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COMPANIES HOUSE

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DATED *28 April* 2004

5061054.

(1) JOHN MICHAEL CREBA

and

(2) MARY PATRICIA CREBA

and

(3) JOHN MICHAEL PARRY

and

(4) CHADWICK SHOPFITTING LIMITED

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

*shoosmiths*  
2 June 2004

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#### SHARE ACQUISITION AGREEMENT

Acquisition of the entire issued share capital of  
Chadwick Contracts Limited

---

shoosmiths

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Crown Street  
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Berks  
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THIS AGREEMENT is made on: *28 April 2004*

BETWEEN

1. **THE SEVERAL PERSONS** whose names and addresses are set out in part 1 of schedule 1 (the "Vendors"); and
2. **CHADWICK SHOPFITTING LIMITED**, a company incorporated in England and Wales (company number 5061054 whose registered office is at 5<sup>th</sup> Floor, Walmar House, 288 Regent Street, London W1B 3AG (the "Purchaser").

## BACKGROUND

(A) Chadwick Contracts Limited, a company incorporated in England and Wales (company number 2832104) has, at the date of this agreement, an authorised share capital of £100 divided into 100 ordinary shares of £1 each all of which are issued and fully paid or credited as fully paid and are owned by the Vendors in the proportions shown opposite their respective names in column (2) of part 1 of schedule 1.

(B) The Vendors have agreed to sell the Shares to the Purchaser and the Purchaser has agreed to purchase the Shares on the terms and subject to the conditions set out below.

The parties agree as follows:

### 1 DEFINITIONS AND INTERPRETATION

1.1 In this agreement and the recitals the following definitions apply:

|                             |   |
|-----------------------------|---|
| <b>"Accounts"</b>           | The audited financial statements of the Company comprising the balance sheet and profit and loss account of the Company together with the notes thereon, directors' report and auditor's certificate, as at and for the financial period ended on the Last Accounts Date; |
| <b>"Adjustment Amount"</b>  | Shall have the meaning ascribed to it in clause 3.6.1;  |
| <b>"associated company"</b> | Has the meaning given to it in sections 416 et seq TA;  |
| <b>"Business Day"</b>       | Any day (other than a Saturday or Sunday) on which banks are generally open for business in the City of London for the transaction of normal banking business;  |
| <b>"Cash Consideration"</b> | The sum of £1,925,000 apportioned between the Vendors as indicated by column (2) of part 1 of schedule 1 with payments to be made to the Vendors in accordance with part 2 of schedule 1;   |
| <b>"Claim"</b>              | A Warranty Claim and any claim under the Tax Covenant;  |

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|---|--|
| <b>"Company"</b>                                  | Chadwick Contracts Limited, particulars of which are set out in part 5 of schedule 1;  |
| <b>"Completion"</b>                               | The completion of the sale and purchase of the Shares pursuant to clause 4;  |
| <b>"Completion Accounts"</b>                      | The balance sheet and profit and loss account of the Company for the period from the Last Accounts Date down to and including the Completion Date, prepared in accordance with the provisions of schedule 4; |
| <b>"Completion Accounts Balance"</b>              | An amount being part of the Cash Consideration details of which are indicated in column (3) of part 2 of schedule 1, payable to the Vendors in accordance with clause 3.7.1;                                 |
| <b>"Completion Accounts Consideration Shares"</b> | The Consideration Shares details of which are indicated in column (3) of part 3 of schedule 1;   |
| <b>"Completion Date"</b>                          | The date of Completion;  |
| <b>"Confidential Information"</b>                 | All information not at present in the public domain used in or otherwise relating to the business or technology, customers or financial or other affairs of the Company (including future plans);            |
| <b>"Consideration"</b>                            | The consideration for the purchase of the Shares as defined in clause 3.1;   |
| <b>"Consideration Shares"</b>                     | The redeemable preference shares of 10p each in the capital of the Purchaser to be issued pursuant to clause 3.2.2 and clause 3.7.3;   |
| <b>"Consideration Share Price"</b>                | The value of a Consideration Share being agreed between the parties as 10p;  |
| <b>"Consultancy Agreement"</b>                    | The consultancy agreement of John Creba in the agreed terms;   |
| <b>"Covenantors"</b>                              | The Vendors;   |
| <b>"Deferred Cash Consideration"</b>              | That part of the Cash Consideration comprising the Second Cash Consideration Payment, the Third Cash Consideration Payment and the Fourth Cash Consideration Payment as outstanding from time to time;       |
| <b>"Disclosure Documents"</b>                     | The files of documents which are listed in the schedule of documents annexed to the Disclosure Letter and which have been delivered to the Purchaser with the Disclosure Letter;                             |

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|--|---|
| <b>"Disclosure Letter"</b>                   | The letter of the same date as, but delivered immediately prior to the entering into of, this agreement from the Vendors to the Purchaser signed by or on behalf of the Vendors and receipt of which is acknowledged by the Purchaser in writing;   |
| <b>"Encumbrance"</b>                         | Any mortgage, charge (fixed or floating), pledge, lien, hypothecation, option, restriction, right of pre-emption, assignment by way of security, reservation of title, trust, set-off, claim, third party interest or right (legal or equitable) or other encumbrance or security interest of any kind however created or arising and any other agreement or arrangement (including a sale and re-purchase arrangement) having similar effect;  |
| <b>"Environmental Warranties"</b>            | The warranties in paragraph 20 of schedule 3;   |
| <b>"First Cash Consideration Payment"</b>    | The first instalment of the Cash Consideration details of which are indicated in column (2) of part 2 of schedule 1;  |
| <b>"First Tranche Consideration Shares"</b>  | The first instalment of the Consideration Shares details of which are indicated in column (2) of part 3 of schedule 1;  |
| <b>"Fourth Cash Consideration Payment"</b>   | The fourth instalment of the Cash Consideration details of which are indicated in column (6) of part 2 of schedule 1;   |
| <b>"Fourth Tranche Consideration Shares"</b> | The fourth instalment of the Consideration Shares details of which are indicated in column (6) of part 3 of schedule 1;   |
| <b>"Fourth Tranche Settlement Day"</b>       | The third anniversary of the date of this agreement, or if this is not a Business Day, the next Business Day;   |
| <b>"Heads of Agreement"</b>                  | Heads of agreement contained in a letter dated 9 February 2004 from Richard Hammond to the Vendors in relation to the proposed acquisition of the entire issued share capital of the Company;   |
| <b>"Intellectual Property"</b>               | Patents, trade marks, service marks, rights (registered or unregistered) in designs; applications for any of the foregoing; get-up, trade, business or domain names, copyright (including rights in computer software, source code and licences) and topography rights; know-how (including experience, data, technical and commercial information, including formulae, designs, drawings, processes and mode of operation); lists of suppliers and customers and other confidential and proprietary knowledge and information; rights protecting |

|  |  |
|--|--|
|  | goodwill and reputation; database rights; rights in inventions (patented or not), trade secrets, operating systems and specifications/procedures and all other Intellectual Property rights of a similar or corresponding character which may now or in the future subsist in any part of the world; |
| <b>"Last Accounts Date"</b>                  | 30 September 2003;   |
| <b>"Management Accounts"</b>                 | The unaudited accounts of the Company for the 3 months ended 31 December 2003, a copy of which is in the Disclosure Documents;   |
| <b>"Net Assets"</b>                          | The Company's fixed assets plus its current assets less its liabilities as set out in the Completion Accounts;   |
| <b>"Properties"</b>                          | The leasehold properties short particulars of which are set out in part 1 of schedule 2;   |
| <b>"Property Documents"</b>                  | All title documents and other documents relating to the Properties, as listed in part 2 of schedule 2;   |
| <b>"Purchaser's Solicitors"</b>              | Shoosmiths of Regents Gate, Crown Street, Reading, Berks, RG1 2PQ Ref: DPD;  |
| <b>"Related Persons"</b>                     | In relation to any party which is a company, its holding companies and the subsidiary undertakings and associated companies from time to time of such holding companies, all of them and each of them as the context admits;   |
| <b>"Second Cash Consideration Payment"</b>   | The second instalment of the Cash Consideration details of which are indicated in column (4) of part 2 of schedule 1;  |
| <b>"Second Tranche Consideration Shares"</b> | The second instalment of the Consideration Shares details of which are indicated in column (4) of part 3 of schedule 1;  |
| <b>"Second Tranche Settlement Day"</b>       | The first anniversary of the date of this agreement, or if this is not a Business Day, the next Business Day;  |
| <b>"Service Agreements"</b>                  | The service agreements of Richard Hammond, John Parry and Marion Parry in the agreed terms, each such agreement a <b>"Service Agreement"</b> ;   |
| <b>"Shares"</b>                              | 100 ordinary shares of £1 each, being the entire issued share capital of the Company;  |
| <b>"Specific Indemnities"</b>                | The indemnities in clause 8 and schedule 6;  |

|   |  |
|---|--|
| <b>"TA"</b>                                 | The Income and Corporation Taxes Act 1988;   |
| <b>"Tax Covenant"</b>                       | The covenant in respect of taxation in schedule 4;   |
| <b>"Tax Warranties"</b>                     | The warranties in paragraph 21 of schedule 3;  |
| <b>"Third Cash Consideration Payment"</b>   | The third instalment of the Cash Consideration details of which are indicated in column (5) of part 2 of schedule 1;   |
| <b>"Third Tranche Consideration Shares"</b> | The third instalment of the Consideration Shares details of which are indicated in column (5) of part 3 of schedule 1; |
| <b>"Third Tranche Settlement Day"</b>       | The second anniversary of the date of this agreement, or if this is not a Business Day, the next Business Day;         |
| <b>"Vendors' Accountants"</b>               | Baxters Chartered Accountants of 87 Tettenhall Road, Wolverhampton, West Midlands WV3 9NF                              |
| <b>"Vendors' Solicitors"</b>                | Gateley Wareing of 111 Edmund Street, Birmingham B3 2HJ Ref: PC;   |
| <b>"Warranty Claim"</b>                     | A claim for breach of a Warranty; and  |
| <b>"Warranties"</b>                         | The warranties set out in clause 5 and schedule 3 and <b>"Warranty"</b> means any of them.                             |

1.2 In this agreement unless otherwise specified, reference to:

- 1.2.1 a **"subsidiary undertaking"** is to be construed in accordance with section 258 of the Companies Act 1985 and a **"subsidiary"** or **"holding company"** is to be construed in accordance with section 736 of that Act;
- 1.2.2 a person being **"connected"** with another shall be determined in accordance with section 839 of the TA (except that in construing section 839 "control" has the meaning given by section 840 or section 416 of the TA so that there is control whenever section 840 or 416 requires);
- 1.2.3 a document in the **"agreed terms"** is a reference to that document in the form approved by each party and initialled by, or on behalf of, each of them for the purpose of identification;
- 1.2.4 **"FA"** followed by a stated year means the Finance Act of that year;
- 1.2.5 **"includes"** and **"including"** shall mean including without limitation;
- 1.2.6 a **"party"** means a party to this agreement and includes its assignees (if any) and/or the successors in title to substantially the whole of its undertaking and, in the case of an individual, to his or her estate and personal representatives;
- 1.2.7 a **"person"** includes any person, individual, company, firm, corporation, government, state or agency of a state or any undertaking (whether or not having separate legal

personality and irrespective of the jurisdiction in or under the law of which it was incorporated or exists);

1.2.8 a “**statute**” or “**statutory instrument**” or “**accounting standard**” or “**EC Directive**” or any of their provisions is to be construed as a reference to that statute or statutory instrument or accounting standard or EC Directive or such provision as the same may have been amended or re-enacted before the date of this agreement;

1.2.9 “**clauses**”, “**paragraphs**” or “**schedules**” are to clauses and paragraphs of and schedules to this agreement;

1.2.10 “**writing**” includes any methods of representing words in a legible form excluding e-mail;

1.2.11 use of the singular includes the plural and vice versa and use of any gender includes the other genders;

1.2.12 any statement qualified by reference to the Vendors' state of knowledge, belief or awareness shall be deemed to include an additional statement that has been made after the Vendors have made such enquiry as it would be reasonable to expect the Vendors to have made of the following persons:

- a) John Creba;
- b) John Parry;
- c) the Vendors' Accountants;
- d) Nigel Ford of 5 Ash Walk, Walmley, Sutton Coldfield B76 2PU;
- e) John Mayes of Appletree Cottage, Wychnor, Near Barton under Needwood, Staffordshire DE13 8BY; and
- f) Paul Vicary of 31 Rushford Close, Monkspath, West Midlands B90 4UF.

1.3 The schedules form part of the operative provisions of this agreement and references to this agreement shall, unless the context otherwise requires, include references to the schedules.

1.4 Any agreement, covenant, warranty or liability arising under this agreement on the part of two or more persons shall be deemed to be made or given by such persons jointly and severally.

## 2 AGREEMENT TO SELL THE SHARES

### 2.1 Sale of Shares

The Vendors shall sell as legal and beneficial owners and with full title guarantee and the Purchaser, relying on (inter alia) the several warranties and undertakings contained in this agreement, shall purchase the Shares with effect from Completion free from all and any Encumbrance and together with all rights attaching thereto.

### 2.2 Dividends and distributions

The Purchaser shall be entitled to receive all dividends and distributions declared, paid or made by the Company on or after the date of this agreement.

### **2.3 Rights of pre-emption**

The Vendors hereby unconditionally and irrevocably waive all rights of pre-emption and any other rights or restrictions over any of the Shares conferred either by the articles of association of the Company or in any other way, including under any shareholders agreement between the Vendors (or any of them).

### **2.4 Sale of all Shares**

The Purchaser shall not be obliged to complete the purchase of any of the Shares unless the purchase of all the Shares is completed simultaneously.

## **3 CONSIDERATION**

**3.1** The consideration for the Shares shall be TWO MILLION FOUR HUNDRED AND FIFTY THOUSAND POUNDS (£2,450,000) comprising the Cash Consideration of £1,925,000 and Consideration Shares to a value of £525,000.

### **3.2 Satisfaction of the Consideration**

The Consideration shall, subject to the terms of this agreement, be satisfied as follows:

**3.2.1** on Completion:

- a) the First Cash Consideration Payment shall be paid on behalf of the Purchaser by the Purchaser's Solicitors to the Vendors' Solicitors, on behalf of the Vendors, in accordance with clause 3.3;
- b) the First Tranche Consideration Shares shall be issued and allotted by the Purchaser at the Consideration Share Price to John Parry, credited as fully paid up;
- c) the Completion Accounts Balance shall be paid by the Purchaser in accordance with clause 3.7.1.

**3.2.2** on agreement or determination of the Completion Accounts, the Completion Accounts Consideration Shares shall be issued and allotted in accordance with clause 3.7.3.

**3.2.3** on the Second Tranche Settlement Day:

- a) the Second Cash Consideration Payment shall be paid by the Purchaser (or on its behalf) to the Vendors;
- b) the Second Tranche Consideration Shares shall be issued and allotted by the Purchaser at the Consideration Share Price to John Parry, credited as fully paid up;

**3.2.4** on the Third Tranche Settlement Day:

- a) the Third Cash Consideration Payment shall be paid by the Purchaser (or on its behalf) to the Vendors;

- b) the Third Tranche Consideration Shares shall be issued and allotted by the Purchaser at the Consideration Share Price to John Parry, credited as fully paid up;

3.2.5 on the Fourth Tranche Settlement Day:

- a) the Fourth Cash Consideration Payment shall be paid by the Purchaser (or on its behalf) to the Vendors;
- b) the Fourth Tranche Consideration Shares shall be issued and allotted by the Purchaser at the Consideration Share Price to John Parry, credited as fully paid up.

3.3 **Cash Consideration payment**

- 3.3.1 The First Cash Consideration payment shall be made by the Purchaser's Solicitors by electronic funds transfer to the Vendors' Solicitors' bank account at Bank of Scotland of 14 Friar Lane, Leicester LE1 5RA, sort code: 12-08-81, Account No: 00553357.
- 3.3.2 Any other Cash Consideration payment shall be made by the Purchaser by electronic funds transfer to the Vendors to such accounts as the Vendors shall specify in writing.

3.4 **Good and sufficient discharge**

Any Cash Consideration payment made by the Purchaser (or, on its behalf, by the Purchaser's Solicitors) to the Vendors' Solicitors (on behalf of the Vendors) shall constitute a good and sufficient discharge to the Purchaser in respect of such monies.

3.5 **Apportionment**

Subject to the terms of this agreement, payment of the Cash Consideration shall be apportioned between each of the Vendors as indicated in columns (2), (3), (4), (5) and (6) of part 2 of schedule 1.

3.6 **Claims**

- 3.6.1 The Purchaser, in its sole discretion, shall be entitled (by notice in writing to the Vendors) to set off against any Deferred Cash Consideration remaining payable at the date of such notification, an amount equal to any Claim made, to the extent that any such Claim has been settled, determined or resolved (the "**Adjustment Amount**") in accordance with clause 3.6.3 and clause 8 respectively.
- 3.6.2 The Adjustment Amount will be set off on a pro-rata basis (calculated by reference to the total consideration paid to the Vendors up until the point immediately prior to such notice) provided that such proportion of any set-off relating to John Parry shall not be satisfied or discharged by a reduction in his entitlement to any Deferred Consideration Shares.

3.6.3 For the purposes of clause 3.6.1:

- a) a Claim shall be deemed to be settled upon the Vendors agreeing a final settlement thereof and a Claim which may be disputed, shall be deemed to be resolved upon a final Court order or decree being given in proceedings in respect of the Claim from which there is no further appeal in England or from

whose judgment the Vendors do not appeal within the period during which such appeal may properly be brought;

b) the amount determined to be payable upon settlement or resolution of the Claim shall be the amount agreed by the Vendors and the Purchaser under any such settlement or as determined by any such Court order or decree (as the case may be) to be payable by the Vendors in respect thereof.

3.6.4 The satisfaction of any Claim by reduction of the amount of the Deferred Cash Consideration shall in no way prejudice or affect any other rights or remedies of the Purchaser or the Company for the purpose of recovering any amount due to the Purchaser or the Company which is not satisfied by such means.

**3.7 Payment of the Completion Accounts Balance and issue and allotment of the Completion Accounts Consideration Shares**

3.7.1 Payment of the sum of the Completion Accounts Balance referred to in clause 3.2.1(c) shall be by electronic funds transfer by the Purchaser to a non-interest bearing account in the joint names of the Purchaser's Solicitors and the Vendors' Solicitors designated for the purpose. The Vendors and the Purchaser shall on Completion execute a letter of instruction to the bank at which the Completion Accounts Balance is held in the agreed terms.

3.7.2 The Purchaser and the Vendors shall procure that the Purchaser's Solicitors and the Vendors' Solicitors release such monies forthwith to the Vendors' Solicitors on the Completion Accounts being agreed or determined in accordance with clause 3.8.

3.7.3 On agreement or determination of the Completion Accounts in accordance with clause 3.8, the Purchaser shall issue and allot the Completion Accounts Consideration Shares to John Parry credited as fully paid up.

**3.8 Completion Accounts**

3.8.1 The Purchaser shall procure that draft Completion Accounts are prepared, with the assistance of the Vendors' Accountants within 40 Business Days of Completion.

3.8.2 The Vendors and the Vendors' Accountants may review the draft Completion Accounts in order to satisfy themselves that they have been prepared in accordance with the provisions of schedule 7. Unless within 3 Business Days of receipt of the draft Completion Accounts by the Vendors' Accountants (excluding the day of receipt) the Vendors (or any of them) notify the Purchaser in writing, giving reasonable particulars and reasons, of any respect in which the Vendors are not satisfied that the details of the draft Completion Accounts are correct, then the contents of the draft Completion Accounts shall be final and binding as between the Purchaser and the Vendors.

3.8.3 If the Vendors (or any of them) notify the Purchaser that the Vendors are not satisfied in accordance with clause 3.8.2, the parties shall endeavour within the period expiring 2 Business Days after receipt of the written notice by the Purchaser (excluding the day of receipt) to resolve the matter. If the matter is not resolved it shall be referred to an accountant (the "Independent Accountant") in accordance with the provisions of clauses 3.8.4, 3.8.6 and 3.8.7 below.

3.8.4 The Purchaser shall provide the Vendors and the Vendors' professional advisers with all relevant papers and all information and explanations as are reasonably required for the proper consideration of the Completion Accounts.

3.8.5 The Independent Accountant shall be a firm of chartered accountants as agreed by the Vendors and the Purchaser or, if they cannot agree on such appointment within 5 Business Days of the expiry of the period of 2 Business Days referred to in clause 3.8.3 such firm of chartered accountants as may be nominated, on the application of either party, by the President or other senior officer for the time being of the Institute of Chartered Accountants in England and Wales.

3.8.6 If any disagreement or dispute under this agreement is referred to the Independent Accountant:

- a) the parties will each use all reasonable endeavours to co-operate with the Independent Accountant in resolving such disagreement or dispute, and for that purpose will provide to him all such information and documentation as he may reasonably require;
- b) the Independent Accountant shall have the right to seek such professional assistance and advice as he may require;
- c) the fees of the Independent Accountant and other professional fees incurred by him shall be paid 50% by the Vendors and 50% by the Purchaser save where the Independent Accountant directs otherwise in writing;
- d) the Independent Accountant will be requested by both parties to make a decision within 15 Business Days of the referral.

3.8.7 The Independent Accountant shall act as expert and not as arbitrator and his decision shall be final and binding on the parties.

3.8.8 The draft Completion Accounts shall be determined as final and binding either pursuant to clause 3.8.2 or as a result of agreement between the Purchaser and the Vendors or as a result of the decision of the Independent Accountant pursuant to clause 3.8.6(d).

### 3.9 **Interest for late payment**

3.9.1 In the event that the Purchaser fails to pay each of the Second Cash Consideration Payment, the Third Cash Consideration Payment or the Fourth Cash Consideration Payment on the relevant due dates for payment, then in each case, interest will be payable by the Purchaser at a rate of 5% per annum above the base rate from time to time of HSBC on the amount due, but unpaid.

3.9.2 Interest will be calculated on a daily basis, and payable either monthly or at the same time as the delayed payment, whichever is the sooner.

## **4 COMPLETION**

### 4.1 **Date and place**

Completion shall take place immediately following the signing of this agreement at the offices of the Purchaser's Solicitors at 125 Colmore Row, Birmingham.

#### **4.2 Vendors' obligations**

At Completion the Vendors shall deliver to the Purchaser:

- 4.2.1 duly executed stock transfer forms relating to the Shares in favour of the Purchaser accompanied by the relative share certificates (or an express indemnity in the agreed terms in the case of any certificate found to be missing);
- 4.2.2 written resignations in the agreed terms of all the directors and the secretary of the Company (except John Parry) to take effect on the date of Completion.
- 4.2.3 a written acknowledgement of no indebtedness in the agreed terms from each of John Creba and Mary Creba;
- 4.2.4 the written resignation of the auditors of the Company in the agreed terms to take effect on the Completion Date;
- 4.2.5 the certificate of incorporation and any certificates of incorporation on change of name, common seals (if any), cheque books (and all unused cheques), statutory books and minute books of the Company duly written up to date and the share certificate book of the Company;
- 4.2.6 the Property Documents, and where the Properties are charged, duly executed discharges and Form 403A duly sworn and completed as appropriate;
- 4.2.7 the duly signed Disclosure Letter with the Disclosure Documents;
- 4.2.8 to the extent not in the possession of the Company, all books of account or records as to customers and/or suppliers and other records and all insurance policies in any way relating to or concerning the business of the Company;
- 4.2.9 statements confirming the cash balance in each bank account held by the Company as at close of business on the last Business Day before the Completion Date together with a reconciliation showing an adjusted balance after taking into account cheques not presented or paid in;
- 4.2.10 appropriate forms to amend the mandates given by the Company to its bankers;
- 4.2.11 all charges, mortgages and debentures and guarantees to which the Company is a party together with duly sealed discharges and (where applicable) forms 403a duly sworn and completed in respect of the same and any covenants in connection with them; and
- 4.2.12 the Consultancy Agreement executed by John Creba.

#### **4.3 Repayments, guarantees etc**

The Vendors shall procure that at Completion:

- 4.3.1 there are repaid all sums (if any) owing to the Company by any of the Vendors or their connected persons and whether or not such sums are due for repayment;
- 4.3.2 the Company is released from any guarantee, suretyship, indemnity, bond, letter of comfort or Encumbrance or other similar obligation given or incurred by it which

relates in whole or in part to debts or other liabilities or obligations, whether actual or contingent, of any person.

#### **4.4      Return of property**

The Vendors shall procure at Completion that each person resigning under clause 4.2.2 and any connected person of any of the Vendors will deliver to the Purchaser any assets or documents of the Company in their possession including motor vehicles and the keys and registration documents to them, any company credit cards and any computers or communication equipment.

#### **4.5      Board resolutions of the Company**

4.5.1 On Completion, the Vendors shall procure the passing of board resolutions of the Company in the agreed terms, including appointing Richard Hammond as a director and John Parry as secretary and accepting the resignations referred to in clause 4.2.2 and shall hand to the Purchaser duly certified copies of such resolutions.

4.5.2 Immediately following the passing of the board resolutions referred to in clause 4.5.1 the Purchaser shall procure the passing of board resolutions of the Company including:

- a) accepting the resignations referred to in clause 4.2.4;
- b) approving the Service Agreements and the Consultancy Agreement;
- c) revoking all existing authorities to bankers in respect of the operation of its bank accounts and giving authority in favour of such persons as the Purchaser may nominate to operate such accounts;
- d) instigate a new authority to HSBC in respect of the operation of the new account of the Company and giving authority in favour of such persons the Purchaser may nominate to operate such accounts; and
- e) changing its registered office to Arden House, 341 Kenilworth Road, Balsall Common, Coventry,

and shall hand to the Vendors duly certified copies of such resolutions.

#### **4.6      Purchaser's obligations**

4.6.1 Subject to the Vendors complying with their respective obligations under clauses 4.2, 4.3, 4.4 and 4.6 and John Creba complying with his obligations under clause 4.5 the Purchaser shall:

- a) make the payments referred to in clause 3.2.1;
- b) convene a meeting of its board of directors at which the directors shall allot to John Parry the First Tranche Consideration Shares and the name of John Parry shall be entered in the register of members of the Purchaser as the holder of the First Tranche Consideration Shares;
- c) deliver to the John Parry a definitive share certificate in respect of the First Tranche Consideration Shares;

- d) execute the Service Agreements in respect of John Parry and Richard Hammond and the Consultancy Agreement in respect of John Creba; and
- e) confirm the prior execution of the Service Agreement of Marion Parry.

4.6.2 The Purchaser shall not be obliged to complete the purchase of any of the Shares unless the Vendors complete the sale of all the Shares simultaneously, but completion of the purchase of some Shares will not affect the rights of the Purchaser with respect to its rights to the other Shares.

#### **4.7 John Parry's obligations**

On or before Completion, John Parry will subscribe for 750,000 ordinary shares of 10 pence each in the capital of the Purchaser, representing a post-subscription equity shareholding of 30% in the share capital of the Purchaser and accordingly, shall pay the sum of £75,000 to the Purchaser in relation thereto.

#### **4.8 Tax Covenant**

The provisions of schedule 4 shall have effect from and after Completion.

### **5 WARRANTIES**

#### **5.1 Incorporation of schedule 3**

- 5.1.1 The Vendors hereby jointly and severally warrant to the Purchaser and its successors in title that the Warranties are true and accurate.
- 5.1.2 The Warrantors acknowledge that the Purchaser has entered into this agreement in reliance upon (inter alia) the Warranties and the Specific Indemnities and on the undertakings contained in clause 6.
- 5.1.3 Save as expressly otherwise provided, the Warranties shall be separate and independent and shall not be limited by reference to any other paragraph of schedule 3.
- 5.1.4 The liability of the Vendors under the Warranties shall be limited in accordance with schedule 5 but not otherwise.

5.2 The Purchaser hereby acknowledges that it is not aware of any fact, matter or circumstance which may give rise to a Warranty Claim.

#### **5.3 Information from the Company**

Any information supplied by or on behalf of the Company to or on behalf of the Vendors in connection with the Vendors, the Disclosure Letter or otherwise in relation to the business and affairs of the Company shall not constitute a representation or warranty or guarantee as to the accuracy thereof by the Company in favour of the Vendors, and the Vendors undertake to the Purchaser that they will not bring any and all claims which any of them might otherwise have against the Company or any of its directors or employees, (other than other Vendors) in respect thereof.

#### **5.4 Damages**

Any amount paid by the Vendors to the Purchaser as damages for breach of the Warranties shall be treated as a reduction or refund of the consideration paid or payable under this agreement.

## **6 PROTECTION OF GOODWILL**

- 6.1 The Vendors undertake to the Purchaser that (except as otherwise agreed in writing with the Purchaser) they will not either solely or jointly with any other person (either on their own account or as the agent of any other person) for a period of 3 years from Completion carry on or be engaged or concerned or (except as the holder of shares in a listed company which confer not more than 3% of the votes which can generally be cast at a general meeting of the company) interested directly or indirectly in a business which competes with the type of business carried on by the Company at Completion.
- 6.2 The Vendors undertake that (except as otherwise agreed in writing with the Purchaser) they will not either solely or jointly with any other person (either on their own account or as agent of any other person):
  - 6.2.1 for a period of 3 years from Completion solicit or accept the custom of any person in respect of goods or services competitive with those manufactured or supplied by the Company during the period of 12 months immediately prior to Completion, such person having been a customer of the Company in respect of such goods or services during such period;
  - 6.2.2 for a period of 3 years from Completion induce, solicit or endeavour to entice to leave the service or employment of the Company any person who during the period of 12 months prior to Completion was an employee of the Company likely (in the opinion of the Purchaser) to be:
    - a) in possession of confidential information relating to; or
    - b) able to influence the customer relationships or connections of; or
    - c) able to influence the technology or inventions of,the Company; or
  - 6.2.3 use any trade or domain name or e-mail address used by the Company at any time during the 2 years immediately preceding the date of this agreement or any other name intended or likely to be confused with any such trade or domain name or e-mail address.
- 6.3 The Vendors agree that the undertakings contained in this clause 6 are reasonable and are entered into for the purpose of protecting the goodwill of the business of the Company and that accordingly the benefit of the undertakings may be assigned by the Purchaser and its successors in title without the consent of any of the Vendors.
- 6.4 Each undertaking contained in this clause 6 is and shall be construed as separate and severable and if one or more of the undertakings is held to be against the public interest or unlawful or in any way an unreasonable restraint of trade or unenforceable in whole or in part for any reason the remaining undertakings or parts thereof, as appropriate, shall continue to bind the Vendors.

6.5 If any undertaking contained in this clause 6 shall be void but would be valid if deleted in part or reduced in application, such undertaking shall apply with such deletion or modification as may be necessary to make it valid and enforceable. Without prejudice to the generality of the foregoing, such period (as the same may previously have been reduced by virtue of this clause 6.5) shall take effect as if reduced by 6 months until the resulting period shall be valid and enforceable.

## 7 CONFIDENTIAL INFORMATION

7.1 The Vendors shall not, and shall procure that none of their connected persons shall, use or disclose to any person Confidential Information.

7.2 Clause 7.1 does not apply to:

- 7.2.1 disclosure of Confidential Information to or at the written request of the Purchaser;
- 7.2.2 use or disclosure of Confidential Information required to be disclosed by law, regulation or any revenue authority;
- 7.2.3 disclosure of Confidential Information to professional advisers for the purpose of advising the Vendors;
- 7.2.4 Confidential Information which the Vendors can prove is in the public domain other than by a breach by any of the Vendors of clause 7.1;
- 7.2.5 John Creba in fully performing his obligations under the terms of the Consultancy Agreement; or
- 7.2.6 John Parry in fully performing his obligations under the terms of his Service Agreement.

## 8 SPECIFIC INDEMNITIES

8.1 The Vendors shall indemnify the Purchaser without prejudice to any and all other rights and remedies of the Purchaser in relation to any breach of the Warranties (save that any payment under this clause 8.1 in respect of a matter which is in breach of a Warranty shall be taken into account in assessing the Purchaser's loss in respect of that breach) against all losses, liabilities, costs and expenses of the Company and the Purchaser incurred or arising directly or indirectly as a result of the matters specified in schedule 6.

8.2 All sums payable by the Vendors in respect of indemnities in this agreement shall be paid free and clear of all deductions or withholdings (including tax) unless the deduction or withholding is required by law, in which event or in the event that the Purchaser shall incur any liability for Tax chargeable or assessable in respect of any payment pursuant thereto, the Vendors shall pay such additional amount as shall be required to ensure that the net amount received and retained by the indemnified person (after Tax) will equal the full amount which would have been received and retained by it had no such deduction or withholding been made and/or no such liability to Tax been incurred. In applying this clause 8.2 no account shall be taken to the extent to which any liability for Tax may be mitigated or off-set by any Relief available to the indemnified person so that where such Relief is available the additional amount payable hereunder shall be the amount which would have been payable in the absence of such availability.

For the purposes of this clause 8.2 the terms "Tax" and "Relief" shall have the meanings attributed to them in schedules 3 and 4.

- 8.3 The Purchaser acknowledges that the Purchaser and the Company shall mitigate their respective losses in connection with any claims of the nature referred to in Schedule 6.
- 8.4 The Purchaser shall not be entitled to make any claim under the provisions of this clause 8 unless written notice of such claim is served on the Vendors on or before 31 December 2004.
- 8.5 The parties acknowledge that should any claim or claims arise under the provisions of this clause 8 damages will not be calculated on an indemnity basis and the appropriate measure of damages shall be the lesser of:
  - 8.5.1 the aggregate value of the claims proceedings and demands made or brought against the Company as described in Schedule 6; and
  - 8.5.2 the difference between the aggregate Consideration and the actual value of the Company at the date of Completion.

## 9 ANNOUNCEMENTS

- 9.1 No party shall disclose the making of this agreement nor its terms nor any other agreement referred to in this agreement (except those matters set out in a press release in the agreed terms) and each party shall procure that each of their respective Related Persons and connected persons and professional advisers shall not make any such disclosure without the prior consent of the other parties unless disclosure is:
  - 9.1.1 to professional advisers; or
  - 9.1.2 required by law or any regulatory body and disclosure shall then only be made by that party:
    - a) after the party in question 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 parties; and
    - b) to the person or persons and in the manner required by law or as otherwise agreed between the parties.
- 9.2 Clause 9.1 does not apply to announcements, or communications made or sent by the Purchaser after Completion to customers, clients or suppliers of the Company to the extent that it informs them of the Purchaser's acquisition of the Shares or to any announcements containing only information which is in the public domain.
- 9.3 The restrictions contained in clause 9.1 shall apply without limit of time and whether or not this agreement is terminated.

## 10 COSTS

Unless expressly otherwise provided in this agreement, each of the parties shall bear their own legal, accountancy and other costs, charges and expenses connected with the sale and purchase of the Shares.

## 11 EFFECT OF COMPLETION

- 11.1 The terms of this agreement (insofar as not performed at Completion and subject as specifically otherwise provided in this agreement) shall continue in force after and notwithstanding Completion.
- 11.2 The remedies of the Purchaser in respect of any breach of any of the Warranties shall continue to subsist notwithstanding Completion.

## 12 FURTHER ASSURANCE

- 12.1 The Vendors shall use all reasonable endeavours to do or procure to be done all such further acts and things and execute or procure the execution of all such other documents as the Purchaser may from time to time reasonably require for the purpose of giving the Purchaser the full legal and beneficial title to the Shares and otherwise giving the Purchaser the full benefit of this agreement including rectification of the registration of Property 1, Part 1, Schedule 2.
- 12.2 The Purchaser shall use all reasonable endeavours to do or procure to be done all such further acts and things and execute or procure the execution of all such other documents as the Vendors may from time to time reasonably require for the purpose of giving the Vendors the full benefit of the provisions of this agreement.

## 13 ENTIRE AGREEMENT

- 13.1 Each party acknowledges and agrees for themselves:
  - 13.1.1 this agreement together with any documents referred to in this agreement as being in the agreed terms (together the "**Transaction Documents**") constitute the entire and only agreement between the parties relating to the subject matter of the Transaction Documents;
  - 13.1.2 they have not been induced to enter into any Transaction Document in reliance upon, nor have they been given, any warranty, representation, statement, assurance, covenant, agreement, undertaking, indemnity or commitment of any nature whatsoever other than as are expressly set out in the Transaction Documents and, to the extent that any of them have, such party to this agreement unconditionally and irrevocably waives any claims, rights or remedies which any of them might otherwise have had in relation thereto.
- 13.2 The provisions of this clause 13 shall not exclude any liability which any of the parties would otherwise have to any other party or any right which any of them may have in respect of any statements made fraudulently by any of them prior to the execution of this agreement or any rights which any of them may have in respect of fraudulent concealment by any of them.

## 14 VARIATIONS

This agreement may be varied only by a document signed by each of the parties to it.

## 15 WAIVER

- 15.1 A waiver of any term, provision or condition of, or consent granted under, this agreement shall be effective only if given in writing and signed by the waiving or consenting party and then only in the instance and for the purpose for which it is given.
- 15.2 No failure or delay on the part of any party in exercising any right, power or privilege under this agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.
- 15.3 No breach of any provision of this agreement shall be waived or discharged except with the express written consent of the Vendors and the Purchaser.
- 15.4 The rights and remedies herein provided are cumulative with and not exclusive of any rights or remedies provided by law.

## **16 INVALIDITY**

- 16.1 If any provision of this agreement is or becomes invalid, illegal or unenforceable in any respect under the law of any jurisdiction:
  - 16.1.1 the validity, legality and enforceability under the law of that jurisdiction of any other provision; and
  - 16.1.2 the validity, legality and enforceability under the law of any other jurisdiction of that or any other provision,shall not be affected or impaired in any way.

## **17 NOTICES**

- 17.1 Any notice, demand or other communication ("Notice") given or made under or in connection with the matters contemplated by this agreement shall be in writing and shall be delivered personally or sent by fax or prepaid first class post (registered air mail if posted to or from a place outside the United Kingdom):

In the case of the Purchaser to:

The Managing Director

Chadwick Shopfitting Limited

Arden House  
341 Kenilworth Road  
Balsall Common  
Solihull  
CV7 7DL

Fax: 01676 535644

Attention: Richard Hammond

In the case of each of the Vendors to:

Their respective addresses as shown in part 1 of schedule 1

17.2 Any Notice shall be deemed to have been duly given or made as follows:

- 17.2.1 if personally delivered, at the time of delivery;
- 17.2.2 if sent by first class post, two Business Days after the date of posting;
- 17.2.3 if sent by fax, at the time of transmission,

provided that if, in accordance with the above provisions, any Notice would otherwise be deemed to be given or made outside 9.00am – 5.00pm on a Business Day such Notice shall be deemed to be given or made at 9.00am on the next Business Day.

17.3 A party may notify the other party to this agreement of a change to its name, relevant addressee, address or fax number for the purposes of clause 17.1 provided that such notification shall only be effective on:

- 17.3.1 the date specified in the notification as the date on which the change is to take place; or
- 17.3.2 if no date is specified or the date specified is less than 5 Business Days after the date on which notice is given, the date falling 5 Business Days after notice of any such change has been given.

17.4 The provisions of this clause 17 will not apply in the case of service of process relating to any proceeding, suit or action to the extent that such provisions are inconsistent with Part 6 of the Civil Procedure Rules 1998.

## **18 COUNTERPARTS**

This agreement may be executed in any number of counterparts which together shall constitute one agreement. Any party may enter into this agreement by executing a counterpart and this agreement shall not take effect until it has been executed by all parties.

## **19 GOVERNING LAW AND JURISDICTION**

19.1 This agreement (and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this agreement or its formation) shall be governed by and construed in accordance with English law.

19.2 Each of the parties to this agreement irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to hear and decide any suit, action or proceedings, and/or to settle any disputes, which may arise out of or in connection with this agreement and, for these purposes, each party irrevocably submits to the jurisdiction of the courts of England and Wales.

## **20 OTHER PROVISIONS**

### **20.1 Time of the essence**

Time shall be of the essence of this agreement, both as regards the dates and periods mentioned and as to any dates and periods that may by agreement between the parties be substituted for any of them.

### **20.2 Assignment**

- 20.2.1 This agreement shall be binding upon and enure for the benefit of the successors in title to the parties but, except as set out in clause 20.2.2, shall not be assignable by any party without the prior written consent of the others.
- 20.2.2 The Purchaser may assign the benefit of this agreement (including, the Warranties) to any successor in title or any subsequent purchaser of the Shares.
- 20.2.3 Subject to and upon any assignment permitted by this agreement, any assignee of the parties shall in its own right be able to enforce any term of this agreement in accordance with its terms as if it were a party, but until such time any such assignee of the parties shall have no such rights whether as a third party or otherwise.

#### **20.3 Post completion matters**

- 20.3.1 The Vendors declare that for as long as they remain the registered holders of the Shares after Completion they will:
  - a) hold the Shares and the dividends and any other moneys paid or distributed in respect of them after Completion and all rights arising out of or in connection with them in trust for the Purchaser;
  - b) deal with the Shares and all such dividends, distributions and rights as the Purchaser may direct for the period between Completion and the day on which the Purchaser is entered in the register of members of the Company as the holder of the Shares.
- 20.3.2 The Vendors appoint the Purchaser as their attorney for the purpose of exercising any rights, privileges or duties attaching to the Shares including receiving notices of and attending and voting at all meetings of the members of the Company.
- 20.3.3 For the purposes of clause 20.3.2 the Vendors authorise:
  - a) the Company to send any notices in respect of their share holdings to the Purchaser; and
  - b) the Purchaser to complete and return proxy cards, consents to short notice and any other document required to be signed by the Purchaser as a member.

#### **20.4 Heads of Agreement**

This agreement supersedes the agreed terms in the Heads of Agreement which, with effect from the date of this agreement, shall cease and determine save in respect of any breach that shall have occurred or arisen prior to the date of this agreement.

**IN WITNESS** whereof this agreement is executed and delivered as a deed the day and year first above written:

**SCHEDULE 1**

**Part 1**

**Particulars of the Vendors**

| <b>(1)</b><br><b>Names and addresses</b>   | <b>(2)</b><br><b>Number of Shares<br/>owned and to be<br/>sold</b> | <b>(3)</b><br><b>Cash Consideration<br/>(including the Completion<br/>Accounts Balance)</b> | <b>(4)</b><br><b>Consideration<br/>Shares</b> |
|--|--|---|---|
| John Michael Creba<br>Rose Cottage<br>Warwick Road<br>Chadwick End<br>Solihull<br>B93 0BE<br><br>("John Creba")  | 25   | 612,500   | -   |
| Mary Patricia Creba<br>Rose Cottage<br>Warwick Road<br>Chadwick End<br>Solihull<br>B93 0BE<br><br>("Mary Creba") | 35   | 857,500   | -   |
| John Michael Parry<br>Greenlands<br>11 Court Drive<br>Shenstone<br>WS14 0JG<br><br>("John Parry")                | 40   | 455,000   | 5,250,000                                     |
| <b>TOTAL</b>   | 100  | £1,925,000  | 5,250,000                                     |

**Part 2**

**Cash Consideration**

| <b>(1)<br/>Name</b> | <b>(2)<br/>First Cash<br/>Consideration<br/>Payment (£)</b> | <b>(3)<br/>Completion<br/>Accounts<br/>Balance (£)</b> | <b>(4)<br/>Second Cash<br/>Consideration<br/>Payment (£)</b> | <b>(5)<br/>Third Cash<br/>Consideration<br/>Payment (£)</b> | <b>(6)<br/>Fourth Cash<br/>Consideration<br/>Payment (£)</b> | <b>(7)<br/>Total (£)</b> |
|---------------------|---|--|--|---|--|--------------------------|
| John Creba          | 310,000   | 100,000  | 67,500   | 67,500  | 67,500   | 612,500                  |
| Mary Creba          | 434,000   | 140,000  | 94,500   | 94,500  | 94,500   | 857,500                  |
| John Parry          | 334,000   | 40,000   | 27,000   | 27,000  | 27,000   | 455,000                  |
|                     | £1,078,000  | £280,000   | £189,000   | £189,000  | £189,000   | £1,925,000               |

**Part 3**  
**Consideration Shares**

| (1)<br>Name | (2)<br>First Tranche<br>Consideration<br>Shares | (3)<br>Completion<br>Accounts<br>Consideration<br>Shares | (4)<br>Second Tranche<br>Consideration<br>Shares | (5)<br>Third Tranche<br>Consideration<br>Shares | (6)<br>Fourth Tranche<br>Consideration<br>Shares | (7)<br>Total |
|-------------|---|--|--|---|--|--------------|
| John Creba  | -   | -  | -  | -   | -  | -            |
| Mary Creba  | -   | -  | -  | -   | -  | -            |
| John Parry  | 2,073,750                                       | 1,050,000  | 708,750  | 708,750   | 708,750  | 5,250,000    |
|             | 2,073,750                                       | 1,050,000  | 708,750  | 708,750   | 708,750  | 5,250,000    |

**Part 4**  
**Particulars of Directors of the Company**

| <b>Full names</b>   | <b>Usual address</b>  |
|---------------------|---|
| John Michael Creba  | Rose Cottage<br>Warwick Road<br>Chadwick End<br>Solihull<br>B93 0BE |
| Mary Patricia Creba | Rose Cottage<br>Warwick Road<br>Chadwick End<br>Solihull<br>B93 0BE |
| John Michael Parry  | Greenlands<br>11 Court Drive<br>Shenstone<br>WS14 0JG               |

## Part 5

### Particulars of the Company

|                                    |  |
|------------------------------------|--|
| 1. Registered number:              | 2832104  |
| 2. Registered office:              | 87 Tettenhall Road Wolverhampton West Midlands WV3 9NF                           |
| 3. Date and place of incorporation | England  |
| 4. Class of company                | Private, limited by shares   |
| 5. Authorised share capital:       | 100 ordinary shares of £1 each   |
| 6. Issued share capital:           | 100 ordinary shares of £1 each   |
| 7. Loan capital:                   | None   |
| 8. Secretary:                      | Mary Patricia Creba  |
| 9. VAT number                      | 585305528  |
| 10. Tax district and reference:    | CIS – Wolverhampton ref:7464011460<br>PAYE – Birmingham Victoria ref:068PC103431 |
| 11. Accounting reference date:     | 30 September   |
| 12. Auditors:                      | Baxters of 87 Tettenhall Road Wolverhampton West Midlands WV3 9NF                |
| 13. Mortgages and charges:         | None   |
| 14. Subsidiary undertakings:       | None   |

## SCHEDULE 2

### Part 1

#### **The Properties**

##### **Property 1:**

|   |  |
|---|--|
| <b>Address</b>  | Short leasehold interest in second floor offices at Arden House, 341 Kenilworth Road, Balsall Common, Solihull CV7 7DL   |
| <b>Title Number and class of title (if registered):</b> | N/A  |
| <b>Use:</b>   | As offices (no use class specified in lease)   |
| <b>Brief details of the Lease and Encumbrances:</b>     | <ul style="list-style-type: none"><li>Lease dated 15 March 2004 between (1) Manor Homes Limited and (2) Chadwick Contracts Limited</li><li>Term – 5 years from 29 September 2003</li><li>Tenant pays:-</li><li>annual rent £18,360 (no rent review)</li><li>service charge</li><li>insurance rent</li><li>rates and other regular outgoings and utility costs</li><li>VAT</li><li>Internal repairing</li><li>Alterations prohibited</li><li>Redecoration – last year of the Term (internal only)</li><li>Dealings</li><li>Whole – Assignment of whole permitted with consent, Underletting of whole prohibited</li></ul> |

|  |   |
|--|---|
|  | <ul style="list-style-type: none"> <li>• Part – Assignment of part prohibited, Underletting of part permitted with consent</li> <li>• Group sharing permitted</li> <li>• No break rights for either party</li> </ul> <p>The property is subject to those matters in the registers for title number WM710856 (a restriction as to use of the property for residential trade or business premises and a charge in favour of The Co-operative Bank PLC</p> |
|--|---|

**Property 2:**

|   |  |
|---|--|
| <b>Address</b>  | Long leasehold industrial premises at 36 Brearley Street, Newtown, Birmingham  |
| <b>Title Number and class of title (if registered):</b> | Registered with Leasehold title absolute under title number WM 543826  |
| <b>Use:</b>   | General Industrial within use class B2 of the Town and Country Planning (use Classes) Order 1987 – confirmed by Certificate of Lawful Use  |
| <b>Brief details of the Lease and Encumbrances:</b>     | <ul style="list-style-type: none"> <li>• Lease dated 23 August 1991 between (1) Birmingham City Council and (2) C.M.Jones – (Chadwick Contracts Limited acquired the property and the adjoining 38 Brearley Street for £160,000 by a contract dated 28 March 2001)</li> <li>• Term – 99 years from 22 May 1990</li> <li>• Tenant pays:- <ul style="list-style-type: none"> <li>• annual rent of one peppercorn (no rent review, an initial premium of £12,625 was paid when the lease was granted)</li> <li>• a reasonable proportion of repairing fences, walls, service media and conduits</li> <li>• insurance rent – but note that there is an obligation on the tenant to insure the</li> </ul> </li> </ul> |

|  |   |
|--|---|
|  | <p>property in its full reinstatement value and the insurance rent payment to the landlord is to cover the position where the tenant defaults on this obligation</p> <ul style="list-style-type: none"> <li>• rates and other regular outgoings and utility costs</li> <li>• VAT</li> <li>• The tenant has to "put and keep".... "the demised premises in good and substantial repair and condition"</li> <li>• Alterations – permitted with prior written consent</li> <li>• Redecoration <ul style="list-style-type: none"> <li>• Internal in every 7<sup>th</sup> year of the Term</li> <li>• External in every 3<sup>rd</sup> year of the Term</li> </ul> </li> <li>• Dealings <ul style="list-style-type: none"> <li>• Whole and Part – not to deal with the property during the last 7 years of the term without prior written consent</li> </ul> </li> <li>• No break rights for either party</li> <li>• There is a Sub-Lease dated 2 October 2001 between (1) Chadwick Contracts Limited and (2) J.E.Hall t/a Machine Design &amp; Engineering Services for a term of 4 years from 2 October 2001 at an annual rent of £10,500. This is a FRI lease. Tenants break right @ 28/9/2003 has lapsed.</li> </ul> |
|--|---|

**Property 3:**

|                                 |   |
|---------------------------------|---|
| Address                         | Long leasehold industrial premises at 38 Brearley Street, Newtown, Birmingham |
| Title Number and class of title | Registered with Leasehold title absolute under                                |

|  |  |
|--|--|
| (if registered):                             | title number WM 543532   |
| Use:   | General Industrial within use class 2 of the Town and Country Planning (use Classes) Order 1987 – confirmed by Certificate of Lawful Use   |
| Brief details of the Lease and Encumbrances: | <ul style="list-style-type: none"> <li>• Lease dated 23 August 1991 between (1) Birmingham City Council and (2) I.A.Carter – (Chadwick Contracts Limited acquired the property and the adjoining 36 Brearley Street for £160,000 by a contract dated 28 March 2001)</li> <li>• Term – 99 years from 22 May 1990</li> <li>• Tenant pays:- <ul style="list-style-type: none"> <li>• annual rent of one peppercorn (no rent review, an initial premium of £12,625 was paid when the lease was granted)</li> <li>• a reasonable proportion of repairing fences, walls, service media and conduits</li> <li>• insurance rent – but note that there is an obligation on the tenant to insure the property in its full reinstatement value and the insurance rent payment to the landlord is to cover the position where the tenant defaults on this obligation</li> <li>• rates and other regular outgoings and utility costs</li> <li>• VAT</li> </ul> </li> <li>• The tenant has to "put and keep".... "the demised premises in good and substantial repair and condition"</li> <li>• Alterations – permitted with prior written consent</li> <li>• Redecoration <ul style="list-style-type: none"> <li>• Internal in every 7<sup>th</sup> year of the Term</li> <li>• External in every 3<sup>rd</sup> year of the Term</li> </ul> </li> <li>• Dealings <ul style="list-style-type: none"> <li>• Whole and Part – not to deal with the</li> </ul> </li> </ul> |

|  |  |
|--|--|
|  | property during the last 7 years of the term without prior written consent |
|  | No break rights for either party   |

## Part 2

### List of the Property Documents

1. Leasehold offices at Arden House, 341/343 Kenilworth Road, Balsall Common, Solihull:
  - Lease dated 15 March 2004;
  - Landlord's mortgage consent;
  - Title Information Document.
2. 36 Brearley Street, Newtown, Birmingham:
  - Land Certificate title number WM543826;
  - 22 May 1990 Agreement Birmingham City Council (1) and CM Jones (2);
  - 23 August 1991 Lease for 99 years from 22 May 1990 made between Birmingham City Council (1) and CM Jones (2);
  - 2 October 2001 counterpart Lease Chadwick Contracts Limited (1) and JE Hall (2) (4 years from 2 October 2001);
  - 24 June 2001 letter from Birmingham City Council enclosing Certificate of Lawful Use relating to 36 and 38 Brearley Street.
3. 38 Brearley Street, Newtown, Birmingham:
  - Land Certificate title number WM543532;
  - 2 May 1990 Agreement Birmingham City Council (1) and IA Carter (2);
  - 23 August 1991 Lease for 99 years Birmingham City Council (1) and IA Carter (2);
  - 3 May 2002 Letter from Birmingham City Council relating to User;
  - Certificate of Lawful Use.
4. Miscellaneous searches, Deeds and documents.

## SCHEDULE 3

### Warranties

In this schedule 3 and schedule 4 and schedule 6 the following words have the following meanings, unless the context otherwise requires:

**"Activities"**

Any activity, operation or process carried out by the Company at any Properties whether or not currently owned, occupied or used by the Company;

**"Borrowings"**

In respect of the Company:

- (a) Money borrowed, including capitalised interest;
- (b) any liability under any bond, note, debenture, loan stock, redeemable preference share capital or any other similar instrument or security;
- (c) any liability for acceptance of documentary credits or discounted instruments;
- (d) any liability for the acquisition costs of assets or services payable on deferred payment terms where the period of deferment is more than 30 days;
- (e) any liability under debt purchase, factoring and similar agreements and capital amounts owing under finance leases, hire purchase or conditional sale agreements or arrangements; and
- (f) any liability under any guarantee or indemnity;

**"CAA"**

The Capital Allowances Act 2001;

**"distribution"**

A distribution as defined by sections 209 to 211 (inclusive) of the TA and section 418 of the TA;

**"Employment Laws"**

All and any international, European Union or national laws, common law, statutes, directives, by-laws, orders, regulations or other subordinate legislation, notices, codes of practice, guidance notes, judgments or decrees, relating to or connected with (1) the employment of employees and/or their health and safety at work or (2) the use of or engagement of temporary workers, agency workers or other individual workers where the relationship is not one of employment and their health and safety at work or (3) the relations between the Company and any staff association or other body representing employees or workers;

|                                |   |
|--------------------------------|---|
| <b>“Environment”</b>           | Any and all living organisms (including man), ecosystems, Properties and the media of air (including air in buildings, natural or man-made structures, below or above ground) water (as defined in section 104(1) of the Water Resources Act 1991 and within drains and sewers) and land (including under any water as described above and whether above or below surface);   |
| <b>“Environmental Consent”</b> | Any consent, approval, permit, licence, order, filing, authorisation, exemption, registration, permission, reporting or notice requirement and any related agreement required under any Environmental Laws;   |
| <b>“Environmental Laws”</b>    | All international, EU, national, federal, state or local statutes, (which for the avoidance of doubt shall include section 57 and schedule 22 of the Environment Act 1995 and the guidance and regulations adopted under those provisions), by-laws, orders, regulations or other law or subordinate legislation or common law, all orders, ordinances, decrees or regulatory codes of practice, circulars, guidance notes and equivalent controls concerning the protection of human health or which have as a purpose or effect the protection or prevention of harm to the Environment or health and safety which are binding in relation to the Properties and/or upon the Company in the relevant jurisdiction in which the Company has been or is operating (including by the export of its products, or its waste thereto and including any obligation relating to the control of asbestos) on or before Completion; |
| <b>“ERA”</b>                   | The Employment Rights Act 1996;   |
| <b>“Hazardous Substance”</b>   | Any natural or artificial substance (whether solid, liquid, gas, noise, ion, vapour, electromagnetic or radiation, and whether alone or in combination with any other substance) which is capable of causing harm to or having a deleterious effect on the Environment, being a nuisance, or which restricts or makes more costly the use, development, ownership or occupation of any Properties;  |
| <b>“ITA”</b>                   | The Inheritance Tax Act 1984;   |
| <b>“Permit”</b>                | A permit, licence, consent, approval, certificate, qualification, specification, registration and other authorisation and a filing of a notification report or required by the law of England and Wales for the operation of the Company's business;  |
| <b>“Relief”</b>                | Has the meaning set out in the Tax Covenant;  |
| <b>“Substantial Customer”</b>  | A customer accounting for more than 10% of the Company's sales in the financial year ended on the Last Accounts Date;   |
| <b>“Substantial Supplier”</b>  | A supplier accounting for more than 10% of the Company's purchases in the financial year ended on the Last Accounts   |

Date;

**“Tax” or “tax”**

Any tax, and any duty, contribution, impost, withholding, levy, deduction, rate or charge in the nature of tax, whether domestic or foreign, national or local, and any fine, penalty, surcharge or interest connected therewith and includes without limitation of the foregoing corporation tax, advance corporation tax, income tax (including income tax required to be deducted or withheld from or accounted for in respect of any payment), national insurance and social security contributions, capital gains tax, inheritance tax, value added tax, customs excise and import duties, stamp duty, stamp duty reserve tax, stamp duty land tax, insurance premium tax, air passenger duty, land fill tax and any other payment whatsoever which any person is or may be or become bound to make to any person and which is or purports to be in the nature of taxation but for the avoidance of doubt excludes business property rates and water rates;

**“Taxation Authority”**

Any local, municipal, governmental, state, federal or fiscal, revenue, customs and excise authority, body, agency or official anywhere in the world having or purporting to have power or authority in relation to Tax including the Inland Revenue and HM Customs and Excise;

**“Taxation Statutes”**

All statutes, statutory instruments, orders, enactments, laws, by-laws, directives and regulations, whether domestic or foreign decrees, providing for or imposing any Tax;

**“TCGA”**

The Taxation of Chargeable Gains Act 1992;

**“TMA”**

The Taxes Management Act 1970;

**“Transfer Regulations”**

The Transfer of Undertakings (Protection of Employment) Regulations 1981;

**“TULR(C)A”**

Trade Union and Labour Relations (Consolidation) Act 1992;

**“VATA”**

The Value Added Tax Act 1994 and **“VAT legislation”** means VATA and all regulations and orders made thereunder;

**“Waste”**

Waste including anything which is discarded or which the holder intends or is required to discard and anything which is abandoned, unwanted or surplus irrespective of whether it is capable of being recovered or recycled or has any value such that there is likely to be a breach of Environmental Laws or such that any investigation, treatment or remediation of any of the Properties is or would be required or would be undertaken by a prudent owner or occupier;

## 1 VENDORS CAPACITY

### 1.1 Authorisations

- 1.1.1 The Vendors have obtained all applicable statutory or other consents, licences, waivers or exemptions required to empower them to enter into and to perform their obligations under this agreement and each document to be executed by them at or before Completion.
- 1.1.2 The execution and delivery of, and the performance by the Vendors of their obligations under, this agreement will not:
  - a) result in a breach of, or constitute a default under, any instrument to which any of the Vendors is a party or by which any of the Vendors is bound; or
  - b) result in a breach of any order, judgment or decree of or undertaking to any court or government body to which any of the Vendors is a party or by which any of the Vendors is bound.

### 1.2 Proper execution

The Vendors obligations under this agreement will be enforceable in accordance with their terms.

## 2 THE COMPANY, THE SHARES AND SUBSIDIARIES

### 2.1 Incorporation and existence

The Company is a limited company incorporated under English law and has been in continuous existence since incorporation.

### 2.2 The Shares

- 2.2.1 The Vendors are the only legal and beneficial owners of the Shares.
- 2.2.2 The Company has not allotted any shares other than the Shares and the Shares are fully paid or credited as fully paid.
- 2.2.3 There is no Encumbrance in relation to any of the Shares or unissued shares in the capital of the Company. No person has claimed to be entitled to an Encumbrance in relation to any of the Shares.
- 2.2.4 Other than this agreement, there is no agreement, arrangement or obligation requiring the creation, allotment, issue, sale, transfer, redemption or repayment of, or the grant to a person of the right (conditional or not) to require the allotment, issue, sale, transfer, redemption or repayment of, a share in the capital of the Company (including any option or right of pre-emption or conversion).

### 2.3 No Subsidiaries

- 2.3.1 The Company does not have and has never had any subsidiary or subsidiary undertaking.

2.3.2 The Company does not own any shares or stock in the capital of nor does it have any beneficial or other interest in any company or business organisation nor does the Company control or take part in the management of (including as a shadow director) any other company or business organisation. The Company has no liability as a former member, officer or shadow director of any body corporate, partnership or unincorporated association, nor so far as the Vendors are aware are there any circumstances in which such liability could arise.

### **3 ACCOUNTS**

#### **3.1 General**

3.1.1 The Accounts show a true and fair view of the:

- a) assets and liabilities, at the Last Accounts Date; and
- b) the profits and losses of the Company for the financial year ended on the Last Accounts Date.

3.1.2 The Accounts have been prepared and audited in accordance with the standards, principles and practices specified on the face of the Accounts applied on a consistent basis and subject thereto in accordance with the law and applicable standards, principles and practices generally accepted in the United Kingdom consistently applied.

3.1.3 The Accounts have been prepared on a basis consistent with the three preceding accounting periods of the Company.

#### **3.2 Extraordinary and exceptional items**

The results shown by the audited profit and loss account of the Company for each of the 3 financial years of the Company ended on the Last Accounts Date have not (except as disclosed in those accounts) been materially affected by an extraordinary, exceptional or non-recurring item or by any transaction, contract or arrangement not on entirely arm's length terms.

#### **3.3 Accounting and other records**

3.3.1 The books of accounts and all other records of the Company (including any which it may be obliged to produce under any contract now in force) are up-to-date, in its possession and are true, accurate and complete in all material respects in accordance with the law and applicable standards, principles and practices generally accepted in the United Kingdom.

3.3.2 All deeds and material documents (properly stamped where stamping is necessary for enforcement thereof) belonging to the Company or which ought to be in the possession of the Company are in the possession of the Company.

#### **3.4 Management Accounts**

The Management Accounts of the Company have been prepared by the Company with due care and attention and so far as the Vendors are aware show with reasonable accuracy the state of affairs and profit or loss of the Company as at and for the period in respect of which

they have been prepared and the balance sheet of the Company as at 31 December 2003 but it is hereby acknowledged that they are not prepared on a statutory basis.

#### **4 CHANGES SINCE THE LAST ACCOUNTS DATE**

##### **4.1 General**

Since the Last Accounts Date:

- 4.1.1 the Company has carried on its business prudently and in the ordinary and usual course and so as to maintain the business as a going concern;
- 4.1.2 save as disclosed in the Management Accounts, there has been no material adverse change in the financial, working capital or trading position of the Company; and
- 4.1.3 so far as the Vendors are aware, other than depreciation in accordance with the normal accounting policies of the Company, there has been no material reduction in the value of those fixed assets specified in the Accounts, to the extent still owned by the Company.

##### **4.2 Specific**

Since the Last Accounts Date:

- 4.2.1 The Company has not, other than in the ordinary course of trading:
  - a) disposed of, or agreed to dispose of, an asset for an amount which is lower than book value or an open market arm's length value, whichever is the higher; or
  - b) assumed or incurred, or agreed to assume or incur, a material actual liability, actual obligation or actual expense.
- 4.2.2 the Company has not acquired or agreed to acquire an asset for an amount which is higher than the open market arm's length value;
- 4.2.3 other than leasing of vehicles as disclosed in the Disclosure Letter, the Company has not made, or agreed to make, capital expenditure exceeding in total £10,000 or incurred, or agreed to incur, a commitment or connected commitments involving capital expenditure exceeding in total £10,000.
- 4.2.4 no Substantial Supplier or Substantial Customer has ceased or substantially reduced its business with the Company or has altered the terms on which it does business to the Company's material disadvantage;
- 4.2.5 the Company has not declared, paid or made a dividend, bonus or other distribution (including a distribution within the meaning of the TA) except to the extent provided in the Accounts;
- 4.2.6 no resolution of the shareholders of the Company has been passed (except for those representing the ordinary business of an annual general meeting);

- 4.2.7 the Company has not repaid or redeemed share or loan capital, or made (whether or not subject to conditions) an agreement or arrangement or undertaken an obligation or become liable to do any of those things;
- 4.2.8 the Company has not repaid any sum in the nature of borrowings in advance of any due date or made any loan or incurred any indebtedness; and
- 4.2.9 no debtor has been released by the Company on terms that he pays less than the face value of his debt, no debt has been subordinated, written down to any material extent or written off, provided against (in whole or in part), factored or assigned, the Company has not agreed to do any of the foregoing and no debt has proved to any material extent irrecoverable.

## **5 ASSETS**

### **5.1 Title and condition**

- 5.1.1 There are no Encumbrances (except as disclosed in schedule 2, nor has the Company agreed to create any Encumbrances, over any part of its undertaking or assets, and each asset used by the Company (tangible or intangible) is:
  - a) legally and beneficially owned by the Company; and
  - b) where capable of possession, in the possession of the Company.
- 5.1.2 The Company owns each asset (tangible or intangible) used in the operation of its business and without limitation no rights (other than rights as shareholders in the Company) relating to the business of the Company are owned or otherwise enjoyed by or on behalf of any of the Vendors or any of their connected persons.
- 5.1.3 All plant, machinery, vehicles and equipment owned or used by the Company are in reasonable condition and working order having regard to their use in the business of the Company.
- 5.1.4 All assets owned or used by the Company which are subject to a requirement of licensing or registration of ownership possession or use are duly licensed or registered in the sole name of the Company.
- 5.1.5 All vehicles owned or used by the Company (including company vehicles used by any of the Employees) are registered in the sole name of the Company and are duly licensed and insured for all purposes for which they are used, and all registration documents relating thereto are in the possession of the Company.

### **5.2 Hire purchase and leased assets**

Copies of any bill of sale or any hiring or leasing agreement, hire purchase agreement, credit or conditional sale agreement, agreement for payment on deferred terms or any other similar agreement to which the Company is a party are in the Disclosure Documents.

### **5.3 Debts**

Except to the extent to which provision or reserve has been made in the Accounts all the book debts currently owed to the Company will be duly paid in full not later than 3 months after

Completion and none of such debts has been factored, sold or agreed to be sold by the Company.

## **6 BANKING AND FINANCE**

- 6.1 The Company has no bank, building society or other similar account (whether in credit or overdrawn) other than its current account at the Bank of Scotland plc. Details of that account, including the overdraft limit on it, as at close of business no later than 1 Business Day before the date of this agreement are in the Disclosure Documents.
- 6.2 The Company has no liabilities in the nature of Borrowings or in respect of debentures or negotiable instruments other than cheques drawn in the ordinary course of business on the bank account referred to in paragraph 6.1 and is not a party to any loan agreement, facility letter or other agreement for the provision of credit or financing facilities to the Company or any agreement for the sale, factoring or discounting of debts.
- 6.3 No circumstances have arisen which could now (or which could with the giving of notice or lapse of time or both) entitle a provider of finance to the Company (other than on a normal overdraft facility) to call in the whole or any part of the monies advanced or to enforce his security, and no provider of finance to the Company on overdraft facility has demanded repayment or indicated to the Company that the existing facility will be withdrawn or reduced or not renewed or that any terms thereof will be altered to the disadvantage of the Company.
- 6.4 Neither the Company nor any other person has given or undertaken to give any security, mortgage, debenture or guarantee for any liability of the Company.

## **7 INTELLECTUAL PROPERTY**

### **7.1 Licences**

Copies of the terms of all licences or rights granted to the Company or consents or undertakings entered into by the Company relating to the Intellectual Property of third parties are set out in the Disclosure Letter or the Disclosure Documents.

### **7.2 Infringement**

No proceedings claims or complaints have been brought or threatened by any third party or competent authority against the Company in relation to the Intellectual Property (except for computer software) licensed to the Company.

### **7.3 Website**

The Company does not operate or own a website.

### **7.4 Use of name**

The Company does not carry on and has not in the last 3 years carried on any business under any name other than its corporate name, Chadwick Contracts Limited and the trade name Carterian Joinery.

### **7.5 Confidentiality**

the Company has not entered into any express confidentiality agreement nor is it subject to any duty which restricts the free use or disclosure of any information used during the course

of the business of the Company and so far as the Vendors are aware there is no breach of any such agreement or duty.

## **8      EFFECT OF SALE**

8.1    Neither the execution nor performance of this agreement or any document to be executed at or before Completion will:

8.1.1    result in any Substantial Customer being entitled to cease dealing with the Company or substantially to reduce its existing level of business or to change the terms upon which it deals with the Company; or

8.1.2    result in any Substantial Supplier being entitled to cease supplying to the Company or substantially to reduce its supplies to or to change the terms upon which it supplies the Company;

## **9      CONSTITUTION**

### **9.1    Intra vires**

The Company has the power to carry on its business as now conducted and the business of the Company has at all times been carried on intra vires.

### **9.2    Memorandum and articles**

The memorandum and articles of association of the Company in the form in the Disclosure Documents are true and complete and have embodied therein or annexed thereto copies of all resolutions and agreements as are referred to in section 380 of the Companies Act 1985, and all amendments thereto (if any) were duly and properly made.

### **9.3    Register of members**

The register of members of the Company has been properly kept and contains true and complete records of the members from time to time of the Company and the Company has not received any notice or allegation that any of them is incorrect or incomplete or that they should be rectified.

### **9.4    Powers of attorney**

The Company has not executed any power of attorney or conferred on any person other than its directors, officers and employees any authority to enter into any transaction on behalf of or to bind the Company in any way and which remains in force or was granted or conferred within 6 months of the Completion Date.

### **9.5    Statutory books and filings**

9.5.1    The statutory books of the Company are up to date, in its possession and are true and complete in accordance with the law in all material respects.

9.5.2    All resolutions, annual returns and other documents required to be delivered to the Registrar of Companies (or other relevant company registry or corporate authority in any jurisdiction) have been properly prepared and filed and are true and complete in all material respects.

## **9.6 Resolutions**

9.6.1 No resolution of the members of the Company or any class of them or of any debenture-holders or creditors of the Company has been passed within the last 12 months other than ordinary business at an annual general meeting.

9.6.2 There are no elective resolutions in force in relation to the Company.

## **9.7 Seals**

The Company does not have a common seal or a securities seal or any overseas branch registers.

## **9.8 Accounts and annual return**

The Accounts and the annual return of the Company for 2003 have been delivered to the Registrar of Companies and the Company.

# **10 INSURANCE**

## **10.1 Policies**

The Disclosure Letter contains a list of each current insurance and indemnity policy in respect of which the Company has an interest (together the "Policies"). Each of the Policies is valid and enforceable and is not void or voidable. There are no circumstances which might make any of the Policies void or voidable or lead any claim under the Policies to be avoided by the insurers.

## **10.2 Insurance of assets**

Each insurable asset of the Company has at all material times been and is at the date of this agreement insured to its full replacement value (with no provision for deduction or excess) against each such risk as the Vendors reasonably consider to be appropriate.

## **10.3 Other insurance**

The Company has at all material times been and is at the date of this agreement adequately insured against accident, damage, injury, third party loss (including product liability) and loss of profits.

## **10.4 Claims**

No claim is outstanding under any of the Policies and so far as the Vendors are aware, no matter exists which might give rise to a claim under any of the Policies.

## **10.5 Premiums**

So far as the Vendors are aware, the Company has not done or omitted to do anything which might result in an increase in the premium payable under any of the Policies.

# **11 CONTRACTUAL MATTERS**

## **11.1 Validity of agreements**

- 11.1.1 Neither the Company nor the Vendors have any knowledge of the invalidity of, or a ground for termination, avoidance or repudiation of, an agreement, arrangement or obligation to which the Company is a party. No party with whom the Company has entered into an agreement, arrangement or obligation has given notice of its intention to terminate, or has sought to repudiate or disclaim, the agreement, arrangement or obligation.
- 11.1.2 No party with whom the Company has entered into an agreement or arrangement is in material breach of the agreement or arrangement. So far as the Vendors are aware, no matter exists which might give rise to such breach;
- 11.1.3 The Company is not in material breach of any agreement or arrangement. So far as the Vendors are aware, no matter exists which might give rise to such breach.
- 11.1.4 None of the contracts or purported contracts of the Company are, so far as the Vendors are aware, unenforceable.

## 11.2 **Material agreements**

- 11.2.1 The Company is not a party to and is not liable under any contract, transaction, arrangement or liability which involves obligations or liabilities which are of an unusual or abnormal nature or outside the ordinary and proper course of business or which is not entirely on arm's length terms;
- 11.2.2 The Company is not a party to and is not liable under any contract, transaction arrangement or liability which involves obligations or liabilities which:
  - a) is of an unusual or abnormal nature, or outside the ordinary and proper course of business or which is not entirely on arm's length terms;
  - b) is of a long-term nature (that is, unlikely to have been fully performed, in accordance with its terms, more than 6 months after the date on which it was entered into or undertaken);
  - c) is incapable of termination in accordance with its terms, by the Company, on 60 days' notice or less;
  - d) cannot readily be fulfilled or performed by the Company on time without undue or unusual expenditure of money, effort or personnel.
- 11.2.3 The Company is not a party to and is not liable under:
  - a) an agreement, arrangement or obligation by which the Company is a member of a joint venture, consortium, partnership or association (other than a bona fide trade association); or
  - b) a distributorship, agency, marketing, licensing, management or consultancy agreement or arrangement.
- 11.2.4 The Company is not a party to or bound by any guarantee, collateral warranty, contract of indemnity or other assumption of risk in respect of the acts or defaults of any other person or assumption of liability or increased liability to any person to whom the Company might not otherwise be liable (whether within or outside the ordinary course of business).

- 11.2.5 The Company is not a party to or bound by any outstanding offer, proposal, estimate or quotation which, if accepted or incorporated into a contract would result in a contract which, if now in existence, would fall within this paragraph 11.
- 11.2.6 The Company has reasonable records of the terms of all material contracts to which it is a party or by which it is bound.

### **11.3 Change of terms**

During the 12 months preceding the date of this agreement there has been no substantial change in the basis or terms on which any Substantial Customer or Substantial Supplier is prepared to enter into contracts or do business with the Company (apart from normal price changes) and the Company has received no notice of any proposed changes.

## **12 INFORMATION TECHNOLOGY**

### **12.1 Disruptions**

In the 12 months prior to the date hereof the Company has not suffered any failures or bugs in or breakdowns of any computer hardware or software used in connection with the business of the Company which have caused any substantial disruption or interruption in or to its use and the Vendors do not know nor are they aware of any fact or matter which is likely to occur which would disrupt or interrupt or affect the use of such equipment following the acquisition by the Purchaser of the Shares pursuant to this agreement on the same basis as it is presently used.

### **12.2 Computer system**

All the computers and computer systems owned by the Company or used by the Company are in full operating order and are materially fulfilling the purposes for which they were acquired.

### **12.3 Software**

So far as the Vendors are aware all software used on or stored or resident in the said computers or computer systems is lawfully held and used and does not infringe the copyright or other Intellectual Property rights of any person and all copies held have been lawfully made.

## **13 LIABILITIES**

### **13.1 Guarantees and indemnities**

- 13.1.1 The Company is not a party to a guarantee, indemnity or other agreement to secure or incur a financial or other obligation with respect to another person's obligations.
- 13.1.2 There is no outstanding any guarantee of or security for any overdraft, loan or loan facility granted to the Company given by any person other than the Company.

### **13.2 Grants**

- 13.2.1 No grants have been made to the Company.



13.2.2 The Company is not liable to repay an investment or other grant or subsidy made to it by any person (including the Department of Trade and Industry or its predecessor).

### 13.3 **Services**

- 13.3.1 The Company has not manufactured, sold or supplied products or provided services which are, or were, or will become, in any material respect, faulty or defective, or which do not comply in any material respect with any warranties or representation expressly or impliedly made by the Company, or with all applicable regulations, standards and requirements.
- 13.3.2 Save for any condition or warranty implied by law, the Company has given no guarantee, condition or warranty or made any representation in respect of any product or service it has supplied or provided or accepted any obligation which could give rise to any liability after any products or services have been supplied or provided by it.
- 13.3.3 The Company has not received notice of any claim which remains outstanding alleging any breach of representation, warranty or condition or any deficiency of design, defect in or lack of fitness for purpose of any goods, services, work or materials supplied or provided by the Company, nor so far as the Vendors are aware are there any circumstances which could give rise to any such claim.

## 14 **PERMITS**

### 14.1 **Compliance with permits**

The Company has obtained and complied with the terms and conditions of each Permit (full and accurate details of which are contained in the Disclosure Letter).

### 14.2 **Status of permits**

There are no pending or threatened proceedings which might in any way affect the Permits and the Vendors are not aware of any other reason why any of them should be suspended, threatened or revoked or be invalid.

## 15 **INSOLVENCY**

### 15.1 **Winding up**

No order has been made, petition presented or resolution passed for the winding-up of the Company or for the appointment of a provisional liquidator to the Company.

### 15.2 **Administration**

No administration order has been made and no petition for an administration order has been lodged at court or presented in respect of the Company.

### 15.3 **Receivership**

No receiver, receiver and manager or administrative receiver has been appointed over the whole or part of the Company's business or assets.

### 15.4 **Compromises with creditors**

15.4.1 No voluntary arrangement under section 1 of the Insolvency Act 1986 has been proposed or approved in respect of the Company.

15.4.2 No compromise or arrangement under section 425 of the Companies Act 1985 has been proposed, agreed to or sanctioned in respect of the Company.

15.4.3 The Company has not entered into any compromise or arrangement with its creditors or any class of its creditors generally.

**15.5 Insolvency**

The Company is not unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986 (but for this purpose ignoring the reference to "it is proved to the satisfaction of the court that" in section 123(1)(e) and 123(2)).

**15.6 Payment of debts**

The Company has not stopped paying its debts in accordance with its normal practice.

**15.7 Distress etc**

No distress, execution or other process has been levied on an asset of the Company.

**15.8 Unsatisfied judgments**

There are no unsatisfied judgments or court orders outstanding against the Company.

**15.9 Striking off**

No action is being taken by the Registrar of Companies to strike the Company off the register under section 652 of the Companies Act 1985.

**16 LITIGATION AND COMPLIANCE WITH LAW**

**16.1 Litigation**

16.1.1 Neither the Company nor a person for whose acts or defaults the Company may be vicariously liable is involved, or has during the 6 years ending on the date of this agreement been involved, in a civil, criminal, arbitration, administrative or other proceeding ("Proceeding"). So far as the Vendors are aware, no Proceeding is pending or threatened by or against the Company or a person for whose acts or defaults the Company may be vicariously liable.

16.1.2 So far as the Vendors are aware, no matter exists which might give rise to a Proceeding involving the Company or a person for whose acts or defaults the Company may be vicariously liable.

16.1.3 There is no outstanding judgement, order, decree, arbitral award or decision of a court, tribunal, arbitrator or governmental agency against the Company or, so far as the Vendors are aware, a person for whose acts or defaults the Company may be vicariously liable.

**16.2 Compliance with law**

The Company has conducted its business and dealt with its assets in all material respects in accordance with all applicable legal and administrative requirements.

#### **16.3 Investigations**

The Company is not and has not, within the last 12 months, been subject to any investigation, enquiry or disciplinary proceeding (whether judicial, quasi-judicial or otherwise) and none is pending or threatened, and neither has it received any request for information from, any court or governmental authority. So far as the Vendors are aware no matter exists which might give rise to such an investigation, enquiry, proceeding or request for information.

#### **16.4 Unlawful payments**

16.4.1 Neither the Company nor, so far as the Vendors are aware, a person for whose acts or defaults the Company may be vicariously liable has:

- a) induced any person to enter into an agreement or arrangement with the Company by means of an unlawful or immoral payment, contribution, gift or other inducement;
- b) offered or made an unlawful or immoral payment, contribution, gift or other inducement to any government official or employee; or
- c) directly or indirectly made an unlawful contribution to a political activity.

16.4.2 All references to the Company in this paragraph 16 should be deemed to include the Company's officers, agents and employees.

#### **16.5 Data protection**

The Company is not subject to the provisions of the Data Protection Act 1998 ("DPA") and the principles contained in Schedule 1 of the DPA.

### **17 DIRECTORS AND EMPLOYEES**

For the purposes of this clause 17, "Employee" shall mean any employee, director or officer of the Company or any worker, sub-contractor (including but not limited to consultants) or temporary or agency workers engaged by the Company.

#### **17.1 Particulars of officers and employees**

The Disclosure Documents show the names, job title, date of commencement of employment or engagement and the names of all sub-contractors engaged since August 2003.

#### **17.2 Remuneration and benefits**

17.2.1 The Disclosure Documents show details of all remuneration and emoluments payable and any other benefits:

- a) actually provided; or
- b) which the Company is bound to provide (whether now or in the future)

to each employee, director or officer of the Company together with the terms on which such remuneration, emoluments and benefits are payable.

17.2.2 Such details are true and complete and include particulars and details of participation in all medical, permanent health insurance, travel, car, redundancy, bonus, commission, profit related pay, profit share, share option or share incentive and other benefit schemes, arrangements and understandings operated for all or any employees, directors or officers or former Employees or their dependants (the "Schemes") whether legally binding on the Company or not and whether established by custom and practice or otherwise.

#### **17.3 Terms and conditions**

- 17.3.1 The Disclosure Documents contain details of all material terms and conditions of employment or engagement of every Employee
- 17.3.2 All employees of the Company have received a written statement of particulars of their employment as required by section 1 of ERA.
- 17.3.3 There are no ongoing negotiations for any increase in the remuneration or benefits of any Employee.
- 17.3.4 There is nothing in the Company's working arrangements (whether or not such arrangements have contractual status or are reduced to writing) with its sub-contractors, consultants or temporary or agency workers (or similar) which would result in such individuals being deemed to be employed by the Company.
- 17.3.5 As of Completion all sub contractors and consultants (or similar) are engaged on terms not materially different to those set out in the template contract for services at 11.19.2 of the Disclosure Documents.

#### **17.4 Notice periods**

The terms of employment or engagement of all Employees of the Company are such that their employment or engagement may be terminated by not more than 1 month's notice given at any time without liability for any payment including by way of compensation or damages (except for unfair dismissal or a statutory redundancy payment).

#### **17.5 Changes since the Last Accounts Date**

Since the Last Accounts Date the Company has not made, announced or proposed any changes to the emoluments or benefits of or any bonus to any Employees or any other Scheme and the Company is under no obligation to make any such changes with or without retrospective operation.

#### **17.6 Loans**

There are no amounts owing or agreed to be loaned or advanced by the Company to any Employees of the Company (other than amounts representing remuneration accrued due for the current pay period, accrued holiday pay for the current holiday year or for reimbursement of expenses).

#### **17.7 Notice of termination and leave of absence**

- 17.7.1 No Employee of the Company has given or received notice to terminate his employment or engagement and there are no Employees who are currently the subject of disciplinary action nor so far as the Vendors are aware are there any circumstances which might lead to such action needing to be taken.
- 17.7.2 Other than as set out in the Disclosure Letter, there are no employees, directors or officers of the Company who are on secondment, maternity leave or absent on grounds of disability or other leave of absence (other than normal holidays or absence of no more than one week due to illness). ("Long Term Leave") nor so far as the Vendors are aware are there any circumstances which may lead to any employees, directors or officers being absent on Long Term Leave in the future.

#### 17.8 **Payment up to Completion**

The Company has discharged its obligations insofar as is applicable in full in relation to salary, wages, fees, commissions, bonuses, overtime pay, holiday pay, sick pay and all other benefits and emoluments relating to any Employee or former Employee, whether pursuant to the Schemes or otherwise.

#### 17.9 **Industrial relations**

- 17.9.1 There is no existing, threatened or pending industrial or trade dispute or action, official or unofficial, involving the Company and any of its Employees and there are no facts which might indicate that there may be any such dispute or action.
- 17.9.2 There are no agreements or arrangements (whether or not in writing) with trade unions or employee representatives.
- 17.9.3 There are no requests for recognition anticipated or received from a Trade Union.

#### 17.10 **Claims by employees**

Other than the Employment Tribunal Applications brought by Mr M A Robinson and Mr P E Richards (the "Applications") and as set out in the Disclosure Letter no past or present Employee of the Company or any predecessor in business has any claim or right of action against the Company arising directly or indirectly from his employment or engagement or the termination thereof including any claim:

- 17.10.1 in respect of any accident or injury which is not fully covered by insurance; or
- 17.10.2 for wrongful dismissal, breach of any contract of services or for services; or
- 17.10.3 for loss of office or arising out of or connected with the termination of his office or employment or engagement; or
- 17.10.4 for any payment under any Employment Law; or
- 17.10.5 to reinstate or re-engage any former employee,

and so far as the Vendors are aware other as set out in the Disclosure Letter, no circumstances have arisen, or event or inaction has occurred which could or might give rise to any such claim. The Company has not received any notice or indication from any Employee or former Employee of an intention to bring a claim against the Company on the basis of the same or similar facts to those of the Applications.

17.11 There have been no ex-gratia payments or other settlement payments made to any Employee or former Employee in the 12 months prior to Completion.

**17.12 Enquiries and discrimination**

There are no terms or conditions under which any Employee is employed or engaged, nor, so far as the Vendors are aware, has anything occurred or not occurred prior to Completion that may give rise to any claim for sex discrimination, race discrimination, disability discrimination, religious discrimination, discrimination on grounds of sexual orientation or contravenes the requirement for equal pay between men and women either under domestic United Kingdom or European law whether by such Employee or a prospective Employee or otherwise.

**17.13 Compliance with laws**

So far as the Vendors are aware, the Company has complied with and (other than the facts giving rise to the Applications) no circumstances have arisen or exist under which the Company may be required to pay damages or compensation or suffer any penalty or be required to take corrective action or be subject to any other form of sanction under any Employment Laws.

**17.14 Records**

17.14.1 The Company has maintained adequate and suitable records regarding the service of Employees and such records comply with the requirements of the Data Protection Act 1988 and there are no breaches of such legislation or circumstances which could give rise to the Company being in breach.

17.14.2 The Company has maintained adequate and suitable records to comply with the provisions of the National Minimum Wage Act 1998 and the Working Time Regulations 1998 and there are no breaches of such legislation or circumstances which could give rise to the Company being in breach.

**17.15 Business is conducted by employees**

The Company has not entered into any agreement or arrangement for the management or operation of its business or any part thereof other than with its Employees.

17.16 No Employee has given any indication that they would not be willing to continue in employment after Completion and there are so far as the Vendors are aware no circumstances which may lead to any Employee no longer being employed or engaged by the Company.

17.17 There have been no breaches of Health and Safety legislation, formal investigation or prohibition or improvement notices served on the Company in the last 24 months for deficiencies in the Company's systems for Health and Safety compliance and the Company has maintained adequate and suitable records to comply with such legislation.

17.18 There have been no claims for redundancy, unfair dismissal or wrongful dismissal in the last 3 years and there are no redundancy arrangements or redundancy plans in place, whether contractual or non-contractual or whether established by custom or practice or otherwise.

17.19 Other than in the case of Michael Davies (document C11) the Company has not made any offer to engage or employ any person which has yet to be accepted or rejected.

## **18 PROPERTIES**

### **18.1 All Properties**

The Properties comprise all the land owned, used or occupied by and all the rights vested in the Company and all agreements whereby the Company has any financial entitlement relating to any land at the date of this agreement.

### **18.2 No other liabilities**

The Company has no actual or contingent obligations or liabilities (in any capacity including as principal contracting party or guarantor) in relation to any lease, licence or other interest in, or agreement relating to, land apart from the Properties.

### **18.3 Good and marketable titles**

The Company has a good and marketable title to each of the Properties which title is leasehold as indicated in schedule 2 and, unless disclosed in schedule 2, the Company is solely legally and beneficially entitled to each of the Properties for an unencumbered estate in possession.

### **18.4 Title deeds and documents**

18.4.1 The Property Documents include all title documents necessary to prove the Company's title to the Properties.

18.4.2 The Company has the Property Documents in its possession or unconditionally held to its order.

### **18.5 No adverse rights in course of acquisition**

18.5.1 So far as the Vendors are aware, no liberty, right, easement, licence or other arrangement is enjoyed or is in the course of being acquired by or against any of the Properties (and none is needed) for obtaining access to any land or for repair of any premises or to comply with any fire regulations.

18.5.2 No notice has been served on the Company by HM Land Registry in respect of the Properties.

### **18.6 Adequacy of existing beneficial rights**

18.6.1 So far as the Vendors are aware, each of the Properties has the benefit of all rights necessary for the continued present use and enjoyment of the same such rights not being capable of withdrawal by any person nor liable to be made subject to any charge therefor.

18.6.2 So far as the Vendors are aware, any rights benefiting the Properties which are required by the Land Registration Act 2002 to be the subject of an entry within the registers of title to another registered title have been the subject of such an entry.

### **18.7 No Encumbrances**

Unless disclosed in schedule 2, each of the Properties and the title deeds thereto are not and will not at Completion be subject to any Encumbrance or any lease or agreement for lease.

**18.8 No overriding interests**

So far as the Vendors are aware, none of the Properties are subject to any overriding interests within the meaning of Schedule 1 or Schedule 3 of the Land Registration Act 2002 or overriding interests which may have been preserved by Schedule 12 of the Land Registration Act 2002.

**18.9 Other matters adversely affecting the Properties**

So far as the Vendors are aware, there are no agreements, covenants, restrictions, exceptions, reservations, conditions, rights, privileges or stipulations affecting the Properties which are of an onerous or unusual nature or which adversely affect the value of the Properties or conflict with the user thereof.

**18.10 No default**

So far as the Vendors are aware:

18.10.1 The Company has duly performed, observed and complied with all covenants, restrictions, exceptions, reservations, conditions, agreements, statutory and common law requirements, by-laws, orders, building regulations and other stipulations and regulations affecting the Properties;

18.10.2 The uses of the Properties including the terms of any lease, underlease or tenancy agreement under which any part of any of the Properties is held do not contravene the same and without prejudice to the generality of the foregoing, all outgoings have been paid to date and all rents and service charges have been paid to date; and

18.10.3 No notice of any alleged breach of any of the terms of any such lease or tenancy agreement as aforesaid has been served on the Company.

**18.11 Occupational interests**

Except as disclosed in schedule 2, the Properties are not subject to any sub-tenancies and the Company is in exclusive occupation of each and every part of all the Properties.

**18.12 Use**

The existing use of the Properties is only that specified in schedule 2 and is the lawful permitted use whether under the current Town and Country Planning legislation and in the case of leasehold Properties also under the terms of the lease or tenancy agreement under which such Properties is held or otherwise and are not temporary uses and all necessary consents to such existing uses have been obtained.

**18.13 Development**

No development has been carried out at any of the Properties since being acquired by the Company.

**18.14 Adequacy of planning consents**

So far as the Vendors are aware, no planning permission relating to the Properties remains unimplemented (whether in whole or in part) nor has any planning application relating to the Properties been submitted which awaits determination.

**18.15 Repair and condition**

So far as the Vendors are aware, all buildings and structures comprised in the Properties have been maintained in accordance with the terms of the relevant lease and there are no material defects therein (whether latent, inherent or otherwise); no such buildings and structures have been the subject of flooding or drainage defects.

**18.16 Full disclosure**

So far as the Vendors are aware, all relevant matters affecting the Properties or the use or value to the business of the Company of them or any proposals relating thereto and full details of all leases have been disclosed in writing to the Purchaser or the Purchaser's Solicitors prior to the date of this agreement. The details of the Property Documents given in schedule 2 are complete and accurate in all material respects.

**18.17 Accuracy of information**

So far as the Vendors are aware, the information produced to or given in writing to the Purchaser or the Purchaser's Solicitors in respect of or relating to the Properties (including replies to enquiries and requisitions) in the course of negotiations leading up to the execution of this agreement is true and accurate and the Vendors are not aware of any fact, matter or thing:

18.17.1 which has not been disclosed to the Purchaser or to the Purchaser's Solicitors which makes any such information untrue or misleading at the date of this agreement; or

18.17.2 the disclosure or non-disclosure of which might affect the willingness of a purchaser to purchase or procure the purchase of any of the Properties.

**18.18 No litigation**

The Company is not engaged in any litigation or arbitration proceedings in connection with any of the Properties and has not committed any offences in connection with the Properties. So far as the Vendors are aware there is no cause of action which has arisen or accrued or law suit or arbitration threatened or pending against the Company in connection with the Properties and no circumstances exist which are likely to give rise to any.

**18.19 No vitiation of insurance**

The Company has not done or omitted to do anything whereby any policy of insurance has or may become void or voidable and all requisite insurances are in force and all current premiums are fully paid.

**18.20 No disputes**

So far as the Vendors are aware, none of the Properties are affected by any outstanding disputes, notices or complaints which affect the use of the Properties for the purposes for which they are now used or proposed to be used and so far as the Vendors are aware, there are no matters or Encumbrances affecting any of the Properties which would prevent or impede the Company from operating and carrying on the business currently carried on at the Properties.

**18.21 Fire Precautions Act 1971**

So far as the vendors are aware, the Company has complied with its obligations under the Fire Precautions Act 1971 and has applied for and obtained fire certificates thereunder in respect of all premises owned or occupied by the Company to the extent required by such Act.

#### **18.22 Services**

Each of the Properties has the benefit of the right to the passage and running of utilities (water, soil, air, electricity, radio, television, telegraphic, telephone, telecommunications and other services and supplies of whatsoever nature) sufficient for the continuing use of the business after the Completion Date.

### **19 ENVIRONMENTAL MATTERS**

#### **19.1 Consents**

The Company has obtained and complied with the terms and conditions of all Environmental Consents required for the Activities. All Environmental Consents required as aforesaid remain in full force and effect. The Company has not received any notice of and there are no circumstances that may lead to the revocation, modification or suspension of, or that may prejudice or require material expenditure for the renewal extension, grant or transfer of, any current Environmental Consents.

#### **19.2 Liability**

- 19.2.1 So far as the Vendors are aware, the Company and the Properties comply and have at all times complied with all Environmental Laws and there are no facts or circumstances which interfere or prevent compliance with any Environmental Laws.
- 19.2.2 There are no civil, criminal arbitration, regulatory or administration actions, claims, proceedings or suits pending or threatened against the Company arising from or relating to Environmental Consents or Environmental Law and so far as the Warrantors are aware there are no circumstances which may lead to such actions, claims, proceedings or suits.

#### **19.3 Notices and complaints**

The Company has not received any notice of enforcement, prohibition, improvement, remediation or other notice of equivalent nature, or any judgment, order, decree, award, demand or decision in respect of the Environment from any court, tribunal, arbitrator or governmental or regulatory authority and there have been no complaints, investigations, enquiries, requests for information or other formal or informal indications of any possible claims, notices of enforcement or legal actions in respect of the Environment from any person including any neighbour, governmental or regulatory authority, current or former employee or third party.

#### **19.4 Contaminated land**

- 19.4.1 So far as the Vendors are aware, there has not been and there is not present on, at or under the Properties and there is and has been no release, migration, leakage, spill, discharge, entry, deposit or emission onto or from any of the Properties of any Hazardous Substance or Waste.

19.4.2 So far as the Vendors are aware, there has not been any disposal, storage, release, leakage, migration, spill, discharge, entry, deposit or emission of any Hazardous Substance or Waste into the Environment caused by the Activities.

#### 19.5 **House-keeping**

19.5.1 Hazardous Substances kept on any of the Properties or used in connection with or produced by any Activities have been kept in tanks, containers (in both cases surrounded by suitable bund) or proper storage buildings, as the case may be, all of the foregoing being appropriate for the substance stored and fit for the designated purpose.

19.5.2 So far as the Vendors are aware, no PCBs, asbestos, underground storage tanks or pipework or landfills are located on the Properties that violate in any material respect any Environmental Law.

19.5.3 The Company has not received, generated, handled, used, stored, treated, transported, kept, deposited or disposed of Waste at, on or under each of the Properties and has not permitted any third party to do so nor has reasonable cause to believe that any third party has done so.

19.5.4 None of the Properties is included on or referred to in any register of land subject to contaminative use or any register of contaminated land (whether or not publicly available) kept pursuant to any Environmental Law and so far as the Vendors are aware there are no circumstances which are likely to lead to such registration.

#### 19.6 **Future laws**

So far as the Vendors are aware there are no changes likely in the Environmental Consents or in Environmental Laws or any anticipated Environmental Laws that would require works or material additional expenditure to ensure compliance with such Environmental Consent or Environmental Laws or anticipated Environmental Laws or that would prevent, restrict or hinder or otherwise affect the use of the Properties or the Activities of the Company.

#### 19.7 **Predecessors**

So far as the Vendors are aware, predecessors in title (including all previous owners, occupiers and managers) of each of the Properties or the Activities have complied with Environmental Laws.

#### 19.8 **Documentation**

Copies of all environmental reports, surveys, assessments and investigations in respect of the Properties or Activities in the possession of the Vendors and the Company have been disclosed to the Purchaser and are included in the Property Documents and all necessary steps to comply with the recommendations contained in such reports, surveys, assessments and investigations have been completed.

### **20 TAXATION**

#### **INFORMATION AND RETURNS**

##### **20.1 Returns**

The Company has made all returns and computations and supplied all information and given all notices to the Inland Revenue or other Taxation Authority as reasonably requested or required by law within any requisite period and all such returns, computations and information and notices are correct, up-to-date and accurate in all material respects and have been made on a proper basis, and are not the subject of any dispute with any Taxation Authority and so far as the Vendors are aware there are no facts or circumstances likely to give rise to or be the subject of any such dispute.

#### 20.2 **Clearances**

No action has been taken by the Company in respect of which any consent or clearance from the Inland Revenue or other Taxation Authority was required except in circumstances where such consent or clearance was validly obtained before the transaction was entered into and on the basis of a full and accurate disclosure of all relevant matters and where any conditions attaching thereto were met and nothing has occurred which has, or might have, been in breach of such conditions.

#### 20.3 **Claims and elections**

20.3.1 The Company has not made and is not subject to any claim or election under any or all of the following:

- a) section 35 of the TCGA (capital gains: rebasing to 31 March 1982);
- b) section 24 of the TCGA (assets of negligible value or lost or destroyed);
- c) section 175 of the TCGA and sections 152 and 153 of the TCGA (roll-over relief).

20.3.2 The Company has made all claims, elections and disclaimers assumed to have been made for the purposes of the Accounts.

#### 20.4 **Records**

The Company has kept and maintained complete and accurate records for Tax purposes as are required by law or which are necessary to calculate the liability to Tax or relief from Tax which would arise on any disposal or other realisation of any asset owned by the Company at Completion.

### **PROVISION FOR AND PAYMENT OF TAX**

#### 20.5 **General**

The Accounts make full provision or reserve in respect of any period ended on or before the Last Accounts Date for all Tax assessed or liable to be assessed on the Company or for which it is accountable at the Last Accounts Date whether or not the Company has or may have any right of reimbursement against any other person including Tax in respect of Properties (of whatever nature) income, profits or gains held, earned, accrued or received by or to any person on or before the Last Accounts Date or by reference to any event occurring, act done or circumstances existing on or before that date including distributions made down to such date or provided for in the Accounts and proper provision has been made and shown in the Accounts for deferred Tax in accordance with generally accepted accounting principles.

## 20.6 Payment of Tax

- 20.6.1 The Company has duly and punctually paid all Tax which it is liable to pay and is not liable nor has it within 3 years prior to the date hereof been liable to pay any penalty or interest in connection therewith nor so far as the Vendors are aware are there any circumstances by reason of which the Company is likely to become liable to pay any such penalty or interest.
- 20.6.2 All payments by the Company to any person which ought to have been made under deduction of Tax have been so made and the Company has (if required by law to do so) provided certificates of deduction in the required form to such person and accounted to the relevant Taxation Authority for the Tax so deducted.
- 20.6.3 Other than the liabilities arising from the operation of the PAYE system and the requirement to submit returns and pay output VAT to HM Customs & Excise the Company will not at Completion be liable for any Tax (whether arising inside or outside the ordinary course of business) the due date for payment of which has passed or will arise in the 30 days following Completion.

## 20.7 Pay As You Earn

- 20.7.1 The Company has properly operated the PAYE system deducting Tax as required by law from all payments to or treated as made to or benefits provided for employees, ex-employees or independent contractors of the Company (including any such payments within section 134 of the TA) and duly accounted to the Inland Revenue for Tax so deducted and has complied with all its reporting obligations to the Inland Revenue in connection with any such payments made or benefits provided, and no PAYE audit in respect of the Company has been made by the Inland Revenue nor has the Company been notified that any such audit will or may be made.
- 20.7.2 In respect of each of its employees, the Company has made all payments due in respect of National Insurance Contributions (including the employer's contribution) and has kept all proper records in relation to the same and no NIC audit has been made on the Company nor has the Company been notified that any such audit will or may be made.
- 20.7.3 The Disclosure Letter contains full details of any profit related pay schemes, employee incentive schemes or payroll deduction schemes operated by the Company.

## 20.8 Secondary liability

No transaction or event has occurred in consequence of which the Company is or may be held liable to pay or bear a liability to any Tax including any liability to indemnify any person in respect of any Tax, where such Tax is directly or primarily chargeable against or attributable to some other company or person (whether by reason of any such other company being or having been a member of a group of companies or otherwise).

## CORPORATION TAX

### 20.9 Revenue investigations, audits

The Company has not at any time been the subject of a discovery or investigation by any Taxation Authority and so far as the Vendors are aware there are no facts which are likely to

cause a discovery or investigation to be made. The Disclosure Letter contains full details of any audits of or visits to the Company by any Taxation Authority occurring in the previous 12 months and of any such audits and visits planned for the future of which the Warrantors are aware.

**20.10 Special arrangements**

There are set out in the Disclosure Letter full details of any special arrangement (being an arrangement which is not based on a strict and detailed application of the relevant legislation or on generally published statements of practice or generally published extra statutory concessions) operated by the Company with the agreement of any Taxation Authority and the Company has not taken any action which has had the result of altering or prejudicing any such arrangement which it has previously negotiated.

**20.11 Administration**

There are set out in the Disclosure Letter details of any open assessments and appeals, or rights to appeal against assessments for any accounting periods of the Company or other matters where the tax affairs of the Company have not yet been agreed with the relevant Taxation Authority.

**20.12 Withdrawal of Reliefs**

Nothing has been done, and no event or series of events has occurred, which might cause, in relation to the Company, either the disallowance or the carry forward or carry back of losses, excess charges, debits in respect of loan relationships or advance corporation tax, or the disallowance of the set-off or surrender of advance corporation tax.

**20.13 Changes in trade etc**

20.13.1 Within the period of 3 years ending with the date hereof there has been no major change in the nature or conduct of any trade or business carried on by the Company within the meaning of section 245 or 768 of the TA;

20.13.2 Prior to the execution of this agreement no change of ownership of the Company has taken place such that either or both of section 245 or 768 of the TA has or may be applied to deny relief in respect of a loss or losses of the Company or any set off of advance corporation tax.

**20.14 Deductions**

The Company has not made any payment or incurred any liability to make any payment which could be disallowed (whether in whole or in part) as a deduction in computing the taxable profits of the Company or as a charge on the Company's income including without limitation any payment which could be disallowed under sections 74 (general rules as to deductions not allowable), 125 (annual payments for non-taxable consideration), 338-340 (allowance of charges on income), 779-785 (leased assets) or 787 (restriction of relief for payments of interest) of the TA.

**20.15 Sales at undervalue/overvalue**

All transactions entered into by the Company or to which the Company is or has been a party have been entered into on an arm's length basis and the consideration (if any) charged or received or paid by the Company on all transactions entered into by it has been equal to the

consideration which might have been expected to be charged, received or paid (as appropriate) between independent persons dealing at arm's length.

**20.16 Exchange gains and losses**

The Company is not and has not since the Last Accounts Date been:

- 20.16.1 the holder of a qualifying asset;
- 20.16.2 subject to a qualifying liability; or
- 20.16.3 party to a currency contract,

for the purposes of chapter II of the FA 1993.

**20.17 Loan relationships**

20.17.1 The Company is and has since the Last Accounts Date been taxed on an authorised accruals basis of accounting in relation to all loan relationships which are creditor relationships as defined in section 103 of the FA 1996 and in relation thereto:

- a) the accruals on which the Company is taxable are computed only by reference to interest;
- b) if any such debt were to be repaid at its face value the Company would not suffer any charge to Tax in excess of Tax on interest accrued; and
- c) there is no connection between the Company and the debtor as mentioned in section 87 of the FA 1996.

20.17.2 The Company obtains and has since the Last Accounts Date obtained tax relief on an authorised accruals basis of accounting in relation to all loan relationships which are debtor relationships as defined in section 103 of the FA 1996 and in relation to each such relationship:

- a) the deduction given in computing the taxable profits of the Company in consequence of that relationship is not less than the interest accruing for the period concerned;
- b) the Company would suffer no adverse tax consequences were such debts to be repaid at face value except that the tax deduction for interest accrued would cease.

20.17.3 The Company has not since the Last Accounts Date been the creditor or the debtor under any relevant discounted security as defined in schedule 13 of the FA 1996 or any loan relationship which is subject to the provisions of sections 92 or 92B (convertible securities) or sections 93 or 93B (loan relationships linked to the value of chargeable assets) of the FA 1996.

20.17.4 The Company has not since the Last Accounts Date been released from any debt either in whole or in part which is a loan relationship. The Company has not accrued a debit for interest which is unpaid or likely to remain unpaid for a period of 12 months after the end of the accounting period in which it was accrued.

#### **20.18 Investment grants**

Details of all grant subsidies or similar payments or allowances from the Crown or any government or public or local authority whether in the United Kingdom or elsewhere are set out in the Disclosure Letter and the same will remain available at Completion.

#### **20.19 Instalment payments**

The Company is not a "large company" as defined by regulation 3 of the Corporation Tax (Instalment Payment) Regulations 1998.

#### **20.20 Shadow ACT**

The Company has not at any time had any unrelieved surplus advance corporation tax, as defined in the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999.

### **CAPITAL ASSETS**

#### **20.21 Capital allowances**

20.21.1 No balancing charge in respect of any capital allowances claimed or given would arise if all the assets (or, where relevant, each pool of assets) of the Company (or, as the case may be, the amount of the pool) were to be realised for a consideration equal to the amount of the book value thereof as shown or included in the Accounts.

20.21.2 All necessary conditions for all capital allowances (as defined in section 832(1) of the TA) claimed by the Company were at all material times satisfied and remain satisfied and the Company has not since the Last Accounts Date become liable for any balancing charge.

20.21.3 The capital allowances computations for the period ending on the Last Accounts Date are complete, correct and are in the Disclosure Documents.

20.21.4 The Company has not made any claim for capital allowances in respect of an asset which is leased to or from or hired to or from the Company and no election affecting the Company has been made or agreed to be made under sections 177 or 183 of the CAA in respect of any such assets.

20.21.5 The Company does not own any long life assets as defined by section 91(1) of CAA.

20.21.6 The Company is not in dispute with any person as to the availability of capital allowances on fixtures under section 196 of CAA and sections 197 to 199 of CAA do not apply to any fixtures acquired by the Company for a capital sum so as to determine the disposal value of the fixture.

### **DISTRIBUTIONS**

#### **20.22 Repayments of share capital**

20.22.1 The Company has not at any time after incorporation repaid or agreed to repay or redeemed or agreed to redeem or purchased or agreed to purchase (or made any contingent purchase contract within the meaning of section 165 of the Companies Act 1985) in respect of any of its issued share capital or any class thereof. Further the

Company has not after incorporation capitalised or agreed to capitalise in the form of shares, debentures or other securities or in paying up amounts unpaid on any shares, debentures or other securities any profits or reserves of any class or description or passed or agreed to be passed any resolution to do so.

20.22.2 The Company has not made (and will not be deemed to have made) any distribution within the meaning of sections 209 or 210 of the TA (bonus issue following repayment of capital) since incorporation except dividends properly authorised and shown in its Accounts nor is the Company bound to make any such distribution.

20.22.3 The Company has not been party to any transaction involving an exempt distribution within section 213 of the TA within the period commencing 5 years prior to the Last Accounts Date.

**20.23 Payments to be treated as distributions**

The Company has not since the Last Accounts Date been party to any debt or security where the interest payable thereon fell or falls or could on its assignment fall to be treated as a distribution for tax purposes.

**CHARGEABLE GAINS**

**20.24 Sales at book value**

No chargeable gain or profit (disregarding the effects of any indexation relief available) would arise if any asset of the Company (other than trading stock) were to be realised for a consideration equal to the amount of the book value thereof as shown or included in the Accounts.

**20.25 Value shifting**

The Company has not been involved in any scheme or affected by any arrangements whereby section 30 of the TCGA (tax-free benefits) might be applicable in relation to any disposal by the Company since the Last Accounts Date or on any asset of the Company being disposed of after the date of this agreement.

**20.26 Valuation of assets**

20.26.1 The Company does not hold and has not held at any time since the Last Accounts Date any asset where, on the disposal of that asset, the amounts deductible under section 38 of the TCGA fall or would fall to be determined by reference to the application of section 42 of the TCGA (part disposal of assets) to a previous transaction.

20.26.2 The Company has not since the Last Accounts Date disposed of any asset so that section 17 of the TCGA (disposals and acquisitions treated as made at market value) might apply to increase the consideration deemed to be given on such disposal.

20.26.3 The Company has not since the Last Accounts Date held or had any interest in any asset where section 17 of the TCGA might apply to reduce the consideration deemed to be given on the acquisition of that asset.

**20.27 Reconstructions**

The Company has not been involved in any share for share exchange or any scheme of reconstruction or amalgamation such as is mentioned in sections 135 and 136 of the TCGA or debentures have been or will be issued or assets have been or will be transferred.

**20.28 Depreciatory transactions**

No loss which has arisen or which may hereafter arise on a disposal by the Company of shares in or securities of any company is liable to be reduced, and no chargeable gain is liable to be created or increased by virtue of the application of section 176 of the TCGA (transactions in a group) or section 177 of the TCGA (dividend stripping) in consequence of any transaction occurring prior to the date of this agreement.

**EVENTS SINCE THE LAST ACCOUNTS DATE**

- 20.29 Since the Last Accounts Date, the Company has incurred no liability to Tax other than Tax in respect of income, profits or gains attributable to transactions undertaken in the ordinary course of its business.
- 20.30 Since the Last Accounts Date no disposal has taken place or other event occurred which will or may have the effect of crystallising a liability to Tax which would have been included in the provision for actual or deferred Tax contained in the Accounts if such disposal had been effected, planned or predicted at the Last Accounts Date.
- 20.31 Since the Last Accounts Date no material payment (other than reasonable expenses of entertainment) has been made by the Company which will not be deductible for the purposes of corporation tax (or for any corresponding Tax on profits in any relevant foreign jurisdiction), either in computing the profits of the Company or in computing the corporation tax (or corresponding Tax liability) of the Company.
- 20.32 Since the Last Accounts Date no event has occurred which has or is likely to have the effect of prejudicing any Relief taken into account in computing or eliminating the provision for deferred Tax in the Accounts.
- 20.33 Since the Last Accounts Date no accounting period (as defined in section 12 of the TA) of the Company has ended.

**ANTI-AVOIDANCE PROVISIONS**

**20.34 Tax schemes**

So far as the Vendors are aware, having made enquiries of the Company's legal and financial advisers, the Company has not entered into nor been a party to nor otherwise involved in any scheme or arrangement designed wholly or partly for the purpose of avoiding, reducing or deferring Tax such that any part of such transaction may be disregarded or reconstructed.

**20.35 Transactions in securities**

The Company has not:

20.35.1 become liable for Tax; or

20.35.2 received and will not receive or be the subject of or be adversely affected by any Claim for Tax

arising under or imposed by or resulting from the operation of sections 703-709 of the TA (whether alone or in conjunction with any other provisions of any Taxation Statutes whatsoever) and which wholly or partly results or arises from or is computed by reference to circumstances existing or events occurring at any time on or before the date hereof whether alone or in conjunction with other circumstances arising before or after Completion.

**20.36 Sale and leaseback of land**

The Company has not entered into any transaction as is mentioned in sections 34-37 or section 780 of the TA.

**20.37 Loans or credit**

The Company has been involved in no transactions such that section 786 of the TA (transactions associated with loans or credit) might apply.

**FOREIGN ELEMENT**

**20.38 Tax residence**

The Company has always been resident for the purposes of Taxation in the territory in which it was incorporated and has never been resident in any other territory or treated as so resident for the purposes of any double tax agreement. The Company has no branch, agency, place of business or permanent establishment in any jurisdiction other than the jurisdiction in which it is resident for tax purposes.

**20.39 Company migration**

Since 15 March 1988, no election has been made by the Company as the principal company as defined in section 187 of the TCGA (postponement of charge on deemed disposal of assets by company ceasing to be resident in the United Kingdom) nor has any company over which the Company had control or which was a member of the same group of companies as the Company ceased to be resident in the United Kingdom otherwise than in compliance with section 765 TA or section 130 of the FA 1988.

**20.40 Transfers to non-resident company**

The Company has not made any such transfer as is mentioned in section 140 of the TCGA.

**20.41 Double taxation**

The Company has received or is entitled to receive credit against its UK Tax liability for all Tax charged (whether by Tax being withheld or through direct assessment) on the Company's income from any foreign jurisdiction and the Company holds all deduction certificates or other documents necessary to claim all relief due to it under part XVIII of the TA.

**20.42 Withholding of tax and agency for non-residents**

The Company is not and has not been assessable to Tax by virtue of section 78 of the TMA or sections 42A or 43 of the TA or section 126 of the FA 1995.

**20.43 Unremittable income and gains**

The Company has not made any claim under section 584 TA or section 279 TCGA.

## **CLOSE COMPANY**

20.44 The Company is a close company but is not and never has been a close investment-holding company as defined in section 13A TA (close investment-holding companies).

## **NOT A GROUP COMPANY**

20.45 The Company is not nor has it at any time in the 10 years preceding the date of this agreement been a member of a group of companies for the purposes of any Tax.

## **INHERITANCE TAX**

20.46 The Company is not, and will not become, liable to be assessed to corporation tax or inheritance tax as donor or donee of any gift or transferor or transferee of value (actual or deemed) nor as a result of any disposition, chargeable transfer or transfer of value (actual or deemed) made by or deemed to be made by any other person on or prior to the date of Completion.

20.47 There is no actual or potential unsatisfied liability to inheritance tax attached or attributable to the Shares or any asset of the Company and in consequence no person has or may acquire the power to raise the amount of such tax by sale or mortgage of or by a terminable charge on any of the Shares or assets of the Company as mentioned in section 212 of the ITA and none of the Shares or assets of the Company are or may become subject to an Inland Revenue charge within section 237 of the ITA whether as a result of any event or events occurring prior to Completion or as a result of any events only one or some of which occur prior to Completion.

## **VALUE ADDED TAX**

20.48 The Company is registered for the purposes of the VATA and has made, given, obtained and kept full, complete, correct and up-to-date records, invoices and other documents appropriate or required for those purposes and is not in arrears with any payments or returns due and has not been required by the Commissioners of Customs and Excise to give security under paragraph 4 schedule 11 VATA (power to require security and production of evidence).

20.49 All VAT due and payable to the Commissioners of Customs and Excise has been declared and paid in full.

20.50 The Company has never been treated as a member of a group under section 43 VATA (group of companies) and no application has ever been made for the Company so to be treated.

20.51 The Company has never been in default in respect of any prescribed accounting period as mentioned in section 59(1) VATA (default surcharge).

20.52 Full details of any claim for bad debt relief under section 36 VATA (bad debts) made by the Company have been disclosed in the Disclosure Documents.

20.53 The Company has not made an election to waive exemption in relation to any land in accordance with paragraph 2 schedule 10 VATA (election to waive exemption).

20.54 The Disclosure Letter contains full details of any assets of the Company to which the provisions of Part XV Value Added Tax Regulations 1995 (the capital goods scheme) apply and in particular:

20.54.1 the identity (including, in the case of leasehold Properties, the terms of years), date of acquisition and cost of the asset; and

20.54.2 the proportion and amount of input tax for which credit has been claimed (either provisionally or finally in a tax year and stating which tax year).

20.55 The Company has never made supplies which are exempt from VAT of such proportion that it was or is unable to claim credit for all input tax paid or suffered by it.

20.56 The Company is not nor has it agreed to become an agent for any person for the purposes of section 47 VATA (agents) neither is it nor has it agreed to become a VAT representative for any person for the purposes of section 48 VATA (VAT representatives).

## **CUSTOMS DUTIES**

20.57 The Company has no arrangement or authorisation in place under the Council Regulation EEC Number 2913/92 or Community Customs Code and Commissions Regulation EEC Number 2454/93 in relation to any relief from customs duty.

20.58 The Company does not hold any authorisation from the Commissioners of Customs and Excise to import goods upon which the customs duty has not been paid at importation or upon which there may be a clawback of duty paid.

## **STAMP DUTY AND STAMP DUTY LAND TAX**

20.59 So far as the Vendors are aware, all documents in the enforcement of which the Company is or may be interested have been either duly stamped or have had the requisite amount of stamp duty land tax duly paid in respect of any document which is subject to stamp duty land tax and the Company has not been a party to any transaction whereby the Company was or is or could become liable to stamp duty reserve tax.

20.60 The Company has made no claim for relief from stamp duty under section 42 Finance Act 1930 or section 76 Finance Act 1986 in respect of UK land or buildings.

20.61 The Company owns no interest in any UK land or building which is evidenced by an uncompleted contract.

20.62 The Company has made, given and kept accurate, complete, correct and up-to-date returns, records and other documents appropriate or required for the purposes of stamp duty land tax and is not in arrears with any payments or returns due in respect of stamp duty land tax.

20.63 All stamp duty land tax payable to the Inland Revenue by the Company has been paid in full on the due date and the Company has never applied to defer payment of stamp duty land tax.

20.64 The Company has made no claim for relief from stamp duty land tax under Schedule 7 Finance Act 2003 or section 57A Finance Act 2003.

20.65 The Company has never been liable to pay any penalty or interest in connection with stamp duty land tax nor so far as the Vendors are aware are there any circumstances by reason of which the Company is likely to become liable to pay such penalty or interest

## **21 PENSIONS**

### **21.1 No Pension arrangements**

There are no schemes, agreements, arrangements, customs or practices (whether legally enforceable or not) for the payment of or contribution towards any pensions, allowances, lump sums or other like benefits on retirement or on death or during periods of sickness or disablement for the benefit of any of the employees or directors or former employees or directors of the Company or for the benefit of any dependants of any such Employees, and no proposal to establish any such schemes, agreement or arrangement has been announced.

#### **21.2 Stakeholder pensions**

The Company has designated a registered stakeholder pension scheme in accordance with the requirements of the Welfare Reform and Pensions Act 1999 (and Regulations made under it) in relation to all of its "relevant employees" (as defined for the purposes of that Act), and full details of that designated scheme are contained in the Disclosure Letter.

## SCHEDULE 4

### Tax Covenant

#### 1 DEFINITIONS AND INTERPRETATION

In this schedule 4 and in schedule 5:

- 1.1 "**Claim for Tax**" means any claim, assessment, notice, demand or other document issued or action taken on or behalf of any person, authority or body whatsoever and of whatever country, including any Tax Authority, by which the Company is liable or is sought to be made liable to make a payment to a Tax Authority or any other person (whether or not the payment is primarily payable by the Company and whether or not the Company has or may have any right of reimbursement against any other person) or is denied or sought to be denied any relief, allowance or credit (including a right to repayment of Tax);
- 1.2 "**Event**" includes any payment, transaction, circumstance, act, omission or occurrence of whatever nature and any distribution, failure to distribute, acquisition, disposal, transfer, payment, loan or advance, membership of or ceasing to be a member of any group or partnership or any change in the residence of any person whether or not the Company or the Purchaser is a party thereto and including completion of the sale of the Shares to the Purchaser and references to an Event occurring on or before a particular date (including without limitation Completion) shall include an Event deemed, pursuant to any Taxation Statute, to occur or be treated or regarded as occurring or existing on or before that date or in respect of that period;
- 1.3 "**Relief**" includes any loss, relief, allowance, exemption, set-off, credit, rebate, refund, right to repayment or deduction in respect of any Tax or any set-off or deduction in computing or against profits income or gains of any description or source for the purposes of any Tax;
- 1.4 references to the loss of a Relief or of a right to repayment of Tax shall include the loss, reduction, modification, counteracting, nullification, cancellation, disallowance, withdrawal or clawback of any Relief or right to repayment of Tax;
- 1.5 "**Liability for Tax**" means any liability of the Company to make a payment of or in respect of Tax and includes (without limitation):
  - 1.5.1 the loss, for whatever reason, of any Relief, granted by or pursuant to any Tax Statute or otherwise for Tax purposes which would (were it not for the Claim for Tax in question) have been available to or which has been claimed by the Company; and
  - 1.5.2 the loss or set-off of a right to repayment of Tax including any repayment supplement which was treated as an asset by the Company in the Accounts or which has been claimed by the Company; and
  - 1.5.3 the set-off against income, profits or gains arising, accrued, received or earned on or before Completion or against an actual Liability for Tax of any Relief which either arises after Completion, or is treated as an asset in the Accounts or is taken into account in computing, reducing or eliminating any provision for deferred Tax in the Accounts (or which, but for the availability of such Relief, would have appeared in the Accounts) in circumstances where, but for such set-off, the Company would have had

an actual Tax liability in respect of which the Purchaser would have been able to make a claim against the Vendors under this schedule,

and in a case within paragraphs 1.5.1, 1.5.2 or 1.5.3 above there shall be treated as an amount of Tax for which a liability has arisen and fallen due:

a) where the Relief which was subject to loss or set-off was a deduction from or off-set against Tax or a right to repayment of Tax, the amount of such Relief or repayment of Tax;

b) where the Relief which was subject to loss or set-off was a deduction from or set-off against income or profits or gains.

i if the Relief is lost, the amount of Tax which would, on the basis of the rates of Tax current at the date of such loss, have been saved had such Relief been available (on the assumption that the Company would have been in a position to utilise such Relief and irrespective of whether the Company actually was in such a position);

ii if the Relief is the subject of set-off, the amount of Tax which has been saved in consequence of such setting-off;

1.5.4 any amount of inheritance tax which is at Completion unpaid and in respect of which the Inland Revenue has a charge on any of the Shares or assets of the Company or a power to sell, mortgage or charge any of the Shares or assets of the Company; or

1.5.5 any amount of inheritance tax which after Completion becomes a charge on or gives rise to a power to sell, mortgage or charge any of the Shares or assets of the Company being a liability in respect of additional inheritance tax payable on the death of any person within 7 years after a transfer of value if a charge on or power to sell, mortgage or charge any such Shares or assets of the Company existed at the date of Completion or would have existed at Completion, if the death had occurred immediately before Completion and the inheritance tax payable as a result of such death had not been paid;

and in determining for the purposes of paragraphs 1.5.4 and 1.5.5 above whether a charge on or power to sell, mortgage or charge any of the Shares or assets of the Company exists at any time the fact that any inheritance tax is not yet payable or may be paid by instalments shall be disregarded and such inheritance tax shall be treated as becoming due and a charge or power to sell, mortgage or charge as arising, on the date of the transfer of value or other date or event on or in respect of which it becomes payable or arises and the provisions of section 213 of the ITA shall not apply;

1.6 references to income, profits or gains shall include any other measure by reference to which Tax is computed;

1.7 references to income, profits or gains arising, accrued, received or earned by any person shall include income, profits, or gains which are for the purpose of any Tax deemed to have been regarded or treated as arising, accrued, received or earned by such person;

1.8 references to income, profits or gains arising accrued, received or earned on or before a particular date (including, without limitation, Completion) or in respect of a particular period shall include income, profits or gains which are for the purposes of any Tax deemed to have

been treated or regarded as arising accrued, received or earned on or before that date or in respect of that period; and

1.9 references to the occurrence of any Event on or before Completion shall include the combined result of two or more Events the first of which shall have occurred or pursuant to paragraph 1.2 above, shall be deemed to have occurred on or before Completion provided that the Event which takes place before Completion occurs outside the ordinary course of business of the Company as carried on at Completion and the Event which takes place after Completion occurs inside the ordinary course of business of the Company as carried on at Completion.

1.10 Where any provision of this Schedule 4 conflicts with any provision of the remainder of this Agreement the provisions of this Schedule 4 shall prevail.

## **2 COVENANT**

Subject as hereinafter provided the Vendors hereby covenant on behalf of themselves and their respective legal personal representatives to pay to the Purchaser or, at the Purchaser's direction, the Company an amount equal to:

2.1 any Liability for Tax resulting from or by reference to any receipts, income, profits or gains earned, accrued or received by the Company on or before Completion or any Event occurring on or before Completion whether or not the Tax is chargeable against or attributable to any other person;

2.2 any Liability for Tax which arises in whole or in part in consequence of an Event occurring before, on or after Completion and for which the Company is liable for any reason as a result of, or which could have been avoided but for:

- 2.2.1 the Company having at any time before Completion been a member of a group for any Tax purposes;
- 2.2.2 the Company having had control of, or been connected with, any company at any time before Completion for any Tax purpose; and/or
- 2.2.3 the Company having been under the control of any company or other person at any time before Completion for any Tax purpose.

## **3 DISPUTES AND CONDUCT OF CLAIMS**

3.1 If the Purchaser or the Company receives a Claim for Tax which appears to either of them to be relevant for the purposes of this schedule, the Purchaser or the Company shall within a reasonable time thereafter and in any event 15 days before the expiry of any deadline relevant to lodging an appeal against the Claim for Tax give written notice thereof to the Vendors setting out reasonable details of the Claim for Tax but so that the giving of such notice shall not be a condition precedent to the Vendors' liability under this schedule.

3.2 If the Vendors shall indemnify the Company and/or (as the case shall require) the Purchaser to the Purchaser's reasonable satisfaction against all liabilities, costs, damages or expenses which may be incurred thereby including any additional Liability for Tax within 15 Business Days of the date of the notice to the Vendors specified in paragraph 3.1 above, the Purchaser shall and shall procure that the Company shall (except where fraudulent or negligent conduct is alleged by a Tax Authority) take such action as the Vendors may reasonably request by notice in writing given to the Purchaser to avoid, dispute, defend, resist, appeal or

compromise any Claim for Tax (such a Claim for Tax where action is so requested being hereinafter referred to as a "Dispute") provided that:

- 3.2.1 neither the Company nor the Purchaser shall be obliged to appeal or procure an appeal against any assessment to Tax raised on either of them if, the Vendors having been given written notice of the receipt of such assessment, the Company and the Purchaser have not within 15 Business Days of the date of the notice received instructions in writing from the Vendors to do so;
- 3.2.2 neither the Purchaser nor the Company shall be obliged to take any action pursuant to this paragraph 3 which would involve contesting a Claim for Tax beyond the first appellate body (excluding the Taxation Authority demanding the Tax in question) in the jurisdiction concerned unless the Vendors obtain the written opinion of counsel of at least 10 years call that such contest will, on the balance of probabilities, be successful;
- 3.2.3 where the Liability for Tax the subject of the Dispute is required to be paid as a precondition to an appeal or before any other action requested by the Vendors may be taken, the Company shall not be obliged to take any such action until the Vendors shall have paid to the Purchaser or the Company an amount equal to such Liability for Tax for the purpose of discharging the same.

3.3 The Purchaser shall, or shall procure that the Company shall, keep the Vendors promptly and fully informed of all matters pertaining to a Dispute and shall provide to the Vendors copies of all material correspondence sent or received and notes or other written records of material telephone conversations or meetings and in the event that there is no written record shall 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.

3.4 If the Vendors do not request the Purchaser or the Company to take any action under, or otherwise fail to comply with any provision of, this paragraph 3 or the Dispute concerns fraudulent or negligent conduct, the Purchaser or Company shall have the conduct of the Dispute absolutely (without prejudice to the rights of the Purchaser under this agreement) and shall be free to pay or settle the Claim for Tax on such terms as the Purchaser or the Company may in its absolute discretion consider fit.

3.5 Subject to paragraph 3.4 above, by agreement in writing between the Purchaser and the Vendors, the conduct of a Dispute may be delegated to the Vendors upon such terms as may be agreed from time to time between the Purchaser and the Vendors, provided that, unless the Purchaser and the Vendors specifically agree otherwise in writing, the following terms shall be deemed to be incorporated into any such agreement:

- 3.5.1 the Company and the Purchaser shall promptly be kept fully informed of all matters pertaining to a Dispute and, subject to paragraph 3.5.3, shall be entitled to see copies of all correspondence and notes or other written records of telephone conversations or meetings and, in the event that there is no written record, shall be given an immediate report of all telephone conversations with any Taxation Authority to the extent that it relates to a Dispute;
- 3.5.2 the appointment of solicitors or other professional advisers shall be subject to the approval of the Purchaser, such approval not to be unreasonably withheld or delayed;
- 3.5.3 all written communications pertaining to the Dispute which are to be transmitted to any Tax Authority or other governmental authority or body whatsoever shall first be

submitted to the Purchaser and the Company for approval (not to be unreasonably withheld or delayed) and shall only be finally transmitted if such approval is given; and

- 3.5.4 the Vendors shall make no settlement or compromise of the Dispute or agree any matter in the conduct of the Dispute which is likely to affect the amount thereof or the future Liability to Tax of the Company or of the Purchaser without the prior written approval of the Company and the Purchaser (as may be appropriate).
- 3.6 Neither the Purchaser nor the Company shall be subject to any claim by or liability to any of the Vendors for non-compliance with any of the foregoing provisions of this paragraph 3 if the Purchaser or the Company has acted bona fide in accordance with the instructions of any one or more of the Vendors.

#### **4 PAYMENT DATE**

4.1 Where the Vendors are liable to the Purchaser pursuant to the covenant contained in paragraph 2 above the following provisions shall apply in determining when a payment in respect of such liability shall be made:

- 4.1.1 in a case which involves and to the extent that it involves an actual payment of Tax by the Company, the Vendors shall pay sums due under this Deed in cleared funds without any deduction whatsoever by way of set-off or counter-claim or otherwise, on the later of the Business Day prior to the date on which the Tax in question would have had to have been paid in order to prevent a liability to interest or a fine, charge, penalty or surcharge from arising in respect of the Liability to Tax in question or, as the case may be, 3 Business Days prior to the date on which the Tax in question must be paid in order to entitle the Company or the Purchaser to make an appeal against an assessment to Tax and seven days after notice in writing has been given to the Vendors demanding such payment; and
- 4.1.2 in any other case, the Vendors shall make payment on the later of the date falling 5 Business Days after the date when there has been served on the Vendors notice in writing from the Purchaser that the Vendors are liable under paragraph 2 above in an amount specified in or determinable from the contents of such notice and the Business Day prior to the date on which the Tax would have been due but for the utilisation of a Relief.

#### **5 TAXATION OF CLAIMS**

- 5.1 Subject to paragraph 5.2, all payments made by the Vendors pursuant to this schedule shall be made gross, free of any rights of counterclaim or set-off and without any deduction or withholding of any nature other than a deduction or withholding required by law.
- 5.2 If the Vendors make any deduction or withholding (including Tax) required by law from any payment under this schedule then the sum due from the Vendors in respect of the payment shall be increased to the extent necessary to ensure that after the making of any such deduction or withholding the Purchaser (or, as the case may be, the Company) receives and retains a sum equal to the sum it would have received and retained had no deduction or withholding been required to be made.
- 5.3 If any Tax Authority seeks to charge to Tax any sum paid by the Vendors hereunder, the Vendors shall be obliged to pay such additional amount (after taking into account any Tax payable in respect of such additional amount) as will ensure that the Purchaser (or, as the

case may be, the Company) receives and retains a net sum equal to the sum it would have received and retained had the payment not been subject to Tax. Such additional amount shall be paid within 5 Business Days after the service of notice on the Vendors that Tax any payment hereunder has become due and payable or would have so done but for the availability of any Relief save to the extent that such payment from the Vendors becomes subject to Tax in the hands of the payee due to the assignment of the benefit of this Schedule by the Purchaser).

## **6 ENFORCEABILITY**

For the avoidance of doubt the covenants and indemnities contained in this schedule shall be enforceable before as well as after any payment covered by such covenants or indemnities has been made and in the event that any covenant or indemnity herein contained shall be found void, but would be valid if the application thereof to a particular Claim for Tax, Event or form of Tax were limited or deleted, such covenant or indemnity shall apply with such modification as may be necessary to make it valid and effective.

## **7 PURCHASER'S COVENANT**

- 7.1 The Purchaser covenants with the Vendors to pay to the Vendors within 7 days of written demand therefor an amount equal to any liability for Tax of the Vendors which may arise from time to time by reference to the failure of the Company to pay any Tax by virtue of sections 767A, 767AA, 767B and 769 ICTA (or any similar provision in the UK or elsewhere imposing secondary liabilities for Tax on the Vendors for Tax primarily chargeable on the Company) or any Tax for which the Vendors are or may be liable arising by reason of the Company ceasing to be a trading company for the purposes of Schedule 7AC TCGA on or after Completion by reason of any act of the Company or the Purchaser unless both:
  - 7.1.1 the said Liability for Tax arises by reference to a liability for which the Vendors are liable under this schedule; and
  - 7.1.2 the Vendors have not made payment under this schedule or under the warranties relating to Tax in respect of the Liability for Tax in question.
- 7.2 Where paragraph 7.1 above applies and the Vendors discharge the assessment concerned, they shall have no further liability under this schedule or under the warranties in respect of the Liability for Tax in question.
- 7.3 A payment to be made by the Purchaser to the Vendors shall be made in clear funds on the later of the Business Day prior to the date on which the Tax in question would have to be paid in order to prevent a liability to interest or a fine, charge penalty or surcharge arising and five Business Days after written demand for such payment.
- 7.4 Paragraphs 3 (Disputes and Conduct of Claims) and 5 (Taxation of Claims) shall apply to the covenants in this paragraph 7 as they apply to the covenants contained in paragraph 2 of this Schedule replacing references to the Vendors by the Purchaser (and vice versa) and making any other necessary modifications.

## 8 LIMITATIONS

8.1 The Vendors shall not be liable in respect of any Liability for Tax under this Schedule to the extent that:

- 8.1.1 provision, reserve or allowance was made for such Liability to Tax in the Completion Accounts or such Liability for Tax is discharged prior to Completion;
- 8.1.2 such Liability for Tax arises in the ordinary course of business of the Company carried on since the Last Accounts Date;
- 8.1.3 such Liability for Tax would not have arisen but for any voluntary act, omission or transaction carried out by the Company or any member of the Purchaser's group after Completion which the Purchaser knew or ought reasonably to have known would give rise to such liability, but excluding any act, omission or transaction:
  - a) carried out pursuant to a legally binding obligation of the Company incurred prior to Completion;
  - b) pursuant to an obligation imposed by any law, regulation, or requirement having the force of law;
  - c) taking place with the written approval of the Vendors or pursuant to this agreement or any document executed pursuant to this agreement;
  - d) occurring in the ordinary course of business of the Company as carried on at Completion; or
  - e) consisting of the lodging of a document for stamping with the Stamp Taxes Office of the Board of Inland Revenue or the bringing into the United Kingdom of any document executed prior to Completion outside the United Kingdom;
- 8.1.4 such Liability for Tax arises or is increased or any provisions or reserve in respect of the Liability to Tax in the accounts is insufficient as a result of the imposition of any Tax or any increase in rates of Tax made after Completion with retrospective effect or of any change in law or in the published practice or concession of any Tax Authority in each case occurring after Completion with retrospective effect;
- 8.1.5 such Liability for Tax arises or is increased or any provision or reserve in respect of the Liability for Tax in the accounts is insufficient as a result of any change after Completion in the bases, methods or policies of accounting of the Company, save where such change is made to comply with generally accepted accounting practice, the published practice of any Tax Authority or the law or rule of any regulating authority or body in force at Completion;
- 8.1.6 the Liability for would not have arisen but for any claim, election, surrender or disclaimer made or notice or consent given or any other thing done, after Completion (other than one, the making, the giving or doing of which was taken into account in computing any provision for Tax in the Accounts or the Completion Accounts) under, or in connection with the provisions of any enactment or regulation relating to Tax by the Company or any member of the Purchaser's group;

8.1.7 the Liability for Tax would not have arisen but for a cessation or any change in the nature or conduct of any trade carried on by the Company, being a cessation or change occurring after Completion, but excluding any such cessation or change:

- a) pursuant to an obligation imposed by any law, regulation or requirement having the force of law;
- b) taking place with the written approval of the Vendors or pursuant to this agreement or any document executed pursuant to this agreement; or
- c) carried out pursuant to a legally binding obligation of the Company incurred prior to Completion;

8.1.8 the Liability for Tax would not have arisen but for the failure or omission by the Company or any member of the Purchaser's group to make any claim, election, surrender or disclaimer or give any notice, or consent to do any other thing under or in connection with, any enactment or regulation relating to Tax at Completion where the making, giving or doing of which was taken into account in computing any provision in the Account or the Completion Accounts;

8.1.9 any Relief is available to the Company to set against or otherwise mitigate the Liability to Tax (other than a Relief referred to in paragraphs 1.5.1, 1.5.2 or 1.5.3 above);

8.1.10 such Liability for Tax arises or is increased or any provision or reserve in respect thereof as is mentioned in sub-paragraph 8.1.1 above is insufficient as a consequence of any failure or delay by the Purchaser or the Company in complying with the provisions of paragraph 3 (conduct of claims) of this Schedule;

8.1.11 such Liability for Taxation has been made good by insurers or otherwise compensated for without cost to the Purchaser or the Company;

8.1.12 such Liability for Taxation arises by virtue of the Company's average rate of corporation tax increasing as a result of becoming a member of the Purchaser's group.

8.2 The Vendors shall not be liable in respect of any breach of the Tax Warranties if and to the extent that the loss is or has been included in any claim under the Tax Covenant or vice versa in respect of any claim under the Tax Covenant.

**9 DURATION AND EXTENT**

9.1 The Vendors shall not be liable in respect of a Liability to Tax unless they have received from the Purchaser written notice of the Claim for Tax which relates to that Liability for Tax prior to the seventh anniversary of Completion;

9.2 Any claim under this Schedule shall (if not previously satisfied, withdrawn or settled) be deemed to have been withdrawn and waived by the Purchaser unless legal proceedings in respect of that claim have been commenced by being both issued and served on the Vendors within six months after the end of the period referred to in paragraph 9.1 above.

9.3 For the avoidance of doubt paragraphs 1.1 and 10 (Limitations on Quantum), 8 (No Double Recovery) and 9 (Reduction in Consideration) and 11 (Apportionment of Claims) of Schedule

5 of this agreement apply in respect of any Liability for Tax mutatis mutandis as if the same were set out and repeated in this Schedule.

## 10 OVER-PROVISIONS, RELIEFS, ETC.

10.1 If:

10.1.1 the amount by which any provision for Tax (including for the avoidance of doubt any provision for deferred taxation) contained in the Completion Accounts proves to be an over provision then the amount of the over provision shall be dealt with in accordance with paragraph 10.4 of this Part;

10.1.2 the amount of any repayment of Tax to the Company by the Inland Revenue or any other Taxation Authority in the Completion Accounts proves to be understated (or if no amount is stated, the amount of any repayment of Tax to the Target), then the amount of such repayment understated shall be dealt with in accordance with paragraph 10.4 of this Schedule.

10.2 If a payment by the Vendors in respect of any Liability for Taxation results in the Company receiving any Relief which would not otherwise have arisen (the "Corresponding Relief") then an amount equal to the Tax saved by the Corresponding Relief shall be dealt with in accordance with paragraph 10.4 of this Schedule.

10.3 If the Purchaser becomes aware that there are or may be such amounts as are referred to in paragraphs 10.1 or 10.2 of this Schedule, it shall (or shall procure that the Company shall) as soon as reasonably practicable inform the Vendors of the fact. If the auditors for the time being of the Company (the "Auditors") are requested by either of the parties hereto to certify any of such amounts as are referred to above the relevant party shall procure that the Auditors are instructed to give and shall (at the expense of the party requesting) give as soon as practicable such certificate and in so doing they shall act as experts and not as arbitrators and (in the absence of manifest error) their decision shall be final and binding on the parties hereto.

10.4 Where it is provided under paragraphs 10.1 and 10.2 of this Schedule that any amount (the "Relevant Amount") is to be dealt with in accordance with this paragraph 10.4:

10.4.1 the Relevant Amount shall first be set off against any payment then due from the Vendors under this Schedule or the Tax Warranties;

10.4.2 to the extent there is an excess of the Relevant Amount after any amounts have been set off under paragraph 10.4.1 of this Part, a refund shall be made to the Vendors of any previous payment or payments by the Vendors under this Schedule or the Tax Warranties and not previously refunded under this paragraph 10.4.2 up to the amount of such excess; and

10.4.3 to the extent that the excess referred to in paragraph 10.4.2 is not exhausted under that paragraph, the remainder of that excess shall be carried forward and set off against any future payment or payments which become due from the Vendors under this Schedule or the Tax Warranties.

10.5 Where any such certification as is mentioned in paragraph 10.3 has been made, the Vendors or the Purchaser may (at its expense) request the Auditors 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.

10.6 If the Auditors certify under paragraph 10.5 that an amount previously certified should be amended, that amended amount shall be substituted for the purposes of paragraph 10.4 above 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 above mentioned substitution shall be made as soon as reasonably practicable by the Vendors or the Purchaser as the case may be.

## **11 RECOVERY FROM OTHER PERSONS**

11.1 If:

- 11.1.1 the Company or the Purchaser is entitled to recover from any other person, (not being the Company but including, without limitation, a Tax Authority) any sum in respect of a payment made by the Vendors under paragraph 2 of this Schedule relates or in respect of the Tax Warranties; and
- 11.1.2 the Vendors have first agreed to indemnify the Purchaser and the Company against all reasonable costs which the Purchaser and the Company may properly incur in connection with the taking of the following action:

then the Purchaser shall or shall procure that the Company shall take all reasonable steps to enforce the recover against the person in question (keeping the Vendors fully informed of the progress of any action taken).

11.2 If the Vendors have made a payment under this Schedule or under the Tax Warranties in respect of the Liability for Tax in question, an amount equal to the lesser of the amount recovered pursuant for paragraph 11.1 and the amount of the payment made by the Vendors in respect of the Liability for Tax in question together with any interest or repayment supplement thereon paid by the relevant Tax Authority (less the costs incurred) and expenses paid by the Company or the Purchaser (insofar as not reimbursed by the Vendors) shall be paid within seven days to the Vendors by the Purchaser (provided that the amount so paid to the Vendors shall not exceed the amount of the payment made by the Vendors pursuant to this Schedule or to satisfy a claim for breach of the Tax Warranties).

## SCHEDULE 5

### Limitations on Liability

- 1 The Vendors shall not be liable:
  - 1.1 in respect of any individual Claim, unless the individual Claim exceeds £2,500 (excluding interest and costs) provided that where the same or substantially the same, fact, matter, event or circumstance gives rise to one or more Claims, such Claims shall be treated in aggregate as a single Claim and not a series of individual Claims;
  - 1.2 in respect of any Claim under the Warranties, unless the aggregate liability of the Vendors for all Claims exceeds £25,000 (excluding interest and costs) and in such event the Vendors shall be liable for the whole of the amount claimed and not merely the excess.
- 2 No Claim shall be made by the Purchaser against the Vendors:
  - 2.1 under the Warranties, in respect of any matter in the Accounts or the Completion Accounts in respect of the matter to which the liabilities relates;
  - 2.2 in respect of any liability or other matter or thing if that liability matter or thing would not have arisen or occurred but for a voluntary act, omission or transaction done made or carried out by the Purchaser or the Company which the Purchaser or the Company ought reasonably to have known would give rise to that liability, matter or thing after Completion other than as required by law or pursuant to a legally binding commitment of the Company created on or before Completion and otherwise than in the ordinary course of business of the Company as carried on immediately before Completion;
  - 2.3 in respect of any matter resulting from a change in the accounting or taxation policies or practices of the Purchaser or any Related Person of the Purchaser or the Company (including the method of submitting taxation returns) introduced or having effect after Completion (unless such change is required to correct an accounting policy or practice of the Company prior to or up to Completion which did not comply with requirements of the Companies Act 1985 or generally accepted accounting principles);
  - 2.4 in respect of any event, fact, matter, occurrence, omission or other breach unless notice in writing thereof (specifying, so far as is reasonable practicable from the information then available to the Purchaser, the details and circumstances giving rise to the Claim and (without creating any limitation and on a without prejudice basis) estimating the total amount of such Claim) is given to the Vendors prior to:
    - 2.4.1 the seventh anniversary of Completion, in the case of any Claim under the Tax Covenant or the Tax Warranties; and
    - 2.4.2 31 March 2006 in the case of any other Claim,

provided always that legal proceedings are commenced against the Vendors (or any of them) either within a period of six months after service of the notice on the Vendors in the case of Claims for which the liability is not contingent and is capable of being quantified or, in the case of Claims which are contingent or not capable of being quantified, within a period of [six] months after expiry of the date on which a contingent liability ceases to be so or an unquantifiable liability becomes quantifiable;

- 2.5 in respect of any liability or other matter or thing to the extent that it occurs as a result of or its otherwise attributable to:
  - 2.5.1 any legislation not in force at the date of this agreement or any change of law or administrative practice having retrospective effect which comes into force after Completion;
  - 2.5.2 any increase hereafter in the rates of taxation in force at Completion (including any effect such increase may have on any provision or reserve made in the Completion Accounts which were prepared in good faith prior to such increase);
  - 2.5.3 the Purchaser or the Company disclaiming any part of the benefit of capital or other allowances against the taxation claimed on or before the date of this agreement;
- 2.6 in respect of a liability which is contingent only unless or until such contingent liability becomes an actual liability and is due and payable, but this paragraph 2.6 shall not operate to avoid a Claim made in respect of the contingent liability within the applicable time limits specified in paragraph 2.5;
- 2.7 under the Warranties, in respect of any matter or liability specifically provided for in the Accounts or the Completion Accounts;
- 2.8 under the Warranties, in respect of any loss directly referable to the fact, matter or circumstance giving rise to the Claim in question for which the Purchaser or the Company is entitled to claim under a policy of insurance;
- 2.9 in respect of any Claim which is capable of remedy, unless and until the Purchaser has given the Vendors not less than 20 Business Days' written notice within which to remedy such breach and the Vendors have failed to do so within such period.

3 The Vendors (or any of them) shall have no liability whatsoever under the Warranties in respect of any matter which was fairly disclosed in the Disclosure Letter.

4 In relation to Warranty Claims:

- 4.1 the Vendors shall be entitled to require the Purchaser (in the name of the Company if the Vendors so request) or the Company, in either case at the expense of the Vendors, to take all such reasonable steps or proceedings as the Vendors may consider necessary in order to avoid, dispute, resist, mitigate, compromise, defend or appeal against any relevant third party claim (that is to say any claim by a third party against the Company which will or may give rise to a Warranty Claim) and the Purchaser shall act or shall procure that the Company shall act in accordance with any such requirements subject to the Purchaser and/or the Company being indemnified by the Vendors to the reasonable satisfaction of the Purchaser against all reasonable costs and expenses incurred or to be incurred in connection with the taking of such steps or proceedings provided that nothing in this paragraph 4 shall require that the Purchaser acts in any manner which is not reasonable and consistent with good business practice;
- 4.2 for the purpose of enabling the Vendors to avoid, dispute, resist, mitigate, compromise, defend or appeal against any relevant third party claim or to decide what steps or proceedings should be taken in order to do so, the Purchaser shall (so far as is reasonably practicable):
  - 4.2.1 give written notice to the Vendors within 14 days of any relevant third party claim coming to its notice;

- 4.2.2 disclose in writing to the Vendors all material information and documents relating to any relevant third party claim or matter which may give rise to a Claim;
- 4.2.3 only make an admission of liability, agreement or compromise with any person, body or authority in relation thereto having given notice to the Vendors and consulted fully with the Vendors.
- 4.3 The Vendors shall reimburse to the Purchaser or the Company (as the case may be) all reasonable costs, charges and expenses incurred by it in complying with its obligations under paragraphs 4.1 to 4.1 inclusive of this schedule.
- 4.4 The Purchaser shall reimburse to the Vendors an amount equal to any sum paid by the Vendors in relation to any Warranty Claim which is subsequently recovered by or paid to the Purchaser or to the Company by a third party provided that if the amount of such benefit or refund is greater than the amount paid by the Vendors to the Purchaser, in respect of the Warranty Claim in question, such lesser amount as shall have been so paid by the Vendors shall be repaid.
- 4.5 Payment of any claim by a third party shall, to the extent of such payment, satisfy and preclude any Warranty Claim which is capable of being made against the Vendors in respect of the same subject matter to the intent that the Purchaser shall not be entitled to recover more than once in respect of the same sum.
- 4.6 Nothing in this schedule shall in any way diminish the Purchaser's or the Company's common law obligation to mitigate its loss.
- 5 Failure to comply with the provisions of paragraph 4 of this schedule shall not prejudice the Purchaser's rights under this agreement, including its rights to bring a Claim.
- 6 If the Vendors shall have made any payment in respect of a Warranty Claim and the Company shall receive a benefit or refund which the Vendors can demonstrate was not taken into account in computing the liability of the Vendors in respect of the Warranty Claim in question and would have reduced the liability had this been so, the Purchaser shall forthwith repay to the Vendors a sum corresponding to such benefit or refund as the case may be provided that if the amount of such benefit or refund is greater than the amount paid by the Vendors to the Purchaser, in respect of the relevant Warranty Claim, such lesser amount as shall have been so paid by the Vendors shall be repaid.
- 7 In relation to a Warranty Claim, if:
  - 7.1 any specific provision in the Accounts shall prove to be an over-provision; or
  - 7.2 any sum is received by the Company which has previously been written off as irrecoverable in the Accounts of the Company,then the amount over-provided or, as the case may be, the sum so received shall be set off against the liability (if any) of the Vendors under the Warranties to the extent that any Warranty Claim concerns the matter to which the over-provision or sum recovered related.
- 8 In respect of any matter which may give rise to a Claim such liability shall not be met more than once.

- 9 Any payment made by the Vendors pursuant to any Claim shall be deemed to constitute a repayment of and a reduction in the aggregate Consideration payable by the Purchaser for the Shares.
- 10 The aggregate amount of the liability of the Vendors for all Claims shall not exceed the amount of Consideration received in aggregate by the Vendors.
- 11 Any liability of the Vendors arising pursuant to a Claim shall be borne by them in proportion to their respective shareholdings in the share capital of the Company immediately prior to Completion and the liability of each individual Vendor shall not exceed the amount of Consideration received by him or her (as the case may be).
- 12 None of the limitations contained in this schedule shall apply to any Claim which (or the delay in discovery of which) is the consequence of fraudulent or wilful concealment or wilful non-disclosure by any Vendor.

## **SCHEDULE 6**

### **Specific Indemnities**

#### **(Clause 8)**

The covenant and agreement contained in clause 8 shall apply to the following matter:

- 1 All claims, proceedings and demands made or brought against the Company by in connection with or as a result of any claim or demand by any Employees (as defined in clause 17 of Schedule 3 of this Agreement) or former Employee in respect of any claim which has been or may be brought by any Employee or former Employee (excluding the Employment Tribunal Applications brought by Mr M A Robinson (Application Number 1301316/2004) and Mr P E Richards (Application Number 1301260/2004) against Chadwick Contracts Limited) arising out of deductions made or alleged to have been made in each case in the period prior to Completion (whether for CITB contributions or otherwise) from that Employee's (or former Employee's) wages or remuneration, whether such claim is brought under Part II of the Employment Rights Act 1996 (unlawful deduction of wages) or for breach of contract or otherwise.

**SCHEDULE 7**  
**Completion Accounts**

The Completion Accounts shall be prepared on a basis consistent with the principles, policies and practices used in the preparation of the Accounts.

## **SCHEDULE 8**

### **List of all documents in the agreed terms**

- Clause 4.2.2 - Written resignations
- Clause 4.2.3 – Retiring directors' acknowledgement of no indebtedness
- Clause 4.2.4 - Auditor's resignations
- Clause 4.2.7 - Disclosure Letter
- Clause 4.2.9 - Vendor release and acknowledgement
- Clause 4.2.14 - Consultancy Agreement
- Clause 4.2.15 - Service Agreements
- Clause 4.6 - Board minutes of the Company

EXECUTED and DELIVERED by )

JOHN MICHAEL CREBA )

as a Deed )

in the presence of: )

Witness Signature:

Name:

Address:

Occupation:

*John Creba*

*AG Baxter*

AG BAXTER

87 TETTON HALL RD  
WOLVERHAMPTON

CHARTERED ACCOUNTANT

EXECUTED and DELIVERED by )

MARY PATRICIA CREBA )

as a deed )

in the presence of: )

Witness Signature:

Name:

Address:

*John Creba AS ATTORNEY*

*AG Baxter*

AG BAXTER

AS ABOVE

Occupation:

**EXECUTED and DELIVERED by** )

**JOHN MICHAEL PARRY** )

as a Deed )

in the presence of: )

Witness Signature:



Name:



Address:



Occupation:

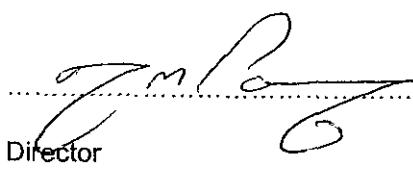
**EXECUTED and DELIVERED by** )

**CHADWICK SHOPFITTING LIMITED** )

as a Deed acting by two Directors )

or a Director and the Company )

Secretary )



Director



Director/Company Secretary