

Joint Venture Due Diligence Checklist

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The following are some areas for investigation and some preliminary inquiries with regard to the potential co-joint venturer and each of its subsidiaries and associate companies, if any (jointly referred to as “the Target”) and the proposed joint venture or the potential joint venture entity, if any (which is referred to as “Newco”).

When any specific foreign law, legislation or practice is not referred to in this document and Newco, or the Target operates or has operated in a foreign jurisdiction each of the inquiries in this document shall apply to such entity company or companies in relation to its foreign activities and presence as if, where the context admits or requires, references to law, practice and legislation were references to similar law, practice or legislation applicable in the relevant foreign jurisdiction in which such activities are or were performed.

In this document, references to any legislation shall be deemed to include such legislation as amended from time to time and any similar legislation which such legislation consolidates, repeals or replaces.

References in this document to legislation shall include all rules and regulations made thereunder.

Would you please provide us with the following information in relation to each of the above entities and with copies of the documents requested.

We would be glad if you would adopt the indexing system outlined in this document.

[We are prepared to supply you with similar information in relation to our affairs as that requested by us in relation to your affairs in these preliminary inquiries.]

1. GENERAL INFORMATION/CORPORATE STRUCTURE

Target information

1.1 Please provide details of any proprietary interest held in any enterprise carrying on a like business to Newco by any of the following:

- (a) The owner or owners of the Target; or
- (b) Any company in a group of companies of which the Target is a part("the Group"); or
- (c) Any individuals having a controlling interest in the Group.

Corporate structure of the Target

1.2 Please provide a list of the following (if any):

- (a) Subsidiaries (as defined in section 736 of the Companies Act 1985).
- (b) Associated companies (as defined in paragraph 13 of Statement of Standard Accounting Practice One (SSAP 1)).
- (c) Other interests (including options) held by the Target or any of its directors in other companies or businesses (including joint ventures, partnerships, consortiums, or other profit sharing arrangements), stating percentage of total issued capital and book costs of investment including any revaluations.

1.3 Where the Group comprises more than two companies, please provide a structure chart of the Group companies.

Joint ventures, etc.

1.4 Please supply copies (or details where unwritten) of agreements or other documentation relating to

any joint venture, partnership, consortium or other profit sharing arrangement (including those with other companies in the Group or between Target shareholders).

Financial accounts

1.5 Please provide copies of:

- (a) Audited annual accounts for the last three years for each Target company plus any consolidated Group accounts.
- (b) Any management accounts prepared since last annual balance date.
- (c) All breakdowns, analyses, commentaries and reports prepared in relation to such audited annual accounts and management accounts.

Meetings

1.6 Please provide the address where our personnel can inspect minutes of meetings and agenda papers presented to the following bodies of the Target during the last 18 months:

- (a) Shareholders.
- (b) Directors.
- (c) Directors' committees.
- (d) Management committees.

Reports

1.7 Please provide copies of any reports prepared during the last five (5) years or any other relevant reports on the Target, for example market research, accountant's report, environmental report.

Consents and permissions

1.8 Please supply details of any governmental and other consents required for the implementation and closing of the transaction.

2. COMPANY SECRETARIAL

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2.1 In relation to the Target please provide:

- (a) A copy of the Certificate of Incorporation (including any certificates issued on a change of

- name).
- (b) A copy of the Memorandum and Articles of Association (incorporating any amendments) together with all resolutions and consents required by law to be annexed.
 - (c) Particulars of share capital, showing authorised and issued capital, and classes of shares.
 - (d) Copies (or details where unwritten) of:
 - (i) Any agreement or commitment to create, issue or transfer shares (including loan capital and share options).
 - (ii) Any rights of pre-emption.
 - (iii) Any share conversion rights.
 - (e) Names and addresses of all shareholders, showing number of shares held and stating whether held beneficially or otherwise. If any are individuals, details of any who may be under any disability, for example infants, bankrupts, or where probate or letters of administration are pending.
 - (f) The addresses of all registered offices.
 - (g) The address at which the statutory registers and books are kept, and the address where they can be viewed by our personnel, if required.
 - (h) Names and addresses of all directors, stating any management job title and any other directorships and business interests held.
 - (i) A copy of any resolutions passed fixing the quorum for a General Meeting.
 - (j) Name and address of the secretary.
 - (k) Have there been any resolutions passed fixing the minimum or maximum number(s) of directors? If so, please provide details.
 - (l) A copy of all resolutions and agreements required to be filed pursuant to the Companies Act 1985.
 - (m) A copy of the last versions of the following documents filed at Companies House:
 - (i) Annual return.
 - (ii) Notice of change of Registered Office.
 - (iii) Accounting Reference Date election (if any).

- (n) Copies of all documents filed at Companies House within the last three (3) months.
- (o) Confirmation that the Target has authority to:
 - (i) undertake; and
 - (ii) close this transaction.

3. CORPORATE ACQUISITIONS AND DISPOSALS

- 3.1 Please provide copies of all agreements relating to the purchase of shares, businesses or other assets to which the Target is a party under which there are any outstanding warranties, indemnities or other obligations owed:
- (a) by the Target by any third party;
 - (b) to the Target by any third party;
- for example indemnities, payments, etc.

4. COMPLIANCE PROGRAMMES

- 4.1 Please provide details of any compliance programmes of the Target run during the last five years in any area including (without limitation) environmental management, health and safety, product liability, Millennium 2000 embedded chip and competition law. Please provide copies of all relevant documentation including manuals and reports.

5. TRADING ACTIVITIES

Activities

- 5.1 What are the current trading activities of each Target company?
- 5.2 Please list the trading activities of each Target company during the last 20 years.
- 5.3 Have any of the Target companies ever been involved in any of the following activities?
- (a) Anything to do with asbestos or nuclear waste.
 - (b) The manufacture of any aviation products.
 - (c) The manufacture of armaments.
- 5.4 Under what name(s) is each activity traded?
- 5.5 To the vendors' knowledge, does anyone else carry on business under the same or similar name(s)?

Territory

5.6 What territories does each trading activity cover?

Place of business

5.7 Please provide the address of all branch offices, places of business and substantial assets of the Target, together with details of the role of each of these locations.

Products and services

5.8 Please list all products and services (both actual and proposed) of the Target, noting those proposed.

Licences, consents, etc.

5.9 Please provide copies of all licences, consents, permits, and authorities (public and private) required to carry on the business of the Target, noting those which are actually held by the Target.

Licensors, franchisors, agencies, distribution agreements

5.10 Please provide copies (or details where unwritten) of the following:

- (a) Licensing agreements entered into as licensee (including computer software licensing agreements).
- (b) Franchise agreements entered into as a franchisee.
- (c) Agency agreements entered into as agent.
- (d) Distribution agreements entered into as distributor.

Documentation with suppliers, manufacturers

5.11 Please provide a brief outline of the method by which the Target documents its arrangements with suppliers (including sub-contracting manufacturers, i.e.):

Standard Terms of Purchase

- (a) Does the Target purchase supplies on a standard purchase order form? If so, please provide a copy.
- (b) Approximately what percentage of suppliers does this form apply to?
- (c) Does this form contain all terms and conditions of purchase when used or does a standard set of conditions, order acknowledgement form, sales brochure or other document also contain some of the terms and conditions?

Suppliers' Terms of Supply

- (d) Do some suppliers use their own supply order form or other documentation?
- (e) Approximately what percentage of suppliers would use their own form?
- (f) Please list any suppliers accounting for more than five per cent of supplies and provide copies of documentation with such suppliers.

Long Term Contracts

- (g) Please provide copies of any contracts with suppliers having a duration of more than six months.

Purchase tenders or quotations outstanding

- 5.12 Please provide copies of any documentation relating to any tenders or quotations outstanding for purchase of goods or services by the Target.

Purchase discounts, rebates

- 5.13 Please provide details of rates of any discount or rebate offered to the Target by major suppliers.

Licensees, franchisees, agents, distributors (i.e. rights granted by the Target to third parties)

- 5.14 Please provide:

- (a) A list of all licensees, franchisees, agents and distributors.
- (b) Copies (or details where unwritten) of all agreements with the above.

Documentation with customers

- 5.15 Please provide:

- (a) A brief outline, in respect of each type of trading activity, of the method by which the Target documents its arrangements with customers, i.e.:

Standard Terms of Supply

- (i) Does the Target supply customers on a standard supply order form? If so, please provide a copy.
- (ii) Approximately what percentage of customers would this form apply to?
- (iii) Does this form contain all terms and conditions of purchase when used or does a standard set of conditions, an order acknowledgement form, sales brochure or other document also contain some of the terms and conditions?

Customers' Terms of Purchase

- (iv) Do some customers use their own purchase order form or other documentation?
- (v) Approximately what percentage of customers would use their own form?
- (vi) Please list any major customers, i.e. those accounting for more than five per cent of sales and provide copies of documentation with them.

Long Term Contracts

- (vii) Please provide copies of any contracts with customers having a duration of more than six months.

5.16 Please list the major customers of the Target (i.e. those accounting individually for more than 5 per cent of its turnover).

Sales tenders or quotations outstanding

5.17 Please provide copies of any documentation relating to any tenders or quotations outstanding for supply of goods or services by the Target exceeding [¥ 2,000].

Promotions, sales discounts, rebates

5.18 Please provide:

- (a) Details of any promotions offered to customers which have any offer outstanding and provide copies of any relevant literature.
- (b) Details of any standard discounts or volume rebates offered to customers (including distributors).
- (c) Copies of any sales brochure or other document encompassing such discounts or rebates.
- (d) Details of current marketing/promotion programmes and their cost over the past three (3) years.
- (e) Descriptions of any relevant cycles for sale of products over the last three (3) years.

Brochures, price lists

5.19 Please provide two copies of all brochures, price lists and other publications produced by the Target for distribution to customers and potential customers.

Intra-group trading

5.20 Please provide:

- (a) A brief outline of any trading arrangements and activities with other Group companies (if

any) including services provided by any Group head office.

- (b) Copies of any written agreements recording such arrangements.
- (c) Current outstanding amounts between Group companies.

Agreements with shareholders or directors

5.21 Please provide a copy of any agreements (other than shareholders agreements) between the Target and any of its shareholders or directors.

Transportation

5.22 Please provide:

- (a) A brief outline of any usual arrangements that the Target has for the transportation of goods
- (b) Copies of the usual documentation (if any) setting out the terms and conditions relating to the transportation of goods.
- (c) Copies of any long-term contracts.

Professional and advisory services

5.23 Please provide the names and addresses of the Target's:

- (a) Solicitors.
- (b) Accountants.
- (c) Auditors.
- (d) Other advisers employed on a regular basis, for example advertising agents, actuaries, merchant bankers.

5.24 Please provide copies of any terms of engagement or other agreements relating to on-going relationships with such parties.

Other trading agreements

5.25 Please provide copies (or details where unwritten) of:

- (a) All other existing agreements. These should include any of the following:
 - (i) Debt factoring agreements.
 - (ii) Options to purchase.
 - (iii) Subscriptions for shares or other securities.

- (iv) Bonds posted.
- (v) Undertakings to make donations.
- (b) Any arrangements other than at arm's length.
- (c) All long term or significant agreements currently under negotiation by the Target.

Power of attorney

5.26 Please provide copies of any power of attorney or similar authority granted by the Target to a third party, or granted to the Target by a third party.

Trade associations

5.27 Please provide names and addresses of all employers and trade associations of which the Target is a member together with a copy of any rules or codes of conduct of such associations and any notices or other documentation relating to such associations which are binding on the Target.

6. COMPETITION LAW

6.1 Please provide in relation to the Target:

- (a) Copies of any agreement or arrangement with any competitor (whether intended to be legally enforceable or not) relating to the prices or conditions for the sale of products or provision of services, or for the purchase of supplies, for example cartels.
- (b) Copies of any agreements or details of any arrangements in force restricting the freedom of the Target to provide and take goods and services.
- (c) Copies of any agreements registered under the Restrictive Trade Practices Act.
- (d) Details of any applications to the European Commission, registrations under the European Union Regulations and any activities requiring to be notified under or in contravention of any European Union connection or coalition, or any anti-trust, anti-monopoly or competitor law organisation of any foreign jurisdiction.

7. PERSONNEL

Personnel information

7.1 Please provide a schedule setting out the following information for each director and employee and independent contractor (i.e. personnel who are not technically employees but self employed) of the Target ("Employee(s)"):

- (a) name, address, sex [and] age [and ethnic origin];
- (b) date of commencement of present employment, date of commencement of continuous

employment for statutory purposes and length of notice to be given by and to the Target to terminate employment;

- (c) job title and brief description of duties;
- (d) annual basic salary, date and details of most recent pay increase and of any proposed pay increase or review (including the basis on which any increase may be awarded, for example: RPI, merit, across-the-board, etc.);
- (e) normal weekly hours of work, hourly rate or rates of overtime, whether compulsory or voluntary overtime, whether and to what extent overtime regularly worked;
- (f) participation in any commission, bonus, share incentive, share option, PEP or profit-sharing scheme or arrangement, together with any other benefits provided (such as personal pension contributions, car, loan, insurance schemes, accommodation, club membership, season-ticket loans, clothing allowance, staff discount, expenses arrangements, meals);
- (g) disciplinary record during last 12 months (for example oral/written warnings given);
- (h) annual paid holiday entitlement and number of days' holiday taken to date, together (where applicable) with number of days' absence due to maternity, sickness or injury during the last 12 months (specifying which reason);
- (i) whether or not a trade union member and of which trade union.

Note: Please divide the schedule into separate sections for the following categories:

* Directors;

* independent contractors;

* full-time hourly/weekly/monthly paid Employees; *

part-time hourly/weekly/monthly paid Employees; *

temporary Employees;

* Employees currently absent from work on unpaid leave, long-term sick leave or maternity leave.

Documentation

- 7.2 A brief outline of the method by which the Target documents its arrangements with directors, employees, and independent contractors, i.e. does the Target use a standard (1) employment contract, (2) letter of appointment with other terms incorporated in a staff handbook or other document, or (3) some other method? Please provide a copy of relevant documentation including any company rules, disciplinary rules, grievance and capability procedures.

Trade unions, work councils

- 7.3 Does the Target recognise any trades union, works councils, staff associations or other bodies or organisations representing employees for the purpose of negotiating with employees? If so, please provide copies of all agreements (or details where the arrangements are unwritten).
- 7.4 Please provide full particulars of the Target's labour relations both at present and during the last [five] years including the extent to which any trade union is recognised by the Target, any actual or potential trade disputes and any arrangements for and the current state of pay or other negotiations about employment matters.

Incentive schemes

- 7.5 Please provide copies of documentation (or details where unwritten) of any share option, share incentive, PEP, profit sharing or related arrangements, or other incentive schemes for employees and contractors including bonus arrangements;

Insurance schemes

- 7.6 Please provide a copy of all documentation for (or other details where unwritten) of any key man, accident, life assurance, medical, travel, sickness, sick pay, permanent health or disability schemes in which the Target participates.

Other employee arrangements

- 7.7 Please provide a copy of all documentation for (or other details where unwritten) relating to any policy scheme operated by the Target for employees in relation to early retirement, job sharing, sick pay, compassionate leave, sabbaticals, holidays or holiday pay, maternity/paternity, equal opportunities, or sexual harassment and other forms of harassment covered by the Protection from Harassment Act 1997
- 7.8 Please list any directors or employees who work from a home or remote office and provide details of any arrangements relating to this, for example expenses reimbursement, direct payment for any overheads, equipment owned by the Target on-site.

Training schemes

- 7.9 Please provide copies of documentation for (or details where unwritten) of any training schemes, or arrangements or proposals for the same.

8. HEALTH AND SAFETY COMPLIANCE

- 8.1 Please provide copies of all documentation relating to the following:
- (a) the Target's health and safety policy, if any;
 - (b) consultative arrangements with safety representatives including minutes of any safety committee meetings and any recommendations made;
 - (c) the recording and reporting of accidents;

- (d) any statutory improvement/prohibition notice issued to the Target or any employee and details of any adverse visit by the Health and Safety Executive or other enforcing authority in the last three years together with any correspondence;
- (e) any prosecution pursued and personal injury claim made in the last five years;
- (f) any smoking/non-smoking policy.

8.2 Please provide copies of all documentation relating to the following:

- (a) risk assessments, including any review and/or reassessment and particular assessments under specific regulations such as the Control of Substances Hazardous to Health Regulations 1988 and the Ionising Radiations Regulations 1985;
- (b) any health surveillance;
- (c) health and safety assistance and advice obtained, including the appointment of competent persons within the meaning of the Management of Health and Safety at Work Regulations 1992;
- (d) any procedures set for situations of serious and imminent danger and danger areas;
- (e) information packs/leaflets/manuals provided to employees, independent contractors, temporary workers, the self employed and employment businesses in accordance with the provisions of the MHSW Regulations 1992;
- (f) health and safety training programmes/leaflets/manuals.

8.3 Please provide all documentation relating to:

- (a) under the Workplace (HSW) Regulations 1992:
 - (i) maintenance of workplace, and of equipment, devices and systems,
 - (ii) cleanliness and waste materials,
 - (iii) the provision of sanitary conveniences, washing facilities and drinking water,
 - (iv) facilities for changing clothing and accommodating clothing,
 - (v) facilities for rest and eating meals, including provision made for smokers/non-smokers;
- (b) under the Provision and Use of Work Equipment Regulations 1992, the suitability of work equipment purchased since January 1, 1993 and its maintenance;
- (c) under the Personal Protective Equipment at Work Regulations 1992:

- (i) assessments for suitability, reviews and reassessments,
 - (ii) maintenance records,
 - (iii) reports of loss by employees;
- (d) under the Manual Handling Operations Regulations 1992, any information received from employees concerning their ability to undertake handling operations;
- (e) under the Health and Safety (Display Screen Equipment) Regulations 1992:
- (i) analysis of workstations,
 - (ii) the work routine,
 - (iii) eye and eye sight tests.

8.4 Please advise whether all other provisions of the Health and Safety at Work Act 1974 and other relevant legislation and regulations have been observed and complied with so far as the Properties and the Target are concerned.

9. PENSION SCHEMES

9.1 Please provide copies of all documentation relating to any pension schemes established by the Target or in which the Target participates, including copies of the following:

- (a) Trust deeds and rules, deeds of admission, etc.
- (b) Explanatory booklets.
- (c) Announcements to members.
- (d) Latest actuarial valuation.
- (e) Latest trustees report and scheme accounts.
- (f) Inland Revenue approval for scheme.
- (g) If contracted-out, contracting-out certificate.
- (h) List of current investments.
- (i) Any agreements (or details if unwritten) with any third party to manage the scheme's investments.
- (j) Any agreements (or details if unwritten) with any third party to administer the scheme.
- (k) Any policies or contracts effected with any insurance company in connection with a pension

scheme.

9.2 Please provide:

- (a) Lists of all members detailing the company or division each is employed by, dates of birth, date of commencement of and current pensionable salaries.
- (b) Details of any exgratia or unfunded pensions provided for employees or former employees of the Target, or any augmentations to benefits payable under pension scheme rules.

10. LAND AND BUILDINGS

10.1 Please provide:

- (a) A schedule of all properties owned or occupied by the Target in relation to its business(es) or activities or from which the same is/are carried on the use of which the Target propose to make available to Newco (the "Properties") together with full descriptions and particulars of the Target's interest in each property.
- (b) A list of occupiers of the Properties where any of them are occupied other than by the Target.
- (c) Copies or (where applicable) the originals of the following:
 - (i) Title deeds to the Properties including copies of any mortgages or charges affecting the Properties (or details of the location of such title deeds) and, if possible, details of the solicitors who acted on the purchase of any freehold property or upon the grant of any leasehold property.
 - (ii) (If not available with the title deeds) a plan or plans indicating the extent of the Properties.
 - (iii) Copies of all leases, superior leases, sub-leases, tenancy agreements, licences to assign, underlet and alter together with amendments to such documents. Copies of all agreements to enter into such documents.
 - (iv) Copies of all assignments relating to the Properties and agreements to assign.
 - (v) Details and copies of all licences, covenants and restrictions relating to the Properties.
 - (vi) Copies of all agreements to make alterations.
 - (vii) Planning permissions, building regulation consents and any other statutory consents, together with all licences or outstanding notices served by adjoining owners, public or local authorities.
 - (viii) Copies of all mortgages and charges affecting the Properties.

- (ix) Any guarantees relating to the fabric of the buildings.
- (x) Copies of any recent professional valuations.
- (d) Details of all annual outgoings on all Properties.
- (e) If access to any of the Properties is not over the public highway, full details of any access from the Properties onto the nearest public highway.
- (f) Correspondence and details relating to any dispute and any potential dispute involving the Properties or its/their use.
- (g) Copies of any contract for the supply to any premises of the Target or from which its business is carried on of services (such as electricity, gas, water, etc.) containing any unusual or special terms or any contract for the disposal of trade effluent.

11. ENVIRONMENTAL MANAGEMENT

General

- 11.1 Describe any manufacturing or other processes or extraction of minerals carried out at any time on the Properties or any current proposals to do so.
- 11.2 What is the historical use of the Properties? Please provide all information in the possession of the owner as to such use which could have resulted in ground or water contamination.
- 11.3 Who were the previous owners or occupiers of the Properties? Were any assurances or indemnities given to the present owners or occupiers by previous owners?
- 11.4 What is the present and historical use of property neighbouring the Properties?
- 11.5 Have any Properties been required to be cleaned up from contamination?
- 11.6 Provide details of any environmental [and/or health and safety training] programme conducted in relation to any operations of the Properties and the Target.
- 11.7 Provide details of any environmental assessments and reports or any environmental management system, environmental policy or audits which are in place or have been carried out in respect of the Properties or the Target.

Hazardous substances

- 11.8 Provide a copy of the list of chemicals (including fuels and lubricants), raw materials and all other substances (including radioactive substances) used or stored at any of the Properties.
- 11.9 Do any of the buildings or equipment located on any of the Properties contain either asbestos of any kind or polychlorinated biphenyls or terphenyls (PCBs/PCTs)?

- 11.10 Are there any premises other than the Properties in any country that have been used by the Target at any time for the manufacture, handling, storage or transport of any substances (including radioactive substances) which are capable of causing pollution of the environment or harm to human health?
- 11.11 Are there any other substances generally known at the date hereof to be dangerous or deleterious or likely to affect human health?
- 11.12 Are there any substances on any of the Properties which are stored in such quantities that will require Hazardous Substances Consent under the Planning (Hazardous Substances) Act 1991?
- 11.13 Do the CIMAH (Control of Industrial Major Accident Hazards) Regulations 1984 or the NIHHS (Notification of Installations Handling Hazardous Substances) Regulations 1982 apply to any of the Properties or any part thereof? If so, state which and provide brief details of the reasons for the Regulations being applicable and the actions taken in response.

Contaminated land

- 11.14 Are there any underground storage tanks (including both in-service and abandoned tanks) located at any of the Properties? If so, for each tank provide its age, materials of construction, contents and leak history (if any).
- 11.15 Have any underground or above-ground storage tanks been removed from any of the Properties? If so, when, what did they store, was any investigation and/or remediation done with regard to removed tanks?
- 11.16 Are there any above-ground storage tanks? If so, provide details of the type of construction, age, and materials stored?
- 11.17 Have any polluting or harmful substances been spilled, leaked, stored or deposited (whether buried or not) on or in any of the Properties or any other premises used or occupied at any time by the Target? If so, describe each such situation.
- 11.18 Provide copies of the results of any soil, groundwater or air monitoring surveys that have been conducted at any of the Properties, at any other premises used or occupied at any time by the Target, and (so far as information is available to the Target) on or in neighbouring properties.

Air

- 11.19 List and describe any discharges to air made on any of the Properties.
- 11.20 Are any processes conducted on any of the Properties registerable under the Alkali, etc., Works Regulation Act 1906 as amended? If so, please provide full details of any registration. Are any processes conducted or planned to be conducted on any of the Properties that require or will require authorisation under Part I of the Environmental Protection Act 1990? If so, please provide details of the processes concerned and copies of any material documents, including correspondence, relating to current or proposed authorisations including any conditions attached or to be attached thereto. Is any difficulty, or

any significantly increased compliance cost, foreseen in the future for satisfying all applicable conditions?

Water

- 11.21 Is the groundwater in the area used for drinking purposes by people or animals? Is surface water in the area used for drinking purposes by people or animals?
- 11.22 Are there any abstraction wells or boreholes in the neighbourhood of the Properties?
- 11.23 Provide details of all discharges from any of the Properties to sewers or controlled waters and of the applicable discharge consent in each case. Is there any reason to suppose that there will be any difficulty in complying with such consents or that the cost of complying will significantly increase in the near future?

Waste

- 11.24 Provide a description of all waste materials produced at the Properties, indicating which (if any) are or were treated as special waste and the ultimate disposals of the waste materials. Please provide a copy of any Agreement relating to such disposal.

Please confirm that no radioactive material or waste has been dealt with on or from the Properties.

Regulatory or other action

- 11.25 Provide details of any notices issued, inspections made or enforcement actions taken by any governmental or other regulatory authority concerning environmental issues or health or safety in respect of the Target or the Properties.
- 11.26 Provide details of any operations by the Target on any site, and/or on any of the Properties or any situations which are (or have been) in breach of any legally enforceable requirements (statutory or otherwise) or in respect of which there is a significant risk of such a breach being found, irrespective of whether litigation has already begun or threatened.
- 11.27 Are there any actual or potential claims, actions or proceedings or threatened litigation by or against the owner in respect of the contamination of or damage to the property or neighbouring property by reason of the release, escape, discharge or emission of any substance from or to neighbouring or nearby properties, or any access or other activity on such properties?
- 11.28 Except as answered already, please provide details of any formal or informal complaints which the Target has received from or on behalf of any employees or neighbours or from any environmental action group concerning alleged exposure to harmful substances or other environmental, health or safety matters.

Civil liability

- 11.29 If the Purchaser's environmental consultants or experts indicate that there have been breaches of any environmental requirements and that remedial care is required to be taken, please confirm that the

Vendor will be responsible for the costs of such action including consultant's fees.

12. PLANT, EQUIPMENT AND OTHER FIXED ASSETS

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Assets

- 12.1 Please provide a schedule of plant, equipment, machinery, furniture, fittings and other fixed assets (including any design drawings) to be supplied to Newco by the Target ("the Assets").
- 12.2 Please identify any Assets which are subject to any hire, rental, lease, hire purchase, conditional sale, credit sale or similar arrangement.
- 12.3 Please identify any other items of the Assets not owned by the Target, for example tooling owned by customers.
- 12.4 Please identify any of the Assets owned by the Target but not in the possession and control of the Target, for example tooling being used by a supplier.

Assets not owned

- 12.5 Complete copies (or details where unwritten) of any agreements for hire, rental, lease, hire purchase, conditional sale or similar arrangement.
- 12.6 Details of amounts outstanding under such agreements.
- 12.7 Details of non-compliance with the terms of such agreements.

Agreements to acquire or dispose

- 12.8 Copies of any current agreements (or details where unwritten) for the future acquisition or disposal of any of the Assets including:
 - (a) Agreements for the purchase of assets on deferred terms or credit sale.
 - (b) Agreements whereby title to the asset does not pass until full payment has been made, for example under retention of vendor's title.

Maintenance agreements

- 12.9 Copies (or details where unwritten) of any maintenance or other servicing contracts relating to the Assets (including computer maintenance or support).

Warranties

- 12.10 Please provide a copy of any warranties provided in respect of any of the Assets.

13. COMPUTER SOFTWARE

C-15

In relation to computer equipment and software to be supplied by the Target to Newco:

Software

- 13.1 Please list all software to which the Target has a licence, has developed, or otherwise holds or uses. Please identify those which have been (a) developed by the Target, or (b) tailored specifically for the Target.

Licences in

- 13.2 Please provide a copy of all licences and other agreements relating to such software.

Licences out

- 13.3 Has the Target granted any licences in respect of software that it uses?

Software developed by or for the Target

- 13.4 In the case of any software developed by or tailored for the Target:
- (a) Were any people (including contractors working in-house or current employees who were formerly contractors) or companies involved in writing the software other than people employed by the Target? If so, please provide a copy of the relevant agreements or, if unwritten, details of the arrangements.
 - (b) Have any employees written any software for the Target in their spare time? If so, please provide the names of such employees and details of the relevant software.
 - (c) Do any employees have any other rights in relation to the software?
 - (d) Are there any arrangements or agreements with any third party regarding jointly developing any software written by or for the Target? If so, please provide a copy.

Outsourcing

- 13.5 Are there any outsourcing arrangements in place regarding software used by the Target. If so, please provide details.

Escrow arrangements

- 13.6 Are there any source code escrow arrangements in place regarding software used by the Target? If

so, please provide details.

14. INTELLECTUAL PROPERTY

14.1 This section deals with intellectual property rights existing under English law and the law of any other jurisdiction to be supplied by the Target to Newco. Please provide:

Patents and patent applications

- (a) Details of any inventions owned or used (whether or not capable of being patented) but for which no patent has been applied for or registered.
- (b) Copies of all patents (including those which have expired or lapsed) used by or granted to the Target.
- (c) Copies of all patent applications (whether or not subsequently withdrawn) filed by the Target or by any of its directors, employees or dependent contractors arising out of their relationship with the Target, identifying which product of the Target each relates to.
- (d) In relation to all pending patent applications, copies of all relevant correspondence with the Patent Office and an opinion from the patent agent handling the application on the likelihood of the application succeeding
- (e) Details of:
 - (i) Name of patentee(s), applicants and inventors.
 - (ii) Country in which patent granted or application made.
 - (iii) Number of patent or application.
 - (iv) Description of invention.
 - (v) Nature of interest.
 - (vi) Any assignments or any rights granted under the patent.
 - (vii) Any licence agreements, user agreements or royalty agreements relating to the patent, including details of any payments made or to be made under such agreements.
 - (viii) Any other agreements relating to the patent.
 - (ix) Any charges created over the patent.
 - (x) Date last renewal fee paid.
 - (xi) Name of patent agent (if any).

Trade marks

- (f) Details of any trade marks used but for which registration has not been applied for and/or granted, for example brand names, trade names.
- (g) Copies of trade marks (both registered and unregistered) and pending trade mark applications.
- (h) In respect of all trade marks registered in the name of the Target or used by the Target, details of:
 - (i) Name of registered proprietor.
 - (ii) Registered number.
 - (iii) Specification of goods or service.
 - (iv) Classes in which registered.
 - (v) Any assignments of any rights granted under the trade mark.
 - (vi) Any licence agreements, registered-user agreements or royalty agreements including details of any payments made or to be made under such agreements.
 - (viii) Any undertakings, covenants, condition or restrictions concerning the use of any trade mark.
 - (ix) Any consents given to any other party for the registration of any trade mark the same or similar to the Target's trade marks.
 - (x) Date last renewal fee paid.
 - (xi) Details of the use of the trade mark during the last five years, including details of the goods or services to which the mark has been applied and the approximate turnover in each of those years in relation to those goods or services.
 - (xii) Name of the Target's trade mark agent, if any.

Designs

- (i) Details of any designs used but for which registration has not been registered or applied for or has been refused.
- (j) Details of any unregistered design rights or equivalent legal rights in other jurisdictions, indicating which product of the Target each relates to, together with details of the designer and the date of creation.
- (k) Details of:

- (i) Name of proprietor, applicant and designer.
- (ii) Registered number or application number.
- (iii) Description of design.
- (iv) Nature of interest.
- (v) Any assignments or any rights granted under the patent.
- (vi) Any licence agreements, user agreements or royalty agreements relating to the patent, including details of any payments made or to be made under such agreements.
- (vii) Any other agreements relating to the patent.
- (viii) Any charges created over the patent.
 - (ix) Date last renewal fee paid.
 - (x) Name of agent (if any).

Copyright

- (l) Details of any copyright owned or used by the Target including copyright in any computer software developed by the Target.
- (m) Copies of:
 - (i) Any assignments of copyright granted to or by the Target.
 - (ii) Any licence agreements, user agreements or royalty agreements granted to or by the Target, including details of any payments made or to be made under such agreements.
 - (iii) Any other agreements relating to copyright entered into by the Target.

Other intellectual property

- (n) Copies (or details where unwritten) of semi-conductor topography rights, utility models and petty patent, and other monopoly rights.

Employee claims

- (o) Details of any actual or potential claims by employees or former employees for compensation under the Patents Act 1977 or otherwise or under any foreign jurisdiction in respect of any inventions or other developments made by that person whilst employed by

the Target and of any facts or circumstances which may give rise to any such claims.

Trade secrets, know how

- (p) Has all technology been developed exclusively by employees of the Target who were subject to contracts whereby the beneficial ownership of all intellectual property rights vested in the Target? If not, the source of the technology should be stated, together with the right of the Target to use it, plus copies of relevant documentation.
- (q) Are there any technological or other trade secrets which the Target would wish to keep secret, for example formulae, production manuals or techniques?
- (r) Please provide particulars of any confidentiality obligations and restrictive covenants imposed on employees and former employees.
- (s) To the vendors' knowledge, have any employees or former employees breached these obligations or covenants? If so, please provide particulars including any steps taken by the Target to remedy the situation.
- (t) Is there any information which the Target tried to keep secret but which has now been published or is being used by others who are not under the Target's control? If so, please provide details.
- (u) Please provide copies or details where unwritten of any agreements whereby any confidential information of the Target has been disclosed.
- (v) Please confirm that the Target complies with all and has not infringed any provisions of European Union Regulations relating to certain categories of Technical Transfer Agreements

Infringement of third party rights

- (w) Are there any third party intellectual property rights which might be infringed by the operations of the Target?
- (x) Are there any third party intellectual property rights that are or may be relevant to any present or contemplated future operation of the Target, which the Target is either:
 - (i) aware of; or
 - (ii) has been notified of by or on behalf of the third party; or
 - (iii) has obtained the opinions of counsel, solicitors, patent agents or the like on (if so, please provide copies); or
 - (iv) have been the subject of settlement proposals (if so, please provide details of the terms proposed).

General

- (y) Are any intellectual property rights shared with any other organisation including (without limitation) other group companies? This would include rights held by the Target and those held by the other organisation.

15. INVESTMENTS

C-17

- 15.1 Please provide copies of any documentation relating to (or details where unwritten of) any investments, including shares held in other companies, in addition to any information disclosed pursuant to inquiry 3.1 above. In the case of shares held in other companies, please provide a copy of the share certificates.

16. LENDING TO THIRD PARTIES

C-18

- 16.1 Please provide:

- (a) Copies of documentation (or details where unwritten) of all lending by the Target to other parties (including directors, employees or shareholders) or other Group companies.
- (b) Copies of all security documents (including mortgages, debentures, debenture trust deeds, instruments by way of security, guarantees, Letters of Comfort, deeds of postponement) relating to such lending.
- (c) Details of balances outstanding.
- (d) Details of non-compliance with the lending and security documents referred to above.
- (e) Confirmation whether it is intended that any loans will be recovered before completion of this transaction.

Letters of credit

- (f) Details of all letters of credit of which the Target is the named beneficiary.

17. BANKING FACILITIES/BORROWING FROM THIRD PARTIES, FINANCIAL GRANTS

C-19

- 17.1 Please provide:

Facilities

- (a) Names and branch addresses of all banks, building society and financial institutions with whom the Target holds an account (including all current, deposit and trust accounts).
- (b) Titles and numbers of each account.
- (c) Copies of all existing direct debits, standing orders or similar instructions.
- (d) Current balance of each account.
- (e) Copies of latest statement for each account.
- (f) Copies of mandates for each account.

Borrowing

- (g) Details of all borrowing, whether under term loan or overdraft facilities, bonds, loan stock issues, bills of exchange, commercial paper or similar instruments (including share capital redeemable within 10 years of issue), acceptance credit, documentary credit or bill discounting facilities, interest rate swaps, currency swaps, financial options, financial contracts or other similar instruments and finance leases. This should include inter-group borrowings and loans from directors, employees or shareholders.
- (h) Copies of all agreements relating to any borrowings by the Target and details of all existing or anticipated breaches of the terms of such agreements by the Target together with copies of all extant notices, demands or other communications from the relevant lender to the Target.
- (i) Particulars and (where applicable) copies of all mortgages, debentures, debenture trust deeds, instruments by way of security charges, pledges, liens, encumbrances, conditional sale or other title retention or trust arrangements, deeds of postponement, preferential rights or other agreements or arrangements the effect of which is to create a security over the assets or any part thereof of the Target, together with copies of all extant notices, demands or other communications from the beneficiary of the relevant security to the Target.
- (j) Details of any issued loan stock.
- (k) Details of all balances outstanding.
- (l) Copies (or details where unwritten) of any default notices served on the Target and details of any non-compliance with the borrowing and security documentation referred to above.
- (m) Confirmation whether it is intended that any borrowings will be repaid before completion of this transaction.
- (n) Confirmation that the current level of banking facilities generally is adequate for the Target's working capital purposes for the next 12 months.

Financial grants or other assistance

- (o) Please provide copies of documentation for (or details where unwritten of) financial grants or other assistance from a governmental or other body.
- (p) Details of amounts outstanding.

18. GUARANTEES, INDEMNITIES, LETTERS OF CREDIT

Note: This section does not relate to product or service warranties granted by the Target

18.1 Please provide copies of:

- (a) Any guarantees, sureties, indemnities or counter-indemnities (including Letters of Comfort, extant notices, demands or other communications from such third parties) given by the Target in respect of the obligations of another party (including shareholders of the Target).
- (b) Any guarantees, sureties and indemnities provided by any third party in respect of the obligations of the Target together with any security documentation.

Letters of credit

- (c) All letters of credit issued in favour of third parties on application of the Target.

19. PRODUCT/SERVICE LIABILITIES

19.1 Please provide a brief outline of the method by which the Target documents its product/service warranties or guarantees given to customers (if any). Please provide copies of the documentation used, including any warranty cards issued.

19.2 Is the Target indemnified for any product/service warranties or guarantees by any of its suppliers? If so, please provide details.

20. INVESTIGATIONS/LITIGATION/DISPUTES

C-22

20.1 Please provide:

Disputes

- (a) Details of any potential or actual litigation, arbitration or other disputes (including industrial tribunal actions) affecting the Target or any person for whose acts or defaults the Target may be vicariously liable which, to the Target's knowledge (whether in the United Kingdom or elsewhere) is currently involving the Target, or is contemplated, or foreseeable.

- (b) In respect of any current litigation or other dispute, copies of:
- (i) Any writ, statements of claim and defence.
 - (ii) Any correspondence.
 - (iii) Opinions from counsel or other advisers.
 - (iv) Settlement levels.
 - (v) Estimated costs (including legal costs).
 - (vi) Particulars of any terms of settlement negotiated or proposed.
- (c) Any injunction, order or judgment still in force made by any court or governmental agency against the Target.
- (d) Any undertaking given by the Target to any court or any third party arising out of any legal proceedings.

Regulatory action

- 20.2 Provide details of any notices issued, inspections made or enforcement actions taken by any governmental or other regulatory authority (other than environmental issues or health or safety) in respect of the Target.
- 20.3 Provide details of any operations by the Target or any situations which are (or have been) in breach of any legally enforceable requirements (statutory or otherwise) or in respect of which there is a significant risk of such a breach being found, irrespective of whether litigation has already begun or threatened.
- 20.4 Provide details of any formal or informal complaints which the Target has received from or on behalf of any employees or neighbours on any matter.

21. INSURANCE

In relation to the Assets:

- 21.1 Is it intended that the existing insurance policies will pass to Newco? If not, please provide reasons. If existing insurance policies are not to pass to Newco, nevertheless please provide the information requested below.

Please provide:

- (a) A schedule of all past period and current insurance cover relating to the Assets. The schedule should include details of the type of insurance policy, the insurer, insured and insurance broker (if any), the limit of any relevant excess together with copies of all such policies, any amended terms or endorsements and any renewal notice.

- (b) Is there any insurance in place for each of the following:
 - (i) Environmental impairment?
 - (ii) Business interruption?
 - (iii) Product liability?
 - (c) A copy of all policy documentation for policies still in force.
 - (d) Evidence that premiums are paid up to date and that policies are current.
 - (e) Copy of certificate of employer's liability insurance.
 - (f) Details of all claims (including outstanding claims) made under policies relating to the Assets during the period of years specified below and of any current circumstances which may give rise to claims:
 - (i) Employer's liability insurance—10 years.
 - (ii) All other insurances_ five years.
 - (g) Details of any insurance cover refused by any insurers during the last five (5) years.
- 21.2 Has cover against any risk ever been refused or made subject to special terms? If so, please provide details and copies of relevant documentation.
- 21.3 Will it be possible for the Purchaser to take over any of the above insurances currently in place on exchange of contracts?

22. TAXATION

- 22.1 Please provide:
- (a) Details of the VAT registration of the Target, and whether it belongs to a VAT group.
 - (b) Details of the last VAT control visit and matters arising therefrom, including details of any outstanding VAT matters and disputes.

23. NON-COMPLIANCE WITH AGREEMENTS/CHANGE OF CONTROL

- 23.1 Please provide details of any non-compliance by either the Target or the other party in respect of any agreement (whether written or unwritten) entered into by the Target.
- 23.2 Please provide a list of any agreements or arrangements which are subject to termination or variation, require prior consent or notification, or are contravened or otherwise affected by the establishment and development of Newco.

24. VOIDABLE TRANSACTIONS/RECONSTRUCTIONS

- 24.1 Has the Target given any security (by way of charge, guarantee, indemnity, etc.) during the last two years to existing lenders, creditors, guarantors, directors or shareholders?
- 24.2 Has the Target made or been party to the making of any gifts for nil consideration.
- 24.3 Has the Target entered into any transactions for a consideration the value of which money or money's worth is significantly less than the value of the consideration provided by the Target?
- 24.4 Has the Target done anything or allowed anything to be done which would have the effect of putting any person in a better position than he or she otherwise would be in the event that the Target went into insolvent liquidation?
- 24.5 Is the Target to the knowledge of any of the directors carrying on a business with a name which is the same as or similar to the name being used by any other business or company and, if so, how long has the Target been using that name.

25. IMPENDING LEGISLATIVE CHANGES

- 25.1 Are you aware of any impending legislative changes which might affect the Target or Newco?

26. COMPLIANCE WITH SPECIAL INDUSTRY SECTOR LEGISLATION

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27. DATA PROTECTION

If the Target will provide data protection services for Newco

- 27.1 Does the Target have a Data Protection Act ("the Act") registration and compliance officer?
- 27.2 Why and how is data held?
- 27.3 Describe procedures for ensuring data held is accurate and up to date.
- 27.4 Describe subject data access procedures.
- 27.5 What security measures are in force?
- 27.6 Have there been any breaches of the Act by the Target?

28. OTHER MATTER

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29. SOME LEGAL, FINANCIAL, POLITICAL AND OTHER INFORMATION RELATING TO NON-

ENGLISH JURISDICTIONS AND JOINT VENTURE SITES

Where the joint venture is to be situated beyond the jurisdiction of the English courts some of the following factors may be taken into account and explored with the potential co-joint venturer or joint venturers and local advisers as part of the due diligence preliminary enquiries:

Economic and monetary factors

29.1 These include demographic and other data such as:

- * size of GNP
- * GNP growth rate
- * population size and growth rate
- * per capita income and growth rate
- * income and work distribution
- * existence of a working, realistic, development plan
- * basis of economy and recent major changes and developments
- * inflation rates
- * dependence on imports
- * dependence on exports
- * balance of payments records
- * dependence on foreign aid
- * debt servicing record
- * currency stability and strength
- * soundness of government budgeting and economic planning
- * repatriation guarantees
- * market size for product or services
- * price stability
- * tariff and quota schemes
- * currency convertibility
- * foreign exchange reserve position
- * money supply.

Political factors

29.2 These include:

- * form and stability of government
- * type of constitution
- * foreign relations
- * law and order
- * social, ethnic and religious frictions
- * foreign inward direct investment policy
- * nationalisation and privatisation policies
- * friendship treaties and political influence of major powers.

Policy, legal and governmental factors

29.3 These include:

- * red tape and corruption
- * restrictions on foreign ownership
- * independence of judiciary
- * freedom from government intervention in courts and business practices
- * restrictive practices
- * monopolies legislation
- * safety from punitive taxation or arbitrary or discriminatory fiscal legislation
- * absence of price controls
- * competence and independence of professional advisers
- * soundness of fiscal policies
- * fairness and honesty of administrative procedures
- * existence of clear, modern investment law and practice
- * reliability and integrity of government officials.

Infrastructure factors

29.4 These include:

- * railway, road, water and air transport efficiency and availability
- * existence and cost of port facilities, free ports, free zones and bonded warehouses
- * availability and cost of electricity, gas and water
- * reliability of utilities
- * waste disposal facilities and environmental requirements
- * reliability, speed and cost of mail, telephone and other

communications services * availability and cost of plant sites and other suitable land required by Newco * existence of supporting industry * domestic and international air services.

Geographic factors

29.5 These include:

* proximity to suppliers and customers * proximity to export markets * ease of importing and exporting * availability of raw materials * accessibility to provincial markets * climatic conditions * environmental conditions.

Labour factors

29.6 These include:

* availability of skilled, semi-skilled, unskilled and secretarial resources * degree of skill, discipline and productivity at all levels * trainability and training facilities * availability of English-speaking staff at all levels * labour costs, customary remuneration and fringe benefits * social security payment and other provision requirements * unionisation * freedom to hire and fire * social security taxes * minimum wage regulation * industrial regulations generally * profit sharing * incentives * special industry practices.

Tax factors

29.7 These include:

* general tax morality * types of taxes * tax rates * customs duties * tax incentives * depreciation treatment, deductions and allowances * tax treaties * tariff protection * corporate and individual taxation * fairness and incorruptibility of tax authorities.

Financing factors

29.8 These include:

* local banking resources * interest rates * restrictions on borrowing * export finance insurance availability * foreign currency availability * government credit aids * foreign source borrowings * problems of valuation where there is no local market.

Expatriate living factors

29.9 These include:

* general quality of life * availability and cost of accommodation and living * availability of domestic help * health service * educational facilities * recreational amenities * cost of communications * higher education.