buyer and the Sellers will each pay the charges of their own accountants
- 5.13 No adjustment shall be made to the Deferred Amount pursuant to clause 5.5 or 5.6 unless the Shortfall or the Excess (as the case may be) is more than £25,000. In the event that the Shortfall or the Excess (as the case may be) is more than £25,000 then the Deferred Amount shall be adjusted to reflect the whole of the Shortfall or the Excess (as the case may be) and not just the excess above £25,000.

6. Expert

- (a) An Expert is a person appointed in accordance with this clause to resolve a matter under this agreement
- (b) The parties will agree on the appointment of an independent Expert who shall be a partner of at least 10 years qualified experience at such reputable firm of chartered accountants as is agreed between the Sellers and the Buyer with experience in determining disputes of the nature contemplated between the Sellers and the Buyer
- (c) If the parties are unable to agree on an Expert within seven days of either party serving the name of a suggested person on the other the Expert will be an accountant of repute with international experience nominated at the request of either party by the President for the time being of the Institute of Chartered Accountants in England and Wales
- (d) The Expert:
 - (i) is required to prepare a written decision and give notice (including a copy) of the decision to the parties within a maximum of 28 days of the matter being referred to the Expert
 - (ii) shall not be competent to decide on any matter outside the range of disputes between the Sellers and the Buyer

- (e) The parties are entitled to make submissions to the Expert and will provide (or procure that others provide) the Expert with such assistance and documents as the Expert reasonably requires for the purpose of reaching a decision
- (f) The Sellers and Buyer must supply each other with all information and give each other access to all documentation and personnel as the other party reasonably requires to make a submission under this clause
- (g) The Expert acts as an expert and not as an arbitrator the Arbitration Act 1996 shall not apply and the Expert's written decision on the matters referred is save for manifest error final and binding.
- (h) The costs of any reference to an Expert are to be borne by the parties in the manner the Expert provides or otherwise the parties will share the costs equally
- (i) For the avoidance of doubt the Expert shall have jurisdiction to decide disputes as to his jurisdiction and points of construction in relation to this clause only

7. Warranties

- (a) Each of the Sellers severally warrants to the Buyer that each Warranty is true on the date of this agreement except as Disclosed
- (b) Any information supplied by or on behalf of the Company or any of the Subsidiaries to the Sellers or its advisers in connection with the Warranties the Disclosure Letter or the Tax Covenant or otherwise in relation to the business and affairs of the Company and the Subsidiaries shall not constitute a warranty representation or guarantee as to the accuracy thereof in favour of the Sellers and the Sellers hereby undertake to the Buyer to waive any and all claims which it might otherwise have against the Company or any of the Subsidiaries or against any officer or employee of the same in respect thereof
- (c) The Buyer is not entitled to recover damages or otherwise obtain restitution more than once in respect of the same loss
- (d) Warranties given so far as the Seller is aware are deemed to be given to the best of the knowledge information and belief of the Seller after it has made reasonable enquiries of each other and of their professional advisors.
- (e) Each of the Warranties is separate and unless specifically provided is not limited by reference to any other Warranty or anything in this agreement

8. Limitations on Warranties

- 8.1 (a) The liability of the Sellers under the Warranties and the Tax Covenant shall be limited to the extent provided in Schedule 8 except:

- 8.1.1 (i) In the case of fraud on the part of the Sellers and by matters Disclosed; and

8.1.2 In relation to the Indemnities

9. Tax Covenant

- (a) The provisions of Schedule 3 shall apply

10. Announcements and Circulars

- (a) No party shall disclose the making of this agreement nor its terms nor any other agreement referred to in this agreement and each party shall procure that each of its connected persons and its professional advisers shall not make any such disclosure without the prior consent of the other party unless disclosure is:
 - (i) to its professional advisers; or
 - (ii) required by law or the rules of the UK Listing Authority or the London Stock Exchange or other regulatory body and disclosure shall then only be made by that party:
- (1) after it has taken all such steps as may be reasonable in the circumstances to agree the contents of such announcement with the other party before making such announcement and provided that any such announcement shall be made only after notice to the other party; and
- (2) to the person or persons and in the manner required by law or the UK Listing Authority or the London Stock Exchange or as otherwise agreed between the parties
- (b) The restrictions contained in clause 10.1 shall apply without limit of time and whether or not this agreement is terminated.

11. Further Assurance

- (a) The Sellers will promptly execute and deliver all such documents and do all such things at the cost of the Buyer as the Buyer may from time to time reasonably require for the purpose of giving full effect to the sale of shares pursuant to this agreement.

12. Assignment

- (a) Except as provided otherwise no person may assign or grant any security interest over any of its rights under this agreement or any document referred to in it.
- (b) Each person that has rights under this agreement is acting on its own behalf.
- (c) The Buyer may assign its rights under this agreement (or any document referred to in the agreement) to a member of the Buyer's Group.
- (d) If there is an assignment
 - (i) the Sellers may discharge their obligations under this agreement to the assignor until they receive notice of the assignment
 - (ii) the assignee may enforce this agreement as if it were a party to it but the Buyer will remain liable for any obligations under the agreement and

- (iii) the liability of the Sellers to any assignee cannot be greater than its liability to the Buyer

13. Whole Agreement

- (a) This agreement and any documents referred to in it constitute the whole agreement between the parties and supersede any arrangements understanding or previous agreement between them relating to the subject matter they cover.
- (b) Each party acknowledges that in entering into this agreement and any documents referred to in it and it does not rely on and shall have no remedy in respect of any statement representation assurance or warranty of any person other than as expressly set out in this agreement or those documents
- (c) Nothing in this clause operates to limit or exclude any liability for fraud

14. Variation and Waiver

- (a) A variation of this agreement must be in writing and signed by or on behalf of all parties
- (b) A waiver of any right under this agreement is only effective if it is in writing and it applies only to the person to which the waiver is addressed and the circumstances for which it is given
- (c) A person that waives a right in relation to one person or takes or fails to take any action against that person does not affect its rights against any other person
- (d) Unless specifically provided otherwise rights arising under this agreement are cumulative and do not exclude rights provided by law

15. Indemnities

15.1 Notwithstanding any other provisions of this agreement, the Sellers severally undertake to indemnify and keep indemnified forthwith on demand:-

15.1.1 Zero88 Lighting Ltd against all and any liability costs and expenses under or in connection with the Guarantee

15.1.2 The Buyer and/or iLight Limited against all and any liability costs and expenses which iLight Limited might incur or suffer in the event that more than 50 (fifty) per cent (in value terms) of the product supplied by iLight pursuant to the MCC Project are returned or rejected by the customer on the basis that such product is defective or faulty.

16. Costs

- (a) Unless otherwise provided all costs in connection with the negotiation preparation execution and performance of this agreement and any documents referred to in it will be borne by the party that incurred the costs

17. Notice

- (a) Any notice hereunder shall be in writing. Without prejudice to any other effective mode of service a notice shall be deemed to have been sufficiently

served on the relevant party if left at or sent by first class letter post or registered or recorded delivery to his address specified above or such other address as may from time to time be notified for the purposes hereof or in the case of the Buyer to its registered office. The notice shall be deemed to have been served at the time when handed to or left with the addressee or if served by post on the next succeeding day (not being a Saturday Sunday or public holiday) following the day of posting or if by facsimile transmission at the time of despatch thereof

18. Counterparts

- (a) This agreement may be executed in any number of counterparts each of which is an original and which together have the same effect as if each party had signed the same document

19. Severance

- (a) If any provision of this agreement (or part of a provision) is found by any court or administrative body of competent jurisdiction to be invalid unenforceable or illegal the other provisions will remain in force.
- (b) If any invalid unenforceable or illegal provision would be valid enforceable or legal if some part of it were deleted the provision will apply with whatever modification is necessary to give effect to the commercial intention of the parties

20. Agreement Survives Closing

- (a) This agreement (other than obligations that have already been fully performed) remains in full force after Closing

21. Governing Law and Jurisdiction

- (a) This agreement and any disputes or claims arising out of or in connection with its subject matter are governed by and construed in accordance with the law of England.
- (b) The parties irrevocably agree that the courts of England have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this agreement

22. Third Party Rights

- (a) Nothing in this Agreement is intended to confer on any person any right to enforce any term of this Agreement which that person would not have had but for the Third Party Rights Act, except that clause 8 and schedule 9 confer on the third parties expressly identified therein rights which are respectively directly enforceable by them subject to and in accordance with the terms of this Agreement.

This agreement has been entered into on the date stated at the beginning of this agreement

**Schedule 1
The Sellers**

Name and Address	Number of Ordinary Shares of £1 each	Percentage of Initial Consideration (cash)	Percentage of Deferred Consideration (Ordinary Shares)
David Hugh Kerr Lower Court East Down Blackawton Totnes Devon TQ9 7AP	37,503	31.2525	31.2525
Jennifer Kerr Lower Court East Down Blackawton Totnes Devon TQ9 7AP	35,997	29.9975	29.9975
Peter Howard Edward Brooks Ty Fynnon Pant Glas Rudry Caerphilly CF83 3EJ	14,070	11.725	11.725
Patricia Mary Brooks Ty Fynnon Pant Glas Rudry Caerphilly CF83 3EJ	930	0.775	0.775
Christopher Fenwick 3 Court Lodge Shenley Radlett Hertfordshire WD7 9DU	15,000	12.5	12.5
Richard Mark Thornton Brown White Jade Grosmont Abergavenny Gwent BP7 8LW	15,000	12.5	12.5
Andrew Paul Glossop Dawnhurst Four Elms Road Edenbridge	1,500	1.25	1.25

Schedule 2

Particulars of the Company Subsidiaries and directors

Part I

The Company

Name of Company	iLight Group Limited
Company's registration number	02860867
Registered office	Tenon, Highfield Court, Tollgate, Chandlers Ford, Eastleigh, Hampshire SO53 3TY
Authorised share capital	£120,000
Issued share capital	120,000
Type of shares	ORDINARY £1 shares
Registered shareholders	See Schedule 1
Beneficial owner of shares (if different)	N/A
Directors and shadow directors	Christopher Fenwick Andrew Paul Glossop Richard Mark Thornton Brown David Hugh Kerr

Part II

The Subsidiaries

Name of company	Zero 88 Lighting Limited
Company's registration number	01078182
Registered office	Usk House, Llantarnam Park, Cwmbran, Gwent NP44 3HD
Authorised share capital	£60,000
Issued share capital	450,000 Ordinary [150 CPPO shares]
Type of shares	Ordinary 10 pence shares
Registered shareholders	iLight Group Limited
Beneficial owner of shares (if different)	N/A
Directors and shadow directors	Christopher Fenwick Richard Mark Thornton Brown

Name of company	iLight Limited
Company's registration number	02811846
Registered office	Unit 4, Penshurst Enterprise Centre, Rogues Hill, Penshurst, Tonbridge, Kent TN11 8BG
Authorised share capital	£100,000
Issued share capital	25,002
Type of shares	Ordinary £1 shares
Registered shareholders	iLight Group Limited

Beneficial owner of shares (if different)	N/A
Directors and shadow directors	Andrew Glossop David Kerr

Name of company	Dimmers Direct Limited
Company's registration number	3900366
Registered office	Highfield Court, Tollgate, Chandlers Ford, Eastleigh, Hampshire, SO53 3TY
Authorised share capital	£10,000
Issued share capital	£2
Type of shares	Ordinary £1 shares
Registered shareholders	iLight Group Limited
Beneficial owner of shares (if different)	N/A
Directors and shadow directors	Christopher Fenwick

Name of company	Dynalite International Limited
Company's registration number	3578080
Registered office	Highfield Court, Tollgate, Chandlers Ford, Eastleigh, Hampshire, SO53 3TY
Authorised share capital	£10,000
Issued share capital	£2
Type of shares	Ordinary £1 shares
Registered shareholders	iLight Group Limited
Beneficial owner of shares (if different)	N/A
Directors and shadow directors	David Hugh Kerr

Name of company	Dynalite Limited
Company's registration number	3843573
Registered office	Highfield Court, Tollgate, Chandlers Ford, Eastleigh, Hampshire, SO53 3TY
Authorised share capital	£100,000
Issued share capital	£2
Type of shares	Ordinary £1 shares
Registered shareholders	iLight Group Limited
Beneficial owner of shares (if different)	N/A
Directors and shadow directors	Christopher Fenwick

Name of company	iControl Limited
Company's registration number	3968874
Registered office	Highfield Court, Tollgate, Chandlers Ford, Eastleigh, Hampshire, SO53

	3TY
Authorised share capital	£10,000
Issued share capital	£2
Type of shares	Ordinary £1 shares
Registered shareholders	iLight Group Limited
Beneficial owner of shares (if different)	N/A
Directors and shadow directors	Christopher Fenwick

Name of company	IDB International Limited
Company's registration number	03586095
Registered office	Highfield Court, Tollgate, Chandlers Ford, Eastleigh, Hampshire, SO53 3TY
Authorised share capital	£10,000
Issued share capital	£2
Type of shares	Ordinary £1 shares
Registered shareholders	iLight Group Limited
Beneficial owner of shares (if different)	N/A
Directors and shadow directors	David Hugh Kerr

Name of company	Light Sound Image Systems Limited
Company's registration number	3991378
Registered office	Highfield Court, Tollgate, Chandlers Ford, Eastleigh, Hampshire, SO53 3TY
Authorised share capital	£100
Issued share capital	£1
Type of shares	Ordinary £1 shares
Registered shareholders	iLight Group Limited
Beneficial owner of shares (if different)	N/A
Directors and shadow directors	Christopher Fenwick

Name of company	iTeam Limited (DISSOLVED)
Company's registration number	
Registered office	
Authorised share capital	
Issued share capital	
Type of shares	
Registered shareholders	
Beneficial owner of shares (if different)	
Directors and shadow directors	

Schedule 3
Tax Covenant

1. Interpretation

(a) In this agreement these definitions apply:

Buyers Tax Group: the Buyer and any other company or companies which either are or become after Closing or have within the seven years ending at Closing been treated as members of the same group as or otherwise connected or associated in any way with the Buyer for any Tax purpose

Event : includes (without limitation) the death or the winding up or dissolution of any person and any transaction (including the sale of the Shares pursuant to this agreement) event act or omission whatsoever and any reference to an event occurring on or before a particular date will include events which for Tax purposes are deemed to have or are treated or regarded as having occurred on or before that date

Liability for Taxation : any liability of the Company or a Subsidiary to make a payment of or in respect of Taxation whether or not the same is primarily payable by the Company or the relevant Subsidiary and whether or not the Company or the relevant Subsidiary has or may have any right of reimbursement against any other person or persons and will also include:

- (a) the Loss of any Relief where such Relief has been taken into account in computing and so reducing or eliminating any provision for deferred Tax which appears in the Closing Accounts (or which but for such Relief would have appeared in the Closing Accounts) or where such Relief was treated as an asset of the Company or the relevant Subsidiary in the Closing Accounts or was taken into account in computing any deferred Tax asset which appears in the Closing Accounts in which case the amount of the Liability for Taxation will be the amount of Taxation which would (on the basis of tax rates current at the date of such Loss) have been saved but for such Loss assuming for this purpose that the Company or the relevant Subsidiary had sufficient profits or was otherwise in a position to use the Relief
- (b) the Loss of any right to repayment of Taxation (including any repayment supplement) which was treated as an asset in the Closing Accounts in which case the amount of the Liability for Taxation will be the amount of the right to repayment and any related repayment supplement; and
- (c) the set-off or use against income profits or gains earned accrued or received or against any Tax chargeable in respect of an Event occurring on or before Closing of any Relief or right to repayment of Taxation (including any repayment supplement) which is not available before Closing but arises after Closing in circumstances where, but for such set-off or use, the Company or the relevant Subsidiary would have had a liability to make a payment of or in respect of Taxation for which the Buyer would have been able to make a claim against the Sellers under this Tax Covenant in which case the amount of the Liability for Taxation will be the amount of Taxation saved by the Company or the relevant Subsidiary as a result of such set-off

Loss : any reduction modification loss counteraction nullification or utilisation

Relief : any loss relief allowance credit exemption or set-off in respect of Taxation or any deduction in computing income profits or gains for the purposes of Taxation

Saving: the reduction or elimination of any liability of the Company or a Subsidiary to make an actual payment of corporation tax in respect of which the Seller would not have been liable under paragraph 2 by the use of any Relief arising wholly as a result of a Liability for Taxation in respect of which the Seller has made a payment under paragraph 2 of this Schedule

Tax or Taxation : all forms of taxation and statutory governmental state federal provincial local government or municipal charges duties imposts contributions levies withholdings or liabilities wherever chargeable and whether of the UK or any other jurisdiction and any penalty fine surcharge interest charges or costs relating thereto

Tax Claim : any assessment notice demand letter or other document issued or action taken by or on behalf of any Taxation Authority from which it appears that the Company a Subsidiary or the Buyer is subject to a Liability for Taxation

Taxation Authority : the Inland Revenue Customs & Excise Department of Social Security and any other governmental or other authority whatsoever competent to impose any Taxation whether in the United Kingdom or elsewhere

Taxation Statute : any directive statute enactment law or regulation wheresoever enacted or issued coming into force or entered into providing for or imposing any Taxation and will include orders regulations instruments bye-laws or other subordinate legislation made under the relevant statute or statutory provision and any directive statute enactment law order regulation or provision which amends extends consolidates or replaces the same or which has been amended extended consolidated or replaced by the same

(b) In this Tax Covenant references to:

(a) gross receipts income profits or gains earned accrued or received will include any gross receipts income profits or gains deemed pursuant to the relevant Taxation Statute to have been or treated or regarded as earned accrued or received

(b) a repayment of Taxation includes any repayment supplement or interest in respect of it

(c) an Event occurring on or before Closing includes a series or combination of events the first of which was an event occurring on or before Closing provided that at least one of the Events prior to Closing occurred outside the ordinary course of business and the Event or Events occurring after Closing occurred in the ordinary course of business

(d) something occurring in the ordinary course of business will without prejudice to the generality thereof be deemed not to include:

(i) anything which involves or leads directly or indirectly to any liability of the Company or a Subsidiary to Taxation that if the primary liability of or properly attributable to or due from another person (other than a member of the Buyer's Tax Group) or is the liability of the Company or a Subsidiary only because some other person other than a member of the Buyer's Tax Group has failed to pay it or is the liability of the

Company or a Subsidiary because it has elected to be regarded as taxable or liable or to be regarded as having made a disposal

- (ii) anything which relates to or involves the acquisition of an asset or the supply of services (including the lending of money or the hiring or licensing of tangible or intangible property) in a transaction which is not entered into on arm's length basis
- (iii) anything which relates to or involves the making of a distribution for Taxation purposes the creation cancellation or reorganisation of share or loan capital the creation cancellation or repayment of any intra-group debt or the Company or a Subsidiary becoming or ceasing or being treated as becoming or ceasing to be a member of a group of companies or as becoming or ceasing to be associated or connected with any other company for any Taxation purposes
- (iv) anything which relates to a transaction or arrangement which includes or a series of transactions or arrangements which includes any step or steps having no commercial or business purpose apart from the reduction avoidance or deferral of a Liability for Taxation
- (v) anything that gives rise to a Liability for Taxation on deemed (as opposed to actual) profits to the extent that it gives rise to a Liability for Taxation on an amount of profits greater than the difference between the sale proceeds of an asset and the amount attributable to that asset in the Accounts or in the case of an asset acquired since the Balance Sheet Date the cost of that asset
- (vi) anything which involves or leads directly or indirectly to a change of residence of the Company or a Subsidiary for Taxation purposes
- (vii) anything which relates to an Event falling within Part XI of the TA 1988 (Close companies)
- (viii) anything that gives rise to liability for any inheritance tax unpaid at Closing in respect of which any Taxation Authority has any charge over any of the Shares in or assets of the Company or a Subsidiary or gives rise to a power to sell mortgage or charge any Shares or assets of the Company or a Subsidiary; and
- (ix) anything which gives rise to Liability for Taxation in consequence of any failure of the Company or a Subsidiary to operate the PAYE collection system in any period prior to Closing accurately and correctly

2. Covenant

- (a) The Sellers covenant with the Buyer that subject to the following provisions of this Tax Covenant the Sellers will be liable to pay to the Buyer by way of repayment of the consideration for the Shares to the extent possible an amount equal to any:
 - (a) Liability for Taxation resulting from or by reference to any Event occurring on or before Closing or in respect of any gross receipts income profits or gains earned accrued or received by the Company or a Subsidiary on or before Closing

- (b) costs and expenses referred to in paragraph 7

3. Payment Date and Interest

- (a) Where the Sellers are liable to make any payment under paragraph 2 the due date for the making of that payment (Due Date) will be the later of the date falling five Business Days after the Buyer has served a notice on the Sellers demanding that payment and in a case:
 - (a) that involves an actual payment of Taxation by the Company or a Subsidiary the date on which the Taxation in question would have had to have been paid to the relevant Taxation Authority in order to prevent a liability to interest or a fine surcharge or penalty arising in respect of the Liability for Taxation in question; or
 - (b) that involves a Liability for Taxation within paragraph 1.1(a) the last date upon which the Taxation is or would have been required to be paid to the relevant Taxation Authority in respect of the period in which the Loss of the Relief occurs (assuming for this purpose that the Company or the relevant Subsidiary has sufficient profits or was otherwise in a position to use the Relief) or
 - (c) that involves a Liability for Taxation within paragraph 1.1(b) the date upon which the payment was due from the relevant Taxation Authority or
 - (d) that involves a Liability for Taxation within paragraph 1.1(c) the date upon which the Taxation saved by the Company or the relevant Subsidiary is or would have been required to be paid to the relevant Taxation Authority
- (b) If any sums required to be paid by the Sellers under this Tax Covenant are not paid on the Due Date, then, except to the extent that the Sellers' liability under paragraph 2 compensates the Buyer for the late payment by virtue of it extending to interest and penalties, such sums will bear interest (which will accrue from day to day after as well as before any judgment for the same) at the rate of 4 % per annum over the base rate from time to time of Barclays Bank Plc or, in the absence thereof, at such similar rate as the Buyer will select from the day following the Due Date up to and including the day of actual payment of such sums, such interest to be compounded quarterly.

4. Exclusions

- (a) The covenant contained in paragraph 2 above will not cover any Liability for Taxation to the extent that:
 - (i) a provision or reserve in respect thereof is made, or its payment or discharge is reflected in the Accounts or in the Closing Accounts; or
 - (ii) recovery has been made by the Buyer under the Warranties in respect of the same subject matter; or

- (iii) it arises or is increased as a result only of any change in the law announced and coming into force after Closing (whether relating to rates of Taxation or otherwise); or
 - (iv) such Liability for Taxation would not have arisen but for a voluntary act or transaction carried out by the Buyer or the Company after the Closing Date otherwise than in the ordinary course of business or otherwise than pursuant to a legally binding obligation created on or before the date hereof where in either such case such act or transaction was carried out without the consent of the Seller and where the Buyer or the Company knew that such act or transaction would give rise to such liability for Taxation; or
 - (v) the Liability for Taxation arises in respect of or by reference to any income, profits or gains earned, accrued or received after the Balance Sheet Date or arises in consequence of an Event occurring since the Balance Sheet Date in either case in the ordinary course of business of the Buyer's Tax Group or the Sellers' Group; or
 - (vi) the Liability is in respect of stamp duty or stamp duty reserve tax payable on the transfer or agreement to transfer the Shares pursuant to this Agreement.
- (b) The provisions of Schedule 8 of the Agreement shall apply to limit the Sellers' liability under this Schedule 3

5. Conduct of Tax Claims

- (a) If the Buyer, the Company or a Subsidiary becomes aware of a Tax Claim, the Buyer will give or procure that notice in writing is given to the Sellers as soon as is reasonably practicable.
- (b) Provided the Sellers indemnify and secures the Buyer, the Company or the relevant Subsidiary to the Buyer's reasonable satisfaction against all liabilities, costs, damages or expenses which may be incurred thereby including any additional Liability for Taxation, the Buyer will take and will procure that the Company or the relevant Subsidiary takes such action as the Sellers may reasonably request by notice in writing given to the Buyer, the Company or the relevant Subsidiary to avoid, dispute, defend, resist, appeal or compromise any Tax Claim (such a Tax Claim where action is so requested being hereinafter referred to as a Dispute), provided that neither the Buyer, the Company nor the relevant Subsidiary will be obliged to appeal or procure an appeal against any assessment to Taxation raised on any of them if, the Sellers having been given written notice of the receipt of such assessment, the Buyer, the Company or the relevant Subsidiary have not within 10 days of the date of the notice received instructions in writing from the Sellers to do so.
- (c) If the Sellers do not request the Buyer, the Company or the relevant Subsidiary to take any action under paragraph 5.2 above or fails to indemnify and secure the Buyer, the Company or the relevant Subsidiary to the Buyer's reasonable satisfaction within a period of time (commencing with the date of the notice given to the Seller) that is reasonable, having regard to the nature of the Tax Claim and the existence of any time limit in relation to avoiding, disputing, defending, resisting, appealing or compromising such Tax Claim, and which period will not in any event exceed a period of 15 days or the

Dispute concerns fraudulent or negligent conduct, the Buyer, the Company or the relevant Subsidiary will have the conduct of the Dispute absolutely (without prejudice to its rights under this Tax Covenant) and will be free to pay or settle the Tax Claim on such terms as the Buyer, the Company or the relevant Subsidiary may in its absolute discretion consider fit.

- (d) Subject to paragraph 5.3, by agreement in writing between the Buyer and the Sellers the conduct of a Dispute may be delegated to the Sellers upon such terms as may be agreed from time to time between the Buyer and the Sellers provided that, unless the Buyer and the Seller specifically agree otherwise in writing, the following terms will be deemed to be incorporated into any such agreement:
 - (a) the Buyer, the Company or the relevant Subsidiary will promptly be kept fully informed of all material matters pertaining to a Dispute and will be entitled to see and keep copies of all material correspondence and notes or other written records of telephone conversations or meetings and, in the event that there is no written record, will be given as soon as reasonably practicable a report of all material telephone conversations with any Taxation Authority to the extent that it relates to a Dispute;
 - (b) the appointment of solicitors or other professional advisers will be subject to the written approval of the Buyer, such approval not to be unreasonably withheld or delayed;
 - (c) all written communications pertaining to the Dispute which are to be transmitted to the relevant Taxation Authority will first be submitted to the Buyer, the Company or the relevant Subsidiary for approval and will only be finally transmitted if such approval is given, such approval not to be unreasonably withheld or delayed;
 - (d) the Sellers will make no settlement or compromise of the Dispute or agree any matter in the conduct of the Dispute which is likely to affect materially the amount thereof or the future liability to Taxation of the Buyer, the Company or any relevant Subsidiary without the prior approval of the Company, the relevant Subsidiary and the Buyer (as may be appropriate), such approval not to be unreasonably withheld or delayed

6. Withholdings

- (a) Any sum payable by the Sellers under this Tax Covenant will be paid free and clear of all deductions or withholdings unless the deduction or withholding is required by law, in which case the Sellers will pay such additional amount as will be required to ensure that the net amount received by the Buyer under this Tax Covenant will equal the full amount which would have been received by it had no such deduction or withholding been required to be made.

7. Costs and expenses

- (a) The covenant contained in paragraph 2 of this Tax Covenant will extend to all costs and expenses reasonably and properly incurred by the Buyer, the Company and any Subsidiary in connection with any action taken under this Tax Covenant, and any satisfaction or settlement of a Liability for Taxation in accordance with paragraph 2 of this Tax Covenant.

8. Recovery from Other Persons

- (a) Where the Buyer or any member of the Buyer's Tax Group or Sellers' Group is or becomes entitled to recover from some other person any amount which is referable to a Liability for Tax which has resulted in a payment being made by the Sellers under this Tax Covenant the Buyer shall or procure that the relevant member of the Buyer's Tax Group or the Sellers' Group shall:
 - (i) notify the Sellers of its entitlement; and
 - (ii) if required by the Sellers and, subject to the Buyer and the Buyers Group being indemnified and secured by the Sellers against any Tax that may be suffered on receipt of that amount and any reasonable costs and expenses incurred in recovering that amount, take or procure that the relevant member of the Buyer's Tax Group takes all reasonable steps to enforce that recovery.
- (b) If the Buyer or any member of the Buyer's Tax Group or Sellers' Group recovers any amount referred to in clause 8.1 the Buyer shall account to the Sellers for the lesser of:-
 - (i) any amount received (including any related interest or related repayment supplement) less any Tax suffered in respect of that amount and any costs and expenses incurred in recovering that amount (save to the extent that that amount has already been made good by the Sellers under clause 8.1); and
 - (ii) the amount paid by the Sellers under clause 2 in respect of the Liability for Tax in question.

9. Over-provisions and Corresponding Savings

- (a) If the auditors for the time being of a relevant member of the Sellers' Group shall certify (at the request and expense of the Sellers) that any provision for Tax in the Accounts has proved to be an over-provision as at the Balance Start Date then the amount of such over-provision shall be dealt with in accordance with clause 9.3
- (b) If the auditors for the time being of any member of the Sellers' Group shall certify (at the request and expense of the Sellers) that any Liability for Tax which has resulted in a payment having been made or becoming due from the Sellers under this Tax Covenant has given or will give rise to a corresponding saving for the Buyer, the Buyer's Tax Group or the Sellers' Group which would not otherwise have arisen then as and when the liability of the Sellers' Group to make an actual payment of or in respect of Tax is reduced by reason of the utilisation of that corresponding saving the amount by which that liability for Tax is so reduced shall be dealt with in accordance with clause 9.3.
- (c) Where it is provided under clause 9.1 or 9.2 above that any amount (the "Relevant Amount") is to be dealt with in accordance with this clause 9.3:-
 - (i) the Relevant Amount shall first be set off against any payment then due from the Sellers under this Tax Covenant; and

- (ii) to the extent there is an excess refund should be made to the Sellers of any previous payment or payments made by the Sellers under this Tax Covenant and not previously refunded under this clause up to the amount of such excess; and
 - (iii) to the extent that the excess referred to in clause 9.3.2 above is not exhausted the remainder of that excess shall be carried forward and set off against any future payment or payments which become due from the Sellers under this Tax Covenant.
- (d) Where any such certification as mentioned in clause 9.1 or 9.2 above has been made the Sellers or the Buyer or the relevant member of the Buyer's Tax Group or the Sellers' Group may request the auditors of the Buyer or the Buyer's Tax Group or the Sellers' Group for the time being at the expense of the parties so making the request to review such certification in the light of all relevant circumstances including any facts which have become known only since such certification and to certify whether such certification remains correct or whether in the light of those circumstances the amount that was the subject of such certification should be amended.
- (e) If the auditors certify under clause 9.4 above that an amount previously certified should be amended that amended amount should be substituted for the purposes of clause 9.3 as the Relevant Amount in respect of the certification in question in place of the amount originally certified and such adjusting payment (if any) as may be required by virtue of the aforementioned substitution shall be made as soon as practicable by the Sellers or (as the case may be) to the Sellers.
- (f) If any dispute shall arise under this clause 9 as to whether there is or has been any over-provision or corresponding saving such dispute shall be referred for determination to a firm of chartered accountants agreed between the Sellers and the Buyer and failing such agreement a firm of independent accountants shall be nominated by the President for the time being of the Institute of Chartered Accountants of England and Wales who in making such determination shall act as expert (the "Expert") and not arbitrator whose decision shall be final *and binding on the parties* hereto. The Expert may make such enquiries as he shall think fit in order to make such determination and shall also determine how the costs of obtaining his opinion should be paid and borne by the parties.
- (g) The Buyer undertakes to supply, and undertakes to procure that the relevant member of the Buyer's Tax Group or Sellers' Group shall supply, to the Buyer and subsequently to any firm of accountants nominated to deal with any such dispute in accordance with clause 9.6 (with copies to the Sellers) all documents, accounts, notices, papers and other necessary information as may be reasonably required for the purpose of making any such determination as to whether there is or has been any over-provision or a corresponding saving for the purposes of this clause 9.

10. Covenant by the Buyer

- (a) The Buyer hereby covenants with the Sellers to pay to the Sellers an amount equal to:-
 - (i) any liability or increased liability to Tax as a result of the application of section 767A or section 767AA of ICTA of the Sellers or any person

falling within s767A(2) of ICTA or any person falling within s767AA(4) of ICTA as the result of any corporation tax assessed on any member of the Sellers' Group remaining unpaid; and

- (ii) any costs and expenses reasonably incurred by the Sellers or other relevant person in connection with such liability under clause 10.1.1.
- (b) Clauses 5 and 3 shall apply to the covenants contained in clause 10.1 as they apply to the covenants in clause 2 substituting references to the Sellers with references to the Buyer and vice versa and making any other necessary modifications.

11. Corporation Tax Returns

- (a) The Sellers or their duly authorised agents shall prepare, or procure the preparation of, the corporation tax returns and computations of any member of the Sellers' Group for all accounting periods ending on or prior to the Balance Sheet Date, to the extent that the same shall not have been prepared before Completion.
- (b) The Buyer shall procure that the returns and computations mentioned in clause 11.1 shall be authorised, signed and submitted to the appropriate Tax Authority with such amendments as the Buyer shall reasonably request (and for this purpose the Sellers shall deliver drafts of the tax returns and computations to the Buyer and afford the Buyer reasonable opportunity to comment on the same).
- (c) The Sellers or their duly authorised agents shall prepare all documentation and will have conduct of all matters (including correspondence) relating to the tax returns and computations of any member of the Sellers' Group for all accounting periods ended on or prior to the Balance Sheet Date.
- (d) The Buyer shall procure that any member of the Sellers' Group affords such access to its books, accounts and records as is necessary and reasonable to enable the Sellers or their duly authorised agents to conduct all matters relating to the draft tax returns and computations of any member of the Sellers' Group for all accounting periods ended on or before the Balance Sheet Date for the purposes of this clause 11.

Schedule 4
Basis on which Closing Accounts are prepared

1. GENERAL PRINCIPLES

- 1.1 The Closing Accounts will be prepared according to certain agreed principles which will be applied in the following priority:-
 - 1.1.1 the specific policies set out in paragraph 2 of this Schedule 4;
 - 1.1.2 the policies applied in the preparation of the Accounts; and
 - 1.1.3 generally accepted accounting principles (UK GAAP)
- 1.2 The Closing Accounts are to be prepared on the basis of the existing policies methods and practices of accounting and in a manner consistent in all respects with the manner in which such things were applied in the Accounts (for the avoidance of doubt including in accordance with all relevant accounting standards and statements of accounting practice accepted in the United Kingdom at the Balance Sheet Date as applied in the Accounts) and comply with the requirements of the Companies Acts as that legislation requires.
- 1.3 The Closing Accounts should exclude the effects of any change of control or ownership of the Company and its Subsidiaries as contemplated by this agreement or any action of any of the Sellers or the Buyer after Closing.

2. ACCOUNTING PRINCIPLES OF BALANCE SHEET

- 2.1 The principles in this paragraph must be observed in drawing up the balance sheet of the Closing Accounts.
- 2.2 Sums receivable in respect of debtors must be included as no higher than the amounts collectable. Full provision will be made for all bad and doubtful debtors.
- 2.3 Stocks and work-in-progress must be valued at the lower of cost and net realisable value, with due allowance for obsolete stock. In the case of stock acquired from other group companies, cost excludes any gross profit made by the supplying company which has yet to be realised by the Seller's Group.
- 2.4 Liabilities must include all known accruals at the close of business on the Closing Date. For the avoidance of doubt this includes accruals for audit and professional fees, accruals for staff bonuses based on anticipated level of bonuses to be paid in the financial year, full accrual for PAYE and NIC including accrued Class 1A National Insurance liabilities, accruals for unpaid salary entitlements of staff and directors. Liabilities should also include financial liabilities incurred by the Company at the Closing Date.
- 2.5 No value will be attributable to goodwill or any other intangible asset

- 2.6 Fixed Tangible assets must be included at their net book value as at the Balance Sheet Date (but disregarding any revaluation after the date of the Accounts) or at cost if purchased after the Balance Sheet Date less any depreciation on cost applied pro-rata over the period between the Balance Sheet Date and the Closing Date at the following rates.

Zero 88 Lighting Limited:

Land and buildings leasehold	-	Over the length of the lease
Plant and machinery	-	Short life assets 25% - 33.3% on cost Other plant 12.5% on cost Production tooling 33.3% on cost
Fixtures, fittings and equipment	-	20% on cost
Motor vehicles	-	New vehicles 20% on cost, second hand vehicles 25% on cost

Iligh Limited:

Land and buildings leasehold	-	Over the length of the lease
Computer equipment	-	25% straight line
Fixtures and fittings	-	25% straight line
Motor vehicles	-	25% straight line

- 2.7 Full provision must be made for all Taxation including deferred taxation.

Schedule 5
Warranties
Part I
General Warranties

1. Power to sell the Company
 - (a) The Sellers have power and authority to enter into and perform this agreement and the other documents referred to in it
 - (b) This agreement and the agreed form documents referred to in it constitute (or will constitute when executed) valid legal and binding obligations on the Sellers in the terms of the agreement and the agreed form documents
2. Shares in the Company and Subsidiaries
 - (a) The Shares constitute the whole of the allotted and issued share capital of the Company and are fully paid
 - (b) Part 11 of Schedule 2 lists the Subsidiaries of the Company at the date of this agreement and sets out particulars of their allotted and issued share capital
 - (c) The Company is the sole legal and beneficial owner of the whole allotted and issued share capital of each of its Subsidiaries
 - (d) The issued shares of the Company's Subsidiaries are fully paid up
 - (e) The shares of the Company's Subsidiaries are free from all Encumbrances
 - (f) There is no right to require any of the Company's Subsidiaries to issue any share capital and no Encumbrance affecting any unissued shares or debentures or other unissued securities of the Subsidiaries
 - (g) No commitment has been given to create an Encumbrance affecting the shares (or any unissued shares or other unissued securities) of the Company's Subsidiaries or for them to issue any share capital and no person has claimed any rights in connection with any of those things.
 - (h) Neither the Company nor any of its Subsidiaries
 - (i) holds or beneficially owns or has agreed to acquire any securities of any corporation other than its own Subsidiaries
 - (ii) is or has agreed to become a member of any partnership or other unincorporated association joint venture or consortium (other than recognised trade associations)
 - (iii) has outside its country of incorporation any branch or permanent establishment.

3. Constitutional and corporate documents

- (a) The copies of the constitutional and corporate documents of the Company and its Subsidiaries Disclosed to the Buyer or its advisers are true accurate and complete in all respects and copies of all the resolutions and agreements required to be annexed to or incorporated in those documents by the law applicable are annexed or incorporated.
- (b) All statutory books and registers of the Company and its Subsidiaries have been properly kept and no notice or allegation that any of them is incorrect or should be rectified has been received.
- (c) All returns particulars resolutions and other documents which the Company or any of its Subsidiaries is required by the Companies Act to file with the Registrar of Companies) have been correctly made up and filed or as the case may be delivered.

4. Information

- (a) The particulars relating to the Company and its Subsidiaries set out in Parts I and II of Schedule 2 of this agreement are accurate

5. Compliance with laws

- (a) Neither the Company nor any of its Subsidiaries has received notice of any allegation of breach of any laws and regulations applicable to them

6. Licences and consents

- (a) The Company and each of its Subsidiaries has all necessary licences consents permits and authorities necessary to carry on its business all of which are valid and subsisting
- (b) So far as the Sellers are aware there is no reason why any of those licences consents permits and authorities should be suspended cancelled revoked or not renewed on the same terms

7. Insurance

- (a) The insurance policies maintained by or on behalf of the Company and its Subsidiaries give so far as the Sellers are concerned adequate cover against the risks that are normally insured against by a person carrying on the same type of business as the Company and its Subsidiaries
- (b) The particulars of those policies to which the Company or any of its Subsidiaries has an interest are set out in the Disclosure Documents
- (c) So far as the Sellers are aware there are no material outstanding claims under or in respect of the validity of any of those policies
- (d) All the insurance policies are in full force and effect are not void or voidable nothing has been done or not done which could make any of them void or voidable and Closing will not terminate or entitle any insurer to terminate any such policy

8. Power of attorney

- (a) There are no powers of attorney in force given by the Company or any of its Subsidiaries
- (b) No person as agent or otherwise is entitled or authorised to bind or commit the Company or any of its Subsidiaries to any obligation not in the ordinary course of the Company's or in the case of a Subsidiary the Subsidiary's business

9. Disputes and investigations

- (a) Neither the Company nor any of its Subsidiaries
 - (i) is engaged in any litigation administrative mediation or arbitration proceedings (except for debt collection in the normal course of business)
 - (ii) so far as the Sellers are aware the subject of any investigation inquiry or enforcement proceedings by any governmental administrative or regulatory body
- (b) No Director is to the extent that it relates to the business of the Company or its Subsidiaries engaged in or subject to anything mentioned in paragraph (a)
- (c) So far as the Sellers are aware no proceedings investigations or inquiries as are mentioned in paragraph (a) or 9.2 have been threatened or are pending and so far as the Sellers are aware there are no circumstances likely to give rise to any such proceedings
- (d) The Company and its Subsidiaries are not affected by any existing or so far as the Sellers are aware pending judgments or rulings and have not given any undertakings arising from legal proceedings to a court governmental agency regulator or third party

10. Defective products

- (a) No proceedings have been started and so far as the Sellers are aware no proceedings are pending or have been threatened against the Company or any of its Subsidiaries in which it is claimed that any products manufactured or sold by the relevant company are defective not appropriate for their intended use or have caused bodily injury or material damage to any person or property when applied or used as intended

11. Customers and suppliers

- (a) Save in the ordinary course of its business of the Company and the Subsidiaries in the 12 months ending with the date of this agreement neither the business of the Company nor of any of its Subsidiaries has been materially affected in an adverse manner as a result of any one or more of the following things happening to the Company or in the case of a Subsidiary to that Subsidiary
 - (i) the loss of any customers or suppliers of material importance to the Company or a Subsidiary; or

- (ii) a material reduction in trade with a single customer of material importance to the Company or a Subsidiary; or
- (iii) material reduction in the extent to which the Company or any Subsidiary is supplied by any single supplier; or
- (iv) a material change in the terms on which the Company or a Subsidiary trades with or is supplied by any supplier

12. Contracts

- (a) In this agreement this definition applies

"Material Contract": an agreement or arrangement to which the Company or one of its Subsidiaries is a party and which is of material importance to the business profits or assets of the Company or in the case of a Subsidiary the Subsidiary

- (b) Except for the agreements and arrangements Disclosed by the Company and its Subsidiaries neither the Company nor any of those Subsidiaries is a party to or subject to any agreement or arrangement which
 - (i) is a Material Contract or
 - (ii) is not in the ordinary and usual course of business of the Company or in the case of any of its Subsidiaries the Subsidiary
 - (iii) may be terminated as a result of any change of control of the Company or any of its Subsidiaries
- (c) Neither the Company nor any of its Subsidiaries have defaulted under or breached a Material Contract and so far as the Sellers are aware:
 - (i) no other party to a Material Contract has defaulted under or breached such a contract and
 - (ii) no such default or breach by the Company any of its Subsidiaries or any other party is likely or has been threatened
- (d) No notice of termination of a Material Contract has been received or served by the Company or any of its Subsidiaries and so far as the Sellers are aware there are no grounds for determination rescission avoidance or repudiation of any such Material Contract

13. Transactions with Seller

- (a) There is no outstanding indebtedness or other liability (actual or contingent) and no outstanding contractual commitment or arrangement between the Company or between any of the Company's Subsidiaries and any of the following
 - (i) any member of the Seller's Group (other than the Company or any of its Subsidiaries)
 - (ii) any director of a member of the Seller's Group or

- (iii) any person Connected with such a member or director
- (b) So far as the Sellers are aware no member of the Sellers' Group is entitled to a claim of any nature against the Company or any of its Subsidiaries or has assigned to any person the benefit of a claim against the Company or any of those Subsidiaries to which the member would otherwise be entitled.

14. Finance and guarantees

- (a) Particulars of all money borrowed by the Company or its Subsidiaries have been Disclosed in the Disclosure Letter
- (b) None of the money borrowed by the Company or its Subsidiaries is dependent upon any guarantee or security provided by a third party.
- (c) The total amount borrowed by the Company or any of its Subsidiaries does not exceed any limitations on the borrowing powers contained
 - (i) in the memorandum and articles of association (or equivalent documents) of the Company or (in the case of a Subsidiary) the Subsidiary
 - (ii) in any debenture or other deed or document binding on the Company or Subsidiary
- (d) Neither the Company nor any of its Subsidiaries has any outstanding loan capital or has lent any money that has not been repaid and there are no debts owing to the Company or its Subsidiaries other than debts that have arisen in the normal course of business
- (e) Neither the Company nor any of its Subsidiaries is subject to any arrangement for receipt or repayment of any grant subsidy or financial assistance from any government department or other body
- (f) Neither the Company nor any of its Subsidiaries is responsible for the indebtedness or for the default in the performance of any indebtedness of any other person
- (g) A change of control of the Company will not
 - (i) terminate or materially affect any financial agreement or financial arrangement to which the Company or any of its Subsidiaries is a party or subject
 - (ii) result in any indebtedness of the Company or of any of its Subsidiaries becoming due or capable of being declared due and payable prior to its stated maturity

15. Insolvency

- (a) Neither the Company nor any of its Subsidiaries is insolvent or unable to pay its debts within the meaning of the insolvency legislation applicable to the company concerned and has not stopped paying its debts as they fall due
- (b) So far as the Sellers are aware no step has been taken to initiate any process by or under which

- (i) the ability of the creditors of the Company or of any of its Subsidiaries to take any action to enforce their debts is suspended restricted or prevented
 - (ii) some or all of the creditors of the Company or of any of its Subsidiaries accept by agreement or in pursuance of a court order an amount of less than the sums owing to them in satisfaction of those sums with a view to preventing the dissolution of the Company or in the case of a Subsidiary of the Subsidiary
 - (iii) a person is appointed to manage the affairs business and assets of the Company or any one of its Subsidiaries on behalf of the Company's or Subsidiary's creditors or
 - (iv) the holder of a charge over the Company or over any of its Subsidiaries is appointed to control the business and assets of the Company or in the case of a Subsidiary of the relevant Subsidiary
- (c) So far as the Sellers are aware no process has been instituted which could lead to the Company or any of its Subsidiaries being dissolved and its assets being distributed among the Company's or Subsidiary's creditors shareholders or other contributors

16. Assets

- (a) The Company or one of its Subsidiaries has title to all the tangible assets included in the Accounts and any tangible assets acquired since the Balance Sheet Date except for those disposed of since the Balance Sheet Date in the normal course of business or for those acquire under any hire, hire purchasing agreement or leasing agreement or agreement of payment on deferred terms
- (b) The Company or one of its Subsidiaries is in possession and control of all the assets included in the Accounts and those acquired since the Balance Sheet Date except for those in the possession of a third party in the normal course of business
- (c) Save for assets acquired on terms where title does not pass to the Company or its Subsidiaries until full payment is made none of the assets of the Company or its Subsidiaries is subject to an Encumbrance or to any agreement or commitment to create an Encumbrance and no person has claimed to be entitled to create such an Encumbrance

17. Environmental

- (a) In this paragraph these definitions apply

"Dangerous Substance": any natural or artificial substance (whether solid liquid or gas and whether alone or in combination with any other substance or radiation) capable of causing harm to any human or other living organism or damaging the Environment public health or welfare.

"Environment": includes in particular the environmental media of air water and land all living organisms and natural or man-made structures

"Environmental Law": all directly applicable law relating to the protection of human health or the Environment the conditions of the workplace or the generation transportation storage treatment emission or disposal of a Dangerous Substance or Waste (including anything arising under international treaties)

"Waste": includes in particular any unwanted or surplus substance irrespective of whether it is capable of being recycled or recovered or has any value.

- (b) So far as the Sellers are aware no action relating to Environmental Law has been taken is pending or threatened against the Company or its Subsidiaries or any employees directors or officers of the Company or its Subsidiaries by any competent authority or any other person.
- (c) So far as the Sellers are aware during the Company's occupation of the Properties no person has used disposed of stored transported or emitted any Dangerous Substance or Waste at on from or under any of the Properties and so far as the Sellers are aware no employees directors or officers of the Company or of any of its Subsidiaries has done any of those things at on from or under any other place.

18. Intellectual property

- (a) In this agreement this definition applies

Intellectual Property Rights: means patents utility models copyright trade marks service marks trade business and domain names rights in trade dress or get-up rights in designs rights in computer software database rights topography rights moral rights rights in know-how (including trade secrets and confidential information) and any other intellectual property rights in each case whether registered or unregistered and including all applications for such rights and all similar or equivalent rights or forms of protection in any part of the world

- (b) Accurate particulars are set out in parts 1 and 11 of Schedule 6 respectively of all registered Intellectual Property Rights (including applications for such rights) and material unregistered Intellectual Property Rights owned or used by the Company or any of its Subsidiaries
- (c) Accurate particulars are set out in parts 111 and 1V of Schedule 6 respectively of all material licences and agreements under which:
 - (i) the Company or any of its Subsidiaries uses or exploits Intellectual Property Rights owned by any third party
 - (ii) the Company or any of its Subsidiaries has licensed Intellectual Property Rights to or otherwise permitted the use of any Intellectual Property Rights by any third party.
- (d) Except as set out in part 111 of Schedule 6 the Company or the relevant specified Subsidiary is the sole legal and beneficial owner of (or applicant for) the Intellectual Property Rights set out in parts 1, 11 and 1V of Schedule 6 free from all Encumbrances
- (e) Intellectual Property Rights set out in Schedule 6 are valid and subsisting and so far as the Sellers are aware nothing has been done or not been done

by either the Company or any Subsidiary as a result of which any of them has ceased or might cease to be valid or subsisting. In particular:

- (i) all application and renewal fees and so far as the Sellers are aware other steps required for the maintenance or protection of such rights have been paid on time or taken
 - (ii) all know-how (including trade secrets and confidential information) owned or used by the Company or its Subsidiaries has been kept confidential and not disclosed to third parties save in the usual course of business of either the Company or the Subsidiary
 - (iii) there are and have been no claims disputes or proceedings and so far as the Sellers are aware there are no claims disputes or proceedings pending or threatened in relation to the ownership or use of such rights
- (f) So far as the Sellers are aware there has been no and is no current infringement by any third party of any Intellectual Property Rights set out in Schedule 6 and the agreements and licences set out in parts 111 and 1V of Schedule 6 are valid and binding and;
- (i) the Company or a Subsidiary (as the case may be):-
 - (1) is not and has not been in any breach or default of any such agreement; and
 - (2) are not the subject of any claim dispute or proceeding and so far as the Sellers are aware there is no claim dispute or proceedings pending or threatened and
 - (ii) have where required been duly recorded or registered
 - (g) A change of control of the Company will not terminate or materially affect any Intellectual Property Rights set out in Schedule 6 The activities of the Company and each of its Subsidiaries (and of any licensee of Intellectual Property Rights granted by the Company or any of its Subsidiaries) have not so far as the Sellers are aware infringed and do not infringe the Intellectual Property Rights of any third party

19. Employment

- (a) Schedule 2 names each person who is a director or a shadow director of the Company or any of its Subsidiaries
- (b) The Disclosure Documents lists all individuals employed by the Company or any of its Subsidiaries and the particulars of the contract of employment of each individual including
 - (i) the individual's name
 - (ii) the country in which the individual is employed
 - (iii) the law governing the contract of employment

- (iv) the current salary of the individual (including any benefits and privileges provided or which the Company or its Subsidiary is bound to provide)
 - (v) the length of service of the employee
 - (vi) the length of notice necessary to terminate the contract of employment and
 - (vii) the type of contract (whether full or part-time or other).
- (c) The Disclosure Documents lists all individuals who are providing services to the Company or any of its Subsidiaries under an agreement which is not a contract of employment with the Company or in the case of a Subsidiary with that Subsidiary (including in particular where the individual acts as a consultant or is on secondment) and the particulars of the terms on which the individual provides services including
 - (i) the individual's name
 - (ii) the country in which the individual provides services
 - (iii) the law governing the agreement
 - (iv) the remuneration of the individual (including any benefits and privileges provided or which the Company or its Subsidiary is bound to provide)
 - (v) the length of notice necessary to terminate the agreement and
 - (vi) the term of the agreement
- (d) The Disclosure Documents includes particulars of all the employees of the Company and its Subsidiaries who are on secondment on maternity leave or absent due to ill-health or for any other reason
- (e) There is no notice outstanding that terminates the contract of employment of any employee of the Company or any of its Subsidiaries (whether given by the employer or employee) and no dispute outstanding between
 - (i) the Company and any of its current or former employees relating to their employment
 - (ii) between one of the Company's Subsidiaries and any of the Subsidiary's current or former employees relating to their employment
- (f) No offer of a contract of employment has been made by the Company or by any of its Subsidiaries to any individual which has not yet been accepted or which has been accepted but where the individual's employment has not yet started
- (g) The acquisition of the Shares by the Buyer or compliance with the terms of this agreement will not so far as the Seller is aware cause any directors officers or senior employees of the Company or any of its Subsidiaries to terminate their employment save as contemplated by this agreement

- (h) All contracts of employment between the Company and its employees and between each of its Subsidiaries and that Subsidiary's employees are terminable on six months' notice or less without compensation (except compensation payable under the applicable law)
- (i) Neither the Company nor any of its Subsidiaries is a party to bound by or so far as the Sellers are aware proposing to introduce in respect of any of its directors or employees any share option profit sharing bonus commission or any other scheme relating to the profit or sales of the Company or in the case of a Subsidiary of the Subsidiary
- (j) Except as provided or allowed for in the Accounts neither the Company nor any of its Subsidiaries has incurred any liability in connection with any termination of employment of its employees (including redundancy payments) or for failure to comply with any order for the reinstatement or re-engagement of any employee
- (k) Except as provided or allowed for in the Accounts neither the Company nor any of its Subsidiaries has made or agreed to make a payment or provided or agreed to provide a benefit to a present or former director other officer or employee or to the dependants of any of those people in connection with the actual or proposed termination or suspension of employment or variation of an employment contract
- (l) So far as the Sellers are aware in so far as they apply to its employees the Company and each of its Subsidiaries has complied in all material respects with any
 - (i) legal obligations
 - (ii) codes of conduct or practice and
 - (iii) collective agreements customs and practice
- (m) Neither the Company nor any of its Subsidiaries is involved in any material industrial or trade dispute or negotiation regarding a claim with any trade union or other group or organisation representing employees and so far as the Seller is aware there is nothing likely to give rise to such a dispute or claim
- (n) Particulars of all collective bargaining or procedural or other agreements or arrangements with any trade union group or organisation representing employees that relate to any employees of the Company or any of its Subsidiaries are contained in the Disclosure Documents

20. Property

- (a) In this agreement this definition applies

"Properties": all those properties identified in Schedule 7

In this paragraph these definitions apply

"Investment Lease": a lease underlease or occupational licence identified in Schedule 7 as being one to which a Property is subject and all documents which are supplemental or collateral to such lease underlease or occupational licence.

"Investment Property": a Property identified in Schedule 7 as being subject to an Investment Lease.

"Tenant": a tenant in whom an Investment Lease is currently vested

- (b) The Properties are the only real properties owned used or occupied by the Company or its Subsidiaries as at Closing
- (c) Neither the Company nor any of its Subsidiaries has any right of ownership right of use option right of first refusal or contractual obligation to purchase or any other legal or equitable right affecting any real property other than the Properties
- (d) Neither the Company nor any company that is or has at any time been a Subsidiary of the Company has previously owned or occupied any real property in respect of which any of them has any actual or contingent liability
- (e) Neither the Company nor any of its Subsidiaries has given any guarantee or indemnity for any liability relating to any of the Properties or any other real property

All the Properties are actively used by the Company or its Subsidiaries in connection with the business of the Company or its Subsidiaries

- (f) The Company or the Subsidiary identified as the owner in Schedule 7 is the legal and beneficial owner of each Property
- (g) The Properties are each exclusively occupied either by the Company or by the Subsidiary identified as the occupier in Schedule 7
- (h) Neither the Company nor any of its Subsidiaries have received any notice order or proposal and are not aware of any which would adversely affect the value or use or enjoyment of any of the Properties or access to or from any of them
- (i) None of the Properties is held on terms that would allow any landlord or other third party to change those terms or terminate the right of the Company or any of its Subsidiaries to hold the Property by reason of a change of control of the Company
- (j) So far as the Sellers are aware there are no disputes relating to or affecting any of the Properties
- (k) The present use of each of the Properties is set out in Schedule 7
- (l) All written replies given by or on behalf of the Seller or the Company or any Subsidiary of the Seller or Company in response to any written enquiries by or on behalf of the Buyer in relation to the Transaction were accurate in all material respects at the date they were given

21. Accounts

- (a) In this agreement these definitions apply

"Accounts": the audited accounts of the Company and each of its Subsidiaries for the period ended on the Balance Sheet Date (including in the case of the Company the consolidated accounts ending on that date) and in each case the annexed directors' and auditors' reports

"Taxation": all forms of taxation including in particular any charge tax duty levy impost withholding or liability wherever chargeable imposed for support of national state federal municipal or local government or any other person in any jurisdiction and any penalty fine surcharge interest charges or costs payable in connection with any such taxation

- (b) The Accounts have been prepared in accordance with the accounting standards principles and practices generally accepted in England and Wales and in accordance with the law of that jurisdiction
- (c) The Accounts have been audited by an auditor and the auditor has given an auditor's certificate without qualification
- (d) The Accounts
 - (i) make proper and adequate provision or reserve for all bad and doubtful debts obsolete or slow-moving stocks and for depreciation on fixed assets
 - (ii) do not overstate the value of current or fixed assets and
 - (iii) do not understate any liabilities (whether actual or contingent).]
- (e) The Accounts show a true and fair view of the commitments and financial position and affairs of the Company and its Subsidiaries (and in relation to the consolidated accounts of the Company and its Subsidiaries as a whole) as at the Balance Sheet Date.
- (f) The Accounts contain either provision adequate to cover or full particulars in notes of all Taxation (including deferred taxation) and other liabilities (whether quantified contingent disputed or otherwise) of the Company and its Subsidiaries as at the Balance Sheet Date.
- (g) The Accounts are not affected by any unusual or non-recurring items or any other factor that would make the financial position and results shown by the Accounts unusual or misleading in any material respect.
- (h) The Accounts have been filed in accordance with the law of England and Wales.
- (i) The Accounts have been prepared on a basis consistent with the audited accounts of as the case may be the Company its Subsidiaries or the consolidated accounts of the Company and Subsidiaries for the two prior accounting periods without any change in accounting policies used.
- (j) The unaudited management accounts of the Company and its Subsidiaries for the period of 3 months ended 31 July 2004 (a copy of which has been initialled for the purpose of identification by the Seller's and Buyer's lawyers) and fairly represent the income and expenditure of the Company and its Subsidiaries for that period.

22. Financial and other records

(a) All financial and other records of the Company and of each of its Subsidiaries:-

record all matters required to be entered in them under the Companies Acts

- (i) do not contain any material inaccuracies or discrepancies and
 - (ii) are in the possession of the Company or the Subsidiary to which they relate
- (b) No notice has been received or allegation made that any of those records are incorrect or should be rectified
- (c) All statutory records required to be kept or filed by the Company or any of its Subsidiaries have been properly kept or filed
- (d) All deeds and documents belonging to the Company are in the possession of the Company and those belonging to its Subsidiaries are in the possession of the Subsidiary to which they belong

23. Changes since balance sheet date
Since the Balance Sheet Date

- (a) the Company and each of its Subsidiaries has conducted its business in the normal course and as a going concern
- (b) there has been no material adverse change in the turnover financial position or prospects of the Company or any of its Subsidiaries
 - (i) neither the Company nor any of its Subsidiaries have issued or agreed to issue any share or loan capital
 - (ii) no dividend or other distribution of profits or assets has been or agreed to be declared made or paid by the Company or any of its Subsidiaries
 - (iii) neither the Company nor any of its Subsidiaries has borrowed or raised any money or taken any form of financial security and no capital expenditure has been incurred on any individual item by the Company or any of its Subsidiaries in excess of £20,000.

24. Effect of sale of Shares

- (a) The acquisition of the Shares by the Buyer or compliance with the terms of this agreement will not do any of the following things:
 - (i) give rise to or cause to become exercisable any right of pre-emption
 - (ii) entitle anyone to receive from the Company or any of its Subsidiaries any finder's fee brokerage or other commission in connection with the purchase of the Shares by the Buyer

Part II Tax Warranties

1. General

- (a) All notices, returns (including any land transaction returns), reports, accounts, computations, statements, assessments and registrations and any other necessary information submitted by the Company and any Subsidiary to any Taxation Authority for the purposes of Taxation have been made on a proper basis, punctually submitted, were accurate and complete when supplied in all material respects and so far as the Sellers are aware none of the above is, or is likely to be, the subject of any material dispute with any Taxation Authority.
- (b) All Taxation for which the Company or any Subsidiary has been liable or is liable to account for has been duly paid when due (insofar as such Taxation ought to have been paid).
- (c) Neither the Company nor any Subsidiary has made any payments representing instalments of corporation tax pursuant to the Corporation Tax (Instalment Payments) Regulations 1998 in respect of any current or preceding accounting periods and is not under any obligation to do so.
- (d) Neither the Company nor any Subsidiary has paid within the past seven years ending on the date of this agreement or so far as the Sellers are aware will become liable to pay any penalty, fine, surcharge or interest charged by virtue of the provisions of the TMA 1970 or any other Taxation Statute.
- (e) Neither the Company nor any Subsidiary has within the past 12 months been subject to any visit, audit, investigation, discovery or access order by any Taxation Authority and neither the Company nor any Subsidiary is aware of any circumstances existing which make it likely that a visit, audit, investigation, discovery or access order will be made in the next 12 months.
- (f) All transactions in respect of which any clearance or consent was required from any Taxation Authority have been entered into by the Company or any Subsidiary after such consent or clearance has been properly obtained, any application for such clearance or consent has been made on the basis of full and accurate disclosure of all relevant material facts and considerations, and all such transactions have been carried into effect only in accordance with the terms of the relevant clearance or consent.
- (g) The Company and the Subsidiaries have duly submitted all claims, disclaimers and elections the making of which has been assumed for the purposes of the Accounts.
- (h) The Disclosure Letter contains full particulars of all matters relating to Taxation in respect of which the Company or any Subsidiary is or on the basis of current law and practice at Completion will be entitled to:
 - (a) make any claim (including a supplementary claim), disclaimer or election for relief under any Taxation Statute or provision; or
 - (b) appeal against any assessment or determination relating to Taxation; or
 - (c) apply for a postponement of Taxation.

- (i) Neither the Company, nor any Subsidiary is or will become liable to make to any person (including any Taxation Authority) any payment in respect of the liability to Taxation of any other person where that other person fails to discharge liability to Taxation to which he is or may be primarily liable.

2. Capital allowances

- (a) No balancing charge under the CAA 2001 (or any other legislation relating to capital allowances) would be made on the Company or any Subsidiary on the disposal of any pool of assets (that is, all those assets whose expenditure would be taken into account in computing whether a balancing charge would arise on a disposal of any other of those assets) or of any asset not in such a pool, on the assumption that the disposals are made for a consideration equal to the book value shown in or adopted for the purpose of the Accounts for the assets in the pool or (as the case may be) for the asset.
- (b) No event has occurred since the Balance Sheet Date (otherwise than in the ordinary course of business) whereby any balancing charge may fall to be made against, or any disposal value may fall to be brought into account by, the Company or any Subsidiary under the CAA 2001 (or any other legislation relating to capital allowances).

3. Distributions

- (a) No distribution or deemed distribution within the meaning of sections 209, 210 or 211 of the TA 1988 has been made (or will be deemed to have been made) by the Company or any Subsidiary after 5 April 1965 except dividends shown in their audited accounts and neither the Company nor any Subsidiary is bound to make any such distribution.
- (b) No rents, interest, annual payments or other sums of an income nature paid or payable by the Company or any Subsidiary or which the Company or the Subsidiaries are under an existing obligation to pay in the future are or may be wholly or partially disallowable as deductions, management expenses or charges in computing profits for the purposes of corporation tax.
- (c) Neither the Company nor any Subsidiary has been involved in, or affected by, any exempt distribution within section 213 of the TA 1988 within seven years before Closing.

4. Loan relationships

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

5. Close Companies

- (a) Neither the Company nor any Subsidiary has in any accounting period beginning after 31 March 1989 been a close investment-holding company as defined in section 13A of the TA 1988.

6.2 No distribution within section 418 of the TA 1988 has been made by the Company or any Subsidiary during the last six years ending at the Accounts Date, nor have such distributions been made between the Balance Sheet Date and Closing.

(b) No loans or advances have been made or agreed to be made by the Company or any Subsidiary within sections 419, 420 or 422 of the TA 1988.

6. Group Relief

(a) Except as provided in the Accounts, neither the Company nor any Subsidiary is or will be obliged to make or entitled to receive any payment for group relief as defined in section 402(6) of the TA 1988 in respect of any period ending on or before the Balance Sheet Date, or any payment for the surrender of the benefit of an amount of advance corporation tax or any repayment of such a payment.

7. Groups of Companies

(a) Neither the Company nor any Subsidiary has entered into or is under any obligation to enter into an election pursuant to section 171A of the TCGA 1992, section 179A, TCGA 1992 or paragraph 66, Schedule 29 to the Finance Act 2002.

(b) The execution or completion of this agreement or any other event since the Balance Sheet Date will not result in any chargeable asset being deemed to have been disposed of and re-acquired by the Company or any Subsidiary for Taxation purposes pursuant to section 179 of the TCGA 1992, paragraphs 58 or 60 of Schedule 29 to the Finance Act 2002.

(c) Neither the Company nor any Subsidiary have ever been party to any arrangements pursuant to section 36 of the Finance Act 1998.

8. Intangible Assets

(a) For the purposes of this paragraph 9, references to intangible fixed assets mean intangible fixed assets and goodwill within the meaning of Schedule 29 of the Finance Act 2002 to which the provisions of that Schedule apply and references to an intangible fixed asset shall be construed accordingly.

(b) The Disclosure Letter sets out the amount of expenditure on each of the intangible fixed assets of the Company and the Subsidiaries and provides the basis on which any debit relating to that expenditure has been taken into account in the Accounts or, in relation to expenditure incurred since the Balance Sheet Date, will be available to the Company or any Subsidiary. No circumstances have arisen since the Accounts Date by reason of which that basis might change.

(c) No claims or elections have been made by the Company or any Subsidiary under Part 7 or paragraph 86 of Schedule 29 to the Finance Act 2002 in respect of any intangible fixed asset of the Company or any Subsidiary.

(d) Since the Balance Sheet Date:

- (a) neither the Company nor any Subsidiary owns an asset which has ceased to be a chargeable intangible asset in the circumstances described in paragraph 108 of Schedule 29 to the Finance Act 2002;
- (b) neither the Company nor any Subsidiary has realised or acquired an intangible fixed asset for the purposes of Schedule 29 to the Finance Act 2002;
- (c) no circumstances have arisen which have required, or will require, a credit to be brought into account by the Company or any Subsidiary on a revaluation of an intangible fixed asset.

9. Company Residence and Overseas Interests

- (a) The Company and the Subsidiaries have within the past seven years been resident in the United Kingdom for corporation tax purposes and have not at any time in the past seven years been treated for the purposes of any double taxation arrangements having effect by virtue of section 249 of the Finance Act 1994, section 788 of the TA 1988 or for any other tax purpose as resident in any other jurisdiction.
- (b) Neither the Company nor any Subsidiary holds shares in a company which is not resident in the United Kingdom and which would be a close company if it were resident in the United Kingdom in circumstances such that a chargeable gain accruing to the company not resident in the United Kingdom could be apportioned to the Company and/or any Subsidiary pursuant to section 13 of the TCGA 1992.
- (c) Neither the Company nor any Subsidiary is holding or has held in the past seven years any interest in a controlled foreign company within section 747 of the TA 1988, and none of them has any material interest in an offshore fund as defined in section 759 of the TA 1988.
- (d) Neither the Company nor any Subsidiary has a permanent establishment outside the UK.

10. Anti-avoidance

- (a) All transactions or arrangements made by the Company or any Subsidiary have been made on fully arm's length terms and there are no circumstances in which section 770A or Schedule 28AA of the TA 1988 or any other rule or provision could apply causing any Taxation Authority to make an adjustment to the terms on which such transaction or arrangement is treated as being made for Taxation purposes.

11. VAT

- (a) The Company and the Subsidiaries are each taxable persons and are duly registered for the purposes of VAT with quarterly prescribed accounting periods, such registration not being pursuant to paragraph 2 of Schedule 1 of the VATA 1994 or subject to any conditions imposed by or agreed with HM Customs & Excise and neither the Company nor any Subsidiary is (nor are there any circumstances by virtue of which they may become) under a duty to make monthly payments on account under the Value Added Tax (Payments on Account) Order 1993.

- (b) The Company and the Subsidiaries have each complied in all material respects with all statutory provisions, rules, regulations, orders and directions in respect of VAT.
- (c) All supplies made by the Company or any Subsidiary are taxable supplies and neither the Company nor any Subsidiary has been or will be denied full credit for all input tax by reason of the operation of sections 25 and 26 of the VATA 1994 and regulations made thereunder or for any other reasons and no VAT paid or payable by the Company or any Subsidiary is not input tax as defined in section 24 of the VATA 1994 and regulations made thereunder.
- (d) Neither the Company nor any Subsidiary is or has been for VAT purposes a member of any group of companies (other than the group comprising the Company and the Subsidiaries alone) and no act or transaction has been effected in consequence whereof the Company or any Subsidiary is or may be held liable for any VAT arising from supplies made by another company and no direction has been given nor will be given by HM Customs & Excise under Schedule 9A of the VATA 1994 as a result of which the Company or any Subsidiary would be treated for the purposes of VAT as a member of a group other than the group comprising the Company and the Subsidiaries alone.
- (e) Since the Balance Sheet Date neither the Company nor any Subsidiary has made any claim for bad debt relief under section 36 of the VATA 1994 and there are no existing circumstances by virtue of which any refund of VAT obtained or claimed may be required to be repaid or there could be a claw back of input VAT from any Company or any Subsidiary under section 36(4) of the VATA 1994.

12. Stamp Duty and Stamp Duty Land Tax

- (a) Any document that may be necessary or desirable in proving the title to the Company or any Subsidiary to any asset which is owned by the Company or any Subsidiary at Completion or any document which the Company or any Subsidiary may wish to enforce or produce in evidence is duly stamped for stamp duty purposes.
- (b) So far as the Sellers are aware neither entering into this agreement nor Completion will result in the withdrawal of any stamp duty or stamp duty land tax relief granted on or before Closing which will affect the Company or any Subsidiary.
- (c) The Disclosure Letter sets out details of any chargeable interest (as defined under section 48, Finance Act 2003) acquired or held by the Company or any Subsidiary before Closing in respect of which the Sellers are aware that an additional land transaction return will be required to be filed with a Taxation Authority and/or a payment of stamp duty land tax made on or after Closing.

PROPERTIES

Description of the property	Usk House, Llantarnam Park, Cwmbran, Gwent NP44 3HD
Owner	Zero 88 Lighting Limited
Registered/unregistered (and title number)	Registered Leasehold WA644690
Lease Term	25 years from 22 July 1992
Occupier	Zero 88 Lighting Limited
Use	As per lease
Is there an Investment Lease?	N/A
Tenant under an Investment Lease	N/A
Contractual date of termination of Investment Lease	N/A

Description of the property	Unit 4, Penhurst Enterprise Centre, Rogues Hill, Penhurst, Tonbridge, Kent TN11 8GB
Owner	iLight Limited
Unregistered (and title number)	Leasehold
Lease Term	Expired. See Disclosure Letter.
Use	As per lease
Is there an Investment Lease?	N/A

Description of the property	Units 3 and 5 Penhurst Enterprise Centre
Owner	
Unregistered (and title number)	
Lease Term	
Use	N/A

Is there an Investment Lease?	N/A
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Schedule 8

Limitations on Liability

1. Time Limits

The Sellers shall not be liable for any claim under the Warranties or under the Tax Covenant unless notice in writing of such claim (specifying in reasonable detail the event matter or default which gives rise to the claim) ("the Notification") has been given to the Sellers not later than:-

- (a) in the case of the Warranties (other than the Tax Warranties) on or before 31 December 2005 ; and
- (b) in the case of the Tax Covenant and the Tax Warranties the expiration of a period of seven years from Closing;

and any such claim shall (if it has not been previously satisfied settled or withdrawn) be deemed to have been withdrawn on the expiration of 6 months from the Notification unless proceedings in respect of it have been commenced by being both issued and served on the Sellers by such date.

2. Thresholds

The Sellers shall not be liable in respect of a claim under the Warranties and the Tax Covenant unless the amount of any such claim (exclusive of interest and costs) exceeds £2,000 in respect of any single claim and the aggregate liability of the Sellers in respect thereof when added to the amount of all other claims against the Sellers shall give rise to a liability in excess of £25,000 (exclusive of interest or costs) in which case the Seller shall be liable for the full amount of all such claims and not just the excess above £25,000.

3. Total Liability

The total aggregate liability of the Sellers in respect of all claims under the Warranties and the Tax Covenant shall not exceed the aggregate of the Initial Consideration and the Deferred Consideration

4. Limitation of Claims

The Sellers shall not be liable in respect of a claim under the Warranties or the Tax Covenant if and to the extent that:-

- (a) such claim arises or is increased as a result of any change in or in the interpretation of any law regulation or statute after the date of this Agreement or as a result of any judgment delivered after the date hereof; or
- (b) such claim is attributable to an act or omission on the part of the Buyer or the Company after Closing outside the ordinary course of business and which they knew or ought reasonably to have known or been aware that it would give rise to such a claim (save where such act or omission is pursuant to a legally binding commitment created on or before the date hereof); or

- (c) the Buyer or the Company receives an indemnity under any insurance policy against any loss or damage suffered as a result of the matter giving rise to such claim; or
- (d) an allowance, provision or reserve was made in the Closing Accounts or the Accounts in respect of the matter to which such claim relates; or
- (e) such claim arises as a consequence of any provision or reserve made in respect thereof in the Closing Accounts or the Accounts being insufficient only by reason of any increase in rates of taxation made after the date hereof or arises only as a result of the retrospective imposition of taxation as a consequence of a change in the law enacted after the date hereof;
- (f) the liability arises or is increased as a result of any retrospective increase in the rates of Tax in force at the date hereof or any alteration to legislation or published revenue practice in respect of Tax made after the date hereof with retrospective effect; or
- (g) the claim would not have arisen but for a change after Closing in any accounting reference date or any change in accounting policy or practice; or
- (h) the liability would not have arisen or would have been reduced or eliminated but for a failure on the part of the Buyer or the Company or the Subsidiaries to make any claim, election, surrender or disclaimer or give any notice or consent after Closing in relation to Tax; or
- (i) the circumstances giving rise to or representing the breach of Warranty or claim pursuant to the Tax Covenant were disclosed in the Disclosure Documents.

5. Recoveries and Repayments

The Buyer shall promptly repay to the Sellers so much of any amount which is paid by the Sellers in respect of any claim for breach of any of the Warranties or under the Tax Covenant and which is subsequently recovered from or paid to the Buyer or the Company by any third party in respect of the matter giving rise to such claim (after deduction of all costs incurred in obtaining such recovery).

6. Treatment of Payment

Any amount paid by the Sellers pursuant to a claim under the Warranties or the Tax Covenant shall be treated as a repayment of part of the purchase price under the Agreement and the Consideration shall be deemed to have been reduced accordingly.

7. Mitigation

- (a) Nothing contained in this Schedule shall be deemed to affect the common law duty of the Buyer to seek to mitigate its loss in the event of a matter giving rise to a claim under the Warranties.
- (b) The Buyer shall at all reasonable times make available to the Sellers so far as it is reasonably able all information and documents relating to a claim in respect of the Warranties and reasonable access on reasonable notice to the personnel of the Buyer and/or the Company and to relevant premises, accounts, documents and records within the power, possession and control of the Buyer and/or the Company to enable the Sellers and their professional

advisers to interview such personnel and to consider such premises, accounts, documents and records in respect of any claim under the Warranties.

8. Contingent Claims

If any claim under the Warranties or the Tax Covenant arises by reason of a liability which is contingent when the claim in respect thereof is notified to the Sellers then the Sellers will not be obliged to make any payment until such time as the contingent liability ceases to be contingent and becomes an actual liability.

9. Representations

The Buyer acknowledges that in entering into this Agreement it did not rely upon any representation or promise by the Sellers other than those expressly incorporated in this Agreement. The Buyer shall not be entitled to rescind this Agreement at any time after Closing.

10. Control of Claims

(a) This paragraph 10 shall apply in circumstances where:-

- a) any claim is made against the Company which should reasonably be expected to give rise to a claim by the Buyer against any of the Sellers under the Warranties; or
- b) the Company should reasonably be expected to be able to make recovery from some other person any sum in respect of any facts or circumstances by reference to which the Buyer has or should be reasonably expected to have a claim against any of the Sellers under the Warranties.

(b) The Buyer shall:-

- a) prior to taking any action (other than the giving of notice pursuant to paragraph 1 of this schedule) against any of the Sellers under the Warranties and subject to the Buyer being indemnified to its reasonable satisfaction against all costs and expenses which may be incurred by reason of such action take all such action as the Sellers may reasonably request in writing including the institution of proceedings and the instruction of professional advisers approved in writing by the Sellers to act on behalf of the Buyer to avoid, dispute, resist, compromise, defend or appeal against any such claim against the Buyer as is referred to in paragraph 10.1(a) or to make such recovery by the Buyer as is referred to in paragraph 10.1(b) as the case may be; and
- b) subject to the Buyer being indemnified to its reasonable satisfaction against all costs and expenses which may be incurred by reason of such action, not settle or compromise any liability or claim to which such action is referable without the prior written consent of the Sellers which consent shall not be unreasonably withheld or delayed.

11. Insurance Claims

If, in respect of any matter which would give rise to a breach or any claim under the Warranties or the Tax Covenant, the Buyer or the Company or any Subsidiary is entitled to claim under any policy of insurance or would have been so entitled had policies of insurance providing equivalent cover to those current at Closing (together the "Closing Policies") been maintained in force, the amount received in respect of such claim (or, if greater, the amount which could reasonably be expected to have

been received had the Closing Policies been maintained in force) shall reduce pro tanto or extinguish the claim against the Sellers and the Buyer and/or the Company and/or the Subsidiaries shall use all reasonable *endeavours* to recover from their insurers all such claims.

12. General

- (a) The Buyer warrants to the Sellers that the Buyer and its advisers are not aware of any actual or possible claims against the Sellers pursuant to the Warranties.
- (b) If the Buyer has a claim under both the Warranties and the Tax Covenant it may make a claim under either or both but any payment made by the Sellers under the Tax Covenant shall be taken into account in assessing the Buyer's loss under the Warranties and any payment made by the Seller under the Warranties shall be taken into account in assessing the Buyer's loss under the Tax Covenant.
- (c) In calculating the liability of the Sellers for any claim under the Warranties or the Tax Covenant, credit shall be given to the Sellers to the extent of any understatement of the value of assets in the Accounts or the Closing Accounts and the amount by which any provision or reserve proves to be unnecessary and/or greater than the amount of the item in respect of which it is provided or reserved.
- (d) The Sellers liability under the Tax Covenant shall be limited further in accordance with the provisions of the tax Covenant.
- (e) The Buyer acknowledges and agrees with the Sellers that the only Warranties contained in Schedule 5 which relate to:-
 - (i) Properties are those which are contained in paragraph 20;
 - (ii) Intellectual Property are those which are contained in paragraph 18;
 - (iii) Employees are those which are contained in paragraph 19;
 - (iv) Taxation are those which are contained in part II of Schedule 5.

Schedule 9

Chris Fenwick:- Salary £29,186.33
Expenses £8,254.48
exclusive of August salary which is payable 7 September

Andrew Glossop:- Salary £26,157.37
Expenses Nil

Richard Thornton Brown:- Salary £19,524.00
Expenses £348.03
exclusive of August salary which is payable 7 September

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