
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q/A

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-16914

THE E. W. SCRIPPS COMPANY

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

31-1223339
(I.R.S. Employer
Identification Number)

312 Walnut Street
Cincinnati, Ohio
(Address of principal executive offices)

45202
(Zip Code)

Registrant's telephone number, including area code: (513) 977-3000

Not Applicable

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of April 30, 2006 there were 126,966,958 of the Registrant's Class A Common Shares outstanding and 36,568,226 of the Registrant's Common Voting Shares outstanding.

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EXPLANATORY NOTE

This Amendment Number 1 on Form 10-Q for the quarter ended March 31, 2006, as originally filed with the SEC on May 10, 2006, is being filed to revise Part II—Item 6. Exhibits to include the uSwitch acquisition agreements that were inadvertently omitted from the From 10-Q as originally filed. The registrant has also included herewith Exhibits 31(a), 31(b), 32(a), and 32(b) as required by the filing of this amendment. This Amendment No. 1 continues to speak as of the date of the original filing and the registrant has not updated the disclosure contained herein to reflect events that have occurred since the date of the original filing. Accordingly, aside from the additional exhibit documents included in this amendment, no other portion of the report on Form 10-Q as originally filed is being modified by this amendment.

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REPORT ON FORM 10-Q FOR THE QUARTER ENDED March 31, 2006

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PART I

As used in this Quarterly Report on Form 10-Q, the terms “we,” “our,” “us” or “Scripps” may, depending on the context, refer to The E.W. Scripps Company, to one or more of its consolidated subsidiary companies or to all of them taken as a whole.

ITEM 1. FINANCIAL STATEMENTS

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

PART II

ITEM 1. LEGAL PROCEEDINGS

We are involved in litigation arising in the ordinary course of business, such as defamation actions, employment and employee relations and various governmental and administrative proceedings, none of which is expected to result in material loss.

ITEM 1A. RISK FACTORS

There have been no material changes to the factors disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2005.

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ITEM 2. UNREGISTERED SALES OF EQUITY AND USE OF PROCEEDS

There were no sales of unregistered equity securities during the quarter for which this report is filed.

The following table provides information about Company purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act during the quarter ended March 31, 2006:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans Or Programs</u>
1/1/06 - 1/31/06	126,000	\$ 49.26	126,000	4,124,000
2/1/06 - 2/28/06	133,000	\$ 49.18	133,000	3,991,000
3/1/06 - 3/31/06	161,000	\$ 46.35	161,000	3,830,000
Total	<u>420,000</u>	<u>\$ 48.12</u>	<u>420,000</u>	<u>3,830,000</u>

Under a share repurchase program authorized by the Board of Directors on October 28, 2004, we are authorized to repurchase up to 5.0 million Class A Common Shares. There is no expiration date for the program and we are under no commitment or obligation to repurchase any particular amount of Class A Common Shares under the program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There were no defaults upon senior securities during the quarter for which this report is filed.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the quarter for which this report is filed.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibits

The information required by this item is filed as part of this Form 10-Q. See Index to Exhibits at page E-1 of this Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE E. W. SCRIPPS COMPANY

Dated: September 1, 2006

BY: /s/ Joseph G. NeCastro
Joseph G. NeCastro
Executive Vice President and Chief Financial Officer

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THE E. W. SCRIPPS COMPANY

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<i>(in thousands)</i>	March 31, 2006 (Unaudited)	As of December 31, 2005	March 31, 2005 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 32,771	\$ 19,243	\$ 23,170
Short-term investments	23,318	12,800	4,269
Accounts and notes receivable (less allowances - \$8,600, \$8,702, \$10,605)	454,459	466,224	362,658
Programs and program licenses	183,013	172,879	143,786
Inventories	11,218	11,725	10,256
Deferred income taxes	31,804	32,249	17,874
Assets of discontinued operations	259,987	259,254	370,322
Miscellaneous	23,558	21,656	16,781
Total current assets	<u>1,020,128</u>	<u>996,030</u>	<u>949,116</u>
Investments	<u>234,994</u>	<u>210,021</u>	<u>230,496</u>
Property, plant and equipment	<u>475,506</u>	<u>490,891</u>	<u>456,364</u>
Goodwill and other intangible assets:			
Goodwill	1,918,784	1,647,794	1,257,598
Other intangible assets	332,055	227,585	86,731
Total goodwill and other intangible assets	<u>2,250,839</u>	<u>1,875,379</u>	<u>1,344,329</u>
Other assets:			
Programs and program licenses (less current portion)	176,431	169,624	165,050
Unamortized network distribution incentives	168,502	172,271	188,382
Prepaid pension	60,992	66,153	28,223
Miscellaneous	48,201	52,259	38,932
Total other assets	<u>454,126</u>	<u>460,307</u>	<u>420,587</u>
TOTAL ASSETS	<u>\$4,435,593</u>	<u>\$4,032,628</u>	<u>\$3,400,892</u>

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(in thousands, except share data)</i>	March 31, 2006 (Unaudited)	As of December 31, 2005	March 31, 2005 (Unaudited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	\$ 40,462		
Accounts payable	68,715	\$ 62,107	\$ 70,308
Customer deposits and unearned revenue	51,007	45,797	44,703
Accrued liabilities:			
Employee compensation and benefits	50,608	72,543	44,871
Network distribution incentives	8,343	8,871	36,561
Accrued income taxes	39,804	4,705	36,741
Miscellaneous	80,382	82,886	61,743
Liabilities of discontinued operations	77,854	83,102	90,141
Other current liabilities	52,471	28,954	24,673
Total current liabilities	<u>469,646</u>	<u>388,965</u>	<u>409,741</u>
Deferred income taxes	349,829	318,020	210,729
Long-term debt (less current portion)	1,048,483	825,775	453,137
Other liabilities (less current portion)	121,905	121,528	84,623
Minority interests	103,060	91,261	84,601
Shareholders' equity:			
Preferred stock, \$.01 par - authorized: 25,000,000 shares; none outstanding			
Common stock, \$.01 par:			
Class A - authorized: 240,000,000 shares; issued and outstanding: 127,085,500, 126,994,386; and 126,735,127 shares	1,271	1,270	1,267
Voting - authorized: 60,000,000 shares; issued and outstanding: 36,568,226, 36,668,226 and 36,668,226 shares	366	367	367
Total	1,637	1,637	1,634
Additional paid-in capital	386,802	363,416	328,991
Stock compensation:			
Performance awards and restricted stock units		4,828	1,643
Unvested restricted stock awards		(1,634)	(3,329)
Retained earnings	1,968,890	1,930,994	1,840,906
Accumulated other comprehensive income (loss), net of income taxes:			
Unrealized gains on securities available for sale	4,069	4,906	5,491
Pension liability adjustments	(18,550)	(18,550)	(18,495)
Foreign currency translation adjustment	(178)	1,482	1,220
Total shareholders' equity	<u>2,342,670</u>	<u>2,287,079</u>	<u>2,158,061</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$4,435,593</u>	<u>\$4,032,628</u>	<u>\$3,400,892</u>

See notes to condensed consolidated financial statements.

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<i>(in thousands, except per share data)</i>	Three months ended	
	March 31,	
	2006	2005
Operating Revenues:		
Advertising	\$418,758	\$374,056
Referral fees	58,153	
Network affiliate fees, net	48,286	41,975
Circulation	32,534	33,789
Licensing	18,930	21,108
Other	13,068	11,975
Total operating revenues	<u>589,729</u>	<u>482,903</u>
Costs and Expenses:		
Employee compensation and benefits (exclusive of JOA editorial compensation costs)	161,729	137,030
Marketing and advertising	58,321	27,107
Programs and program licenses	55,478	54,175
Newsprint and ink	23,474	20,819
JOA editorial costs and expenses	9,213	8,997
Other costs and expenses	114,022	99,566
Total costs and expenses	<u>422,237</u>	<u>347,694</u>
Depreciation, Amortization, and Losses (Gains):		
Depreciation	17,254	14,007
Amortization of intangible assets	8,094	1,296
Gain on formation of Colorado newspaper partnership	(3,535)	
Losses (gains) on disposal of property, plant and equipment	96	49
Net depreciation, amortization and losses (gains)	<u>21,909</u>	<u>15,352</u>
Operating income	145,583	119,857
Interest expense	(12,153)	(7,372)
Equity in earnings of JOAs and other joint ventures	11,370	18,157
Interest and dividend income	542	208
Miscellaneous, net	1,037	333
Income from continuing operations before income taxes and minority interests	146,379	131,183
Provision for income taxes	50,548	46,916
Income from continuing operations before minority interests	95,831	84,267
Minority interests	14,349	11,335
Income from continuing operations	81,482	72,932
Income (loss) from discontinued operations, net of tax	(6,417)	(2,921)
Net income	<u>\$ 75,065</u>	<u>\$ 70,011</u>
Net income (loss) per basic share of common stock:		
Income from continuing operations	\$.50	\$.45
Income (loss) from discontinued operations	(.04)	(.02)
Net income per basic share of common stock	<u>\$.46</u>	<u>\$.43</u>
Net income (loss) per diluted share of common stock:		
Income from continuing operations	\$.49	\$.44
Income (loss) from discontinued operations	(.04)	(.02)
Net income per diluted share of common stock	<u>\$.45</u>	<u>\$.42</u>

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<i>(in thousands)</i>	Three months ended	
	March 31,	
	2006	2005
Cash Flows from Operating Activities:		
Income from continuing operations	\$ 81,482	\$ 72,932
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	25,348	15,303
Gain on formation of Colorado newspaper partnership	(3,535)	
Deferred income taxes	152	(3,444)
Excess tax benefits of stock compensation plans		1,486
Dividends received greater (less) than equity in earnings of JOAs and other joint ventures	6,428	(1,087)
Stock and deferred compensation plans	12,855	3,886
Minority interests in income of subsidiary companies	14,349	11,335
Affiliate fees billed greater than amounts recognized as revenue	3,802	4,283
Network launch incentive payments	(1,440)	(5,079)
Payments for programming less (greater) than program cost amortization	(20,944)	(3,815)
Prepaid and accrued pension expense	5,161	3,956
Other changes in certain working capital accounts, net	34,862	24,196
Miscellaneous, net	2,384	967
Net cash provided by continuing operating activities	160,904	124,919
Net cash provided by (used in) discontinued operating activities	(10,008)	(8,747)
Net operating activities	150,896	116,172
Cash Flows from Investing Activities:		
Purchase of subsidiary companies and long-term investments	(374,535)	(565)
Proceeds from formation of Colorado newspaper partnership, net of transaction costs	20,029	
Additions to property, plant and equipment	(10,273)	(7,110)
Decrease (increase) in short-term investments	(10,518)	4,368
Sale of long-term investments	1,138	2,071
Miscellaneous, net	914	(45)
Net cash provided by (used in) continuing investing activities	(373,245)	(1,281)
Net cash provided by (used in) discontinued investing activities	(2,390)	(1,299)
Net investing activities	(375,635)	(2,580)
Cash Flows from Financing Activities:		
Increase in long-term debt	263,379	
Payments on long-term debt	(24)	(78,758)
Dividends paid	(18,010)	(16,326)
Dividends paid to minority interests	(335)	(363)
Repurchase Class A Common shares	(19,280)	
Proceeds from employee stock options	7,774	6,780
Excess tax benefits of stock compensation plans	2,753	
Miscellaneous, net	2,010	(14,169)
Net cash provided by (used in) continuing financing activities	238,267	(102,836)
Net cash provided by discontinued financing activities		135
Net financing activities	238,267	(102,701)
Increase in cash and cash equivalents	13,528	10,891
Cash and cash equivalents:		
Beginning of year	19,243	12,279
End of period	\$ 32,771	\$ 23,170
Supplemental Cash Flow Disclosures:		
Interest paid, excluding amounts capitalized	\$ 11,102	\$ 7,718
Income taxes paid continuing operations	\$ 9,157	\$ 17,904
Income taxes paid (refunds received) discontinued operations	(623)	(1,918)
Total income taxes paid	\$ 8,534	\$ 15,986

See notes to condensed consolidated financial statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
AND SHAREHOLDERS' EQUITY (UNAUDITED)**

<i>(in thousands, except share data)</i>	Common Stock	Additional Paid-in Capital	Stock Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
As of December 31, 2004	\$1,632	\$320,359	\$ (4,090)	\$1,787,221	\$ (9,001)	\$2,096,121
Comprehensive income:						
Net income				70,011		70,011
Unrealized gains (losses), net of tax of \$1,651					(3,064)	(3,064)
Adjustment for losses (gains) in income, net of tax of (\$347)					643	643
Change in unrealized gains (losses)					(2,421)	(2,421)
Currency translation, net of tax of \$32					(362)	(362)
Total				70,011	(2,783)	67,228
Dividends: declared and paid - \$.10 per share				(16,326)		(16,326)
Compensation plans, net: 251,201 shares issued; 35,406 shares repurchased; 2,500 shares forfeited	2	7,146	2,404			9,552
Tax benefits of compensation plans		1,486				1,486
As of March 31, 2005	<u>\$1,634</u>	<u>\$328,991</u>	<u>\$ (1,686)</u>	<u>\$1,840,906</u>	<u>\$ (11,784)</u>	<u>\$2,158,061</u>
As of December 31, 2005	\$1,637	\$363,416	\$ 3,194	\$1,930,994	\$ (12,162)	\$2,287,079
Comprehensive income:						
Net income				75,065		75,065
Unrealized gains (losses), net of tax of \$444					(826)	(826)
Adjustment for losses (gains) in income, net of tax of \$6					(11)	(11)
Change in unrealized gains (losses)					(837)	(837)
Currency translation, net of tax of \$20					(1,660)	(1,660)
Total				75,065	(2,497)	72,568
Adoption of FAS 123-R		3,194	(3,194)			
Dividends: declared and paid - \$.11 per share				(18,010)		(18,010)
Convert 100,000 voting shares to Class A shares						
Repurchase 420,000 Class A Common shares	(4)	(1,057)		(19,159)		(20,220)
Compensation plans, net: 470,753 shares issued; 57,323 shares repurchased; 2,316 shares forfeited	4	18,496				18,500
Tax benefits of compensation plans		2,753				2,753
As of March 31, 2006	<u>\$1,637</u>	<u>\$386,802</u>	<u>\$</u>	<u>\$1,968,890</u>	<u>\$ (14,659)</u>	<u>\$2,342,670</u>

See notes to condensed consolidated financial statements.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Aside from information disclosed in this form 10-Q, the information disclosed in the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2005, has not changed materially. Financial information as of December 31, 2005, included in these financial statements has been derived from the audited consolidated financial statements included in that report. In management's opinion all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the interim periods have been made.

Results of operations are not necessarily indicative of the results that may be expected for future interim periods or for the full year.

Nature of Operations - We are a diverse media concern with interests in national television networks, newspaper publishing, broadcast television, interactive media, and licensing and syndication. All of our media businesses provide content and advertising services via the Internet. Our media businesses are organized into the following reportable business segments: Scripps Networks, Newspapers, Broadcast television, and Interactive media.

Scripps Networks includes five national television networks, Home & Garden Television ("HGTV"), Food Network, DIY Network ("DIY"), Fine Living and Great American Country ("GAC"); our online network HGTVPro.com; Scripps Network branded broadband channels; and our 12% interest in FOX Sports Net South, a regional television network. Our networks also operate internationally through licensing agreements and joint ventures with foreign entities. We own approximately 70% of Food Network and approximately 90% of Fine Living. Each of our networks is distributed by cable and satellite television systems. Scripps Networks earns revenue primarily from the sale of advertising time and from affiliate fees from cable and satellite television systems.

Our newspaper business segment includes daily and community newspapers in 18 markets in the U.S. Three of our newspapers are operated pursuant to the terms of joint operating agreements (See Note 7). Each of those newspapers maintains an independent editorial operation and receives a share of the operating profits of the combined newspaper operations. Newspapers earn revenue primarily from the sale of advertising space to local and national advertisers and from the sale of newspapers to readers.

Broadcast television includes six ABC-affiliated stations, three NBC-affiliated stations and one independent. Each station is located in one of the 61 largest television markets in the U.S. Broadcast television stations earn revenue primarily from the sale of advertising time to local and national advertisers.

Interactive media includes our online comparison shopping services, Shopzilla and uSwitch. Shopzilla, acquired on June 27, 2005, operates a product comparison shopping service that helps consumers find products offered for sale on the Web by online retailers. Shopzilla aggregates and organizes information on millions of products from thousands of retailers. Shopzilla also operates BizRate, a Web-based consumer feedback network which collects millions of consumer reviews of stores and products each year. We acquired uSwitch on March 16, 2006. uSwitch operates an online comparison service that helps consumers compare prices and arrange for the purchase of a range of essential home services including gas, electricity, home phone, broadband providers and personal finance products in the United Kingdom. Our interactive media businesses earn revenue primarily from referral fees and commissions paid by participating online retailers and service providers.

Financial information for our business segments is presented in Note 17. Licensing and other media aggregates our operating segments that are too small to report separately, and primarily includes syndication and licensing of news features and comics.

Our operations are geographically dispersed and we have a diverse customer base. We believe bad debt losses resulting from default by a single customer, or defaults by customers in any depressed region or business sector, would not have a material effect on our financial position. Approximately 70% of our operating revenues are derived from advertising. Operating results can be affected by changes in the demand for advertising both nationally and in individual markets.

The six largest cable television systems and the two largest satellite television systems provide service to more than 95% of homes receiving HGTV and Food Network. The loss of distribution by any of these cable and satellite television systems could adversely affect our business. While no assurance can be given regarding renewal of our distribution contracts, we have not lost carriage upon the expiration of our distribution contracts with any of these cable and satellite television systems.

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One customer accounts for approximately 30% of Interactive Media's annual operating revenues. Our Interactive Media business could be adversely affected upon the loss of this customer.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make a variety of decisions that affect the reported amounts and the related disclosures. Such decisions include the selection of accounting principles that reflect the economic substance of the underlying transactions and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions.

Our financial statements include estimates and assumptions used in accounting for our defined benefit pension plans; the recognition of certain revenues; rebates due to customers; the periods over which long-lived assets are depreciated or amortized; the fair value of such long-lived assets; income taxes payable; estimates for uncollectible accounts receivable; and self-insured risks.

While we re-evaluate our estimates and assumptions on an ongoing basis, actual results could differ from those estimated at the time of preparation of the financial statements.

Revenue Recognition - Our primary sources of revenue are from:

- The sale of advertising space, advertising time and internet advertising
- Referral fees paid by participating online retailers and service providers
- Subscriber fees paid by cable and satellite televisions systems for our programming services ("network affiliate fees")
- The sale of newspapers to distributors and to individual subscribers
- Royalties from licensing copyrighted characters

The revenue recognition policies for each source of revenue are described in our annual report on Form 10-K for the year ended December 31, 2005.

Newspaper Joint Operating Agreements ("JOA") - We include our share of JOA earnings in "Equity in earnings of JOAs and other joint ventures" in our Consolidated Statements of Income. The related editorial costs and expenses are included in "JOA editorial costs and expenses." Our residual interest in the net assets of the Denver and Albuquerque JOAs is classified as an investment in the Consolidated Balance Sheets. We do not have a residual interest in the net assets of the Cincinnati JOA.

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Stock-Based Compensation – We have a stock-based compensation plan, which is described more fully in Note 18 to this Form 10-Q.

Effective January 1, 2006, we adopted Financial Accounting Standard No. 123-R - Share Based Payment (“FAS 123-R”). In accordance with FAS 123-R, share based compensation is based on the grant-date fair value of the award. Compensation costs, net of estimated forfeitures, are recognized on a straight-line basis over the requisite service period of the award, which is generally the vesting period. However, under the provisions of our plan, awards generally vest upon retirement. As a result, grants to retiree-eligible employees are generally expensed immediately upon grant.

Prior to fiscal 2006, we applied the provisions of Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees,” in accounting for stock-based compensation. Under APB 25 we recognized compensation costs equal to the intrinsic value of the award on the date of grant over the vesting period, including grants to retiree-eligible employees. Any unrecognized compensation expense was recognized upon retirement of the employee. Compensation expense included in our financial statements and in our pro forma disclosures was attributed to each period based upon how each tranche of an award vested.

We adopted FAS 123-R using the modified prospective application method. Under this transition method we will apply the provisions of FAS 123-R to new and modified awards after the date of adoption and to the unvested portion of awards outstanding as of January 1, 2006. Prior period reported amounts have not been restated to apply the provisions of FAS 123-R. The effect of applying the standard to periods prior to adoption will continue to be disclosed on a pro forma basis only.

Prior to the adoption of FAS 123-R, tax benefits of stock compensation were presented as operating in the statement of cash flows. Upon the adoption of FAS 123-R, tax benefits related to stock compensation expensed in our statement of income is presented as operating cash flows, while tax benefits resulting from tax deductions in excess of the compensation recognized in our statements of income are classified as financing cash flows. In addition, prior to adoption of FAS 123-R, shareholders’ equity was increased by the intrinsic value of the award on the date of grant. The unvested portion of the award as of each balance sheet date was presented as a reduction in stockholders’ equity as of that date. Upon adoption of FAS 123-R, stockholders’ equity is increased as the fair value of the award is recognized as compensation expense in our statements of income.

Options to purchase Class A Common shares are granted with exercise prices equal to or greater than the fair value of the underlying stock at the date of grant. Options generally vest over a three year period, conditioned upon the individual’s continued employment through that period.

Performance awards represent the right to receive a grant of restricted shares if certain performance measures are met. Each award specifies a target number of shares to be issued and the specific performance criteria that must be met. The number of shares that an employee receives may be less or more than the target number of shares depending on the extent to which the specified performance measures are met or exceeded. We estimate total compensation expense based upon the number of shares that we expect to be issued and the fair value of the underlying shares at the date of grant. The awards generally vest over a three year period from the date of grant of the performance award.

Awards of Class A Common shares (“restricted stock”) and restricted stock units (“RSU”) generally require no payment by the employee. Restricted stock and RSUs generally vest over a one to three-year incentive period conditioned upon the individual’s continued employment through that period. The vesting of certain awards may be accelerated if certain financial targets are met. If it is expected those targets will be met, the awards are amortized over the accelerated vesting period.

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Net Income Per Share - The following table presents information about basic and diluted weighted-average shares outstanding:

<i>(in thousands)</i>	Three months ended	
	March 31,	
	2006	2005
Basic weighted-average shares outstanding	163,434	162,893
Effect of dilutive securities:		
Unvested restricted stock held by employees	219	277
Stock options held by employees and directors	1,589	1,925
Diluted weighted-average shares outstanding	<u>165,242</u>	<u>165,095</u>

Stock options to purchase 5,276,547 common shares were anti-dilutive as of March 31, 2006 and are therefore not included in the computation of diluted weighted-average shares outstanding.

2. ACCOUNTING CHANGES AND RECENTLY ISSUED ACCOUNTING STANDARDS

Aside from the impacts of adopting FAS 123-R that are discussed in Note 1, there have been no material changes to the recent pronouncements as previously reported in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

3. ACQUISITIONS

2006 - On March 16, 2006, we acquired 100% of the common stock of uSwitch Ltd. for approximately \$382 million in cash. Assets acquired in the transaction included approximately \$10.9 million of cash. The acquisition, financed using a combination of cash on hand and borrowing on both existing and new credit facilities, enables us to further capitalize on the increasing use and profitability of specialized internet search and to extend the reach of our Interactive Media businesses into essential home services and international markets.

In the first quarter of 2006, we acquired an additional 4% interest in our Memphis newspaper and 2% interest in our Evansville newspaper for total consideration of \$22.2 million, of which \$2.9 million of the consideration was paid in the first quarter. We also acquired a newspaper publication for total consideration of \$0.7 million.

2005 - On June 27, 2005, we acquired 100% ownership of Shopzilla for approximately \$570 million in cash. Assets acquired in the transaction included approximately \$34.0 million of cash and \$12.3 million of short-term investments. The acquisition was financed using a combination of cash on hand and additional borrowings. The acquisition enabled us to capitalize on the rapid growth and rising profitability of specialized Internet search businesses and expand our electronic media platform.

In the third quarter and fourth quarter of 2005, we acquired newspapers and other publications in areas contiguous to our existing newspaper markets. Cash consideration paid for these transactions totaled \$8.5 million.

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The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed as of the dates of acquisition. The allocation of the purchase price to the assets and liabilities of the uSwitch acquisition is based upon preliminary appraisals and estimates and is therefore subject to change.

<i>(in thousands)</i>	2006		2005	
	uSwitch	Newspapers	Shopzilla	Newspapers
Short-term investments			\$ 12,279	
Accounts receivable	\$ 9,441		12,670	\$ 454
Current assets	583		8,046	93
Property, plant and equipment	5,367		25,728	268
Amortizable intangible assets	108,091	\$ 7,413	142,400	1,840
Goodwill	284,887	13,236	401,492	5,851
Other assets			138	
Net operating loss carryforwards			23,499	
Total assets acquired	408,369	20,649	626,252	8,506
Current liabilities	(6,137)		(24,195)	(47)
Deferred income taxes	(31,531)		(66,271)	
Other long-term obligations			(719)	
Minority interest		2,215		10
Net purchase price	<u>\$370,701</u>	<u>\$ 22,864</u>	<u>\$535,067</u>	<u>\$ 8,469</u>

Pro forma results of operations of Scripps, assuming the uSwitch and Shopzilla acquisitions had taken place at the beginning of each respective period, are included in the following table. The pro forma information includes adjustments for interest expense that would have been incurred to finance the acquisition, additional depreciation and amortization of the assets acquired and excludes transaction related expenses incurred by the acquired companies. The unaudited pro forma financial information is not necessarily indicative of the results that actually would have occurred had the acquisitions been completed at the beginning of the period. Pro forma results are not presented for the other acquisitions completed during 2005 and 2006 because the combined results of operations would not be significantly different from reported amounts.

<i>(in thousands, except per share data)</i>	Three months ended March 31,	
	2006	2005
Operating revenues	\$599,995	\$516,347
Income from continuing operations	77,903	63,892
Income from continuing operations per share of common stock:		
Basic	\$.48	\$.39
Diluted	<u>.47</u>	<u>.39</u>

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4. DISCONTINUED OPERATIONS

During the first quarter of 2006, the board of directors authorized management to pursue the sale of our Shop At Home business segment. The Shop At Home business segment is classified as held for sale in accordance with the provisions of FAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

In the third quarter of 2005, we reached an agreement with Advance Publications, Inc., the publisher of the Birmingham News ("News"), to terminate the Birmingham joint operating agreement between the News and our Birmingham Post-Herald newspaper. During the third quarter of 2005, we also ceased publication of our Birmingham Post-Herald newspaper and sold certain assets to the News.

In accordance with the provisions of FAS 144 the results of businesses held for sale or that have ceased operations are presented as discontinued operations within our results of operations. Accordingly, these businesses have also been excluded from segment results for all periods presented.

Operating results of our discontinued operations were as follows:

<i>(in thousands)</i>	Three months ended March 31,	
	2006	2005
Operating revenues:		
Shop At Home	\$ 84,390	\$102,144
Birmingham-Post Herald		14
Total	<u>\$ 84,390</u>	<u>\$102,158</u>
Share of earnings of JOA		\$ 1,583
Income (loss) from discontinued operations, before tax:		
Shop At Home	\$(10,037)	\$ (5,400)
Birmingham-Post Herald	(2)	960
Total	(10,039)	(4,440)
Income taxes (benefit)	(3,622)	(1,519)
Income (loss) from discontinued operations	<u>\$ (6,417)</u>	<u>\$ (2,921)</u>

Assets and liabilities of our discontinued operations consisted of the following:

<i>(in thousands)</i>	March 31,	As of December 31,	March 31,
	2006	2005	2005
Assets:			
Accounts receivable	\$ 26,205	\$ 26,851	\$ 41,620
Inventories	31,754	31,592	25,322
Property, plant and equipment	36,789	35,330	33,159
Goodwill			101,438
Intangible assets	163,600	163,600	167,351
Other assets	1,639	1,881	1,432
Assets of discontinued operations	<u>\$259,987</u>	<u>\$ 259,254</u>	<u>\$370,322</u>
Liabilities:			
Accounts payable	\$ 29,988	\$ 30,056	\$ 27,754
Customer deposits and unearned income	5,697	7,724	8,798
Accrued employee compensation and benefits	3,136	2,587	2,784
Deferred income taxes	37,539	40,178	48,986
Other liabilities	1,494	2,557	1,819
Liabilities of discontinued operations	<u>\$ 77,854</u>	<u>\$ 83,102</u>	<u>\$ 90,141</u>

5. GAIN ON FORMATION OF COLORADO NEWSPAPER PARTNERSHIP AND OTHER ITEMS

Gain on formation of Colorado newspaper partnership - In February of 2006, we completed the formation of a newspaper partnership with MediaNews Group, Inc. ("MediaNews") that will operate certain of both companies' newspapers in Colorado. We contributed the assets of our Boulder Daily Camera, Colorado Daily and Bloomfield Enterprise newspapers for a 50% interest in the partnership. MediaNews contributed the assets of publications they operate in Colorado. In addition, MediaNews also paid us cash consideration of \$20.4 million. We recognized a pre-tax gain of \$3.5 million in the first quarter of 2006 upon completion of the transaction. Net income was increased by \$2.1 million.

Denver newspaper production facilities - In the third quarter of 2005, the management committee of the Denver Newspaper Agency ("DNA") approved plans to consolidate DNA's newspaper production facilities. As a result, assets used in certain of the existing facilities will be retired earlier than previously estimated. The reduction in these assets' estimated useful lives increased DNA's depreciation expense. The increased depreciation resulted in a \$3.2 million decrease in our equity in earnings from JOAs in the first quarter of 2006. Net income was decreased by \$2.0 million. The increased depreciation is expected to decrease equity in earnings from JOAs approximately \$3.0 million in each remaining quarter until the second quarter of 2007.

[Table of Contents](#)**6. INCOME TAXES**

We file a consolidated federal income tax return and separate state income tax returns for each subsidiary company. Included in our federal and state income tax returns is our proportionate share of the taxable income or loss of partnerships and incorporated limited liability companies that have elected to be treated as partnerships for tax purposes ("pass-through entities"). Our financial statements do not include any provision (benefit) for income taxes on the income (loss) of pass-through entities attributed to the non-controlling interests.

Food Network is operated under the terms of a general partnership agreement. Fine Living is a limited liability company ("LLC") and is treated as a partnership for tax purposes. As a result, federal and state income taxes for these pass-through entities accrue to the individual partners.

Consolidated income before income tax consisted of the following:

<i>(in thousands)</i>	Three months ended March 31,	
	2006	2005
Income allocated to Scripps	\$132,358	\$120,465
Income of pass-through entities allocated to non-controlling interests	14,021	10,718
Income from continuing operations before income taxes and minority interest	<u>\$146,379</u>	<u>\$131,183</u>

The income tax provision for interim periods is determined based upon the expected effective income tax rate for the full year and the tax rate applicable to certain discrete transactions in the interim period. To determine the annual effective income tax rate for the full year period we must estimate both the total income before income tax for the full year and the jurisdictions in which that income is subject to tax. The actual effective income tax rate for the full year may differ from these estimates if income before income tax is greater or less than what was estimated or if the allocation of income to jurisdictions in which it is taxed is different from the estimated allocations. We review and adjust our estimated effective income tax rate for the full year each quarter based upon our most recent estimates of income before income tax for the full year and the jurisdictions in which we expect that income will be taxed.

Information regarding our expected effective income tax rate from continuing operations for the full year of 2006 and the actual effective income tax rate from continuing operations for the full year of 2005 is as follows:

	2006	2005
Statutory rate	35.0%	35.0%
Effect of:		
State and local income taxes, net of federal income tax benefit	3.3	3.6
Income of pass-through entities allocated to non-controlling interests	(3.5)	(3.1)
Section 199 - Production Activities Deduction	(0.6)	(0.4)
Miscellaneous	0.2	0.3
Effective income tax rate	<u>34.4%</u>	<u>35.4%</u>

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7. JOINT OPERATING AGREEMENTS AND NEWSPAPER PARTNERSHIPS

Three of our newspapers are operated pursuant to the terms of joint operating agreements (“JOAs”). The Newspaper Preservation Act of 1970 provides a limited exemption from anti-trust laws, permitting competing newspapers in a market to combine their sales, production and business operations in order to reduce aggregate expenses and take advantage of economies of scale, thereby allowing the continuing operation of both newspapers in that market. Each newspaper in a JOA maintains a separate and independent editorial operation.

The table below provides certain information about our JOAs.

<u>Newspaper</u>	<u>Publisher of Other Newspaper</u>	<u>Year JOA Entered Into</u>	<u>Year of JOA Expiration</u>
The Albuquerque Tribune	Journal Publishing Company	1933	2022
The Cincinnati Post	Gannett Newspapers	1977	2007
Denver Rocky Mountain News	MediaNews Group, Inc.	2001	2051

The JOAs generally provide for renewals unless an advance termination notice ranging from two to five years is given to either party. Gannett Newspapers has notified us of its intent to terminate the Cincinnati JOA upon its expiration in 2007.

The combined sales, production and business operations of the newspapers are either jointly managed or are solely managed by one of the newspapers. The sales, production and business operations of the Denver newspapers are operated by the Denver Newspaper Agency, a limited liability partnership (the “Denver JOA”). Each newspaper owns 50% of the Denver JOA and shares management of the combined newspaper operations. We have no management responsibilities for the combined operations of the other two JOAs.

The operating profits earned from the combined operations of the two newspapers are distributed to the partners in accordance with the terms of the joint operating agreement. We receive a 50% share of the Denver JOA profits, a 40% share of the Albuquerque JOA profits, and approximately 20% to 25% of the Cincinnati JOA profits.

In February of 2006, we formed a newspaper partnership with MediaNews Group, Inc. (“MediaNews”) that will operate certain of both companies’ newspapers in Colorado, including their editorial operations. We have a 50% interest in the partnership.

Our share of the operating profit (loss) of JOAs and newspaper partnerships are reported as “Equity in earnings of JOAs and other joint ventures” in our financial statements.

[Table of Contents](#)**8. INVESTMENTS**

Investments consisted of the following:

<i>(in thousands, except share data)</i>	March 31, 2006	As of December 31, 2005	March 31, 2005
Securities available for sale (at market value):			
Time Warner (common shares - 2006, 2,011,000; 2005, 2,017,000)	\$ 33,768	\$ 35,173	\$ 35,395
Other available-for-sale securities	1,944	1,806	4,394
Total available-for-sale securities	35,712	36,979	39,789
Denver JOA	135,683	142,633	164,854
Colorado newspaper partnership	32,136		
FOX Sports Net South and other joint ventures	24,137	24,983	18,998
Other equity securities	7,326	5,426	6,855
Total investments	<u>\$234,994</u>	<u>\$ 210,021</u>	<u>\$230,496</u>
Unrealized gains (losses) on securities available for sale	<u>\$ 5,964</u>	<u>\$ 7,251</u>	<u>\$ 8,446</u>

Investments available for sale represent securities of publicly-traded companies. Investments available for sale are recorded at fair value based upon the closing price of the security on the reporting date. As of March 31, 2006, there were no significant unrealized losses on our available-for-sale securities.

Other equity securities include securities that do not trade in public markets, so they do not have readily determinable fair values. We estimate the fair values of the other securities approximate their carrying values at March 31, 2006. There can be no assurance we would realize the carrying values of these securities upon their sale.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

<i>(in thousands)</i>	March 31, 2006	As of December 31, 2005	March 31, 2005
Land and improvements	\$ 54,496	\$ 57,383	\$ 56,909
Buildings and improvements	251,595	258,350	249,200
Equipment	684,554	687,379	625,663
Total	990,645	1,003,112	931,772
Accumulated depreciation	515,139	512,221	475,408
Net property, plant and equipment	<u>\$475,506</u>	<u>\$ 490,891</u>	<u>\$456,364</u>

[Table of Contents](#)**10. GOODWILL AND OTHER INTANGIBLE ASSETS**

Goodwill and other intangible assets consisted of the following:

<i>(in thousands)</i>	March 31, 2006	As of December 31, 2005	March 31, 2005
Goodwill	<u>\$1,918,784</u>	<u>\$1,647,794</u>	<u>\$1,257,598</u>
Other intangible assets:			
Amortizable intangible assets:			
Carrying amount:			
Acquired network distribution	43,415	43,415	29,015
Broadcast television network affiliation relationships	26,748	26,748	26,748
Customer lists	194,312	118,454	4,639
Copyrights and other trade names	31,932	20,562	2,300
Other	44,604	20,000	7,575
Total carrying amount	<u>341,011</u>	<u>229,179</u>	<u>70,277</u>
Accumulated amortization:			
Acquired network distribution	(5,644)	(4,952)	(2,787)
Broadcast television network affiliation relationships	(1,651)	(1,379)	(549)
Customer lists	(14,356)	(14,123)	(2,579)
Copyrights and other trade names	(2,179)	(2,081)	(86)
Other	(12,931)	(6,864)	(5,394)
Total accumulated amortization	<u>(36,761)</u>	<u>(29,399)</u>	<u>(11,395)</u>
Net amortizable intangible assets	<u>304,250</u>	<u>199,780</u>	<u>58,882</u>
Other indefinite-lived intangible assets:			
FCC licenses	25,622	25,622	25,622
Other	2,087	2,087	2,087
Total other indefinite-lived intangible assets	<u>27,709</u>	<u>27,709</u>	<u>27,709</u>
Pension liability adjustments	96	96	140
Total other intangible assets	<u>332,055</u>	<u>227,585</u>	<u>86,731</u>
Total goodwill and other intangible assets	<u>\$2,250,839</u>	<u>\$1,875,379</u>	<u>\$1,344,329</u>

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Activity related to goodwill and other intangible assets by business segment was as follows:

<i>(in thousands)</i>	Scripps Networks	Newspapers	Broadcast Television	Interactive Media	Licensing and Other	Total
Goodwill:						
Balance as of December 31, 2004	\$254,689	\$783,464	\$219,367		\$ 18	\$1,257,538
Adjustment to purchase price allocation	60					60
Balance as of March 31, 2005	<u>\$254,749</u>	<u>\$783,464</u>	<u>\$219,367</u>		<u>\$ 18</u>	<u>\$1,257,598</u>
Balance as of December 31, 2005	\$240,502	\$789,315	\$216,467	\$401,492	\$ 18	\$1,647,794
Business acquisitions		13,236		284,887		298,123
Formation of Colorado newspaper partnership		(25,731)				(25,731)
Foreign currency translation adjustment				(1,402)		(1,402)
Balance as of March 31, 2006	<u>\$240,502</u>	<u>\$776,820</u>	<u>\$216,467</u>	<u>\$684,977</u>	<u>\$ 18</u>	<u>\$1,918,784</u>
Amortizable intangible assets:						
Balance as of December 31, 2004	\$ 29,762	\$ 2,907	\$ 27,441			\$ 60,110
Business acquisitions		68				68
Amortization	(834)	(172)	(290)			(1,296)
Balance as of March 31, 2005	<u>\$ 28,928</u>	<u>\$ 2,803</u>	<u>\$ 27,151</u>			<u>\$ 58,882</u>
Balance as of December 31, 2005	\$ 41,093	\$ 4,305	\$ 26,266	\$128,116		\$ 199,780
Business acquisitions		7,413		108,091		115,504
Formation of Colorado newspaper partnership		(2,407)				(2,407)
Foreign currency translation adjustment				(533)		(533)
Amortization	(763)	(118)	(278)	(6,935)		(8,094)
Balance as of March 31, 2006	<u>\$ 40,330</u>	<u>\$ 9,193</u>	<u>\$ 25,988</u>	<u>\$228,739</u>		<u>\$ 304,250</u>
Other indefinite-lived intangible assets:						
Balance for all respective periods presented	<u>\$ 919</u>	<u>\$ 1,168</u>	<u>\$ 25,622</u>			<u>\$ 27,709</u>

We expect that \$3.3 million of the goodwill acquired in the Shopzilla acquisition will be deductible for income tax purposes. The goodwill acquired in the uSwitch and Newspaper acquisitions are not expected to be deductible for income tax purposes.

Amortizable intangible assets acquired in the Shopzilla and uSwitch acquisitions include customer lists, technology, trade names and patents. The customer lists intangible assets are estimated to have useful lives of 2 to 20 years. The other acquired intangibles are estimated to have useful lives of 4 to 9 years. The allocation of the purchase price for the uSwitch acquisition is based upon preliminary appraisals and estimates, and is therefore subject to change.

Amortizable intangible assets acquired in the Newspaper acquisitions were customer lists. The customer intangible assets are estimated to have useful lives of 10 to 20 years.

Estimated amortization expense of intangible assets for each of the next five years is expected to be \$38.3 million for the remainder of 2006, \$40.6 million in 2007, \$37.5 million in 2008, \$36.7 million in 2009, \$31.5 million in 2010, \$28.9 million in 2011 and \$90.8 million in later years.

[Table of Contents](#)**11. PROGRAMS AND PROGRAM LICENSES**

Programs and program licenses consisted of the following:

<i>(in thousands)</i>	March 31, 2006	As of December 31, 2005	March 31, 2005
Cost of programs available for broadcast	\$834,382	\$ 798,925	\$815,956
Accumulated amortization	575,476	534,246	561,227
Total	258,906	264,679	254,729
Progress payments on programs not yet available for broadcast	100,538	77,824	54,107
Total programs and program licenses	<u>\$359,444</u>	<u>\$ 342,503</u>	<u>\$308,836</u>

In addition to the programs owned or licensed by us included in the table above, we have commitments to license certain programming that is not yet available for broadcast, including first-run syndicated programming. Such program licenses are recorded as assets when the programming is delivered to us and is available for broadcast. First-run syndicated programming is generally produced and delivered at or near its broadcast date. Such contracts may require progress payments or deposits prior to the program becoming available for broadcast. Remaining obligations under contracts to purchase or license programs not yet available for broadcast totaled approximately \$300 million at March 31, 2006. If the programs are not produced, our obligations would generally expire without obligation.

Progress payments on programs not yet available for broadcast and the cost of programs and program licenses capitalized totaled \$61.6 million in 2006 and \$43.8 million in 2005.

Estimated amortization of recorded program assets and program commitments for each of the next five years is as follows:

<i>(in thousands)</i>	Programs Available for Broadcast	Programs Not Yet Available for Broadcast	Total
Remainder of 2006	\$ 104,978	\$ 62,719	\$167,697
2007	79,332	108,176	187,508
2008	47,246	83,401	130,647
2009	23,828	68,935	92,763
2010	3,508	54,058	57,566
2011	14	22,221	22,235
Later years		1,312	1,312
Total	<u>\$ 258,906</u>	<u>\$ 400,822</u>	<u>\$659,728</u>

Actual amortization in each of the next five years will exceed the amounts presented above as our broadcast television stations and our national television networks will continue to produce and license additional programs.

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12. UNAMORTIZED NETWORK DISTRIBUTION INCENTIVES

Unamortized network distribution incentives consisted of the following:

<i>(in thousands)</i>	March 31,	As of	March 31,
	2006	December 31,	2005
Network launch incentives	\$316,807	\$ 316,774	\$316,778
Accumulated amortization	<u>185,255</u>	<u>178,241</u>	<u>156,561</u>
Net book value	131,552	138,533	160,217
Unbilled affiliate fees	<u>36,950</u>	<u>33,738</u>	<u>28,165</u>
Total unamortized network distribution incentives	<u>\$168,502</u>	<u>\$ 172,271</u>	<u>\$188,382</u>

Amortization recorded as a reduction to affiliate fee revenue in the consolidated financial statements, and estimated amortization of recorded network launch incentives for each of the next five years, is presented below.

<i>(in thousands)</i>	Three months ended	
	2006	2005
Amortization of network launch incentives	<u>\$7,014</u>	<u>\$ 5,364</u>

Estimated amortization for the next five years is as follows:

Remainder of 2006	\$ 21,169
2007	20,954
2008	23,449
2009	25,478
2010	16,824
2011	16,529
Later years	7,149
Total	<u>\$131,552</u>

Actual amortization will be greater than the above amounts as additional incentive payments will be capitalized as we expand distribution of Scripps Networks.

[Table of Contents](#)**13. LONG-TERM DEBT**

Long-term debt consisted of the following:

<i>(in thousands)</i>	March 31, 2006	As of December 31, 2005	March 31, 2005
Variable-rate credit facilities, including commercial paper	\$ 490,348	\$ 226,966	\$ 4,033
\$100 million, 6.625% notes, due in 2007	99,978	99,975	99,964
\$50 million, 3.75% notes, due in 2008	50,000	50,000	50,000
\$100 million, 4.25% notes, due in 2009	99,647	99,623	99,551
\$150 million, 4.30% notes, due in 2010	149,796	149,784	
\$200 million, 5.75% notes, due in 2012	199,216	199,185	199,091
Other notes	1,510	1,537	1,614
Total face value of long-term debt less discounts	1,090,495	827,070	454,253
Fair market value of interest rate swap	(1,550)	(1,295)	(1,116)
Total long-term debt	1,088,945	825,775	453,137
Current portion of long-term debt	40,462		
Long-term debt (less current portion)	<u>\$1,048,483</u>	<u>\$ 825,775</u>	<u>\$453,137</u>

We have Competitive Advance and Revolving Credit Facilities (the “Revolver”) and a commercial paper program that collectively permit aggregate borrowings up to \$550 million (the “Variable-Rate Credit Facilities”). The Revolver consists of two facilities, one permitting \$450 million in aggregate borrowings expiring in July 2009 and the second a \$100 million facility expiring in March 2007. Borrowings under the Revolver are available on a committed revolving credit basis at our choice of three short-term rates or through an auction procedure at the time of each borrowing. The Revolver is primarily used as credit support for our commercial paper program in lieu of direct borrowings under the Revolver. The weighted-average interest rate on borrowings under the Variable-Rate Credit Facilities was 4.7% at March 31, 2006, 4.3% at December 31, 2005, and 2.7% at March 31, 2005.

We have a U.S. shelf registration statement which allows us to borrow up to an additional \$300 million as of March 31, 2006.

We entered into a receive-fixed, pay-floating interest rate swap to achieve a desired proportion of fixed-rate versus variable-rate debt. The interest rate swap expires upon the maturity of the \$50 million, 3.75% notes in 2008, and effectively converts those fixed-rate notes into variable-rate borrowings. The variable interest rate was 5.1% at March 31, 2006, which was based on six-month LIBOR minus a rate spread. The swap agreement was designated as a fair-value hedge of the underlying fixed-rate notes. Accordingly, changes in the fair value of the interest rate swap agreement (due to movements in the benchmark interest rate) are recorded as adjustments to the carrying value of long-term debt with an offsetting adjustment to either other assets or other liabilities. The changes in the fair value of the interest rate swap agreements and the underlying fixed-rate obligation are recorded as equal and offsetting unrealized gains and losses in the Consolidated Statements of Income. We have structured the interest rate swap to be 100% effective. As a result, there is no current impact to earnings resulting from hedge ineffectiveness.

Certain long-term debt agreements contain maintenance requirements for net worth and coverage of interest expense and restrictions on incurrence of additional indebtedness. We were in compliance with all debt covenants as of March 31, 2006.

Current maturities of long-term debt are classified as long-term to the extent they can be refinanced under existing long-term credit commitments.

As of March 31, 2006, we had outstanding letters of credit totaling \$8.6 million.

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14. OTHER LIABILITIES AND MINORITY INTERESTS

Other liabilities – Other liabilities consisted of the following:

<i>(in thousands)</i>	March 31, 2006	As of December 31, 2005	March 31, 2005
Program rights payable	\$ 17,605	\$ 21,615	\$ 27,330
Employee compensation and benefits	85,700	84,903	70,849
Network distribution incentives	21,417	22,758	38,392
Other	34,967	32,835	21,262
Total other liabilities	159,689	162,111	157,833
Current portion of other liabilities	37,784	40,583	73,210
Other liabilities (less current portion)	<u>\$121,905</u>	<u>\$ 121,528</u>	<u>\$ 84,623</u>

Minority interests - Non-controlling interests hold an approximate 10% residual interest in Fine Living. The minority owners of Fine Living have the right to require us to repurchase their interests. We have an option to acquire their interests. The minority owners will receive the fair market value for their interests at the time their option is exercised. The put and call options become exercisable at various dates through 2016. Put options on an approximate 6% non-controlling interest in Fine Living are currently exercisable. The remaining put options, comprising an approximate 4% interest in Fine Living, become exercisable in the third quarter of 2006.

Non-controlling interests hold an approximate 30% residual interest in Food Network. The Food Network general partnership agreement is due to expire on December 31, 2012, unless amended or extended prior to that date. In the event of such termination, the assets of the partnership are to be liquidated and distributed to the partners in proportion to their partnership interests.

Minority interests include non-controlling interests of approximately 4% in the capital stock of the subsidiary company that publishes our Memphis newspaper and approximately 6% in the capital stock of the subsidiary company that publishes our Evansville newspaper. The capital stock of these companies does not provide for or require the redemption of the non-controlling interests by us.

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15. SUPPLEMENTAL CASH FLOW INFORMATION

The following table presents additional information about the change in certain working capital accounts:

<i>(in thousands)</i>	Three months ended March 31,	
	2006	2005
Other changes in certain working capital accounts, net:		
Accounts receivable	\$ 18,275	\$ 6,755
Inventories	(309)	619
Accounts payable	5,793	(1,259)
Accrued income taxes	37,933	32,255
Accrued employee compensation and benefits	(22,435)	(15,858)
Accrued interest	751	(588)
Other accrued liabilities	(1,521)	74
Other, net	(3,625)	2,198
Total	<u>\$ 34,862</u>	<u>\$ 24,196</u>

16. EMPLOYEE BENEFIT PLANS

We sponsor defined benefit pension plans that cover substantially all non-union and certain union-represented employees. Benefits are generally based upon the employee's compensation and years of service.

We also have a non-qualified Supplemental Executive Retirement Plan ("SERP"). The SERP, which is unfunded, provides defined pension benefits in addition to the defined benefit pension plan to eligible executives based on average earnings, years of service and age at retirement.

Substantially all non-union and certain union employees are also covered by a company sponsored defined contribution plan. We match a portion of employee's voluntary contributions to this plan.

Other union-represented employees are covered by defined benefit pension plans jointly sponsored by us and the union, or by union-sponsored multi-employer plans.

We use a December 31 measurement date for our retirement plans. Retirement plans expense is based on valuations performed by plan actuaries as of the beginning of each fiscal year. The components of the expense consisted of the following:

<i>(in thousands)</i>	Three months ended March 31,	
	2006	2005
Service cost	\$ 5,113	\$ 4,582
Interest cost	6,082	5,675
Expected return on plan assets, net of expenses	(8,167)	(7,270)
Net amortization and deferral	1,479	776
Total for defined benefit plans	4,507	3,763
Multi-employer plans	133	5
SERP	1,051	1,008
Defined contribution plans	2,137	1,785
Total	<u>\$ 7,828</u>	<u>\$ 6,561</u>

We contributed \$0.6 million to fund current benefit payments for our non-qualified SERP plan during the first quarter of 2006. We anticipate contributing an additional \$1.5 million to fund the SERP's benefit payments during the remainder of fiscal 2006. We also anticipate contributing \$0.2 million to meet minimum funding requirements of our defined benefit plans during the remainder of fiscal 2006.

17. SEGMENT INFORMATION

We determine our business segments based upon our management and internal reporting structure. Our reportable segments are strategic businesses that offer different products and services (See Note 1).

The accounting policies of each of our business segments are those described in Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2005.

Each of our segments may provide advertising, programming or other services to our other business segments. In addition, certain corporate costs and expenses, including information technology, pensions and other employee benefits, and other shared services, are allocated to our business segments. The allocations are generally amounts agreed upon by management, which may differ from amounts that would be incurred if such services were purchased separately by the business segment. Corporate assets are primarily cash, cash equivalent and other short-term investments, property and equipment primarily used for corporate purposes, and deferred income taxes.

Our chief operating decision maker (as defined by FAS 131 – Segment Reporting) evaluates the operating performance of our business segments and makes decisions about the allocation of resources to our business segments using a measure we call segment profit. Segment profit excludes interest, income taxes, depreciation and amortization, divested operating units, restructuring activities, investment results and certain other items that are included in net income determined in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1, we account for our share of the earnings of JOAs and newspaper partnerships using the equity method of accounting. Our equity in earnings of JOAs and newspaper partnerships is included in “Equity in earnings of JOAs and other joint ventures” in our Consolidated Statements of Income. Newspaper segment profits include equity in earnings of JOAs and newspaper partnerships. Scripps Networks segment profits include equity in earnings of FOX Sports Net South and certain other joint ventures.

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Information regarding our business segments is as follows:

<i>(in thousands)</i>	Three months ended March 31,	
	2006	2005
Segment operating revenues:		
Scripps Networks	\$237,602	\$202,678
Newspapers:		
Newspapers managed solely by us	184,202	175,836
JOAs and newspaper partnerships	48	50
Total	184,250	175,886
Boulder prior to formation of Colorado newspaper partnership	2,189	6,336
Total newspapers	186,439	182,222
Broadcast television	83,763	72,260
Interactive media	58,643	
Licensing and other media	23,604	25,820
Corporate/intercompany	(322)	(77)
Total operating revenues	<u>\$589,729</u>	<u>\$482,903</u>
Segment profit (loss):		
Scripps Networks	\$106,545	\$ 80,941
Newspapers:		
Newspapers managed solely by us	50,984	55,646
JOAs and newspaper partnerships	(959)	7,041
Total	50,025	62,687
Boulder prior to formation of Colorado newspaper partnership	(125)	370
Total newspapers	49,900	63,057
Broadcast television	22,487	16,279
Interactive media	13,921	
Licensing and other media	2,902	4,855
Corporate	(16,893)	(11,766)
Total segment profit	178,862	153,366
Depreciation and amortization of intangibles	(25,348)	(15,303)
Gain on formation of Colorado newspaper partnership	3,535	
Gains (losses) on disposal of property, plant and equipment	(96)	(49)
Interest expense	(12,153)	(7,372)
Interest and dividend income	542	208
Miscellaneous, net	1,037	333
Income from continuing operations before income taxes and minority interests	<u>\$146,379</u>	<u>\$131,183</u>
Depreciation:		
Scripps Networks	\$ 3,687	\$ 3,222
Newspapers:		
Newspapers managed solely by us	5,078	4,865
JOAs and newspaper partnerships	411	604
Total newspapers	5,489	5,469
Broadcast television	4,625	4,557
Interactive media	2,942	
Licensing and other media	168	219
Corporate	343	540
Total depreciation	<u>\$ 17,254</u>	<u>\$ 14,007</u>
Amortization of intangibles:		
Scripps Networks	\$ 763	\$ 834
Newspapers:		
Newspapers managed solely by us	97	85
JOAs and newspaper partnerships	21	87
Total newspapers	118	172
Broadcast television	278	290
Interactive media	6,935	
Total amortization of intangibles	<u>\$ 8,094</u>	<u>\$ 1,296</u>

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<i>(in thousands)</i>	Three months ended March 31,	
	2006	2005
Additions to property, plant and equipment:		
Scripps Networks	\$ 2,626	\$ 2,856
Newspapers:		
Newspapers managed solely by us	3,894	2,557
JOAs and newspaper partnerships	352	203
Total newspapers	4,246	2,760
Broadcast television	1,307	888
Interactive media	2,778	
Licensing and other media	107	146
Corporate	1,232	460
Total additions to property, plant and equipment	<u>\$ 12,296</u>	<u>\$ 7,110</u>
Business acquisitions and other additions to long-lived assets:		
Scripps Networks	\$ 61,699	\$ 44,143
Newspapers	22,982	100
Interactive media	370,701	
Corporate	80	465
Total	<u>\$ 455,462</u>	<u>\$ 44,708</u>
Assets:		
Scripps Networks	\$1,162,313	\$1,077,598
Newspapers:		
Newspapers managed solely by us	1,082,592	1,057,535
JOAs and newspaper partnerships	187,591	223,127
Total newspapers	1,270,183	1,280,662
Broadcast television	486,780	485,401
Interactive media	999,739	
Licensing and other media	31,627	27,166
Investments	43,454	46,541
Corporate	181,510	113,202
Total assets of continuing operations	4,175,606	3,030,570
Discontinued operations	259,987	370,322
Total assets	<u>\$4,435,593</u>	<u>\$3,400,892</u>

No single customer provides more than 10% of our revenue. International revenues are primarily derived from licensing comic characters and HGTV and Food Network programming in international markets. Licensing of comic characters in Japan provides approximately 45% of our international revenues, which are less than \$60 million annually.

Other additions to long-lived assets include investments, capitalized intangible assets and Scripps Networks capitalized programs and network launch incentives.

[Table of Contents](#)**18. STOCK COMPENSATION PLANS**

Capital Stock – Scripps’ capital structure includes Common Voting Shares and Class A Common Shares. The articles of incorporation provide that the holders of Class A Common Shares, who are not entitled to vote on any other matters except as required by Ohio law, are entitled to elect the greater of three or one-third of the directors.

Under a share repurchase program authorized by the Board of Directors on October 28, 2004, we are authorized to repurchase up to 5.0 million Class A Common Shares. A total of 1.2 million shares have been repurchased in 2005 and 2006 at prices ranging from \$45 to \$51 per share. The balance remaining on the authorization is 3.8 million shares. There is no expiration date for the program and we are under no commitment or obligation to repurchase any particular amount of common shares under the program.

Incentive Plans – Scripps’ Long-Term Incentive Plan (the “Plan”) provides for the award of restricted and unrestricted Class A Common Shares, incentive and nonqualified stock options, stock appreciation rights, and performance units to key employees and non-employee directors. The Plan expires in 2014, except for options then outstanding.

As summarized in Note 1, we adopted FAS 123-R effective January 1, 2006. FAS 123-R requires that share based compensation be recognized based on the grant-date fair value of awards.

In accordance with FAS 123-R, total stock-based compensation expense was \$11.9 million in 2006, \$7.5 million after tax. Included in stock compensation costs is \$6.2 million of immediately expensed awards granted to retiree-eligible employees. Stock option costs included in total stock-based compensation was \$8.4 million, \$5.3 million after tax. Stock option costs include \$4.0 million of immediately expensed awards granted to retiree-eligible employees. The impact from expensing stock options in 2006 reduced basic and diluted earnings per share from continuing operations \$.03.

Prior to fiscal 2006, we applied the provisions of Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees,” in accounting for stock-based compensation. Under APB 25 we recognized compensation costs equal to the intrinsic value of the award on the date of grant over the vesting period.

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of FAS 123 - Accounting for Stock-Based Compensation, as amended by FAS 148 - Accounting for Stock-Based Compensation - Transition and Disclosure, to all stock-based employee compensation in fiscal year 2005 using the accounting policies described in Note 1.

	Three months ended March 31, 2005
<i>(in thousands, except per share data)</i>	
Net income as reported	\$ 70,011
Add stock-based compensation included in reported income, net of related income tax effects	2,243
Deduct stock-based compensation determined under fair value based method, net of related income tax effects	(6,315)
Pro forma net income	<u>\$ 65,939</u>
Net income per share of common stock	
Basic earnings per share:	
As reported	\$ 0.43
Additional stock-based compensation, net of income tax effects	(0.03)
Pro forma basic earnings per share	<u>\$ 0.40</u>
Diluted earnings per share:	
As reported	\$ 0.42
Additional stock-based compensation, net of income tax effects	(0.03)
Pro forma diluted earnings per share	<u>\$ 0.40</u>

Net income per share amounts may not foot since each is calculated independently.

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Stock Options – Stock options may be awarded to purchase Class A Common Shares at not less than 100% of the fair market value on the date the option is granted. Stock options will vest over an incentive period, conditioned upon the individual's continued employment through that period.

The fair value of each option award is estimated on the date of grant using a lattice-based binomial model that uses the assumptions in the following table:

	Three months ended March 31,	
	2006	2005
Weighted-average fair value of options granted	\$12.79	\$11.52
Assumptions used to determine fair value:		
Dividend yield	0.9%	0.8%
Risk-free rate of return	4.6%	3.8%
Expected life of options (years)	5.38	5.38
Expected volatility	<u>21.3%</u>	<u>22.2%</u>

Dividend yield considers our historical dividend yield paid and expected yield over the life of the options. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. Expected life is an output of the valuation model, and primarily considers historical exercise patterns. Unexercised options for grants included in the historical period are assumed to be exercised at the midpoint of the current date and the full contractual term. Expected volatility is based on implied volatility of traded options, long-term volatility and volatility for the most recent period reflecting the expected life.

The following table presents information about stock options:

	Number of Shares	Weighted Average Exercise Price	Range of Exercise Prices
Options outstanding at December 31, 2004	11,158,734	\$ 35.27	\$ 13 -54
Options granted during the period	1,688,300	46.46	46
Options exercised during the period	(230,903)	29.34	17-46
Options outstanding at March 31, 2005	<u>12,616,131</u>	<u>\$ 36.88</u>	<u>\$ 13-54</u>
Options exercisable at March 31, 2005	<u>8,749,350</u>	<u>\$ 32.65</u>	<u>\$ 13-50</u>
Options outstanding at December 31, 2005	11,640,330	\$ 37.89	\$ 13 -54
Options granted during the period	1,862,314	48.61	45 - 49
Options exercised during the period	(244,979)	31.13	13 - 49
Options forfeited/canceled during the period	(90,382)	47.44	38 - 52
Options outstanding at March 31, 2006	<u>13,167,283</u>	<u>\$ 39.46</u>	<u>\$ 17 -54</u>
Options exercisable at March 31, 2006	<u>9,336,559</u>	<u>\$ 35.90</u>	<u>\$ 17 -54</u>

The total intrinsic value (market value on date of exercise less exercise price) of options exercised during the three months ended March 31, 2006 was \$4.5 million. As of March 31, 2006, \$28.0 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 2.4 years.

Cash received from option exercises was \$7.8 million in the first quarter of 2006 and \$6.8 million in the first quarter of 2005. Tax benefits realized from tax deductions associated with option exercises was \$1.7 million in the first quarter of 2006 and \$1.5 million in the first quarter of 2005.

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Substantially all options granted prior to 2004 are exercisable. Options generally become exercisable in increments over a three year period. Information about options outstanding and options exercisable by year of grant is as follows:

Year of Grant	Options Outstanding			Options Exercisable				
	Options on Shares Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)	Options on Shares Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
1997 - expire in 2007	208,900	\$ 17.62			208,900	\$ 17.62		
1998 - expire in 2008	291,800	23.66			291,800	23.66		
1999 - expire in 2009	732,100	23.53			732,100	23.53		
2000 - expire in 2010	1,183,966	24.76			1,183,966	24.76		
2001 - expire in 2011	1,356,186	32.13			1,356,186	32.13		
2002 - expire in 2012	1,769,884	37.67			1,769,884	37.67		
2003 - expire in 2013	1,946,532	40.10			1,920,139	40.07		
2004 - expire in 2014	1,998,317	49.28			1,336,806	49.34		
2005 - expire in 2013	1,817,284	46.89			536,778	46.46		
2006 - expire in 2014	1,862,314	48.61						
Total options on number of shares	<u>13,167,283</u>	<u>\$ 39.46</u>	<u>6.2</u>	<u>\$ 89.6</u>	<u>9,336,559</u>	<u>\$ 35.90</u>	<u>5.6</u>	<u>\$ 87.2</u>

Restricted Stock – Awards of Class A Common Shares vest over an incentive period conditioned upon the individual’s continued employment throughout that period. During the vesting period, shares issued are nontransferable but the shares are entitled to all the rights of an outstanding share.

Information related to awards of Class A Common Shares is presented below:

	Number of Shares	Price at Award Dates	
		Weighted Average	Range of Prices
Unvested shares at December 31, 2004	453,954	\$ 39.58	\$ 23 -53
Shares vested during the period	(111,865)	42.02	38 - 51
Shares forfeited during the period	(2,500)	47.28	47
Unvested shares at March 31, 2005	<u>339,589</u>	<u>\$ 38.60</u>	<u>\$ 23 -53</u>
Unvested shares at December 31, 2005	249,008	\$ 41.93	\$ 23 -53
Shares awarded during the period	194,036	48.27	48 - 49
Shares vested during the period	(152,212)	43.51	39 - 51
Shares forfeited during the period	(2,316)	46.95	40 - 49
Unvested shares at March 31, 2006	<u>288,516</u>	<u>\$ 45.12</u>	<u>\$ 23 -53</u>

Performance based restricted stock with a target of 134,250 Class A Common Shares were contingently issued in 2006. The number of shares ultimately awarded depends upon the extent to which specified performance measures are met. The shares earned vest between 2007 and 2009.

During 2004, 40,000 restricted stock awards were converted to restricted stock units (“RSUs”). The RSUs give the recipient the right to receive shares of our stock upon the lapse of restriction periods. The restrictions lapse in equal installments over a four-year incentive period conditioned upon the employee’s continued employment.

As of March 31, 2006, \$10.7 million of total unrecognized compensation cost related to unvested restricted stock awards and RSUs is expected to be recognized over a weighted-average period of 2.4 years.

Tax benefits realized from tax deductions associated with restricted stock awards was \$1.1 million in the first quarter of 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis of financial condition and results of operations is based upon the consolidated financial statements and the condensed notes to the consolidated financial statements. You should read this discussion in conjunction with those financial statements.

FORWARD-LOOKING STATEMENTS

This discussion and the information contained in the condensed notes to the consolidated financial statements contain certain forward-looking statements that are based on our current expectations. Forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from the expectations expressed in the forward-looking statements. Such risks, trends and uncertainties, which in most instances are beyond our control, include changes in advertising demand and other economic conditions; consumers' taste; newsprint prices; program costs; labor relations; technological developments; competitive pressures; interest rates; regulatory rulings; and reliance on third-party vendors for various products and services. The words "believe," "expect," "anticipate," "estimate," "intend" and similar expressions identify forward-looking statements. All forward-looking statements, which are as of the date of this filing, should be evaluated with the understanding of their inherent uncertainty. We undertake no obligation to publicly update any forward-looking statements to reflect events or circumstances after the date the statement is made.

EXECUTIVE OVERVIEW

The E. W. Scripps company is a diverse and growing media company with interests in national television networks, newspaper publishing, broadcast television stations, interactive media and licensing and syndication. The company's portfolio of media properties includes: Scripps Networks, with such brands as HGTV, Food Network, DIY Network, Fine Living and Great American Country; daily and community newspapers in 18 markets and the Washington-based Scripps Media Center, home to the Scripps Howard News Service; 10 broadcast television stations, including six ABC-affiliated stations, three NBC affiliates and one independent; Interactive media, our online comparison shopping services comprising our Shopzilla and uSwitch businesses; and United Media, a leading worldwide licensing and syndication company that is the home of PEANUTS, DILBERT and approximately 150 other features and comics.

The company has a long-standing objective of creating shareholder value by following a disciplined strategy of investing in growing media businesses. Starting with newspapers nearly 130 years ago and continuing with our recent acquisitions of Shopzilla and uSwitch, we have stayed ahead of the ongoing migration of consumers and marketing dollars to new media marketplaces. This is evidenced by the dramatic change in our company's profile during the last ten years. In 1994, the newspaper division contributed 50 percent of the company's consolidated revenue. In 2006 it is contributing 32 percent. The national television networks, a business that did not exist in 1993, are contributing 40 percent to the company's revenue in 2006 while Shopzilla and uSwitch, our newly acquired comparison shopping Internet services, are contributing 10 percent.

We expect to continue to increase shareholder value by maximizing and allocating the cash flow generated by our mature media businesses to new or existing businesses. In the past we have used cash generated by our newspapers and broadcast television stations to develop HGTV, DIY and Fine Living and to acquire Food Network, Shop At Home, GAC, Shopzilla and uSwitch. The continued expansion of Scripps Networks, the support and development of our comparison shopping services rapid growth potential, and investment in new and growing media businesses are the company's top strategic priorities.

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Scripps Networks is in a period of continued growth. We have successfully monetized ratings and viewership gains, especially at its two more established networks HGTV and Food Network. The appeal of our new programming has resonated with viewers and has resulted in an increasing number of younger viewers tuning in to our flagship networks. We are also extending our Scripps Networks brands into new media platforms. In April, we launched our first high definition television network, HGTV-HD. The new network launched with 350 hours of original programming. We expect to launch our second high definition channel, Food Network-HD, in the second quarter. The number of people visiting our network Web sites was up 7 percent for the quarter, demonstrating the appeal of our brands and the success we have had targeting consumers. We also have emerged as a leader in providing content that is specifically formatted for the growing number of video-on-demand and broadband services. In April, we launched our third Internet broadband channel — HGTV Bath Design. We expect to launch similar broadband channels that will dig deep into such lifestyle topics as gardening, healthy eating and crafts. Top priorities at Scripps Networks are the ratings growth at HGTV and Food, the programming and distribution of our emerging networks, developing new revenue streams for our network brands such as product licensing and retail sales, and the growth of interactive revenue.

During the second quarter of 2005, we acquired Shopzilla. Shopzilla operates a product comparison shopping service that helps consumers find products offered for sale by online retailers. In the first quarter of 2006, we acquired uSwitch. uSwitch operates an online comparison service that helps consumers compare prices and arrange for the purchase of a range of essential home services including gas, electricity, home phone, broadband providers and personal finance products in the United Kingdom. These acquisitions enable us to capitalize on the rapid growth and rising profitability of specialized Internet search businesses and expand our electronic media platform. On a pro-forma basis, the revenues of these businesses in the first quarter of 2006 have nearly doubled compared with the first quarter of 2005 due in part to the increasing popularity of comparison shopping sites with consumers. We have begun to leverage the cross-promotional power of all of our media businesses to brand our Interactive Media businesses. Specifically, we have used our media businesses to drive traffic to Shopzilla via links on virtually all of our Web sites; our lifestyle networks and TV stations have promoted Shopzilla; our newspapers have run ads and created a Shopzilla-branded, Smart Shopper column.

Our shareholders also continue to benefit from our local media businesses. Our daily and community newspapers and broadcast television stations are the foundation for our successful growth strategy.

At our newspapers, we are continuing efforts to strengthen the competitive position of our newspapers' print and online businesses. We plan to grow the print business by expanding into surrounding markets and launching non-traditional and non-daily products within our local markets. We believe our online businesses will generate higher growth rates than our traditional print business and as a result are focusing heavily in this area. These local Web sites place a heavy emphasis on interactive, community-based content as well as live news updates. In the first quarter of 2006, we launched our first video-on-demand newscast in Southwest Florida. The newscast combines the news-gathering power of our newspaper with our growing ability to produce high-quality video specifically for use on the Internet, iPods, and other types of personal video players.

Priorities at our broadcast television stations include concentrating on the branding of our local ABC and NBC affiliates, emphasizing local news and building out non-traditional revenue opportunities that target new advertisers. Improved ratings at ABC in 2005 and the outlook for 2006 bode well not only for revenue at our ABC stations from popular shows, but also for the lead-in they provide to late news. The broadcast of the Super Bowl on ABC and NBC's coverage of the Winter Olympics contributed to an increase in broadcast television revenues in the first quarter of 2006. The return of political advertising is expected to further increase our revenues in 2006.

In the first quarter of 2006, we announced our intention to explore strategic alternatives for our Shop At Home business. Our goal at Shop At Home is to maximize the value of the business for the benefit of our shareholders. Subsequently, we reached a strategic decision to pursue the sale of Shop At Home. Accordingly, Shop At Home is presented as discontinued operations in our financial statements for all periods presented.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires us to make a variety of decisions which affect reported amounts and related disclosures, including the selection of appropriate accounting principles and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions. We are committed to preparing financial statements incorporating accounting principles, assumptions and estimates that promote the representational faithfulness, verifiability, neutrality and transparency of the accounting information included in the financial statements.

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Note 1 to the Consolidated Financial Statements included in our Annual Report on Form 10-K describes the significant accounting policies we have selected for use in the preparation of our financial statements and related disclosures. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used or changes in estimates that are likely to occur could materially change the financial statements. We believe the accounting for Network Affiliate Fees, Acquisitions, Goodwill and Other Indefinite-Lived Intangible Assets, Income Taxes and Pension Plans to be our most critical accounting policies and estimates. A detailed description of these accounting policies is included in the Critical Accounting Policies Section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2005. There have been no significant changes in those accounting policies except for the impacts from adopting FAS 123-R.

RESULTS OF OPERATIONS

The trends and underlying economic conditions affecting the operating performance and future prospects differ for each of our business segments. Accordingly, we believe the discussion of our consolidated results of operations should be read in conjunction with the discussion of the operating performance of our business segments that follows on pages F-34 through F-45.

During the first quarter of 2006, the board of directors authorized management to pursue the sale of our Shop At Home business segment. The Shop At Home business segment is classified as held for sale in accordance with the provisions of FAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

In the third quarter of 2005, we reached an agreement with Advance Publications, Inc., the publisher of the Birmingham News ("News"), to terminate the Birmingham joint operating agreement between the News and our Birmingham Post-Herald newspaper. During the third quarter of 2005, we also ceased publication of our Birmingham Post-Herald newspaper and sold certain assets to the News.

In accordance with the provisions of FAS 144 the results of businesses held for sale or that have ceased operations are presented as discontinued operations within our results of operations. Accordingly, these businesses have also been excluded from segment results for all periods presented.

Consolidated Results of Continuing Operations - Consolidated results of continuing operations were as follows:

<i>(in thousands)</i>	2006	Year-to-Date Change	2005
Operating revenues	\$ 589,729	22.1%	\$ 482,903
Costs and expenses	(422,237)	(21.4)%	(347,694)
Depreciation and amortization of intangibles	(25,348)	(65.6)%	(15,303)
Gain on formation of Colorado newspaper partnership	3,535		
Gains (losses) on disposal of property, plant and equipment	(96)	(95.9)%	(49)
Operating income	145,583	21.5%	119,857
Interest expense	(12,153)	(64.9)%	(7,372)
Equity in earnings of JOAs and other joint ventures	11,370	(37.4)%	18,157
Interest and dividend income	542		208
Miscellaneous, net	1,037		333
Income from continuing operations before income taxes and minority interests	146,379	11.6%	131,183
Provision for income taxes	50,548	(7.7)%	46,916
Income from continuing operations before minority interests	95,831	13.7%	84,267
Minority interests	14,349	(26.6)%	11,335
Income from continuing operations	<u>\$ 81,482</u>	<u>11.7%</u>	<u>\$ 72,932</u>
Income from continuing operations per diluted share of common stock	<u>\$.49</u>	<u>11.4%</u>	<u>\$.44</u>

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The increase in operating revenues was primarily due to the continued growth in advertising and network affiliate fee revenues at our national television networks and the June 2005 acquisition of Shopzilla. The growth in advertising revenues was primarily driven by increased demand for advertising time and higher advertising rates at our networks. The growth in affiliate fee revenues is attributed to scheduled rate increases and wider distribution of our networks. The broadcast of the Super Bowl on ABC and NBC's coverage of the Winter Olympics also contributed to the increase in revenue at our broadcast television stations.

Costs and expenses were impacted by the expanded hours of original programming and costs to promote our national networks, and the June 2005 acquisition of Shopzilla. In addition, we adopted the requirements of FAS 123-R, "Share-Based Payments" effective January 1, 2006 and began recording compensation expense on stock options granted to employees. Stock option expense, including the costs of immediately expensed options granted to retiree eligible employees, increased our costs and expenses \$8.4 million in the first quarter of 2006. Based upon stock options issued through the first quarter, we expect stock option expense to increase our costs and expenses by approximately \$11.0 million for the remainder of 2006.

Depreciation and amortization increased primarily as a result of the acquisitions of Shopzilla and uSwitch.

In the first quarter of 2006, we completed the formation of a newspaper partnership with MediaNews Group, Inc. In conjunction with the transaction, we recognized a pre-tax gain of \$3.5 million. Net income was increased by \$2.1 million, \$.01 per share

Interest expense includes interest incurred on our outstanding borrowings and deferred compensation and other employment agreements. Interest incurred on our outstanding borrowings increased in 2006 due to higher average debt levels attributed to the Shopzilla and uSwitch acquisitions. In connection with the June 2005 acquisition of Shopzilla, we issued \$150 million in 5-year notes at a rate of 4.30%. We financed the remainder of the Shopzilla and uSwitch transactions with commercial paper. The average outstanding commercial paper balance in 2006 was \$217 million at an average rate of 4.5% compared with \$52 million at an average rate of 2.5% in 2005.

In the third quarter of 2005, the management committee of the Denver Newspaper Agency ("DNA") approved plans to consolidate DNA's newspaper production facilities. As a result, assets used in certain of the existing facilities will be retired earlier than previously estimated. The reduction in these assets' estimated useful lives increased DNA's depreciation expense. The increased depreciation resulted in a \$3.2 million decrease in our equity in earnings from JOAs in the first quarter of 2006. Net income was decreased by \$2.0 million, \$.01 per share. The increased depreciation is expected to decrease equity in earnings from JOAs approximately \$3.0 million in each remaining quarter until the second quarter of 2007. The decrease in equity in earnings of JOAs is also attributed to lower advertising sales in all three of our JOA markets.

Information regarding our effective tax rate is as follows:

<i>(in thousands)</i>	2006	Year-to-Date Change	2005
Income from continuing operations before income taxes and minority interests as reported	\$146,379	11.6%	\$131,183
Income allocated to non-controlling interests	14,021		10,718
Income allocated to Scripps	\$132,358	9.9%	\$120,465
Provision for income taxes	\$ 50,548	(7.7)%	\$ 46,916
Effective income tax rate as reported	34.5%		35.8%
Effective income tax rate on income allocated to Scripps	38.2%		38.9%

Our effective income tax rate is affected by the growing profitability of Food Network. Food Network is operated pursuant to the terms of a general partnership, in which we own an approximate 70% residual interest. Income taxes on partnership income accrue to the individual partners. While the income before income tax reported in our financial statements includes all of the income before tax of the partnership, our income tax provision does not include income taxes on the portion of Food Network income that is attributable to the non-controlling interest.

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The income tax provision for interim periods is determined by applying the expected effective income tax rate for the full year to year-to-date income before income tax. Tax provisions are separately provided for certain discrete transactions in interim periods. To determine the annual effective income tax rate for the full year period we must estimate both the total income before income tax for the full year and the jurisdictions in which that income is subject to tax.

Minority interest increased in the first quarter of 2006 primarily due to the increased profitability of the Food Network. Food Network's profits are allocated in proportion to each partner's residual interests in the partnership, of which we own approximately 70%.

Business Segment Results - As discussed in Note 17 to the Consolidated Financial Statements our chief operating decision maker (as defined by FAS 131 - Segment Reporting) evaluates the operating performance of our business segments using a performance measure we call segment profits. Segment profits excludes interest, income taxes, depreciation and amortization, divested operating units, restructuring activities, investment results and certain other items that are included in net income determined in accordance with accounting principles generally accepted in the United States of America.

Items excluded from segment profits generally result from decisions made in prior periods or from decisions made by corporate executives rather than the managers of the business segments. Depreciation and amortization charges are the result of decisions made in prior periods regarding the allocation of resources and are therefore excluded from the measure. Financing, tax structure and divestiture decisions are generally made by corporate executives. Excluding these items from our business segment performance measure enables us to evaluate business segment operating performance for the current period based upon current economic conditions and decisions made by the managers of those business segments in the current period.

In February of 2006, we formed a newspaper partnership with MediaNews Group, Inc. ("MediaNews") that will operate certain of both companies' newspapers in Colorado. We contributed the assets of our Boulder Daily Camera, Colorado Daily and Bloomfield Enterprise newspapers for a 50% interest in the partnership. Our share of the operating profit (loss) of the partnership is recorded as "Equity in earnings of JOAs and other joint ventures" in our financial statements. To enhance comparability of year-over-year operating results, the results of the contributed publications prior to the formation of the partnership are reported separately in our segment results.

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Information regarding the operating performance of our business segments determined in accordance with FAS 131 and a reconciliation of such information to the consolidated financial statements is as follows:

<i>(in thousands)</i>	2006	Year-to-Date Change	2005
Segment operating revenues:			
Scripps Networks	\$237,602	17.2%	\$202,678
Newspapers:			
Newspapers managed solely by us	184,202	4.8%	175,836
JOAs and newspaper partnerships	48		50
Total	184,250	4.8%	175,886
Boulder prior to formation of Colorado newspaper partnership	2,189		6,336
Total newspapers	186,439	2.3%	182,222
Broadcast television	83,763	15.9%	72,260
Interactive media	58,643		
Licensing and other media	23,604	(8.6)%	25,820
Corporate/intercompany	(322)		(77)
Total operating revenues	\$589,729	22.1%	\$482,903
Segment profit (loss):			
Scripps Networks	\$106,545	31.6%	\$ 80,941
Newspapers:			
Newspapers managed solely by us	50,984	(8.4)%	55,646
JOAs and newspaper partnerships	(959)		7,041
Total	50,025	(20.2)%	62,687
Boulder prior to formation of Colorado newspaper partnership	(125)		370
Total newspapers	49,900	(20.9)%	63,057
Broadcast television	22,487	38.1%	16,279
Interactive media	13,921		
Licensing and other media	2,902	(40.2)%	4,855
Corporate	(16,893)	(43.6)%	(11,766)
Total segment profit	178,862	16.6%	153,366
Depreciation and amortization of intangibles	(25,348)	(65.6)%	(15,303)
Gain on formation of Colorado newspaper partnership	3,535		
Gains (losses) on disposal of property, plant and equipment	(96)	(95.9)%	(49)
Interest expense	(12,153)	(64.9)%	(7,372)
Interest and dividend income	542		208
Miscellaneous, net	1,037		333
Income from continuing operations before income taxes and minority interests	\$146,379	11.6%	\$131,183

Discussions of the operating performance of each of our reportable business segments begin on page F-37.

The impact of expensing stock options beginning on January 1, 2006 increased Corporate expenses \$3.7 million in the first quarter of 2006.

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Segment profits include our share of the earnings of JOAs and certain other investments included in our consolidated operating results using the equity method of accounting. Newspaper segment profits include equity in earnings of JOAs and other joint ventures. Scripps Networks segment profits include equity in earnings of FOX Sports Net South and other joint ventures.

A reconciliation of our equity in earnings of JOAs and other joint ventures included in segment profits to the amounts reported in our Consolidated Statements of Income is as follows:

<i>(in thousands)</i>	2006	Year-to-Date Change	2005
Scripps Networks:			
Equity in earnings of joint ventures	\$ 3,164	45.9%	\$ 2,169
Newspapers:			
Equity in earnings of JOAs and newspaper partnerships	8,206	(48.7)%	15,988
Total equity in earnings of JOAs and other joint ventures	<u>\$11,370</u>	<u>(37.4)%</u>	<u>\$18,157</u>

Certain items required to reconcile segment profitability to consolidated results of operations determined in accordance with accounting principles generally accepted in the United States of America are attributed to particular business segments. Significant reconciling items attributable to each business segment are as follows:

<i>(in thousands)</i>	2006	Year-to-Date Change	2005
Depreciation and amortization:			
Scripps Networks	\$ 4,450	(9.7)%	\$ 4,056
Newspapers:			
Newspapers managed solely by us	5,175	(4.5)%	4,950
JOAs and newspaper partnerships	432	37.5%	691
Total newspapers	5,607	0.6%	5,641
Broadcast television	4,903	(1.2)%	4,847
Interactive media	9,877		
Licensing and other media	168	23.3%	219
Corporate	343	36.5%	540
Total	<u>\$25,348</u>	<u>(65.6)%</u>	<u>\$15,303</u>
Gains (losses) on disposal of PP&E:			
Scripps Networks	\$ (85)		\$ (21)
Newspapers:			
Newspapers managed solely by us	4		(14)
JOAs and newspaper partnerships	—		1
Total newspapers	4		(13)
Broadcast television	(15)		1
Corporate	—		(16)
Gains (losses) on disposal of PP&E	<u>\$ (96)</u>	<u>(95.9)%</u>	<u>\$ (49)</u>

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Scripps Networks - Scripps Networks includes five national television networks, Home & Garden Television (“HGTV”), Food Network, DIY Network (“DIY”), Fine Living and Great American Country (“GAC”); our online network HGTVPro.com; Scripps Network branded broadband channels; and our 12% interest in FOX Sports Net South, a regional television network. Our networks also operate internationally through licensing agreements and joint ventures with foreign entities.

We launched HGTV in 1994. Food Network launched in 1993, and we acquired our controlling interest in 1997. We launched DIY in 1999 and Fine Living in the first quarter of 2002. We acquired GAC in 2004. We have used a similar strategy in developing each of our networks. Our initial focus is to gain distribution on cable and satellite television systems. We may offer incentives in the form of cash payments or an initial period in which payment of affiliate fees by the systems is waived in exchange for long-term distribution contracts. We create new and original programming and undertake promotion and marketing campaigns designed to increase viewer awareness. We expect to incur operating losses until network distribution and audience size are sufficient to attract national advertisers. As distribution of the network increases, we make additional investments in the quality and variety of programming and increase the number of hours of original programming offered on the network. Such investments are expected to result in increases in viewership, yielding higher advertising revenues.

While we have employed similar development strategies with each of our networks, there can be no assurance DIY, Fine Living and GAC will achieve operating performances similar to HGTV and Food Network. There has been considerable consolidation among cable and satellite television operators, with the eight largest providing services to approximately 95% of the homes that receive cable and satellite television programming. At the same time, there has been an expansion in the number of programming services seeking distribution on those systems, with the number of networks more than doubling since 1996.

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The networks utilize common facilities and certain sales, operational and support services are shared by the networks. Expenses directly attributable to the operations of a network are charged directly to that network. The costs of shared facilities and services are not allocated to individual networks for segment reporting purposes.

Financial information for Scripps Networks is as follows:

<i>(in thousands)</i>	2006	Year-to-Date Change	2005
Operating revenues:			
HGTV	\$118,655	13.6%	\$104,418
Food Network	93,874	18.7%	79,069
DIY	10,725	13.8%	9,426
Fine Living	8,321	39.5%	5,967
GAC	4,729	39.9%	3,381
Other	1,298		417
Total segment operating revenues	\$237,602	17.2%	\$202,678
Contribution to segment profit (loss):			
HGTV	\$ 78,215	21.9%	\$ 64,147
Food Network	55,755	28.8%	43,277
DIY	904	(32.9)%	1,347
Fine Living	1,052		(684)
GAC	224		(915)
Unallocated costs and other	(29,605)	(12.9)%	(26,231)
Total segment profit	\$106,545	31.6%	\$ 80,941
Homes reached in March (1):			
HGTV	89,600	1.6%	88,200
Food Network	89,100	2.4%	87,000
DIY	36,000	12.5%	32,000
Fine Living	37,000	42.3%	26,000
GAC	40,900	9.4%	37,400

(1) Approximately 94 million homes in the United States receive cable or satellite television. Homes reached are according to the Nielsen Homevideo Index ("Nielsen"), with the exception of DIY and Fine Living which are not yet rated by Nielsen and represent comparable amounts calculated by us.

Advertising and network affiliate fees provide substantially all of each network's operating revenues and employee costs and programming costs are the primary expenses. The trends and underlying economic conditions affecting each of our networks are substantially the same as those affecting all of our networks, primarily the demand for national advertising.

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Operating results for Scripps Networks were as follows:

<i>(in thousands)</i>	2006	Year-to-Date Change	2005
Segment operating revenues:			
Advertising	\$186,836	17.1%	\$159,499
Network affiliate fees, net	48,286	15.0%	41,975
Other	2,480		1,204
Total segment operating revenues	<u>237,602</u>	<u>17.2%</u>	<u>202,678</u>
Segment costs and expenses:			
Employee compensation and benefits	30,072	(8.9)%	27,604
Programs and program licenses	43,995	(3.5)%	42,517
Other segment costs and expenses	60,154	(11.8)%	53,785
Total segment costs and expenses	<u>134,221</u>	<u>(8.3)%</u>	<u>123,906</u>
Segment profit before joint ventures	103,381	31.2%	78,772
Equity in income of joint ventures	3,164	45.9%	2,169
Segment profit	<u>\$106,545</u>	<u>31.6%</u>	<u>\$ 80,941</u>
<i>Supplemental Information:</i>			
Billed network affiliate fees	\$ 52,088		\$ 46,258
Network launch incentive payments	1,440		5,079
Payments for programming less (greater) than program cost amortization	(21,008)		(2,991)
Depreciation and amortization	4,450		4,056
Capital expenditures	2,626		2,856
Business acquisitions and other additions to long-lived assets, primarily program assets	<u>61,699</u>		<u>44,143</u>

Advertising revenues increased due primarily to an increased demand for advertising time and higher advertising rates at our networks. The increase in network affiliate fees reflects both scheduled rate increases and wider distribution of the networks.

We expect total operating revenues at Scripps Networks to increase approximately 15% to 18% year-over-year in the second quarter of 2006.

Employee compensation and benefit expenses increased due to the hiring of additional employees to support the growth of Scripps Networks. In addition, employee compensation and benefits include \$0.9 million of stock option expense recognized for the first time in 2006.

Programs and program licenses and other costs and expenses increased due to the improved quality and variety of programming, expanded programming hours and continued efforts to promote the programming in order to attract a larger audience. Our continued investment in building consumer awareness and expanding distribution of our network and online lifestyle brands is expected to increase total segment expenses approximately 15% year-over-year in the second quarter of 2006.

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Newspapers - We operate daily and community newspapers in 18 markets in the U.S. Our newspapers earn revenue primarily from the sale of advertising space to local and national advertisers and from the sale of newspapers to readers. Three of our newspapers are operated pursuant to the terms of joint operating agreements. Each of those newspapers maintains an independent editorial operation and receives a share of the operating profits of the combined newspaper operations.

Newspapers managed solely by us: The newspapers managed solely by us operate in mid-size markets, focusing on news coverage within their local markets. Advertising and circulation revenues provide substantially all of each newspaper's operating revenues and employee and newsprint costs are the primary expenses at each newspaper. Declines in circulation of daily newspapers have resulted in a loss of advertising market share throughout the newspaper industry. Further declines in circulation in our newspaper markets could adversely affect our newspapers.

The trends and underlying economic conditions affecting the operating performance of any of our newspapers are substantially the same as those affecting all of our newspapers. Our newspaper operating performance is most affected by newsprint prices and economic conditions, particularly within the retail, labor, housing and auto markets. While an individual newspaper may perform better or worse than our newspaper group as a whole due to specific conditions at the newspaper or within its local economy, we do not expect such near-term variances to significantly affect the overall long-term operating performance of the newspaper segment.

Operating results for newspapers managed solely by us were as follows:

<i>(in thousands)</i>	2006	Year-to-Date Change	2005
Segment operating revenues:			
Local	\$ 40,947	0.9%	\$ 40,594
Classified	61,587	10.7%	55,625
National	9,694	(5.1)%	10,220
Preprint and other	<u>35,491</u>	<u>9.9%</u>	<u>32,290</u>
Newspaper advertising	147,719	6.5%	138,729
Circulation	32,313	(2.4)%	33,124
Other	<u>4,170</u>	<u>4.7%</u>	<u>3,983</u>
Total operating revenues	<u>184,202</u>	<u>4.8%</u>	<u>175,836</u>
Segment costs and expenses:			
Employee compensation and benefits	68,175	(8.8)%	62,633
Newsprint and ink	23,192	(15.7)%	20,044
Other segment costs and expenses	<u>41,851</u>	<u>(11.6)%</u>	<u>37,513</u>
Total costs and expenses	<u>133,218</u>	<u>(10.8)%</u>	<u>120,190</u>
Contribution to segment profit	<u>\$ 50,984</u>	<u>(8.4)%</u>	<u>\$ 55,646</u>
<i>Supplemental Information:</i>			
Depreciation and amortization	\$ 5,175		\$ 4,950
Capital expenditures	3,894		2,557
Business acquisitions, including acquisitions of minority interests, and other additions to long-lived assets	<u>22,982</u>		<u>100</u>

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Newspaper advertising revenues increased in 2006 due to increases in classified advertising and preprint and other advertising. The increase in classified advertising was primarily attributed to continued improvement in help wanted and real estate advertising. Increases in these categories help offset declines in automotive advertising.

Increases in preprint and other advertising reflect the continued development of new print and electronic products and services. These products include niche publications such as community newspapers, lifestyle magazines, publications focused upon the classified advertising categories of real estate, employment and auto, and other publications aimed at younger readers. Additionally, our Internet sites had advertising revenues of \$8.0 million in the first quarter of 2006 compared with \$4.2 million in the first quarter of 2005. We expect to continue to expand and enhance our online services and to use our local news platform to launch new products, such as streaming video or audio.

We expect total operating revenues at newspapers to increase approximately 3% to 5% year-over-year in the second quarter of 2006.

Stock option expense of \$2.0 million contributed to the increase in employee compensation and benefit expenses in 2006.

Newsprint and ink costs increased due to newsprint prices increasing 14% during the current year.

The increases in other segment costs and expenses is attributed to increased spending in online and print initiatives, primarily in our Florida markets.

We expect total costs and expenses to increase between 5% and 7% year-over-year in the second quarter of 2006.

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Joint Operating Agreements and Newspaper Partnerships: Three of our newspapers are operated pursuant to the terms of joint operating agreements (“JOAs”). The table below provides certain information about our JOAs.

<u>Newspaper</u>	<u>Publisher of Other Newspaper</u>	<u>Year JOA Entered Into</u>	<u>Year of JOA Expiration</u>
The Albuquerque Tribune	Journal Publishing Company	1933	2022
The Cincinnati Post	Gannett Newspapers	1977	2007
Denver Rocky Mountain News	MediaNews Group, Inc.	2001	2051

The operating profits earned from the combined operations of the two newspapers are distributed to the partners in accordance with the terms of the joint operating agreement. We receive a 50% share of the Denver JOA profits, a 40% share of the Albuquerque JOA profits, and approximately 20% to 25% of the Cincinnati JOA profits.

In February of 2006, we formed a newspaper partnership with MediaNews Group, Inc. (“MediaNews”) that will operate certain of both companies’ newspapers in Colorado, including their editorial operations. We have a 50% interest in the partnership.

Our share of the operating profit (loss) of JOAs and newspaper partnerships are reported as “Equity in earnings of JOAs and other joint ventures” in our financial statements.

Operating results for our JOAs and newspaper partnerships were as follows:

<i>(in thousands)</i>	<u>2006</u>	<u>Year-to-Date Change</u>	<u>2005</u>
Equity in earnings of JOAs and newspaper partnerships included in segment profit:			
Denver	\$ 1,172	(85.2)%	\$ 7,925
Cincinnati	4,397	(17.9)%	5,354
Albuquerque	2,496	(7.9)%	2,709
Colorado	175		
Other newspaper partnerships and joint ventures	(34)		
Total equity in earnings of JOAs included in segment profit	8,206	(48.7)%	15,988
Operating revenues of JOAs	48	(4.0)%	50
Total	8,254	(48.5)%	16,038
JOA editorial costs and expenses:			
Denver	6,209	(5.7)%	5,874
Cincinnati	1,955	2.4%	2,004
Albuquerque	1,049	6.3%	1,119
Total JOA editorial costs and expenses	9,213	(2.4)%	8,997
JOAs and newspaper partnerships contribution to segment profit:			
Denver	(5,006)		2,087
Cincinnati	2,442	(27.1)%	3,350
Albuquerque	1,464	(8.7)%	1,604
Colorado	175		
Other newspaper partnerships and joint ventures	(34)		
Total contribution to segment profit	\$ (959)		\$ 7,041
<i>Supplemental Information:</i>			
Depreciation and amortization	\$ 432		\$ 691
Capital expenditures	352		203

Additional depreciation incurred by the Denver News Agency reduced equity in earnings of JOAs by \$3.2 million in the first quarter of 2006 (See Note 5 to the Consolidated Financial Statements). The decrease in equity in earnings of JOAs is also attributed to lower advertising sales in all three of our JOA markets.

Gannett Newspapers has notified us of its intent to terminate the Cincinnati JOA upon its expiration in 2007.

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Broadcast Television – Broadcast television includes six ABC-affiliated stations, three NBC-affiliated stations and one independent. Each station is located in one of the 61 largest television markets in the U.S. Our broadcast television stations earn revenue primarily from the sale of advertising time to local and national advertisers.

National broadcast television networks offer affiliates a variety of programs and sell the majority of advertising within those programs. We may receive compensation from the network for carrying its programming. In addition to network programs, we broadcast locally produced programs, syndicated programs, sporting events, and other programs of interest in each station’s market. News is the primary focus of our locally-produced programming.

The trends and underlying economic conditions affecting the operating performance of any of our broadcast television stations are substantially the same as those affecting all of our stations. The operating performance of our broadcast television group is most affected by the health of the economy, particularly conditions within the retail and auto markets, and by the volume of advertising time purchased by campaigns for elective office and for political issues. The demand for political advertising is significantly higher in even-numbered years, when congressional and presidential elections occur, than in odd-numbered years. From time-to-time, individual television stations may perform better or worse than our television station group as a whole due to specific conditions at that station or within its local economy. We do not expect such near-term variances to significantly affect the overall long-term operating performance of the broadcast television segment.

Operating results for broadcast television were as follows:

<i>(in thousands)</i>	2006	Year-to-Date Change	2005
Segment operating revenues:			
Local	\$53,440	18.9%	\$44,955
National	26,636	13.4%	23,490
Political	965		38
Network compensation	1,022	(32.0)%	1,504
Other	1,700	(25.2)%	2,273
Total segment operating revenues	<u>83,763</u>	<u>15.9%</u>	<u>72,260</u>
Segment costs and expenses:			
Employee compensation and benefits	33,584	(11.6)%	30,090
Programs and program licenses	11,483	1.5%	11,658
Other segment costs and expenses	16,209	(13.9)%	14,233
Total segment costs and expenses	<u>61,276</u>	<u>(9.5)%</u>	<u>55,981</u>
Segment profit	<u>\$22,487</u>	<u>38.1%</u>	<u>\$16,279</u>
<i>Supplemental Information:</i>			
Payments for programming less (greater) than program cost amortization	\$ 64		\$ (824)
Depreciation and amortization	4,903		4,847
Capital expenditures	<u>1,307</u>		<u>888</u>

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The broadcast of the Super Bowl on ABC and NBC's coverage of the Winter Olympics contributed to the increase in local and national advertising. Advertising revenue related to the Super Bowl and Olympics broadcasts was approximately \$9 million in the first quarter of 2006. We expect total operating revenues at our broadcast television stations to increase approximately 3% to 5% year-over-year in the second quarter of 2006. The increase in broadcast television could be higher depending on the timing of political advertising.

Employee compensation and benefits include \$1.3 million of stock option expense recognized for the first time in 2006.

Total broadcast television costs and expenses are expected to increase 5% to 7% year-over-year in the second quarter of 2006.

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Interactive Media - Interactive media includes our online comparison shopping services, Shopzilla and uSwitch.

We acquired Shopzilla on June 27, 2005. Shopzilla operates a product comparison shopping service that helps consumers find products offered for sale by online retailers. Shopzilla aggregates and organizes information on millions of products from thousands of retailers. Shopzilla also operates BizRate, a Web-based consumer feedback network that collects millions of consumer reviews of stores and products each year. Shopzilla earns revenues primarily from referral fees paid by participating online retailers.

On March 16, 2006, we acquired uSwitch. uSwitch operates an online comparison service that helps consumers compare prices and arrange for the purchase of a range of essential home services including gas, electricity, home phone, broadband providers and personal finance products in the United Kingdom. uSwitch earns revenues from commissions paid by participating service providers when a consumer switches services.

Financial information for interactive media is as follows:

<i>(in thousands)</i>	2006
Segment operating revenues	\$ 58,643
Segment profit	\$ 13,921
<u>Supplemental Information:</u>	
Depreciation and amortization	\$ 9,877
Capital expenditures	2,778
Business acquisitions and other additions to long-lived assets	<u>370,701</u>

Operating results for uSwitch are included in our results of operations from the March 16, 2006 acquisition date. On a pro-forma basis, assuming we had owned Shopzilla and uSwitch for all of 2006 and 2005, operating revenues would have been \$68.9 million in 2006 and \$33.4 million in 2005. Segment profits would have been \$16.9 million in 2006 and \$8.5 million in 2005. An increase in the use of comparison shopping sites by consumers has primarily contributed to the improvement in results.

Interactive media is expected to generate segment profits of about \$12 million in the second quarter of 2006.

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LIQUIDITY AND CAPITAL RESOURCES

Our primary source of liquidity is our cash flow from operating activities. Advertising provides approximately 70% of total operating revenues, so cash flow from operating activities is adversely affected during recessionary periods. Information about our use of cash flow from operating activities is presented in the following table:

<i>(in thousands)</i>	Three months ended	
	March 31,	
	2006	2005
Net cash provided by continuing operating activities	\$ 160,904	\$ 124,919
Net cash provided by (used in) discontinued operations	(10,008)	(8,747)
Proceeds from formation of Colorado partnership	20,029	
Dividends paid, including to minority interests	(18,345)	(16,689)
Employee stock option proceeds	7,774	6,780
Excess tax benefits on stock awards	2,753	
Other financing activities, including discontinued operations	2,010	(14,034)
Cash flow available for investments, debt repayment and share repurchase	\$ 165,117	\$ 92,229
Sources and uses of available cash flow:		
Business acquisitions and net investment activity	\$(383,915)	\$ 5,874
Capital expenditures, including discontinued operations	(12,663)	(8,409)
Other investing activity	914	(45)
Repurchase Class A Common Shares	(19,280)	
Increase (decrease) in long-term debt	<u>263,355</u>	<u>(78,758)</u>

Our cash flow has been used primarily to fund acquisitions and investments and to develop new businesses. There are no significant legal or other restrictions on the transfer of funds among our business segments.

Net cash provided by operating activities increased year-over-year due to the improved operating performance of our business segments. We expect cash flow from operating activities in 2006 will provide sufficient liquidity to continue the development of our emerging brands and to fund the capital expenditures necessary to support our businesses.

In March 2006, we acquired 100% of the common stock of uSwitch for approximately \$371 million, net of cash and short-term investments acquired. We also acquired minority interests in our Evansville and Memphis newspapers, and acquired certain other publications, for total consideration of approximately \$23 million, of which \$3.6 million of the consideration was paid in the first quarter. In connection with the acquisitions, we entered into a \$100 million 364-day revolving credit facility. The remaining balance of the acquisitions was financed using a combination of cash on hand and additional borrowings on our existing credit facilities.

In 2005, the management committee of the Denver JOA approved plans to consolidate the JOA's newspaper production facilities and authorized the incurrence of up to \$150 million of debt by the JOA to finance the building and equipment costs related to the consolidation. We own a 50% interest in the Denver JOA. Scripps and Media News Group ("MNG"), our Denver JOA partner, are not parties to the arrangement and have not guaranteed any of the Denver JOA's obligations under the arrangement. However, we expect that our cash distributions received from the Denver JOA will be reduced as the JOA will have additional cash requirements to satisfy debt and lease payments under the agreements.

Pursuant to the terms of the Food Network general partnership agreement, the partnership is required to distribute available cash to the general partners. We expect these cash distributions will approximate \$40 million in 2006.

We are authorized to repurchase up to 5 million of our Class A Common shares. We expect to repurchase shares to offset the dilution resulting from our stock compensation programs each year. In 2006, we have re-purchased 420,000 shares at a total cost of \$20.2 million. The stock repurchase program can be discontinued at any time.

We have two credit facilities that collectively permit aggregate borrowings up to \$550 million. One facility permitting \$450 million in aggregate borrowings expires in July 2009 and the second facility permitting \$100 million in aggregate borrowings expires in March 2007. Total borrowings under the facilities were \$490 million at March 31, 2006.

Our access to commercial paper markets can be affected by macroeconomic factors outside of our control. In addition to macroeconomic factors, our access to commercial paper markets and our borrowing costs are affected by short and long-term debt ratings assigned by independent rating agencies.

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We have a U.S. shelf registration statement which allows us to borrow up to an additional \$300 million as of March 31, 2006.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Earnings and cash flow can be affected by, among other things, economic conditions, interest rate changes, foreign currency fluctuations and changes in the price of newsprint. We are also exposed to changes in the market value of our investments.

We may use foreign currency forward and option contracts to hedge our cash flow exposures that are denominated in foreign currencies and forward contracts to reduce the risk of changes in the price of newsprint on anticipated newsprint purchases. We held no foreign currency or newsprint derivative financial instruments at March 31, 2006.

The following table presents additional information about market-risk-sensitive financial instruments:

<i>(in thousands, except share data)</i>	As of March 31, 2006		As of December 31, 2005	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Financial instruments subject to interest rate risk:				
Variable-rate credit facilities, including commercial paper	\$ 490,348	\$ 490,348	\$226,966	\$226,966
\$100 million, 6.625% notes, due in 2007	99,978	101,650	99,975	102,638
\$50 million, 3.75% notes, due in 2008	50,000	48,450	50,000	48,705
\$100 million, 4.25% notes, due in 2009	99,647	95,659	99,623	96,975
\$150 million, 4.30% notes, due in 2010	149,796	142,649	149,784	144,939
\$200 million, 5.75% notes, due in 2012	199,216	200,071	199,185	205,580
Other notes	1,510	1,264	1,537	1,299
Total long-term debt including current portion	<u>\$1,090,495</u>	<u>\$1,080,091</u>	<u>\$827,070</u>	<u>\$827,102</u>
Interest rate swap	\$ (1,550)	\$ (1,550)	\$ (1,295)	\$ (1,295)
Financial instruments subject to market value risk:				
Time Warner (common shares - 2006, 2,011,000; 2005, 2,017,000)	\$ 29,584	\$ 33,768	\$ 29,667	\$ 35,173
Other available-for-sale securities	164	1,944	61	1,806
Total investments in publicly-traded companies	29,748	35,712	29,728	36,979
Other equity securities	7,326	(a)	5,426	(a)

(a) Includes securities that do not trade in public markets, so the securities do not have readily determinable fair values. We estimate the fair value of these securities approximates their carrying value. There can be no assurance that we would realize the carrying value upon sale of the securities.

Our objectives in managing interest rate risk are to limit the impact of interest rate changes on our earnings and cash flows and to reduce our overall borrowing costs. We manage interest rate risk primarily by maintaining a mix of fixed-rate and variable-rate debt. In February 2003, we issued \$50 million of 3.75% notes due in 2008. Concurrently, we entered into a receive-fixed, pay-floating interest rate swap, effectively converting the notes to a variable-rate obligation indexed to LIBOR. We account for the interest rate swap as a fair-value hedge of the underlying fixed-rate notes. As a result, changes in the fair value of the interest rate swap are offset by changes in the fair value of the swapped notes and no net gain or loss is recognized in earnings.

CONTROLS AND PROCEDURES

Scripps' management is responsible for establishing and maintaining adequate internal controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The company's internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the company are being made only in accordance with authorizations of management and the directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error, collusion and the improper overriding of controls by management. Accordingly, even effective internal control can only provide reasonable but not absolute assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

The effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) was evaluated as of the date of the financial statements. This evaluation was carried out under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures are effective. There were no changes to the company's internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

We acquired Shopzilla, a Web-based product comparison shopping service, on June 27, 2005. We acquired uSwitch, the United Kingdom's leading provider of online price comparison and switching for essential home services, on March 16, 2006. These businesses, that comprise our interactive media segment, have total assets of approximately \$1.0 billion and are expected to have segment profits of \$65 to \$75 million for the full year of 2006. Each business is a separate control environment. We have excluded these businesses from management's evaluation of internal control over financial reporting, as permitted by SEC guidance, for the quarter ended March 31, 2006.

THE E. W. SCRIPPS COMPANY

Index to Exhibits

<u>Exhibit No.</u>	<u>Item</u>
2.02	Agreement relating to the sale and purchase of the major part of the issued share capital of uSwitch Limited
2.02B	Minority (1) Share Sale Agreement relating to the sale and purchase of a minority part of the issued share capital of uSwitch Limited
2.02C	Minority (2) Share Sale Agreement relating to the sale and purchase of a minority part of the issued share capital of uSwitch Limited
12	Ratio of Earnings to Fixed Charges
31(a)	Section 302 Certifications
31(b)	Section 302 Certifications
32(a)	Section 906 Certifications
32(b)	Section 906 Certifications

Agreement

relating to the sale and purchase of the major part of the issued share capital of uSwitch Limited

- (1) The persons listed in schedule 1
- (2) FIRSTCORNER Limited
- (3) Lord Milford Haven

Dated 15 March 2006

Osborne Clarke

One London Wall

London

EC2Y 5EB

Telephone +44 (0) 20 7105 7000

Fax +44 (0) 20 7105 7005

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Documents in agreed form:

Disclosure Letter

Press Release

This Agreement is made on 15 March 2006

Between:

- (1) **The persons** whose names and addresses are set out in Schedule 1 (the “**Vendors**”);
- (2) **FIRSTCORNER Limited** (registered in England and Wales with company number: 5651121) whose registered office is at 10th Floor, Portland House, Stag Place, SW1 5BH (the “**Purchaser**”); and
- (3) **Lord Milford Haven** of Great Trippetts Farm, Rake Road, Milland, GU30 7AX (“**LMH**”).

Background:

The Vendors have agreed to sell and the Purchaser has agreed to purchase the Shares on the terms and conditions set out in this Agreement.

This Agreement witnesses as follows:

1. **Definitions and interpretation**

1.1 In this Agreement, unless the context otherwise requires, the following definitions shall apply:

“ Accounts ”	means the audited balance sheet as at the Accounts Date and the audited profit and loss account for the financial period ended on the Accounts Date of each Group Company, including all documents required by law to be annexed to them and in the case of the Company only, the audited consolidated balance sheet as at that date and the audited consolidated profit and loss account for that period;
“ Accounts Date ”	means 31 December 2005;
“ Accounting Instructions ”	the instructions regarding the preparation of the Completion Accounts as set out in Part 1 of Schedule 9;
“ Act ”	means the Companies Act 1985 (as amended);
“ Actual Cash Amount ”	means the Cash less Debt as at the Completion Date as calculated in accordance with Schedule 9;
“ Actual Non-Cash NCA ”	means the adjusted Non-Cash current asset position of the Company as at the Completion Date as calculated in accordance with Schedule 9;

“Actual Non-Cash NCA Statement”	the statement showing the Actual Non-Cash NCA to be prepared in accordance with the provisions of Schedule 9;
“Adjustment Account”	means an interest bearing deposit account, to be opened with designation Osborne Clarke and SJ Berwin LLP Client account re: uSwitch Limited, or such other retention account from time to time agreed between the Vendors’ Representative and the Purchaser;
“Adjustment Fund”	the balance standing to the credit of the Adjustment Account from time to time;
“Adjustment Amount”	means the sum of £1,000,000;
“Adjustment Disbursement Certificate”	a disbursement certificate addressed to the Bank of Scotland requesting a withdrawal from the Adjustment Account duly executed by the Purchaser and the Vendors’ Representative and substantially in the form set out in part 2 Schedule 8 to this Agreement;
“Admitted Claim”	has the meaning given in clause 10.11(a);
“Affiliates”	in relation to any body corporate (whether or not registered in the United Kingdom), any holding company or subsidiary of such body corporate or any subsidiary of a holding company of such body corporate;
“Agreement”	means this agreement (including any schedule or annexure to it which shall have the same force and effect as if set out in the body of this Agreement);
“Agreed Proportions”	means the respective percentage proportions attributable to the interests of the Vendors in the Shares as set out in column (4) of Schedule 1, Part 1;
“Applicable Law”	means any law or regulation, order, decree or other provision having the force of law in any jurisdiction anywhere in the world and which is applicable to any Group Company by reason of its presence or activities in any such jurisdiction;
“Bank”	means Schroder & Co Bank AG, Central 2, Postfach, CH-8021, Zurich
“Board”	means the board of directors of the Company;

“B Bonus”	means the bonus (or other sums to be paid by way of indemnity) paid or to be paid by the Company to the Vendors of B Shares on or following Completion by reference to taxation payable by such Vendors relating to their subscription for B Shares;
“B Shares”	means the B shares of £0.001 each in the capital of the Company;
“Business Day”	means a day (other than a Saturday, a Sunday or a bank or public holiday) on which clearing banks are open for normal banking business in the City of London;
“Cash”	in respect of each Group Company, at the relevant time the aggregate of all cash held by such Group Company, and any balances accredited to the account of such Group Company with banks or other financial institutions as set out in the Group Company’s nominal ledger and including cash received by the Company on the exercise of the Share Options by the option holders;
“Cash Statement”	means the statement of Cash and Debt to be prepared in accordance with the provisions of Schedule 9;
“Cash Target”	means the sum of £7,031,132;
“CCA”	means the UK’s Consumer Credit Act 1974;
“Claim”	means a Warranty Claim or a claim by the Purchaser against the Warrantors under the Tax Covenant (as the case may be) or otherwise under or pursuant to the terms of this Agreement;
“Claim Notification”	has the meaning given to it in clause 10.11(a);
“Company”	means uSwitch Limited, details of which are set out in Part 1 of Schedule 2;
“Completion”	means the completion of the sale and purchase of the Shares under this Agreement;
“Completion Accounts”	the accounts to be prepared and agreed by the parties or determined in accordance with Schedule 9 and comprising the Consideration Adjustment Statement and the Actual Non-Cash NCA Statement and Cash Statement;

“Completion Date”	means the date of Completion;
“Conditions”	means those matters set out in clause 2.1 and “Condition” shall mean any of them;
“Consideration”	means the aggregate sum of £197,230,152 due to the Vendors at Completion as adjusted pursuant to clause 6.2;
“Consideration Adjustment Statement”	the statement of adjustments to be prepared pursuant to clause 6.2 in accordance with the provisions of Schedule 9;
“Corporation Tax”	all amounts of corporation tax payable by any of the Group Companies after deducting any allowable expenses or deductible items ;
“Debt”	means in respect of each Group Company, at the relevant time, the aggregate amount of: <ul style="list-style-type: none"> (a) the principal and accrued interest on any interest bearing borrowing or indebtedness in the nature of borrowing incurred by such Group Company (including, without limitation, bank debt, loans, overdrafts, guarantees, letters of credit (which are secured by a third party which is not a Group company), any loan notes or bonds, any other interest bearing and/or secured lending or credit liabilities provided by third parties to such Group Company and any early repayment, prepayment, or breach costs or penalties in respect of the above items; (b) the capitalised element of any lease or hire purchase contract which would, in accordance with UK GAAP, be treated as a finance or capital lease; (c) declared and/or accrued but unpaid dividends of such Group Company (other than dividends due to another Group Company); (d) all obligations of such Group Company to purchase or redeem or otherwise acquire for value any share capital of such Group Company (other than such share capital held by another Group Company);

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- (e) all amounts and costs payable by such Group Company on termination of any interest rate swap or hedging arrangements to which such Group Company is party;
 - (f) any amount in respect of the sale or discounting of such Group Company's rights or assets in return for funding in the nature of finance and any other off balance sheet finance; and
 - (g) any amount payable by any Group Company to the Vendors or any Affiliate of the Vendors.

"Determination Date"	the date on which the Completion Accounts are agreed by the parties or determined in accordance with paragraph 4 of Part 1 of Schedule 9;
"Disbursement Certificate"	a disbursement certificate addressed to the Stakeholder requesting a withdrawal from the Retention Fund duly executed by the Purchaser's Solicitors and the Warrantors' Representative and substantially in the form set out in part 1, Schedule 8 to this Agreement;
"Disclosed"	means fairly disclosed to the Purchaser in the Disclosure Letter. For these purposes, "fairly disclosed" in relation to any fact, matter or circumstance shall be where the disclosure contains sufficient information regarding that fact, matter or circumstance to enable it and its import or likely import reasonably to be identified;
"Disclosure Letter"	means the letter of the same date as this Agreement in the agreed form from the Vendors to the Purchaser and delivered to the Purchaser's Solicitors immediately prior to the execution of this Agreement, together with any attachments;
"Domain Names"	means the domain names of which any Group Company is a registrant as listed in Schedule 7 Part 1;
"Encumbrance"	means any interest or equity of any person (including any right to acquire, option or right of pre-emption or conversion) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention, or any other security agreement or arrangement, or any agreement to create any of the above;

“Environmental Consents”	any assessment, authorisation, certificate, consent, licence, permission, permit, ruling, variation, modification, transfer or any other information or approval required by any Environmental Law or agreement made pursuant to Environmental Law
“Environmental Law”	all international, EU, national, federal, state or local laws (both common law and statute law and civil and criminal law) and all subordinate legislation and regulatory codes of practice (including, without limitation, statutory instruments, guidance notes, circulars, directives, decisions, regulations, treaties, and conventions) concerning the pollution or protection of the Environment which are or were binding upon the Vendors or the Company in the relevant jurisdiction in which the Vendors or the Company are or have been operating (including by the export of their products or their waste thereto)
“Escrow Agents”	means the Vendors’ Solicitors and the Purchaser’s Solicitors;
“FSA”	means the Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS
“FSMA”	FSMA means the UK’s Financial Services and Markets Act 2000;
“Group Companies” or “Group”	means the Company and its Subsidiaries and “Group Company” means any of them;
“Independent Accountants”	either: <ul style="list-style-type: none"> (a) an independent firm of chartered accountants of international repute agreed by the Vendors’ Representative and the Purchaser not being the auditors of the Purchaser, the Vendors or the Company; or (b) in default of agreement as to the identity of that independent firm within five Business Days of either party notifying the other of its wish to appoint an independent firm, a specific member of an independent firm of chartered accountants to be nominated on the application of either party by the President for the time being of the Institute of Chartered Accountants in England and Wales;

“Intellectual Property”	means patents, trade marks or names whether or not registered or capable of registration, registered designs, design rights, domain names, copyrights, database rights, the right to apply for and applications for any of the preceding items, together with the rights in inventions, processes, software, know-how, trade or business secrets, confidential information or any process or other similar right or asset capable of protection anywhere in the world;
“Key Employees”	means Andrew Salmon, Vipul Amin, Jon Miller, Barry Holloway, Susie Bruck, Alan Tattersall, Nick White and Narisa Wild;
“Leases”	means any leases (including underleases) under which the Properties are held, particulars of which are set out in Part 2 of schedule 2 and “Lease” means any of them;
“LPMPA”	the Law of Property (Miscellaneous Provisions) Act 1994;
“Management Accounts”	means the unaudited consolidated management accounts for the Group for the period from the Accounts Date up to and including 31 January 2006;
“Material Contract”	means (unless stated otherwise in this Agreement) any contract (a) under which the revenue or the cost to the Company exceeds £250,000 per annum or (b) upon which the Company depends for the operation of its business in the way it is operated at the date of this Agreement and where the cost of replacing such contract would incur cost to the Company of £250,000 or more;
“Minority Shares”	means the remaining shares in the issued share capital of the company as at Completion which when aggregated with the Shares will constitute the entire issued share capital of the Company as at Completion;
“Minority SPAs”	means the agreements of the same date as this Agreement each between the Purchaser and certain holders of the Minority Shares, all agreements together providing for the sale and purchase of the Minority Shares;
“Non-Tax Claim”	means any Claim which is not a Tax Claim (as defined in the Tax Schedule);

“Non-Tax Warranties”	means the warranties set out in schedule 3;
“notice”	includes any notice, demand, consent or other communication;
“Ordinary Shares”	means the ordinary shares of £0.001 each in the capital of the Company;
“Policies”	means all insurance policies maintained by the Group at the date of this Agreement and “Policy” means any of them;
“Properties”	means the leasehold property particulars of which are set out in Part 2 of schedule 2 and the “Property” means any of them;
“Purchaser’s Accountants”	means Deloitte & Touche LLP of 180 Strand, London WC2R 1BL;
“Purchaser Group Company”	means the Purchaser and any holding company or parent company or any subsidiary or subsidiary undertaking of the Purchaser or such companies as defined in sections 736, 736A, 258 and 259 of the Act;
“Purchaser’s Solicitors”	means SJ Berwin LLP of 10 Queen Street Place, London, EC4R 1BE;
“Relevant Amount”	has the meaning given to it in clause 10.11(a);
“Registered IP”	has the meaning given to it in Warranty 20.2 in Schedule 3;
“Restricted Business”	means: the business of the Group Companies as carried on at Completion including but not limited to: (i) the provision to consumers (whether business or non-business) of on-line comparison and switching services in relation to energy, water, heating, insurance, telephony products, broadband, digital TV, all types of personal finance including without limitation credit accounts, credit cards, unsecured loans, secured loans and mortgages, current accounts, cheque accounts, interest bearing accounts, investment accounts, savings accounts, directories, mobile phones and car and home insurance; and

(ii) the provision to consumers of on-line local residential information based on postcode or other selected address criteria, in relation to property and moving services, property prices, valuation reports, property finding, buying and selling and renting, local area person profiling, local area reporting and location services including without limitation in relation to education, neighbours, policing and crime, transport, council, leisure, and redirection services for domestic product and service price comparison and switching;

including in either case any planned activities and activities under development at Completion;

“Restricted Period”

means the period commencing on Completion and ending three years thereafter;

“Retention Account”

means an interest bearing deposit account, account number 304891.0004 opened with the designation “Retention Account Firstcomer Limited and Velocity Investments Limited/Raybridge Services Limited” at the Bank or such other retention account from time to time agreed pursuant to clause 10.6;

“Retention Fund”

means the retention fund held by the Bank and operated by the Stakeholder in respect of cash from time to time, as contributed by the Warrantors in accordance with clause 10.5 subject to any lawful deductions made pursuant to this Agreement;

“Retention Fund Share”

means in relation to each Warrantor its Agreed Proportion of the Retention Fund or Relevant Amount thereof;

“2007 Retention Payment Date”

means 6 July 2007;

“2008 Retention Payment Date”

means 6 July 2008;

“2009 Retention Payment Date”

means 6 July 2009;

“Shares”

means the 33,843,222 issued shares of the Company at Completion held by the Vendors in the respective amounts as set out in Schedule 1;

“Share Option Scheme”	means the 2005 share option schemes comprising the 2005 Enterprise Management Incentive Share Option Plans (for executives) dated 17 November 2005 and 11 October 2005 and each of the uSwitch Employees (Version A) 2005 Enterprise Management Incentive Share Option Plan and the uSwitch Employees (Version B) 2005 Enterprise Management Incentive Share Option Plan;
“Stakeholder”	means the Bank;
“Subsidiaries”	means Buy.co.uk Limited and Upmystreet.co.uk Limited, details of which are set out in Part 2 of Schedule 2;
“Target Non-Cash NCA Amount”	means the sum of £4,576,987;
“Tax Covenant”	means the covenant given by the Warrantors under Part 3 of the Tax Schedule;
“Tax Schedule”	means the provisions of Schedule 5 of this Agreement;
“Tax Warranties”	means the warranties set out in Part 2 of the Tax Schedule and each of them;
“Tax”, “Taxes” or “Taxation”	has the meaning ascribed thereto in the Tax Schedule;
“Territory”	means: <ul style="list-style-type: none"> (i) for the first two years of the Restricted Period, the entire world; and (ii) for the remainder of the Restricted Period the United States of America, Canada, the United Kingdom and those countries comprising Continental Europe;
“Trade Marks”	means the trade marks of which any Group Company is an owner as listed in Schedule 7 Part 2;
“UK GAAP”	generally accepted accounting principles in the United Kingdom as set out in all Statements of Standard Accounting Practice, Financial Reporting Standards and Urgent Issues Task Force Abstracts issued by the UK Accounting Standards Board and all relevant United Kingdom company law;

“Velocity”	means Velocity Investments Limited, one of the Vendors;
“Velocity Bank Account”	HSBC Bank plc, London SWIFT:MIDL GB22 Sort Code: 400515 for account Schroder & Co Bank AG account number 39814128, SWIFT: BJH SCH ZZ for further credit to account name: Velocity Investments Limited, account number 304727.0004;
“Vendors’ Accountants”	means Grant Thornton UK LLP, Churchill House, Chalvey Road East, Slough, Berkshire, SL1 2LS;
“Vendor Associate”	shall have the meaning given to it in the Tax Schedule;
“Vendors’ Group”	the Vendors and any of their Affiliates and excluding any Group Company;
“Vendors’ Representative”	Andrew Salmon of 8a Maunsel, Road London SW1P 2QL;
“Vendors’ Solicitors”	means Osborne Clarke of One London Wall, London EC2Y 5EB;
“Warranties”	means the Non-Tax Warranties and the Tax Warranties, and “Warranty” means any one of them;
“Warrantors”	means those persons whose names are set out in Schedule 1 Part 2 to this Agreement;
“Warrantors’ Representative”	means Beachcroft Wansbroughs of 100 Fetter Lane, London EC4A 1BN;
“Warranty Claim”	means a claim by the Purchaser against the Warrantors for breach of any of the Warranties; and
“Withheld Amount”	has the meaning given to it in clause 10.11(b).

1.2 In this Agreement, unless the context otherwise requires:

- (a) words defined in paragraph 1 of the Tax Schedule shall bear the same meaning in this Agreement.
- (b) words in the singular include the plural and vice versa and words in one gender include any other gender;
- (c) a reference to a statute or statutory provision includes:
 - (i) any subordinate legislation (as defined in section 21(1) of the Interpretation Act 1978) made under it;

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- (ii) any repealed statute or statutory provision which it re-enacts (with or without modification); and
 - (iii) any statute or statutory provision which modifies, consolidates, re-enacts or supersedes it except to the extent that it would create or increase the liability of any party under this Agreement;
- (d) a reference to:
- (i) any **“party”** means any party to this Agreement as set out at the head of page 1 (and **“parties”** means all of the parties to this Agreement) and includes its successors in title and permitted assigns;
 - (ii) a **“person”** includes any individual, firm, corporation, body corporate, association or partnership, trust, unincorporated organisation, employee representative body, government or state or agency or department thereof, executors administrators or successors in title (whether or not having a separate legal personality);
 - (iii) clauses and schedules and annexures are to clauses and schedules and annexures of this Agreement and references to sub-clauses and paragraphs are references to sub-clauses and paragraphs of the clause or schedule in which they appear;
 - (iv) any provision of this Agreement is to that provision as amended in accordance with the terms of this Agreement;
 - (v) any document being **“in the agreed form”** means in a form which has been agreed by the parties on or before the date of this Agreement and for identification purposes signed by them or on their behalf by their solicitors;
 - (vi) **“writing”** shall not, for the avoidance of doubt, include e-mail or any other form of electronic communication, other than facsimile where explicitly stated;
 - (vii) a company or other entity shall be a **“holding company”** for the purposes of this Agreement if it falls within either the meaning attributed to that term in section 736 and 736A of the Act or the meaning attributed to the term **“parent undertaking”** in section 258 of such Act, and a company or other entity shall be a **“subsidiary”** for the purposes of this Agreement if it falls within any of the meanings attributed to **“subsidiary”** in section 736 and 736A of the Act of the meaning attributed to the term **“subsidiary undertaking”** in section 258 of such Act, and the terms **“subsidiaries”** and **“holding companies”** are to be construed accordingly.

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- (e) except as set out in clauses 1.1 and 1.2, terms defined in the Act have the meanings attributed to them by that Act;
 - (f) “**sterling**” and the sign “**£**” means pounds sterling in the currency of the United Kingdom save that if, pounds sterling ceases to exist as the currency of the United Kingdom, then all references in this Agreement to pounds sterling shall be construed as references to such currency as shall be introduced in substitution therefor at the conversion rate applicable;
 - (g) the table of contents and headings are for convenience only and shall not affect the interpretation of this Agreement;
 - (h) general words shall not be given a restrictive meaning:
 - (i) if they are introduced by the word “other” or “including” or similar words by reason of the fact that they are preceded by words indicating a particular class of act, matter or thing;
 - (ii) by reason of the fact that they are followed by particular examples intended to be embraced by those general words; and
 - (i) where any statement is qualified by the expression “**so far as the Warrantors are aware**” or “**to the best of the Warrantors’ knowledge and belief**” or any similar expression it shall be deemed to include an additional statement that it has been made after due and careful enquiry only of the Key Employees and LMH.

2. **Conditions precedent**

- 2.1 Except for the obligations set out in this clause 2, clause 14.10 (Confidentiality), clause 15 (Announcements), clause 16 (Costs and expenses), clause 17 (Notices) and clause 18 (Governing law and jurisdiction) which shall be effective from the date of this Agreement notwithstanding this clause 2.1, all other obligations of the parties under this Agreement and Completion are in all respects conditional upon the sale and purchase of the Minority Shares having been completed in accordance with the provisions of the Minority SPAs in all respects subject only to the extent to which such completion is itself conditional upon Completion occurring in accordance with the terms of this Agreement.
- 2.2 On satisfaction of the Conditions, the provisions of clause 5 shall apply.
- 2.3 The Purchaser and the Vendors shall do all required of them, prior to Completion, to complete the Minority SPAs in accordance with their respective terms.
- 2.4 The parties acknowledge that the Condition set out in clause 2.1 above is for the benefit of the Vendors and the Purchaser and accordingly such Condition shall be capable of waiver with the consent of the Vendors and Purchaser but not otherwise.

2.5 If the Conditions have not been satisfied in full (or waived in accordance with clause 2.4) on or before 17 March 2006 (or such later date as shall be agreed in writing between the Vendors and the Purchaser) this Agreement shall then lapse (other than clauses 15 (Announcements), 14.10 (Confidentiality), 16 (Costs and expenses), 18 (Governing law and jurisdiction) which shall remain in full force and effect) and no party to this Agreement shall have any liability to any other party under this Agreement or in respect of the subject matter of this Agreement save in respect of any liabilities which have accrued prior to the Agreement lapsing (other than under or in relation to any Claim) or in relation to the clauses of this Agreement which remain in force.

3. Sale and purchase

- 3.1 Subject to the terms and conditions of this Agreement, the Vendors shall sell and the Purchaser shall purchase the Shares with effect from Completion.
- 3.2 The Shares shall be sold with full title guarantee with effect from Completion and with the benefit of all rights attaching to or accruing to them as at the date of Completion including all dividends and distributions declared, paid or made by the Company on or after the date of Completion.
- 3.3 The Purchaser shall not be obliged to complete the purchase unless the sale and purchase of all the Shares and the Minority Shares is completed simultaneously.
- 3.4 Each of the Vendors hereby irrevocably and unconditionally:
- (a) waives all rights of pre-emption or similar rights over any of the Shares and the Minority Shares conferred on him by either the articles of association of the Company or in any other way; and
 - (b) consents to the transfer of the Shares and Minority Shares to the Purchaser.
- 3.5 Each of the Vendors warrants and covenants for itself (but not otherwise) at Completion that:
- (a) the Shares set out opposite that Vendor's name in schedule 1 are fully paid up (or credited as fully paid);
 - (b) that Vendor is the sole legal and beneficial owner of such Shares and that it has the right to transfer such Shares on the terms of this Agreement and without the consent of any third party save as specified in this Agreement and that they will be transferred free from any Encumbrance;
 - (c) each Vendor has the full power and authority to enter into and perform this Agreement and each of the documents to be executed by it and delivered pursuant to this Agreement, each of which will constitute valid and binding obligations on him; and

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- (d) no Vendor is the subject of any insolvency proceedings under any Applicable Law, has proposed a voluntary arrangement or has made or proposed any arrangement or composition with its creditors or any class of its creditors.
- 3.6 None of the covenants set out in clause 3.5 is subject to any qualification whatsoever.
- 3.7 LPMPA applies to any disposition of property made under or pursuant to this Agreement as though such disposition were expressed to be made with full title guarantee, save that:
- (a) the word “reasonably” shall be deleted from the covenant set out in section 2(1)(b) LPMPA;
 - (b) the covenant set out in section 3(1) LPMPA shall not be qualified by the words “other than any charges, encumbrances or rights which that person does not and could not reasonably be expected to know about”; and
 - (c) Section 6(2) LPMPA shall not apply to any of the covenants (express or implied) deemed to be given in respect of such dispositions.
4. **Consideration**
- 4.1 In consideration of the sale of the Shares in accordance with the terms of this Agreement, the Purchaser shall pay to the Vendors the Consideration as adjusted pursuant to sub clause 6.2 and payment shall be made in accordance with sub-clause 5.3.
- 4.2 The Consideration is based on the assumptions that as at the close of business on the Completion Date:
- (a) the estimated Actual Non-Cash NCA is equal to the Target Non-Cash NCA Amount; and
 - (b) the estimated Actual Cash Amount is equal to the Cash Target.
- 4.3 The Consideration shall be apportioned between the Vendors in accordance with schedule 1 and (unless notified otherwise in writing to the Purchaser) shall be satisfied by payment to Velocity in accordance with clause 5 whose receipt on behalf of the Vendors shall be good discharge of the obligation to make the relevant payment.
5. **Completion**
- 5.1 Completion shall take place at the offices of the Vendors’ Solicitors on the date of this Agreement immediately following satisfaction or waiver of the Condition in accordance with clause 2.
- 5.2 At Completion, the Vendors shall perform those of their respective obligations under this Agreement which are required to be complied with at Completion and shall deliver to the Purchaser (conditionally upon the Purchaser performing its obligations referred to in clause 5.3) each of the documents as set out in Schedule 6.

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- 5.3 When the Vendors have complied with the provisions of sub-clause 5.2, the Purchaser shall:
- (a) pay £180,070,275 of the Consideration to the Vendors in sterling by telegraphic transfer to the Velocity Bank Account for value on the date of this Agreement. The Vendors other than Velocity hereby irrevocably authorise Velocity to receive all sums due to them under this Agreement;
 - (b) pay £12,000,000 of the Consideration in sterling by telegraphic transfer to the Retention Account;
 - (c) pay the Vendor's proportion of the Adjustment Amount based on its pro-rata shareholding in the Company in sterling by telegraphic transfer to the Vendors' Solicitors client account at National Westminster Bank, account number 00708542, sort code 56-00-05;
 - (d) pay the sum of £4,253,523 being the Vendors' proportion of fees based on their pro-rata shareholding in the Company in sterling to the Vendors' Solicitors client account at National Westminster Bank, account number 00708542, sort code 56-00-05. The Vendors hereby authorise the Vendors' Solicitors to pay the Vendors' proportion of all professional fees payable by the Vendors in respect of the sale of the Shares; and
 - (e) deliver to the Vendors a certified copy of an extract of the board minutes of the Purchaser approving this Agreement and all documents in the agreed form to which it is a party duly executed by it.
- 5.4 It is acknowledged that the Vendors' Solicitors shall pay the sum of £1,000,000 by telegraphic transfer to the Adjustment Account as soon as practicable after the Adjustment Account is established.

6. Preparation of Completion Accounts and Consideration Adjustments

- 6.1 The Completion Accounts shall be prepared in accordance with Schedule 9.
- 6.2 Within three Business Days after the Determination Date a payment comprising the net amount of the following adjustments shall be made:
- (a) if the amount of the Actual Non-Cash NCA (as extracted from the Actual Non-Cash NCA Statement) is less than the Target Non-Cash NCA Amount, the Vendors shall pay, as a reduction in the Consideration, to the Purchaser the amount of the difference between the Actual Non-Cash NCA and the Target Non-Cash NCA Amount. If the amount of Actual Non-Cash NCA is greater than the Target Non-Cash NCA Amount, the Purchaser shall pay, as an increase in the Consideration, to the Vendors the amount of the difference between the Actual Non-Cash NCA and the Target NCA Amount; and

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- (b) if the amount of the Actual Cash Amount (as extracted from the Cash Statement) is less than the Cash Target, the Vendors shall pay as a reduction in the Consideration, to the Purchaser the amount of the difference between the Actual Cash Amount and the Cash Target. If the amount of the Actual Cash Amount is greater than the Cash Target, the Purchaser shall pay as an increase in the Consideration, to the Vendors the amount of the difference between the Actual Cash Amount and the Cash Target.

Any adjustment to the Consideration determined in accordance with clause 6.2 shall be set out in the Consideration Adjustment Statement (as that statement is agreed or determined in accordance with Schedule 9).

- 6.3 If any payment is determined to be made by the Vendors pursuant to clause 6.2 it shall be made by the Vendors' Representative and the Purchaser issuing an Adjustment Disbursement Certificate authorising the Escrow Agents to release to the Purchaser from the Adjustment Fund such amount.
- 6.4 If there remains an amount outstanding to the Purchaser after payment in full the Adjustment Fund, then the Vendors' Representative and the Purchaser will procure that the Purchaser's Solicitor and the Warrantors' Representative shall issue a Disbursement Certificate authorising the Stakeholder to release to the Purchaser from the Retention Fund such further amount.
- 6.5 Following the Determination Date and following all payments made under clause 6.2 to any party, if any monies remain in the Adjustment Fund (the "Remainder"), the Vendors' Representative and the Purchaser will issue an Adjustment Disbursement Certificate authorising the Escrow Agents to release from the Adjustment Fund the Remainder to the Vendors' Representative who is irrevocably authorised to receive it and whose receipt shall be a valid discharge to the Escrow Agents (and the Vendors' Representative authorises the Escrow Agents to cause to be paid any taxation on it to which the Escrow Agents may be accountable and any charges and expenses incurred by them in relation to the Adjustment Fund). On receipt of the Remainder, the Vendors' Representative shall, as soon as practicable, pay the Remainder in cash to each of the holders of Ordinary Shares in the Company pro rata to their shareholding by telegraphic transfer to the bank account nominated by them to the Vendors' Representative.
- 6.6 If any payment is determined to be made by the Purchaser to the Vendors in accordance with clause 6.2 (the "Purchaser Payment"), the Purchaser shall pay the "Purchaser Payment" in cash to the Vendors' Representative by telegraphic transfer to the bank account nominated by the Vendors' Representative, whose receipt shall be a valid discharge to the Purchaser. On receipt of the Purchaser Payment the Vendors' Representative shall, as soon as practicable, pay the Purchaser Payment in cash to each of the holders of shares in the Company pro rata to their shareholding by telegraphic transfer to the bank account nominated by them to the Vendors' Representative.
- 6.7 An example of the calculation of the Actual Cash Amount and the Actual Non-Cash Amount is attached for illustrative purposes only at Part 3 of Schedule 9.

7. **Post completion matters**

7.1 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 after Completion in trust for the Purchaser; and
- (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 or its nominee is entered in the register of members of the Company as the holder of the Shares.

8. **Warranties**

8.1 Each of the Warrantors warrants severally to the Purchaser that save as Disclosed each of the Warranties is true and accurate and not misleading at the date of this Agreement.

8.2 Each of the Warranties is a separate and independent Warranty and shall not be limited by reference to any other Warranty or anything in this Agreement (save to the extent expressly provided to the contrary in schedule 4 or paragraph 6 of the Tax Schedule).

8.3 Where any Warranty refers or relates to the Company, for the purpose of this clause 8 and the Warranties only, it shall be deemed to mean the Group Companies or each or any of them as the context requires, so that each of the Warranties is given in relation to each Group Company.

8.4 Each party warrants to each of the other parties that:

- (a) it:
 - (i) has the requisite power and authority to enter into and to perform this Agreement;
 - (ii) has obtained or satisfied all corporate, regulatory and other approvals and consents, or any other conditions, necessary to execute this Agreement; and
 - (iii) is not the subject of any insolvency proceedings under any Applicable Law, has not proposed a voluntary arrangement or made or proposed any arrangement or composition with his creditors or any class of its creditors.
- (c) each of this Agreement and the agreements to be entered into pursuant to this Agreement to which it is a party constitute binding obligations of that party and will be enforceable in accordance with their respective terms; and

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- (d) compliance with the terms of this Agreement will not constitute a default or breach under any provisions of:
 - (i) its memorandum or articles of association or other constitutional documents (if a body corporate); or
 - (ii) any order, judgment, decree or regulation or any other restriction of any kind by which that party is bound; or
 - (iii) any agreement or contract to which it is a party or by which they are bound.

9. **Tax Covenant**

The Warrantors covenant to the Purchaser in the terms of the Tax Covenant as set out in the Tax Schedule.

10. **Purchaser's remedies**

- 10.1 The rights and remedies of the Purchaser in respect of any breach of the Warranties, the Tax Covenant, clause 3.5 or clause 8.4 shall not be affected by Completion or by any investigation made by or on behalf of the Purchaser into the affairs of the Group Companies, or by any other event or matter whatsoever which otherwise might have affected such rights and remedies except a specific and duly authorised written waiver or release. No information relating to the Group Companies of which the Purchaser has knowledge (actual, imputed or constructive) other than by reason of its being Disclosed in accordance with clause 8.1 shall prejudice any claim which the Purchaser shall be entitled to bring or shall operate to reduce any amount recoverable by the Purchaser under this Agreement.
- 10.2 Notwithstanding that the Purchaser becomes aware at any time after Completion (whether or not by reason of the Disclosure Letter or any of the documents annexed to the Disclosure Letter):
- (a) of a fact or circumstance which gives rise to or which would or might give rise to a Claim;
 - (b) that there has been a breach of any other provision of this Agreement; or
 - (c) that there may be any other claim against any Vendor under any warranty, representation, statement, assurance, covenant, undertaking, indemnity, guarantee or commitment given by or on behalf of any Vendor in connection with this Agreement,

the Purchaser shall not be entitled to rescind this Agreement or treat this Agreement as terminated but shall only be entitled to claim damages in respect of such matter and, accordingly, the Purchaser waives all and any rights of rescission it may have in respect of any such matter (howsoever arising or deemed to arise), other than any such rights in respect of fraud.

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- 10.3 If any Claim is made, no Warrantor shall make any claim against any Group Company or any director or employee of any Group Company on whom he may have relied before agreeing to any terms of this Agreement or authorising any statement in the Disclosure Letter. This clause shall not preclude any Warrantor from claiming against any other Warrantor under any right of contribution or indemnity to which it may be entitled.
- 10.4 Any amount paid by the Warrantors to the Purchaser in respect of any of the provisions of this Agreement shall, to the extent possible, be treated as paid to the Purchaser by way of pro rata reduction in the Consideration paid to such Warrantor.

Security for Claims

- 10.5 Each of the Warrantors shall, immediately upon Completion, deposit in the Retention Account in cash its Agreed Proportion of the sum of £12,000,000 (twelve million pounds sterling) to reflect each Warrantor's Retention Fund Shares to be held in the names of the Warrantors and the Purchaser. At Completion the Purchaser may on behalf of the relevant Warrantors make deposits and/or deliveries into the Retention Fund which shall to the extent so made constitute a good discharge of its obligations under clauses 5.1 to 5.3.
- 10.6 The Purchaser's Solicitors and the Warrantors' Representative may agree in writing to change the Retention Account and/or the Bank (such agreement not to be unreasonably withheld provided that the Purchaser is satisfied that it is in no worse position as a result as regards the security of, and the Purchaser's interests in relation to, the Retention Fund), and references to the Retention Account, the Retention Fund and the Bank shall be construed accordingly.
- 10.7 Each of the Warrantors and the Purchaser hereby irrevocably authorises the Stakeholder as follows:
- (a) to place the cash received in respect of the Retention Fund in the Retention Account and to otherwise hold the Retention Fund in accordance with the provisions of this Clause 10;
 - (b) upon receipt of a notification of a Claim from the Purchaser in accordance with clause 10.11(b) to retain the Withheld Amount (as defined in clause 10.11(b)) in the Retention Fund; and
 - (c) upon receipt of a duly executed Disbursement Certificate, to pay out of the Retention Fund to the person and in the amount set out in the Disbursement Certificate.
- 10.8 The Warrantors and the Purchaser shall jointly and severally indemnify the Stakeholder against all liabilities or losses arising from or in connection with the Stakeholder complying with clauses 10.5 to 10.11 of this Agreement and/or the operation of the Retention Fund by the Stakeholder except as caused by the Stakeholder's own fraud, negligence or wilful default or breach.

10.9 The Warrantors and the Purchaser jointly and severally undertake to pay the reasonable fees and expenses (together with VAT, if applicable) of the Stakeholder in connection with and limited to the performance of its duties under this Agreement. Failure by either the Warrantors or the Purchaser to make any such payment shall not entitle the Stakeholder to withhold or delay the performance of any of its obligations under this Agreement. The Stakeholder may cause such fees to be paid from the Retention Fund.

10.10 ***Payments from the Retention Fund***

The Purchaser's Solicitors and the Warrantors' Representative will issue a Disbursement Certificate authorising the Stakeholder to release from the Retention Fund:

- (a) unless and until a Claim Notification (as defined in clause 10.11(a)) has been served on the Stakeholder, every 4 calendar months from the Completion Date an amount equal to the interest accrued on each Warrantors' Retention Fund Share of the Retention Account and to pay such amount to Velocity in accordance with clause 5.3(a), or otherwise as the Warrantors' Representative may direct in writing;
- (b) without prejudice to sub-clause 10.10(a) and subject only to the requirements to continue to retain any part of the Retention Fund as a "Withheld Amount" under clause 10.11(b) below or to make a payment from the Retention Fund in accordance with clause 6.3:
 - (i) on the 2007 Retention Payment Date the sum of £10,000,000 (ten million pounds sterling) out of the Retention Fund;
 - (ii) on the 2008 Retention Payment Date the sum of £1,000,000 (one million pounds sterling) out of the Retention Fund; and
 - (iii) on the 2009 Retention Payment Date, the entire remaining balance of the Retention Fund (together with all interest accrued due);in each case to Velocity in accordance with clause 5.3(a) who are irrevocably authorised to receive it and whose receipt shall be a valid discharge to the Stakeholder (and the Warrantors authorise the Stakeholder to cause to be paid any taxation on it to which the Stakeholder may be accountable and any charges and expenses incurred by them in relation to the Retention Fund or otherwise as the Warrantors' Representative may direct in writing);
- (c) otherwise in accordance with clauses 10.11 or 6.3.

10.11 *Rights of Withholding and Set-Off*

(a) Settled claims

In the event that, prior to the 2009 Retention Payment Date, the Purchaser has notified the Warrantors and the Warrantors' Representative on their behalf of any Claim ("**Claim Notification**"), and where either (i) the Warrantors have admitted the amount of such Claim (an "**Admitted Claim**") or (ii) the amount of such Claim has been determined by any court of competent jurisdiction as being due to the Purchaser in respect of any Claim and either no appeal has been lodged within the time allowed or any appeal has been unsuccessful or has been agreed pursuant to a mediation as provided in sub-clause 10.11(c) below (in either case a "**Determined Claim**"), (the amount of any Admitted Claim or Determined Claim hereinafter being referred to as the "**Relevant Amount**") the Purchaser and the Warrantors' Representative shall immediately upon such agreement or determination issue a Disbursement Certificate requesting a Retention Fund payment of an amount equal to the Relevant Amount to be made to the Purchaser from the Retention Fund by payment of cash having deducted all Tax, deductions or withholdings as may be required by law or the express terms of this Agreement.

(b) Disputed Claims

Where following notification, a Claim is neither an Admitted Claim nor a Determined Claim the Purchaser shall be entitled to instruct the Stakeholder to retain in the Retention Fund such sum as amounts to a reasonable estimate of the amount of the Claim (including any reasonable costs and expenses associated with the Claim) (the "**Withheld Amount**").

(c) Mediation

In the event that the Purchaser and the Warrantors' Representative do not agree on either the Claim or the Withheld Amount, either party by serving written notice on the other, can refer the Claim to mediation and the parties undertake to submit to and participate in such mediation in good faith with a view to resolving the relevant dispute. The mediation will be administered by the London Court of International Arbitration. The mediation shall be conducted in accordance with the London Court of International Arbitration's Mediation Guidelines which set out the procedures to be adopted, the process of selection of the mediator and the costs involved, and which terms are hereby deemed incorporated. For the avoidance of doubt, any election by, submission to or participation in any such mediation will not be the exclusive or exhaustive remedy or forum in relation to the disputed matter and will be without prejudice to such other rights and remedies that each party may have.

(d) When the Claim becomes an Admitted Claim or a Determined Claim the amount retained in the Retention Fund equal to the Relevant Amount (less any pre-payments made by the Warrantors in respect of such Claim) so determined in favour of the Purchaser shall be paid to the Purchaser in accordance with clauses 10.7(c) and 10.11(a) and shall thereby reduce any amounts otherwise due and owing under this Agreement by the Warrantors. The remainder (if any) shall be

held in the Retention Fund on the terms of the Retention Account and it shall be paid and released in accordance with Clause 10.10(b).

Security for Adjustments

- 10.12 As security for the Actual Non-Cash NCA and the Actual Cash Amount adjustment each of the Vendors and all of the holders of the Minority Shares have, immediately upon Completion, instructed the Vendors' Solicitors to pay the Adjustment Amount (to be contributed pro rata to their respective percentage holdings of issued Ordinary Shares) by telegraphic transfer to the Adjustment Account once it is established.
- 10.13 The Vendors' Representative (on behalf of the Vendors and the holders of the Minority Shares) and the Purchaser hereby irrevocably authorises the Escrow Agents as follows:
- (a) to place the cash received in respect of the Adjustment Fund in the Adjustment Account and to otherwise hold the Adjustment Fund in accordance with the provisions of this Clause 10;
 - (b) to retain the full amount of the Adjustment Fund in the Adjustment Account until the Determination Date; and
 - (c) upon receipt of a duly executed Adjustment Disbursement Certificate, to pay out of the Adjustment Fund to the person and in the amount set out in the Adjustment Disbursement Certificate.
- 10.14 The Vendors and the Purchaser shall jointly and severally indemnify the Escrow Agents against all liabilities or losses arising from or in connection with the Escrow Agents complying with clauses 10.12 to 10.15 of this Agreement and/or the operation of the Adjustment Fund by the Escrow Agents except as caused by an Escrow Agent's own fraud, negligence or wilful default.
- 10.15 The Vendors and the Purchaser jointly and severally undertake to pay the reasonable fees and expenses (together with VAT, if applicable) of the Escrow Agents in connection with and limited to the performance of their duties under this Agreement. Failure by either the Vendors or the Purchaser to make any such payment shall not entitle the Escrow Agents to withhold or delay the performance of any of their obligations under this Agreement. The Escrow Agents may cause such fees to be paid from the Adjustment Fund.

11. Limitations on liability

The liability of the Warrantors in respect of any Claim shall be limited as provided in schedule 4 but provided always that notwithstanding any other provision in this Agreement, the provisions of this clause 11 and schedule 4 and Part 4 of the Tax Schedule shall not apply to any Claim made against the Warrantors in the case of any fraud or fraudulent misrepresentation on the part of any of the Warrantors or their advisers.

12. Conduct of Non-Tax Claims

- 12.1 The Purchaser shall, as soon as reasonably practicable, notify the Warrantors in writing of:
- (a) any claim made against it by a third party which may give rise to a Non-Tax Claim; and
 - (b) any claim any Group Company is entitled to bring against a third party which claim is based on circumstances which may give rise to a Non-Tax Claim.
- 12.2 The Purchaser shall procure that the conduct, negotiation, settlement or litigation of such claim by or against such third party is, so far as is reasonably practicable, carried out in accordance with the wishes of the Warrantors and at the cost of the Warrantors subject to their giving timely instructions to the Purchaser and the Warrantors providing reasonable security for all reasonable costs and expenses, including those of its legal advisors, which are likely to be incurred by the Purchaser or the Group and provided that nothing in this clause 12 shall oblige the Purchaser to take any action which could reasonably be considered to be materially detrimental to the business, trading relationships or reputation of the Group.
- 12.3 Subject to the prior entering into of reasonable confidentiality obligations by the Warrantors and their professional advisers, the Purchaser shall provide and shall procure that the Group provides to the Warrantors and the Warrantors' professional advisers reasonable access to premises and personnel and to any relevant assets, documents and records within their power, possession or control for the purpose of investigating any Non-Tax Claim and enabling the Warrantors to take the action referred to in sub-clause 12.2 and shall allow the Warrantors and their advisers to take copies of any relevant documents or records at their expense. For the avoidance of doubt, the Purchaser shall not be required to provide, or procure that the Group provides to the Warrantors or the Warrantors professional advisers, access to any documents, records or other material not relating to any period prior to the Completion Date and which are, in the reasonable opinion of the Purchaser, either privileged, under English law, or commercially sensitive (or both).
- 12.4 The Purchaser acknowledges that its common law duty of mitigation shall apply to this Agreement.
- 12.5 The rights of the Warrantors, under clauses 12.2 and 12.3 above shall only apply to a Non-Tax Claim if the Warrantors give notice in writing of its intention to exercise its rights within 20 Business Days of the Purchaser giving notice of a Non-Tax Claim under clause 12.1. If the Warrantors do not give written notice during that period, the Purchaser shall be entitled in its absolute discretion to settle, compromise or resist any action, proceedings or claim in connection with, or in any way related to, the Non-Tax Claim.

13. Protection of Goodwill

- 13.1 In order to assure to the Purchaser the full benefit of the business and goodwill of the

Group, each of Raybridge Services Limited and LMH severally undertakes on its own behalf that it shall not and it shall procure that its Affiliates shall not, directly or indirectly (whether as principal, shareholder, partner, employee, agent or otherwise), whether on its own account or in conjunction with or on behalf of any other person, do any of the following things without the prior written consent of the Purchaser (such consent not to be unreasonably withheld):

- (a) during the Restricted Period carry on or be engaged, concerned or interested in (except as the holder of shares in a company whose shares are listed on a recognised investment exchange or overseas investment exchange (as such terms are defined in sections 285 and 313 of the Financial Services and Markets Act 2000) which confer not more than five per cent. of the votes which could be cast at a general meeting of that company) any business which competes to any material extent with any material part of the Restricted Business within the Territory; or
- (b) during the Restricted Period endeavour to entice away from any Group Company or encourage to terminate his employment with any Group Company (whether or not such termination would be a breach of his contract of employment) any Key Employee; or
- (c) during the Restricted Period have any dealings with, canvass, solicit or approach or cause to be canvassed, solicited or approached (in relation to a business which competes with all or a material part of the Restricted Business) any person who at any time during the 12 month prior to Completion shall have been a client, customer, supplier, distributor or agent of or to any Group Company; or
- (d) during the Restricted Period interfere, seek to interfere or take such steps as may interfere with or adversely affect or influence supplies to any of the Group Companies from any suppliers who have supplied goods or services to any of the Group Companies for use in connection with the Restricted Business at any time during the 12 months prior to Completion; or
- (e) save in the circumstances referred to in clause 14.10(b) (Confidentiality), disclose to any other person any information which is secret or confidential to the business or affairs of the Group or use any such information to the detriment of the business of the Group for so long as that information remains secret or confidential; or
- (f) hold itself out as being interested in or in any way connected (other than as a matter of historic fact) with the Group Companies or any of them or permit any person to hold out the Vendors as being so interested; or
- (g) in relation to a business which is competitive or likely to be competitive with the Restricted Business, use any trade or business name or distinctive mark, style or logo used by or in the business of any Group Company or anything intended or likely to be confused with it.

13.2 Each undertaking contained in clause 13.1 shall be construed as a separate and independent undertaking and while the restrictions set out in this clause are considered by the parties to be reasonable in all the circumstances it is agreed that if any one or more of such restrictions shall either be taken by itself or themselves together be adjudged to go beyond what is reasonable in all the circumstances for the protection of the Purchaser's legitimate interests but would be adjudged reasonable if any particular restriction or restrictions were deleted or in any part or parts of the wording thereof were deleted, restricted or limited in any particular manner (including without limitation any reduction in their duration or geographical scope) then the said restrictions shall apply with such deletions, restrictions or limitation as the case may be.

13.3 Each of the Vendors severally agrees that, having regard to the facts and matters set out above and having taken professional advice, the restrictions contained in this clause 13 are reasonable and necessary for the protection of the legitimate business interests of the Purchaser.

14. **General**

14.1 ***Entire Agreement***

- (a) This Agreement together with the Minority SPAs and all of the documents in the agreed form or to be entered into pursuant to the terms of this Agreement set out the entire agreement and understanding between the parties and supersede all prior agreements, understandings or arrangements (oral or written) in respect of the subject matter of this Agreement.
- (b) The Purchaser acknowledges that it has entered into this Agreement in reliance only upon the warranties, promises and terms specifically contained or incorporated in this Agreement and, save as expressly set out in this Agreement, the Vendors shall have no liability in respect of any other warranty, promise or other assurance made prior to the date of this Agreement, unless it was made fraudulently, and no such may form the basis of or be pleaded in connection with any Claim.

14.2 ***Contracts (Rights of Third Parties) Act 1999***

Unless expressly provided in this Agreement, no term of this Agreement is enforceable pursuant to the Contracts (Rights of Third Parties) Act 1999 by any person who is not a party to it.

14.3 ***Assignment***

- (a) This Agreement shall be binding upon and enure for the benefit of the successors in title of the parties but, except as set out in sub-clause (b), shall not be assignable by any party without the prior written consent of the others. In addition, no party to this Agreement may hold the benefit of this Agreement or any rights under it on trust for any third party or parties without the prior written consent of the others. However, to the extent that the benefit of the Warranties is held for the Purchaser's

successor in title, the liability of the Warrantors shall be no greater than it would have been, and the Warrantors shall be entitled to rely upon the defences and exercise the rights that would have been available to the Warrantors, had the Purchaser remained the owner of the Shares and retained the benefit of the Warranties.

- (b) The Purchaser shall not be entitled to assign the benefit of this Agreement or any of its rights hereunder other than to another member of the Purchaser's Group. Any such assignment shall be on terms that if such assignee shall cease to be a member of the Purchaser's Group it shall re-assign such benefits and rights to another member of the Purchaser's Group or the Purchaser before ceasing to be a member of the Purchaser's Group.

14.4 *Variation*

No purported variation of this Agreement shall be effective unless it is in writing and executed as a deed by or on behalf of each of the parties affected by such variation.

14.5 *Effect of Completion*

Except to the extent already performed, all the provisions of this Agreement shall, so far as they are capable of being performed or observed, continue in full force and effect notwithstanding Completion.

14.6 *Invalidity*

If any part of this Agreement is found by any court or competent authority to be invalid, unlawful or unenforceable in any jurisdiction, then that provision shall be deemed not to be a part of this Agreement, and it shall not affect the enforceability of the remainder of this Agreement nor shall it affect the validity, lawfulness or enforceability of that provision in any other jurisdiction.

14.7 *Releases and waivers*

- (a) The rights, powers and remedies conferred on any party by this Agreement and remedies available to any party are cumulative and are additional to any right, power or remedy which it may have under general law or otherwise.
- (b) Any party may, in whole or in part, release, compound, compromise, waive or postpone, in its absolute discretion, any liability owed to it or right granted to it in this Agreement by any other party or parties without in any way prejudicing or affecting its rights in respect of that or any other liability or right not so released, compounded, compromised, waived or postponed.
- (c) No single or partial exercise, or failure or delay in exercising any right, power or remedy by any party shall constitute a waiver by that party of, or impair or preclude any further exercise of, that or any right, power or remedy arising under this Agreement or otherwise.

14.8 **Further assurance**

After Completion, the Vendors shall at their own expense execute such documents and take such steps as the Purchaser may reasonably require to vest the full title to the Shares in the Purchaser.

14.9 **Counterparts**

- (a) This Agreement may be executed in any number of counterparts and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart.
- (b) Each counterpart, when executed, shall be an original of this Agreement and all counterparts shall together constitute one instrument.

14.10 **Confidentiality**

- (a) Except as referred to in sub-clause (b), each party shall treat as strictly confidential all information received or obtained as a result of entering into or performing this Agreement which relates to the provisions or subject matter of this Agreement, to any other party to this Agreement to or the negotiations relating to this Agreement.
- (b) The Purchaser may disclose information which would otherwise be confidential if and to the extent:
 - (i) it is required to do so by law or any securities exchange or regulatory or governmental body to which it is subject wherever situated;
 - (ii) it considers it necessary to disclose the information to its professional advisers, auditors and bankers provided that it does so on a confidential basis;
 - (iii) the information has come into the public domain through no fault of that party; or
 - (iv) each party to whom it relates has given its consent in writing.

14.11 **Default Interest**

If any party defaults in the payment when due of any sum payable under this Agreement (whether payable by agreement or by an order of a court or otherwise), the liability of that party shall be increased to include interest on that sum from the date when such payment was due until the date of actual payment at a rate per annum of 2 per cent. above the base rate from time to time of National Westminster Bank PLC. Such interest shall accrue from day to day and shall be compounded annually.

15. Announcements

- 15.1 Except as referred to in clause 15.2, and save as provided in clause 15.3, no announcement concerning the terms of or the parties to this Agreement shall be made by or on behalf of any of the parties without the prior written consent of the others in their absolute discretion.
- 15.2 Any announcement or circular required to be made or issued by any party by law or under the regulations of the UK Listing Authority, the London Stock Exchange or the City Code on Takeovers and Mergers issued by the Panel on Takeovers and Mergers may be made or issued by that party without consent if it has first sought consent and given the other parties a reasonable opportunity to comment on and propose amendments (which the first party shall not unreasonably refuse or fail to incorporate) to the subject matter and form of the announcement or circular (given the time scale within which it is required to be released or despatched).
- 15.3 The parties agree that the Purchaser will make a public filing with the Securities and Exchange Commission and an announcement on the New York Stock Exchange on signing this Agreement but only in such form as has been notified to the Vendors prior to the date of this agreement and which the Vendors have approved (such approval not to be unreasonably withheld or delayed).

16. Costs and expenses

- 16.1 Except as otherwise expressly provided, as between the Vendors and the Purchaser each party shall bear its own costs and expenses incurred in the preparation, execution and implementation of this Agreement.
- 16.2 The Purchaser shall pay all stamp and other transfer duties and registration fees applicable to any document to which it is a party and which arise as a result of or in consequence of this Agreement.

17. Notices

- 17.1 Any notice to a party under this Agreement shall be in writing signed by or on behalf of the party giving it and shall, unless delivered to a party personally, be left at, or sent by prepaid first class post, prepaid recorded delivery or facsimile to the address of the party as set out on page 1 or in schedule 1 of this Agreement or as otherwise notified in writing from time to time.
- 17.2 Except as referred to in clauses 17.3 and 17.4, a notice shall be deemed to have been served:
- (a) at the time of delivery if delivered personally;
 - (b) 48 hours after posting in the case of an address in the United Kingdom and 96 hours after posting for any other address; and

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- (c) 2 hours after transmission if served by facsimile on a Business Day prior to 3pm local time in the country of the addressee of the transmission or in any other case at 10 am local time in the country of the addressee of the transmission on the Business Day after the date of despatch.
- 17.3 If the deemed time of service is not during normal business hours in the country of receipt, the notice shall be deemed served at or, in the case of faxes, two hours after the opening of business on the next Business Day of that country.
- 17.4 The deemed service provisions set out in sub-clause 17.2 shall not apply to:
- (a) a notice served by post, if there is a national or local suspension, curtailment or disruption of postal services which affects the collection of the notice or is such that the notice cannot reasonably be expected to be delivered within 48 hours or 96 hours (as appropriate) after posting; and
 - (b) a notice served by facsimile, if, before the time at which the notice would otherwise be deemed to have been served, the receiving party informs the sending party that the notice has been received in a form which is unclear in any material respect, and, if it informs the sending party by telephone, it also despatches a confirmatory facsimile within two hours.
- 17.5 In proving service it will be sufficient to prove:
- (a) in the case of personal service, that it was handed to the party or delivered to or left in an appropriate place for receipt of letters at its address;
 - (b) in the case of a letter sent by post, that the letter was properly addressed, stamped and posted; and
 - (c) in the case of facsimile, that it was properly addressed and despatched to the number of the party.
- 17.6 A party shall not attempt to prevent or delay the service on it of a notice connected with this Agreement.
18. **Governing law and jurisdiction**
- 18.1 This Agreement shall be governed by and construed in accordance with English law.
- 18.2 Each of the parties irrevocably submits for all purposes in connection with this Agreement to the exclusive jurisdiction of the courts of England. For this purpose, any party not ordinarily resident in the United Kingdom shall irrevocably appoint an agent for service within the United Kingdom.

19. **No set off**

All payments to be made under this Agreement and/or the Tax Covenant shall be made in full without any set-off or counterclaim and free from any deduction or withholding save as may be required by law in which event such deduction or withholding shall not exceed the minimum amount which it is required by law to deduct or withhold.

In witness whereof the parties or their duly authorised representatives have executed this Agreement on the date first appearing at the head of this Agreement.

Schedule 1 – Part 1

(The Vendors)

The company agrees to furnish supplementally a copy of this schedule to the Commission upon request.

Schedule 1 – Part 2

(The Warrantors)

The company agrees to furnish supplementally a copy of this schedule to the Commission upon request.

Schedule 2 – Part 1

(The Company)

The company agrees to furnish supplementally a copy of this schedule to the Commission upon request.

Schedule 2 – Part 2

(Subsidiaries)

The company agrees to furnish supplementally a copy of this schedule to the Commission upon request.

Schedule 2 – Part 3

(The Properties)

The company agrees to furnish supplementally a copy of this schedule to the Commission upon request.

Schedule 3

(Non-Tax Warranties)

For the purpose of this Schedule 3, any reference to the Company shall mean the Company and each of the Subsidiaries unless otherwise stated.

Share capital

1. *Company*

1.1 The Company has not at any time:

- (a) reduced its share capital;
- (b) redeemed any share capital;
- (c) purchased any of its shares; or
- (d) forfeited any of its shares.

2. *Subsidiaries*

2.1.1. The Company has no subsidiaries other than the Subsidiaries.

2.1.2. The Company does not hold nor is it liable on any share or relevant security which is not fully paid up or which carries any liability.

2.2 The information contained in Schedule 2, Part 1 and part 2 of this Agreement is true and accurate in all respects.

2.3 Apart from this Agreement there is no agreement, arrangement or commitment outstanding which calls for the allotment, issue or transfer of, or accords to any person the right to call for the allotment, issue or transfer of, any share or loan capital of any Company.

2.4 No Group Company resides, or has any branch, agency, place of business or establishment outside England & Wales.

2.5 Each Group Company is incorporated and validly subsisting under the laws of its country of incorporation and is licensed or qualified to do business under the laws of that country and neither the character nor the location of the properties owned by any Group Company nor the nature of the business conducted by it requires licensing or qualification under the laws of any other country. Each Group Company has full corporate power to carry on its business and to own and operate its assets, properties and business as now carried on and owned and operated.

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- 2.6 The Company is the legal and beneficial owner of the entire issued share capital of each of the Subsidiaries.
 - 2.7 During the three-year period prior to the date of this Agreement there were no, and there are not currently outstanding, any contracts, agreements or arrangements (including, without limitation, customer and supply contracts) to which the Company is a party and in which any member of the relevant Warrantor's Group or any director or shareholder of the Company or so far as the Warrantors are aware any person connected with any of them is interested (and for the purposes of this paragraph a person shall be deemed to be interested in a contract if, were he a director of the Company, he would be interested in that contract for the purposes of section 317 of the Companies Act 1985).
 - 2.8 No person is entitled to receive from the Company any finder's fee, brokerage or other commission in connection with the sale and purchase of the Shares.

Corporate matters

3. *Insolvency of the Company*

- 3.1 No order has been made, no resolution has been passed, no petition presented and no meeting convened for the winding up of the Company or for a provisional liquidator to be appointed in respect of the Company and the Company has not been a party to any transaction which could be avoided in a winding up.
- 3.2 No administration order has been made and no petition for one has been presented in respect of the Company.
- 3.3 No administrator, receiver or administrative receiver has been appointed in respect of the Company or any of its assets. No application for the appointment of an administrator has been made in accordance with the out of court procedure under the Enterprise Act 2002.
- 3.4 The Company is not insolvent, within the meaning of section 123 of the Insolvency Act 1986.
- 3.5 No voluntary arrangement has been proposed under section 1 of the Insolvency Act 1986 in respect of the Company and the Company has not made or proposed any arrangement or composition with its creditors or any class of them.
- 3.6 No distress, execution or other process has been levied on the Company's assets or action taken to repossess goods in the possession of the Company.
- 3.7 No unsatisfied judgment is outstanding against the Company and no demand has been served on the Company under section 123(1)(a) of the Insolvency Act 1986.

4. *Statutory books and documents filed*

- 4.1 The statutory books, including all registers and minute books, of the Company have been

properly kept and are up to date and contain a record of the matters with which those books should deal in accordance with all legal requirements applicable thereto which is accurate and complete in all material respects.

- 4.2 All documents which should have been delivered by the Company to the Registrar of Companies in England and Wales are complete and accurate and have been properly so delivered.
- 4.3 The copy of the memorandum and articles of association of each Group Company Disclosed has embodied in it or annexed to it a copy of each resolution as referred to in section 380 of the Act, and is accurate and complete in all respects.
- 4.4 Since the Accounts Date the members of the Company in general meeting, or of any class of them, have not passed any resolution other than resolutions relating to the ordinary business of annual general meetings.

Accounts

5. *Preparation and contents of the Accounts*

5.1 The Accounts:

- (a) have been prepared in accordance with the requirements of all relevant statutes and UK GAAP including, without limitation, all applicable Financial Reporting Standards issued by the Accounting Standards Board, Statements of Standard Accounting Practice issued by the Institute of Chartered Accountants of England and Wales and Statements from the Urgent Issues Task Force current at the Accounts Date and, where the accounting practice used to prepare the Accounts differs from those applicable in previous financial periods, any such difference is Disclosed in the Disclosure Letter;
- (b) have been audited by a statutory or certified auditor (as applicable) who has rendered an auditor's certificate without qualification; and
- (c) have been duly filed in accordance with the Act.

5.2 Without prejudice to the generality of sub-paragraph 5.1:

- (a) the Accounts:
 - (i) give a true and fair view of the state of affairs of the Company at the Accounts Date and the profits or losses of the Company for the financial period ending on that date and have been prepared in accordance with the Companies Act 1985;
 - (ii) contain proper provision or reserve for all liabilities and for all capital and revenue commitments of the Company as at the Accounts Date; and

(iii) disclose all the assets of the Company as at the Accounts Date.

5.3 The audited profit and loss accounts and audited balance sheets of the Company contained in the Accounts were prepared on a consistent basis with each other and consistent with the prior financial year.

6. **Accounting records**

6.1 The accounting records of the Company comply with the requirements of sections 221 and 222 of the Act, do not contain or reflect any material inaccuracy or discrepancy and present and reflect in accordance with UK GAAP the financial position of and all transactions entered into by the Company or to which it has been a party.

6.2 All relevant financial books and records of the Company are in its possession or otherwise under its direct control.

6.3 Where any of the records of the Company are kept on computer, the Company:

- (a) is the owner of all hardware and all software necessary to enable it to use the records as they have been used in its business to the date of this Agreement and to Completion;
- (b) does not share any hardware or software relating to the records with any person; and
- (c) maintains adequate back up records and support in the event of any fault or failure of such computer hardware and software.

7. **Management Accounts**

The Management Accounts have been prepared with due care and attention and in good faith and on a basis consistent with the accounting policies, procedures and practices used in the preparation of the Accounts and the management accounts of the Company for the accounting period ending on the Accounts Date and disclose with reasonable accuracy the financial position of the Company at each date and for the period to which they relate and are not affected by any unusual or non-recurring item.

8. **Events since the Accounts Date**

8.1 The Company has since the Accounts Date carried on its business in the ordinary course and without interruption, so as to maintain it as a going concern and paid its creditors in the ordinary course and within the credit periods agreed with such creditors.

8.2 Since the Accounts Date:

- (a) the Company has not incurred or committed to incur:
 - (i) material capital expenditure in excess of £250,000; or

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- (ii) any liability whether actual or contingent in excess of £100,000;
 - (b) the Company has not disposed of or agreed to dispose of, any of its assets except in the ordinary course of business and for fair value;
 - (c) the Company has not repaid wholly or in part any loan except upon the due date or dates for repayment;
 - (d) the Company has not declared or paid any distribution of profit.
 - (e) there has been no change in the issued share capital of the Company.
 - (f) so far as the Warrantors are aware, the business and turnover of the Company (disregarding seasonal variations) have not deteriorated or been adversely affected to a material extent by any act or omission of the Company or by the loss of any important employee, customer or supplier or by any abnormal factor and the Warrantors are not aware of any facts or circumstances likely to give rise to any such loss or factor having or likely to have such effect;
 - (g) no change has been made in the emoluments or other terms of employment of any of the employees who are in receipt of remuneration in excess of £60,000 per annum or of any of the directors and the Company has not paid any bonus or special remuneration to any such employee or any director;
 - (h) none of the material contracts between the Company and its suppliers or customers have been materially and adversely altered;
 - (i) the Company has not paid or agreed to pay any licence fee, royalty, administration, consultancy, service, management or any other similar charges to any member of the Vendor's Group;
- 8.3 None of the debts included in the Accounts or any of the debts subsequently arising have been the subject of factoring by the Company.

Financial

9. *Financial commitments and borrowings*

- 9.1 The Company does not have outstanding any obligation for the payment or repayment of money whether present or future, actual or contingent, in respect of any Debt.
- 9.2 Details of all overdraft, loan and other financial facilities available to the Company are set out in the Disclosure Letter and the Company has not done anything, or so far as the Warrantors are aware omitted to do anything, as a result of which the continuance of any of those facilities might be affected or prejudiced.
- 9.3 The Company is not as a lender a party to, nor has it agreed to enter into, any lending, or purported lending, agreement or arrangement (other than agreements to give credit in the ordinary course of its business).

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- 9.4 The Company is not exceeding any borrowing limit imposed upon it by its bankers, other lenders, its articles of association or otherwise nor has the Company entered into any commitment or arrangement which might lead it so to do.
- 9.5 No overdraft or other financial facilities available to the Company are dependent upon the guarantee of or security provided by any other person.
- 9.6 No event has occurred or so far as the Warrantors are aware been alleged which is or, with the passing of any time or the giving of any notice, certificate, declaration or demand, would become an event of default under, or breach of, any of the terms of any loan capital, borrowing, debenture or financial facility of the Company or which would entitle any person to call for repayment prior to normal maturity.
- 9.7 The Company is not, nor has it agreed to become, bound by any guarantee, indemnity, surety or similar commitment to secure or incur a financial or other obligation relating to the failure of another person to perform its obligations.
- 9.8 The Company has not received any grants, allowances, loans or financial aid of any kind from any government departmental or other board, body, agency or authority which may become liable to be refunded or repaid in whole or in part.
- 9.9 The Company has not engaged in financing of a type which is not required to be, or has not been, shown or reflected in the Accounts.
- 9.10 The Company has no outstanding obligations in respect of a derivative transaction, including but not limited to, any foreign exchange transaction other than under any derivative transaction that has been Disclosed.
- 9.11 There is not outstanding any loan made by any Group Company to, or debt owing to any Group Company by, any of the Vendors or any director of any Group Company or any person connected with any of them.
10. ***Insurances***
- 10.1 The Policies are valid and enforceable and all premiums due have been paid. There are no outstanding claims or as far as the Warrantors are aware circumstances likely to give rise to a claim under the Policies or which would be required to be notified to the insurers and so far as the Warrantors are aware nothing has been done or omitted to be done which has made or could make any Policy void or voidable or as a result of which the renewal of any Policy is likely to be refused or the premiums due in respect of them are likely to be increased.
- 10.2 There are no claims outstanding or threatened, or so far as the Warrantors are aware, pending, against the Company which are not fully covered by insurance.

Trading and contracts

11. *Contracts and commitments*

11.1 The Company is not a party to any agreement, arrangement or commitment which:

- (a) has had or, so far as the Warrantors are aware is expected to have, any material adverse consequences in terms of expenditure or revenue (including, without limitation, any agreement, arrangement or commitment involving an annual commitment or annual payment to or from the Company of more than £100,000);
- (b) relates to matters outside its ordinary business or was not entered into on arm's length terms;
- (c) can be terminated in the event of any change in the underlying ownership or control of it or would be materially affected by such change or provides for an increased payment or benefit, or accelerated vesting of rights, upon such change;
- (d) contains any covenants limiting or excluding the Company's right to do business or to compete in any area or in any field or with any person or which may put it in breach of its obligations towards any other person; or
- (e) is incapable of termination for convenience by the Company on 6 months' notice or less.

11.2 Neither the Company nor any Warrantor is aware of any actual or alleged breach, invalidity, grounds for termination (other than by notice, not in circumstances of breach), grounds for rescission, grounds for avoidance or grounds for repudiation of, any contract to which the Company is a party.

11.3 Full and complete copies of all Material Contracts have been disclosed in the Disclosure Letter. The key customers and suppliers of the Group Companies are listed in the Disclosure Letter.

11.4 So far as the Warrantors are aware no contracted supplier has during the past 12 months terminated or changed, or indicated in writing an intention to terminate or change in a material and adverse way, a Material Contract with the Company.

12. *Terms of trade*

The Company has not given any guarantee or warranty (other than any implied by law) or made any representation in respect of any product or services sold or supplied by it nor has it accepted any liability to service, maintain, repair or otherwise do or refrain from doing anything in relation to such goods or services after they have been sold or supplied by it except for those contained in its standard conditions of trading, complete and accurate copies of which are Disclosed.

13. ***Licences and consents***

13.1 Details of all licences, consents, permissions, authorisations and approvals required by the Company for the carrying on of its business are contained in the Disclosure Letter and all of them have been obtained by it and are in full force and effect, and so far as the Vendors are aware there are no circumstances which can reasonably be expected to result in any licence, consent, permission, authorisation or approval not being renewed in whole or in part or being revoked, suspended or cancelled.

14. ***Trading partners***

14.1 The Company does not act or carry on business in partnership with any other person and is not a member of any corporate or unincorporated body, undertaking or association.

14.2 The Company is not a party to any joint venture agreement or arrangement or any agreement or arrangement under which it is to participate with any other person in any business.

14.3 The Company is not a party to any agency, distributorship, licence or management agreement or to any contract or arrangement which restricts its freedom to carry on its business in such manner as it may think fit in any part of the world.

15. ***Competition and trade regulation law***

The Company is not nor has it been a party to any agreement or arrangement nor has it been engaged in any practice, which in whole or in part infringes or may be invalidated by any anti-trust, restrictive trade practice, fair trading laws or legislation in any jurisdiction in which the Company carries on or intends to carry on business or where its activities may have an effect including Articles 81 or 82 of the EC Treaty or any subordinate regulations or directives, the Fair Trading Act 1973, Chapters I or II of the Competition Act 1998, the Enterprise Act 2002 or any secondary legislation made under any of them.

16. ***Compliance with law***

16.1 The Company has not committed nor is it liable for, and no claim or, so far as the Warrantors are aware, allegation has been or is likely to be made that it has committed or may be liable for, any criminal, illegal, unlawful or unauthorised act or breach of any obligation or duty whether imposed by or pursuant to statute, contract or otherwise (including but without limitation, FSMA and CCA).

16.2 The Company has not received notification that any investigation or inquiry is being, or has been, conducted by, or received any request for information from any governmental or other authority, department, board, body or agency in respect of its affairs and, so far as the Warrantors are aware, there are no current circumstances which are likely to give rise to such investigation, inquiry or request.

17. *Litigation and disputes*

- 17.1 Except for actions to recover any debt incurred in the ordinary course of the business owed to the Company where each individual debt and its costs outstanding amounts to less than £10,000:
- (a) neither the Company nor so far as the Warrantors are aware any person for whose acts the Company may be liable is engaged in any litigation, arbitration, administrative or criminal proceedings, whether as claimant, respondent or otherwise;
 - (b) no litigation, arbitration, administrative or criminal proceedings by or against the Company or any person for whose acts it may be liable are threatened or expected and, as far as the Warrantors are aware, none (including settlement negotiations) are pending;
 - (c) as far as the Warrantors are aware, there are no facts or circumstances likely to give rise to any litigation, arbitration, administrative or criminal proceedings against the Company or any person for whose acts it may be liable.
- 17.2 Neither the Company (nor its assets) are subject to any outstanding or pending order or judgment given by any court or governmental or other authority, department, board, body or agency and has not been a party to any undertaking or assurance given to any court or governmental or other authority, department, board, body or agency which is still in force, nor are there any facts or circumstances of which the Warrantors are aware likely to give rise to it becoming subject to such an order or judgment or to be a party to any such undertaking or assurance.
- 17.3 The Company has not in the last year paid and is not liable to pay more than:
- (a) £50,000 in aggregate in relation to any and all disputes with any consumers, suppliers or other third parties (whether by way of damages, compensation, settlement or otherwise); nor
 - (b) £5,000 in relation to any individual claim with any one consumer, supplier or other third party (whether by way of damages, compensation, settlement or otherwise).
- 17.4 So far as the Warrantors are aware, no claims or notices have been received by the Company from contracted suppliers, regulatory bodies or from third parties in relation to the Company's use of price comparison, algorithms, tools, processes and techniques) and the Warrantors are not aware of any circumstances that are likely to give rise to such a notice or claim.

Assets**18. *Ownership of assets***

- 18.1 Each of the assets included in the Accounts or acquired by the Company since the Accounts Date (other than the Properties and current assets subsequently disposed of or realised in the ordinary course of business) is owned both legally and beneficially by the Company free from Encumbrance and any third party rights and, if capable of possession, is in its possession.
- 18.2 The assets owned by the Company, together with all assets held under hire purchase, lease or rental agreements, comprise all assets necessary and sufficient for the continuation of the business of the Company as it is currently carried on.

19. *Charges and Encumbrances over assets*

- 19.1 No Encumbrance (other than a lien arising by operation of law in the ordinary course of trading) or other form of security or encumbrance or equity on, over or affecting the shares or the whole or any part of the undertaking or assets of the Company, including any investment in any other Company, is outstanding and, apart from this Agreement, there is no agreement or commitment to give or create any of them and no claim has been made by any person to be entitled to any of them.
- 19.2 No floating charge created by the Company has crystallised and there are no circumstances likely to cause such a floating charge to crystallise.
- 19.3 The Company has not received notice from any person intimating that it will enforce any security which it may hold over the assets of the Company, and there are no circumstances likely to give rise to such a notice.
- 19.4 All charges in favour of the Company have, if required, been registered in accordance with the provisions of Part XII of the Act.

20. *Intellectual Property*

- 20.1 All Intellectual Property used by the Company is either:
- (a) in the sole legal and beneficial ownership of the Company free from all licences, charges or other encumbrances and so far as the Warrantors are aware not invalid or likely to be revoked; or
 - (a) the subject of licences from third parties in favour of the Company:
 - (i) of which no notice to terminate has been received;
 - (ii) so far as the Warrantors are aware all parties to which have fully complied with all obligations in those licences; and

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- (iii) in relation to which no disputes have arisen or are foreseeable.
- 20.2 Any Intellectual Property owned by the Company which is capable of registration has been registered or is the subject of an application for registration, fair details of which are set out in Schedule 7, Parts 1 and 2 ("**Registered IP**").
- 20.3 A Group Company is the exclusive owner of all of the rights and interest in the Registered IP and is the registered proprietor or applicant for the Registered IP, and so far as the Warrantors are aware, the registrations and applications are not subject to any notice of opposition or application for revocation or invalidation.
- 20.4 All application, filing, registration and renewal fees relating to the Registered IP which are due for payment have been paid and, so far as the Warrantors are aware, all other actions necessary to maintain and prosecute the Registered IP have been taken.
- 20.5 The Company owns or has the right to use all Intellectual Property required in connection with the conduct of its business as presently carried on or expected to be carried on.
- 20.6 So far as the Warrantors are aware, at no time during the past 3 years has there been any unauthorised use or infringement by any person of any Intellectual Property owned by the Company.
- 20.7 So far as the Warrantors are aware, except in the ordinary course of business and on a confidential basis, no disclosure has been made of any of the confidential information, know how, technical processes, financial or trade secrets or customer or supplier lists of the Company.
- 20.8 The information in respect of the Domain Names contained in Schedule 7 Part 1 of this Agreement is true and accurate.
- 20.9 The information in respect of the Trade Marks contained in Schedule 7 Part 2 of this Agreement is true and accurate.
- 20.10 All licences of Intellectual Property granted by the Company to any third parties (including any amendments or variations to those agreements) have been disclosed in the Disclosure Letter to the extent they constitute or represent Material Contracts.
- 20.11 The Company warrants that it acquired the trade marks set out in Schedule 7, Part 1, Section A pursuant to an agreement relating to the sale of part of the business and assets of UpMyStreet.com Limited between (1) UpMyStreet.com Limited (in Administration), (2) Geoffrey Paul Rowley and Michael Jonathan Christopher Oldham and (3) Menacrest Limited dated 13 May 2003.

Information Technology

21. IT Systems

In this paragraph 21:

- (a) the “**Proprietary Software**” means all computer programs designed, written, developed, by or on behalf of the Company;
 - (b) the “**Standard Software**” means all other computer programs currently used in connection with the business of the Company;
 - (c) the “**Software**” means the Proprietary Software and the Standard Software together; and
 - (d) the “**Hardware**” means any and all computer, telecommunications and network equipment and any equipment which contains a microprocessor created, installed or used in the business of the Company.
- 21.1 The Company owns the copyright in the Proprietary Software free of all encumbrances and adverse claims and no property rights of the Company in the Proprietary Software have been sold, assigned, licensed or disposed of to any party other than by the granting of non-exclusive licences to customers of the Company in the ordinary course of its business reasonable details of which are disclosed in the Disclosure Letter.
- 21.2 The Company either owns the Hardware, or has been permitted to use the Hardware pursuant to agreements with the owner of the Hardware.
- 21.3 The Company has not at any time had any dispute with any person relating to proprietary or other rights in or to the Software or Hardware.
- 21.4 The Company has in place adequate and functioning security, back up and disaster recovery arrangements in relation to the Hardware and Software and all data. The Company holds up-to-date functioning back-up copies of the Standard Software and the Proprietary Software.
- 21.5 The Software and the Hardware are the subject of warranty and/or maintenance agreements.
- 21.6 There has been no disruption to, failure of, or so far as the Warrantors are aware a breach of security relating to, any aspect of the Hardware or Software in the past 12 months which has had a material impact on the business of any Group Company. The Hardware and Software is maintained and supported in accordance with good industry practice.
- 21.7 So far as the Warrantors are aware, the Hardware and Software are free from computer viruses, worms, software bombs and material defects.
- 21.8 The Hardware and Software do not contain third party software or systems that are not available from third party suppliers on arms’ length commercial terms.

22. Data Protection Act

- 22.1 The Company has complied in all respects with the provisions of the Data Protection Act 1984 (as amended, and where such provisions have not been superseded by the Data Protection Act 1998) and the Data Protection Act 1998 (“DPA”) and the principles contained in the DPA.
- 22.2 Except as registered or notified under the DPA, the Company has either not held or processed any personal data or is exempt from registering or notifying under the DPA under one of the exemptions contained in the DPA.
- 22.3 No notice or allegation has been received from a competent authority alleging that the Company has not complied with the requirements of any applicable data protection laws or regulations. No individual has claimed compensation from the Company in the past 12 months for breach of any applicable data protection laws or regulations.

Employment

23. Directors and employees

- 23.1 The terms and conditions of employment of all employees of the Company, including remuneration, bonus entitlements, key benefits (contractual or otherwise), and notice periods in relation to their employment or its termination are the same in all material respects as those details contained in the Disclosure Letter.
- 23.2 Details of the terms of engagement of all persons who are consultants to or workers in the Company, including the date of commencement of their engagement, the role they undertake, the number of hours per week they commit to the Company, the fees paid to them, any other benefits provided to them (whether or not legally binding), the notice period required to terminate the relationship and holiday arrangements are contained in the Disclosure Letter.
- 23.3 Contracts for the Key Employees, and directors and appointment letters for the non-executive directors as well as sample copies of contracts of employment and other documents relating to the employment of the employees are contained in the Disclosure Letter.
- 23.4 Other than salary for the current month and expenses and pay in respect of accrued but untaken holiday for the current holiday year, no amount is owing to any present or former officer, employee or worker of the Company.
- 23.5 Other than the Share Option Scheme there is no share option or share incentive scheme in operation by or in relation to the Company for any of its officers, employees or workers. The Company has not borrowed any money from any of its employees and it has not made any loans or granted any options or special rights (other than under the Share Option Scheme) which have not been repaid in full or which are still exercisable.

23.6 Save as provided for or taken into account in the Accounts:

- (a) no claim or liability to make any payment of any kind to any person who is or has been an officer, employee or worker has been received, threatened or incurred by the Company whether under the Employment Rights Act 1996, Sex Discrimination Act 1975, the Race Relations Act 1976 and the Disability Discrimination Act 1995 or otherwise; and
- (b) no gratuitous payment of a material amount has been made or promised by the Company in connection with the actual or proposed termination or suspension of employment or variation of any contract of employment of any present or former officer or employee.

23.7 No officer or Key Employee of the Company has given notice or is under notice of dismissal nor are there any service contracts between the Company and its officers or employees which cannot be terminated by the Company by 3 months' notice or less without giving rise to a claim for damages or compensation (other than a statutory redundancy payment).

23.8 The Company has not entered into any recognition agreement with any trade union, nor has it performed any act which might be construed as recognition. The Company does not have a collective bargaining agreement with any trade union, nor is there any works council or any other collective body representing employees.

23.9 No offer of a contract of employment has been made by the Company to any senior or managerial individual (being a person to be remunerated at a salary level above £60,000 per annum) which has not been accepted, or which has been accepted but where the individual's employment has not yet started.

23.10 The Company has no obligation to make any payment on the redundancy of any employee, in excess of the statutory redundancy payment and it has not, in the 18 months preceding the date of this Agreement, operated any discretionary practice of making any such excess payments to any of its employees on their redundancy. The Company has no obligation to follow any contractual redundancy procedure.

23.11 No assurances or undertakings (whether legally binding or not) have been given to any employees as to the continuation, introduction, increase or improvement of any terms and conditions, remuneration, benefits, bonus or incentive scheme.

24. Pensions

24.1 Save for the contributions made by the Company to the individual personal pension schemes of employees, there is not in operation by the Company any scheme or agreement for the payment of pensions, allowances or lump sums, payable on retirement or death, for the benefit of the employees of the Company.

24.2 The Company has complied with its obligations relating to stakeholder pension schemes under the Welfare Reform and Pensions Act 1999.

Properties

25. Title

- 25.1 The Properties comprise all the properties presently owned, occupied, held, controlled or otherwise used by the Company and the Company is in actual and exclusive occupation and is the legal and beneficial owner of each Property.
- 25.2 Each Property is occupied or otherwise used by the Company by right of ownership or under the Leases.
- 25.3 All deeds and documents necessary to prove title to each Property are in the possession and control of the Company and consist of original deeds and documents or properly examined abstracts.
- 25.4 The Company has not had occasion to make any claim or complaint in relation to any neighbouring property or its use or occupation and there are no disputes, claims, actions, demands or complaints in respect of any Property which are ongoing nor are any disputes, claims, actions, demands or complaints anticipated and no notices materially affecting any Property have been given or received and not complied with

26. Encumbrances

No Property is subject to any outgoing other than business rates, water rates and insurance premiums and rent, insurance and service charges.

27. Statutory obligations

The Company has complied with and is continuing to comply with all applicable statutory and by-law requirements with respect to the Properties, and in particular with the requirements as to fire precautions under the Fire Precautions Act 1971 and under the Public Health Acts, the Offices, Shops and Railway Premises Act 1963, the Health and Safety at Work Act 1974, the Factories Act 1961 and the Shops Acts 1950 to 1956.

28. Leasehold properties

- 28.1 Each Lease is valid and in full force and there are no circumstances which would entitle any landlord or other person to exercise any power of entry or take possession of the Properties.
- 28.2 The Company has paid the rent and observed and performed the covenants, obligations, restrictions on the part of the tenant and the conditions contained in any Lease to which it is a party, and the last demands (or receipts for rent if issued) were unqualified and no notice of any alleged breach of such covenants, obligations, restrictions and conditions has

been received and so far as the Warrantors are aware there are no circumstances now existing which would entitle the landlord of each Lease to exercise any power of entry upon or take possession of any of the Properties or to draw upon any rental deposit or other security available to it.

28.3 The Company has not in the past been the tenant of or guarantor of any leasehold premises not listed in Part 2 of Schedule 2 in respect of which any obligations or liabilities could still accrue to the Company.

28.4 The Company has not made any alterations to the Properties which would be in breach of any of the Leases.

29. **Leases**

The Properties are not held subject to, and with the benefit of, any other tenancy than the Leases.

30. **Environmental**

30.1 The Company complies with, has complied with and has no actual or contingent liability under Environmental Law in respect of matters or circumstances prior to Completion.

30.2 The Company has obtained and is and has been in compliance with the terms and conditions of all Environmental Consents relevant or appropriate to or required for the Company's business and all such Environmental Consents remain in full force and in effect and there are no proposals to vary, modify, transfer or revoke such Environmental Consents.

Schedule 4

(Limitations on liability)

1. Nothing in this Schedule shall have the effect of excluding, limiting or restricting any liability of the Warrantors in respect of a Claim arising as a result of fraud by the Warrantors.
2. Subject only to paragraph 8 below the Warrantors shall as between them be liable for Claims on a several basis only.
3. The Purchaser acknowledges and agrees that none of the Vendors makes any representation or warranty as to the accuracy of the forecasts, estimates, projections, statements of intent or statements of opinion provided to the Purchaser or its affiliates or its advisers on or prior to the date of this Agreement (whether during presentations, in the Information Memorandum relating to the Group dated November 2005, in the Disclosure Letter or otherwise).
4. The Purchaser shall not be entitled to recover from the Warrantors more than once for the same damage suffered.
5. The liability of the Warrantors under the Warranties shall be reduced if and to the extent that the relevant loss shall have been recovered under the Tax Covenant (and vice versa).
6. The Warrantors shall not be liable for any Claim if, and to the extent that, the subject matter of the Claim is Disclosed provided that nothing in the Disclosure Letter shall limit the Warrantors' liability under the Tax Covenant.
7. The Warrantors shall not be liable for a Claim unless:
 - (a) they have received written notice from the Purchaser giving reasonable details of the Claim and, if practicable, the Purchaser's estimate of the amount involved:
 - (i) in the case of a Non-Tax Claim, on or before the earlier of 6 July 2007 and the date twelve weeks after the date when the audited accounts of the Company for the financial period ending on 31 December 2006 are delivered to the Purchaser and in any event within 30 Business Days of the Purchaser becoming aware of the subject matter of the Claim; or
 - (ii) in the case of any Tax Claim, not later than 6 years and 3 months from the end of the accounting period current at the Completion Date;
 - (b) save in relation to a contingent matter pursuant to paragraph 10(d) below, in the case of a Non-Tax Claim proceedings in respect of such Non-Tax Claim shall have been commenced by being issued and served on the Warrantors within 12 months after the date of notification pursuant to paragraph 7(a) above;

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8. Notwithstanding any contrary provision of this Agreement, no Claim shall be brought, and the Purchaser shall not be entitled to make any recovery in respect of a Claim, unless:
- (a) as regards a Non-Tax Claim the liability of the Warrantors in respect of that Claim (following the application of the other provisions of this schedule), exceeds £50,000;
 - (b) the liability of the Warrantors in respect of a Non-Tax Claim (following the application of the other provisions of this schedule), when aggregated with the total liability of the Warrantors in respect of all other Non-Tax Claims exceeds £150,000, in which case the Purchaser shall be able to claim for the whole of such aggregate amount and not just the excess; and
 - (c) as regards Tax Claims, the liability of the Warrantors in respect of a Tax Claim (following the application of the other provisions of this schedule and of the Tax Schedule), when aggregated with the total liability of the Warrantors in respect of all other Tax Claims exceeds £37,500, in which case the Purchaser shall be able to claim for the whole of such aggregate and not just the excess.
9. The aggregate liability of the Warrantors in respect of all Claims shall not exceed £12,000,000 (twelve million pounds sterling) and notwithstanding any other provision of this Agreement no single Warrantor shall be liable under this Agreement for any amount in excess of the cap on its liability set out in Part 2 of Schedule 1 and each Warrantor shall only be liable for its Agreed Proportion of any Claim.
10. The Warrantors shall not be liable for any Non-Tax Claim:
- (a) if and to the extent that a liability arises or is increased as a result of any voluntary act or omission of any member of the Purchaser Group after Completion done or suffered outside the ordinary course of business and where the Purchaser or the relevant member of the Purchaser Group knew or ought reasonably to have known that such act or omission would or would be likely to cause such liability or increased liability other than:
 - (i) pursuant to a legally binding obligation entered into by a Group Company before Completion; or
 - (ii) in order to comply with any law; or
 - (iii) at the request of or with the consent of the Warrantor;
 - (b) to the extent that a liability arises or is increased as a result of any change in legislation or change in the interpretation of any legislation made after the date of Completion (whether relating to Taxation, rates of Taxation or otherwise) or the amendment to or the withdrawal of any practice previously published by a Taxation authority announced after Completion (whether or not the change, amendment or withdrawal purports to be effective retrospectively in whole or in part);

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- (c) to the extent that a liability arises or is increased as a result of any change after Completion of the date to which the Group makes up its accounts or in the bases, methods or policies of accounting of the Group other than a change which is reported by the auditors for the time being of the Group to be necessary in their opinion because such bases, methods or policies of accounting as at the Completion Date are unlawful or improper or are not in accordance with any published accounting practice or principle then current;
 - (d) to the extent that the same is specifically provided for in the Accounts or in the Management Accounts; or
 - (e) which is contingent only unless and until such contingent liability becomes an actual liability and is due and payable, in which case the limitations as to time under paragraph 6 shall commence upon such liability becoming non-contingent. For the avoidance of doubt, the fact that the liability may not have become an actual liability by the relevant date provided in paragraph 6 shall not exonerate the Warrantors in respect of any Non-Tax Claim properly notified before that date.
 - (f) if and to the extent that the loss in respect of which the Non-Tax Claim is made is recovered under an insurance policy of the Group in force on the date of such loss.
11. If the Warrantors make any payment to the Purchaser or any Group Company in relation to any Non-Tax Claim and the Purchaser or any Group Company subsequently receives from a third party any sum referable to, or any benefit which would not have been received but for the circumstances giving rise to, the subject matter of that Non-Tax Claim, the Purchaser shall, once it or the Group has received such sum or benefit, immediately repay or procure the repayment to the Warrantors of either:
- (a) the amount of such receipt (after deducting an amount equal to the reasonable costs (including increases in insurance premiums, to the extent directly attributable to the relevant Non-Tax Claim) of the Purchaser or the Group incurred in recovering such receipt and any Taxation payable on it); or if less;
 - (b) the amount paid by the Warrantors together with any interest paid to the Purchaser or any Group Company in respect of that amount from a third party.

Schedule 5

(Tax Schedule)

Part 1 - Definitions and interpretation

1. Definitions and interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words have the following meanings:

“Claim for Taxation” means any notice, demand, assessment, letter or other document issued or action taken by any Tax Authority or any person (including any Group Company) indicating that any person is or may be placed or sought to be placed under either a Liability to Taxation or a claim for Taxation to which paragraph 5 may apply.

“Consideration Relief” means any Relief to the extent to which it has been taken into account in computing and so reducing or eliminating any provision for Taxation which appears in the Completion Accounts (or which but for such Relief would have appeared in the Completion Accounts) or where and to the extent that such Relief was treated as an asset of any Group Company in the Completion Accounts.

“ICTA” means the Income and Corporation Taxes Act 1988.

“Liability to Taxation” means:

- (a) any liability to make a payment (or increased payment) of or in respect of Taxation (whether or not such payment is primarily payable by the Purchaser or any Group Company and whether or not the Purchaser or any Group Company has or may have any right of reimbursement from any other person);
- (b) the Loss of all or any part of any Consideration Relief;
- (c) the use or setting off against any liability to Taxation or against Profits earned, accrued or received of any Purchaser’s Relief in circumstances where, but for such use or set off, any Group Company would have had a liability to Taxation in respect of which the Warrantors would have been liable under the Tax Covenant;
- (d) the enforcement or exercise of any mortgage, charge or power of sale over any of the shares in or assets of any of the Group Companies in connection with the payment of any amount of Taxation; and
- (e) references to a Liability to Taxation shall include the settlement of a Claim for Taxation.

“Loss” includes loss, reduction, unavailability, counteraction, disallowance, nullification, non-existence, modification, claw-back, denial, cancellation of or failure to obtain (but does not include utilisation) and **“lose”** and **“lost”** shall be construed accordingly.

“Profits” means income, profits and gains, the value of any supply and any other consideration, value or receipt used or charged for Taxation purposes and references to

“Profits earned, accrued or received” means income and profits (excluding chargeable gains) earned, accrued or received or deemed to have been earned, accrued or received and chargeable gains realised or deemed to have been realised for Taxation purposes.

“Purchaser’s Relief” means any Consideration Relief; and/or any Relief which arises in respect any period after Completion or in respect of any Transaction occurring after Completion.

“Relevant Claim” means any claim by any Group Company to: group relief under Chapter IV, Part X, ICTA (group relief); advance corporation tax under section 240, ICTA (set off of company’s surplus ACT against subsidiary’s liability to corporation tax); or a tax refund under section 102, Finance Act 1989 (surrender of company tax refund etc within group).

“Relevant Surrender” means any surrender to any Group Company of: group relief under Chapter IV, Part X, ICTA (group relief); advance corporation tax under section 240, ICTA (set off of company’s surplus ACT against subsidiary’s liability to corporation tax); or a tax refund under section 102, Finance Act 1989 (surrender of company tax refund etc within group).

“Relief” means any relief, loss, allowance, exemption, set-off, deduction or credit in computing or against Profits or Taxation or any right to repayment of Taxation.

“Taxation” means all forms of taxation, withholdings, deductions, liabilities to account and statutory, governmental, supra-governmental, state, provincial, local governmental or municipal impositions, duties, contributions and levies in each case in the nature of Tax (including, but not limited to, income tax to which the PAYE system applies, any liability arising under sections 419 or 601 ICTA, stamp duty, stamp duty land tax, national insurance contributions, VAT and input tax within the meaning of section 24 VATA), whether of the United Kingdom or elsewhere in the world, whenever imposed and however arising and all penalties, fines, charges and interest under any Tax legislation, together with the cost of removing any charge or other encumbrance, relating thereto and **“Tax”** shall be construed accordingly.

“Tax Authority” means any taxing or other authority, body or official competent to administer, impose or collect any Taxation.

“Tax Claim” means a claim by the Purchaser against the Warrantors under the Tax Covenant or for breach of any of the Tax Warranties or, as the case may be, a claim by the Vendors against the Purchaser under the covenant in paragraph 5.

“**TCGA**” means the Taxation of Chargeable Gains Act 1992.

“**TMA**” means the Taxes Management Act 1970.

“**Transaction**” means any transaction, deed, act, event, omission, payment or receipt of whatever nature and whether actual or deemed for Tax purposes (including, but not limited to, entering into this Agreement, Completion, any change in the residence of any person or the death, winding up or dissolution of any person).

“**VATA**” means the Value Added Tax Act 1994.

“**Vendor Associate**” means any Vendor and any other person with whom the Vendors is connected (within the meaning of section 839 ICTA (connected persons)) other than any Group Company.

“**Warrantors’ Relief**” means any Relief other than a Purchaser’s Relief; and includes, for the avoidance of doubt, any Relief arising under Schedule 23 FA 2003 as a result of the exercise of any share options before Completion but only to the extent that such Relief is not taken into account in computing and so reducing or eliminating any provision for Taxation in the Completion Accounts.

1.2 In this Schedule:

- (a) a reference to a jurisdiction shall include any union, country, state, province, district or division of whatever nature which imposes or raises Taxation;
- (b) a reference to any law shall include any statute, law, regulation, notice, directive or similar provision relating to Taxation, whether of the United Kingdom or elsewhere;
- (c) references to specific parts of the law of the United Kingdom shall be taken to include a reference to the law of any other jurisdiction so far as the same may apply to any Group Company and may be similar to or have a similar purpose to the law of the United Kingdom to which reference is made; and
- (d) references to the VATA shall include all law relating to value added tax in the United Kingdom and any value added, turnover, sales, purchase or similar tax of any other jurisdiction and references to value added tax shall be construed accordingly.

1.3 Subject to the proviso below, the Liability to Taxation referred to in paragraphs (b) to (d) of the definition shall be treated as being equal to:

- (a) in any case falling within paragraph (b) where the Relief unavailable relates to the corporation tax deduction arising under Schedule 23 FA 2003 as a result of the exercise of any share options, the amount of the Relief multiplied by 30%;

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- (b) in any other case falling within paragraph (b) where the Relief unavailable would have operated as a deduction from or off-set against gross income, profits or gains, the amount of the Relief multiplied by the rate of tax in force at the date when the Relief becomes unavailable;
 - (c) in any case falling within paragraph (b) where the Relief unavailable would have operated as a deduction from or off-set against Taxation, the amount of the Relief unavailable;
 - (d) in any case falling within paragraph (b) where the Relief unavailable would have operated as a repayment of Taxation, the amount of repayment that would otherwise have been obtained;
 - (e) in any case falling within paragraph (c), the Taxation that would have arisen but for such use or set-off; and
 - (f) in any case falling within paragraph (d), the amount of Taxation which is or is liable to be paid out of the proceeds of enforcement or exercise of the mortgage, charge or power of sale together with the amount of any costs or expenses incurred in connection with such enforcement or exercise which are liable to be paid out of those proceeds

Provided that, where and to the extent that under the terms of this Agreement (as identified in Schedule 9 (Completion Accounts)) the Purchaser has paid for a portion of a Consideration Relief at a proportion of its value, then in operating the terms of this Schedule (if applicable), that portion shall be deemed to be lost or used first and the Purchaser shall to that extent be entitled to claim or recover at the same proportion of the rate or recovery that would otherwise apply under this paragraph.

Part 2 - Tax Warranties

2. Tax Warranties

Events since the Accounts Date

2.1 Since the Accounts Date:

- (a) no transaction has occurred, either in circumstances where the consideration actually received or receivable (if any) was less than the consideration which could be deemed to have been received for Tax purposes or which will give rise to a Liability to Taxation on any Group Company calculated by reference to deemed as opposed to actual Profits;
- (b) no transaction has occurred which will result in any Group Company becoming liable to pay or bear a Liability to Taxation directly or primarily chargeable against or attributable to another person other than another Group Company;
- (c) no disposal has taken place or other event occurred which will, or may have, the effect of crystallising a Liability to Taxation which would have been included in the provision for deferred taxation contained in the Accounts if such disposal or other event had been planned or predicted at the Accounts Date; and
- (d) no accounting period or period of account by reference to which Taxation is measured of any Group Company has ended within the meaning of section 12, ICTA (basis of, and periods for, assessment).

Records and compliance

2.2 In the last 6 years, each Group Company:

- (a) has duly and punctually paid all Taxation which is due to be paid prior to the date hereof and made all withholdings and deductions in respect, or on account, of any Taxation from any payments made by it which it is obliged or entitled to make and has duly and punctually paid to the appropriate Tax Authority all amounts so withheld or deducted due to be paid prior to the date hereof;
- (b) has submitted all notices, returns, computations, accounts and applications for clearances or consents required for Tax purposes and provided complete and accurate information in all material respects to any Tax Authority and all such notices, returns, computations, accounts and applications supplied to any Tax Authority are true and accurate;
- (c) has kept and maintained in all material respects complete and accurate records, invoices and other documents and information of whatever nature appropriate or requisite for Tax purposes; and

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- (d) has not been involved in any disputes, unsettled or outstanding assessments or appeals in respect of Taxation and no Group Company has been subject to any enquiry, investigation (other than routine investigations, audits and control visits in relation to PAYE, NIC or VAT) or other dispute with any Tax Authority and as far as the Warrantors are aware there are no circumstances which have arisen before the date hereof which may give rise to such an enquiry or dispute.
- 2.3 Each Group Company has not within the last three years been liable to pay any interest, penalty, fine, default surcharge or other similar payment in respect of Taxation nor, in relation to value added tax, has received any penalty liability notice, surcharge liability notice or other written notice or warning under the VATA.
- 2.4 Each Group Company has at all times been resident for Tax purposes in the United Kingdom and is not and never has been resident for any Tax purpose in any other country and no Group Company has paid and is not liable to pay Tax in any other jurisdiction. No Group Company has engaged in any trade or business or owned any real or personal property, tangible or intangible, outside the United Kingdom.
- 2.5 The amount of Tax chargeable on each Group Company or subject to withholding or deduction by the relevant Group Company during any accounting period ending on or within the last six years has not to any material extent depended on any individual agreement or dispensation or any other formal or informal arrangement with any Tax Authority (other than generally published concessions and practices).
- 2.6 No Group Company is liable to pay corporation tax by instalments pursuant to section 59E, TMA (further provision as to when corporation tax is due and payable), or any regulations made thereunder.

Employee shares

- 2.7 Since the Accounts Date, no shares or securities have been issued by any Group Company, and no options have been granted or issued in respect of such shares or securities, such that the any Group Company will or may be liable to account for income tax under the PAYE system or to collect or pay any national insurance contributions.

VAT

- 2.8 Each Group Company:
- (a) is registered for the purpose of, and has complied in all material respects with, the VATA and all statutory provisions, regulations and notices relating to VAT and is not subject to any conditions imposed or agreed with any Tax Authority; and
 - (b) is not, and has not been a member of a group for value added tax purposes under section 43, VATA (groups of companies).

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- 2.9 No Group Company is subject to the Value Added Tax (Payments on Account) Order 1993.
- 2.10 In the past 3 years no Group Company has been required to give security under paragraph 4, Schedule 11, VATA (power to require security and production of evidence).
- 2.11 No Group Company has made, nor will prior to Completion make, any election to waive exemption under paragraph 2, Schedule 10, VATA (election to waive exemption) in respect of any property owned at Completion.
- 2.12 No Group Company has claimed credit for any input tax where the whole or any part of the consideration for the relevant supply remains outstanding for more than 6 months after the date of the invoice.
- 2.13 Details of any special or non-statutory arrangements in relation to VAT or any special method of accounting (including, without limitation, partial exemption) in relation to VAT agreed by any Group Company with any Tax Authority are set out in the Disclosure Letter.
- 2.14 Details of any capital items owned by any Group Company which are subject to part XV Value Added Tax Regulations 1995 are set out in the Disclosure Letter and the relevant Group Company has sufficient records in order to comply with its obligations under that part XV.

Balance sheet values

- 2.15 No Liability to Taxation (other than VAT or under the provisions relating to capital allowances) will arise or be incurred on a disposal by any Group Company of any of its capital assets if disposed of in a single transaction for:
- (a) in the case of assets owned at the Accounts Date, an aggregate consideration equal to the value attributed to those assets in preparing the Accounts; and
 - (b) in the case of assets acquired since the Accounts Date, an aggregate consideration equal to the consideration given for the acquisition.
- 2.16 No Group Company has at any time in respect of any asset owned at the date hereof made, nor will prior to Completion make, any claim under sections 152 to 158 (inclusive), TCGA (replacement of business assets)

Close company

- 2.17 No Group Company is, a close company within the meaning of section 414, ICTA (close companies) or a close investment holding company for the purposes of section 13A, ICTA (close investment-holding companies).

2.18 No Group Company has made any loan or advance or payment or given any consideration or effected any transaction falling within sections 419 to 422 (inclusive), ICTA (loans to participators etc) for which the relevant Group Company has an outstanding liability to make any payment to any Tax Authority.

Group transactions

2.19 Within the last six years no Group Company has:

- (a) been a member of a group of companies within the meaning of section 170 TCGA (groups of companies), other than one of which the Group Companies were the only members;
- (b) acquired any asset from any other company which was at the time of acquisition a member of the same group of companies as that of which the relevant Group Company was also a member; or
- (c) entered into any group payment arrangements in respect of corporation tax pursuant to section 36, Finance Act 1998 (arrangements with respect to the payment of corporation tax).

2.20 No Liability to Taxation will be suffered by any Group Company in consequence of Completion or otherwise by virtue either of this Agreement or of the relevant Group Company ceasing to be a member of a group of companies with any other company.

2.21 The Disclosure Letter gives details of all Relevant Claims and Relevant Surrenders in respect of each accounting period of each Group Company ending in the last three years and there are no other current arrangements or agreements made by any Group Company in respect of any Relevant Claims or Relevant Surrenders.

2.22 There are no circumstances by virtue of which sections 410 or 413, ICTA (arrangements for transfer of company to another group or consortium) would prevent each Group Company being treated as a member of the same group of companies within Chapter IV, Part X, ICTA (special provisions) for any accounting period commencing on or before the date of this Agreement or Completion.

2.23 No Group Company has claimed relief from stamp duty under section 42 Finance Act 1930 or section 76 Finance Act 1986 which is liable to be withdrawn at any time on or after Completion.

2.24 No Group Company has made, nor is proposing to make an election under any law whereby a Liability to Taxation that arises primarily upon another person, or by reference to Profits which are not earned, accrued or received by any Group Company, will fall upon the Group Company.

Deductible expenses

- 2.25 No Group Company has since the Accounts Date made or provided for, and are not under any legally binding obligation to make, any payment of an income or revenue nature in excess of £10,000 which will be prevented from being deductible for Tax purposes, whether as a deduction in computing the profits of a trade or as an expense of management or as a charge on income.
- 2.26 The accounting treatment adopted by each Group Company in its accounts in relation to any loan relationship as defined in section 81, Finance Act 1996 (meaning of “**loan relationships**” etc.) is in accordance with generally accepted accounting practice for the purposes of section 85A, Finance Act 1996 (authorised accounting methods).
- 2.27 No Group Company has been a party to a loan relationship treated as being for an unallowable purpose within the meaning of Paragraph 13 Schedule 9, Finance Act 1996 (loan relationships for unallowable purposes).

Dividends and distributions

- 2.28 No Group Company has at any time purchased, repaid or redeemed or agreed to purchase, repay or redeem its share capital, or capitalised or agreed to capitalise in the form of redeemable shares or debentures any profits or reserves, or otherwise issued any share capital or other security as paid up otherwise than by the receipt of new consideration within the meaning of section 254, ICTA (interpretation of Part VI).
- 2.29 No Group Company has at any time been a party to or otherwise involved in any transaction to which sections 213 to 218 (inclusive), ICTA (exempt distributions etc.) applied.

Inheritance tax and gifts

- 2.30 No circumstances exist under which any power within section 212, Inheritance Tax Act 1984 (powers to raise tax) will be exercised in relation to, and there is no HM Revenue and Customs charge (within the meaning of section 237, Inheritance Tax Act 1984 (imposition of charge)) attaching to, or which may attach to any shares or securities in or over, any assets of any Group Company.
- 2.31 No Group Company is liable and there are no circumstances in existence as a result of which it will become liable to be assessed to Tax as donor or donee of any gift or transfer or transferee of value.

Transfer pricing

- 2.32 Each Group Company has complied in all respects with the requirements of Schedule 28AA, ICTA (provision not at arms length) and any law made pursuant or with respect thereto. No Group Company has entered into or applied for an agreement with HM

ITEPA

- 2.33 No options have been granted or have been agreed to be granted to any director, employee, former director or former employee on the exercise of which any Group Company will be required or otherwise be liable to account for Taxation under the PAYE system.
- 2.34 No disqualifying events have occurred in relation to any options granted by any Group Company pursuant to the EMI Code (as defined in section 527(3) ITEPA).
- 2.35 All relevant directors, officers or employees of any Group Company have entered into elections jointly with the relevant Group Company under section 431 ITEPA in respect of any securities or interests in securities falling within Chapter 2 of part 7 ITEPA which have been acquired by reason of the employment of such director, officer or employee by any Group Company or any associated company.
- 2.36 The sale of the Shares to the Purchaser pursuant to this Agreement and/or the receipt of, or entitlement to, any consideration for the Shares will not give rise to or result in any Vendor being treated as having to any extent income so as to result in any obligation of the Purchaser or any Group Company to operate PAYE pursuant to ICTA or ITEPA and/or to account for national insurance contributions.

Secondary Liability

- 2.37 There is no liability to Taxation for which any Group Company is liable to be assessed or have collected from it where such Taxation is primarily chargeable against some other person or where such Taxation is the joint or joint and several liability of the relevant Group Company and some other person or where the Taxation in question relates to any income, profits or gains earned, accrued or received by any other person.

No Group Company has any liability to indemnify any person in respect of Taxation whether statutory or otherwise.

Miscellaneous

- 2.38 No Group Company has entered into any transaction forming part of notifiable arrangements (as defined by section 306 of the FA 2004) and no Group Company has entered into any marketed tax avoidance scheme for the avoidance or deferral of Tax.
- 2.39 No Group Company has participated in or cooperated with an international boycott within the meaning of Section 999 of the United States Internal Revenue Code of 1986 (as amended) or has been requested to do so in connection with any transaction or proposed transaction.

3. Stamp duty

- 3.1 All documents which are required to be stamped or in respect of which any form of Taxation is due and which are in the possession of any Group Company, or by virtue of which any Group Company has any right, have been duly and sufficiently stamped.
- 3.2 No document referred to in paragraph 3.1 above has been executed and retained outside the United Kingdom in circumstances in which a liability to stamp duty or Taxation would arise if such document were to be brought into the United Kingdom.

Part 3 - Covenants to and from the Purchaser

4. Tax Covenant

4.1 Subject to paragraph 6 of this Schedule and to clause 11 of this Agreement, the Warrantors covenant severally to pay to the Purchaser an amount equal to:

- (a) any Liability to Taxation of any Group Company arising in respect of or by reference to or in consequence of any of the following:
 - (i) any Transaction or Transactions effected or occurring on or before Completion; or
 - (ii) any Profits earned, accrued or received on or before Completion;
- (b) any Liability to Taxation which any Group Company is or becomes required to discharge by virtue of it being associated (within the meaning of section 417 ICTA) or connected (within the meaning of section 839 ICTA) with any person (other than any Group Company) at any time before Completion;
- (c) any contractual liability of any Group Company entered into prior to Completion to make a payment by way of indemnity, covenant or damages arising from another person's liability to Taxation;
- (d) any Liability to Taxation falling on or to be met or paid by the Purchaser or any Group Company in respect of inheritance tax which:
 - (i) is at Completion a charge on any of the shares or assets of any Group Company or gives rise to a power to sell, mortgage or charge any of the shares or assets of any Group Company; or
 - (ii) after Completion becomes a charge on or gives rise to a power to sell, mortgage or charge any of the shares or assets of any Group Company being a liability in respect of inheritance tax payable as a result of the death of any person within seven years after a transfer of value (or a deemed transfer of value) if a charge on or power to sell, mortgage or charge any such shares or assets existed at Completion or would, if the death had occurred immediately before Completion and the inheritance tax payable as a result thereof had not been paid, have existed at Completion; or
 - (iii) arises as a result of a transfer of value occurring on or before Completion (whether or not in conjunction with the death of any person whenever occurring) which increased or decreased the value of the estate of any Group Company;

together with all costs and expenses reasonably and properly incurred by the Purchaser or any Group Company in connection with any such Liability to Taxation or in bringing any

claim or defending any action under the provisions of this Schedule where (whether in the case of a Liability to Taxation or in the case of a claim or action) the Warrantors are liable under this paragraph 4.1.

- 4.2 Where the Warrantors become liable to make any payment under the Tax Covenant, the due date for the making of that payment shall be:
- (a) in a case that involves an actual payment of Taxation by the Purchaser or any Group Company, five Business Days prior to the date on which the relevant Group Company is liable to pay to the appropriate Tax Authority the Taxation in question in order to avoid incurring a liability to interest or penalties or, if later, five Business Days following a written demand from the Purchaser giving details of the payment in question;
 - (b) in the case of the Loss of any entitlement to repayment of Tax the date on which that repayment would have been due, or if later, the date falling five Business Days following the date when the Warrantors have been notified by the Purchaser that the entitlement to repayment of Tax has been lost, provided that the auditors for the time being of the relevant Group Company have certified, at the request of the Purchaser, that the Warrantors have a liability for a determinable amount in respect of the loss of such entitlement to repayment of Tax under the Tax Covenant;
 - (c) in any case:
 - (i) involving the Loss of all or any part of any Relief within paragraph (b) of the definition of Liability to Taxation which relates to the corporation tax deduction arising under Schedule 23 FA 2003 as a result of the exercise of any share options, the date falling five Business Days following the date when the Warrantors have been notified by the Purchaser that the Relief has been lost, provided that the auditors for the time being of the relevant Group Company have certified, at the request of the Purchaser, that the Warrantors have a liability for a determinable amount in respect of the loss of such Relief under the Tax Covenant;
 - (ii) involving the Loss of all or any part of any other Relief within paragraph (b) of the definition of Liability to Taxation, the later of the date on which the Taxation that would otherwise have been saved becomes due and payable to the relevant Tax Authority and the date falling five Business Days following the date when the Warrantors have been notified by the Purchaser of that Loss;
 - (iii) involving the use or set-off of all or any part of any other Relief within paragraph (c) of the definition of Liability to Taxation, the later of the date on which the Taxation saved thereby would otherwise have become due and payable to the relevant Tax Authority and the date falling five Business Days following the date when the Warrantors have been notified by the Purchaser of that use or set off; and

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- (d) in any other case, the date falling five Business Days following the date on which the Warrantors have been notified by the Purchaser or the relevant Group Company that the Warrantors have a liability for a determinable amount under this Tax Covenant.
- 4.3 All amounts payable by the Warrantors to any person under this Tax Covenant shall be paid free of any rights of counterclaim or set-off and without any deductions or withholdings whatsoever, save only as may be required by any applicable law.
5. Covenant to Vendors
- 5.1 The Purchaser hereby covenants with the Vendors to pay to the Vendors an amount equal to any Taxation which is assessed on the Vendors or on any Vendor Associate (together with any costs and expenses reasonably and properly incurred by the Vendors or Vendor Associate in relation to such Taxation) where such Taxation arises by reason of Taxation assessed on or primarily or directly attributable to the Purchaser, any member of the Purchaser's group or any Group Company for any accounting period remaining unpaid, provided that this covenant shall not apply to any Taxation in respect of which the Purchaser is entitled to bring a claim against the Warrantors under the Tax Covenant or where one of the Group Companies or the Purchaser discharges or has discharged such Taxation by direct payment to the relevant Tax Authority or where an amount in respect of such Taxation has previously been paid to the Vendors.
- 5.2 The Vendors hereby covenant that the Vendors shall make no claim under paragraph 5.1 above to the extent that the Vendors have recovered the Taxation in question under section 767B(2), ICTA or any other relevant statutory provision and that to the extent that such Taxation has been recovered under paragraph 5.1 the Vendors shall not seek to recover payment under section 767B(2) or any other relevant statutory provision.
- 5.3 The provisions of paragraphs 4.2 (date of payment), 4.4 (grossing up) and 9 (Claims Procedure) shall apply to this covenant as if references to the "**Purchaser**" were to the "**Vendors**" (and vice versa), references to the "**the Group Company**" were also to the "**Vendors**" and references to "**Tax Covenant**" were to the "**covenant under paragraph 5**".

Part 4 - Limitations and general

6. Limitations on liability

- 6.1 The liability of the Warrantors under the Tax Covenant shall be reduced if and to the extent that the Liability to Taxation shall have been recovered under the Warranties or under any other part of the Tax Covenant (and vice versa).
- 6.2 The Warrantors shall not be liable to the Purchaser for a Tax Claim to the extent that:
- (a) provision otherwise than by way of deferred Taxation in respect of that liability has been made in the Completion Accounts or the Working Capital Statement or payment or discharge of it was demonstrably taken into account in either the Completion Accounts or the Working Capital Statement;
 - (b) the liability arises or is increased as a result only of:
 - (i) any increase in rates of Taxation;
 - (ii) any change in law or in the generally published practice of a Tax Authority; or
 - (iii) any change in the bases upon or change in the date to which the accounts of the relevant Group Company are prepared or any change in accounting practice or principles except in either case in order to comply with generally accepted accounting principles, announced in any such case after Completion (whether or not with retrospective effect).
 - (c) there is available to the relevant Group Company to relieve or mitigate such Taxation liability any Warrantors' Relief at no cost (other than the fact that the Relief has been utilised) to any Group Company or the Purchaser and provided any such Relief shall only be capable of being taken into account once for the purposes of this paragraph 6.2(c);
 - (d) such liability would not have arisen but for a voluntary act or omission carried out or effected by the Purchaser or by the relevant Group Company at any time after Completion, other than any act or omission required by law or carried out or effected:
 - (i) under a legally binding commitment created on or before Completion; or
 - (ii) in the ordinary course of the business carried on by that Group Company; or

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- (iii) carried out pursuant to the written request or with the written approval of the Vendors;
 - (e) the liability would not have arisen or would have been reduced or eliminated but for:
 - (i) a failure or omission on the part of any Group Company after Completion (otherwise than at the request of the Vendors or in accordance with paragraph 10 (Tax Returns)) to make, adjust or revise, any claim, election, surrender or disclaimer or the failure or omission after Completion to give any notice or consent, the making, or giving of which in each case was taken into account in computing the provision or reserve for Tax (not including any provision for deferred Tax) in the Accounts and was expressly referred to in the Disclosure Letter; or
 - (ii) the making (otherwise than at the request of the Vendors or in accordance with paragraph 10 (Tax Returns)) of any claim, election, surrender or disclaimer made or notice or consent given after Completion by any Group Company the making or giving of which was not taken into account in computing (and so reducing) any provision for Taxation (not including any provision for deferred Taxation) which appears in the Accounts (or eliminating any provision for Taxation (not including any provision for deferred Taxation) which would otherwise have appeared in the Accounts;
 - (f) the liability arises or is increased as a consequence of any material failure by the Purchaser to comply with its obligations under paragraph 9 (Claims Procedure) or paragraph 10 (Tax Returns);
 - (g) the liability would not have arisen but for any Group Company ceasing to be entitled to the small companies rate of corporation tax by virtue of any event occurring on or after Completion;
 - (h) it is to fines, penalties or interest in respect of any Tax to the extent that it is increased as a result of any delay or default of the Purchaser or a Group Company after Completion;
 - (i) the income, profits or gains in respect of which the liability arises were actual income, profits or gains earned accrued or received by any Group Company before Completion but it can be demonstrated by the Warrantors that such income, profits or gains were not, but should have been, reflected in the Completion Accounts or the Working Capital Statement; or
 - (j) the liability arises in respect of the allotment or issue of, or the sale pursuant to the Minority SPAs, of the B Shares or the C Shares or in respect of the Additional Deferred Consideration or the payment or satisfaction of the Additional Deferred Consideration.

7. Repayment

- 7.1 If, in the event of any payment becoming due from the Warrantors in relation to any Tax Claim, the Purchaser or any Group Company either is immediately entitled at the due date for the making of that payment to recover from any person (not being a Group Company or any Purchaser Group Company or (save in a case where paragraph 7.2 applies) any employee of them but including any Tax Authority) any sum in respect of any liability (or Transaction giving rise to the liability) as is mentioned in paragraph 4 of this Tax Covenant (and otherwise than by the utilisation of the whole or any part of any Purchaser's Relief) that has resulted in that payment becoming due from the Warrantors or at some subsequent date becomes entitled to make such a recovery, then the Purchaser shall or shall procure that the relevant Group Company notifies the Warrantors' Representative of that entitlement and if so required by the Warrantors and at the Warrantors' sole expense, takes all reasonable steps to enforce that recovery (keeping the Warrantors' Representative informed of the progress of any action taken) provided that (save in a case where paragraph 7.2 applies) the Purchaser shall not be required to take action against any person where in its reasonable opinion such action will be materially detrimental to the business of the relevant Group Company; and if the Warrantors have made a payment in respect of the liability in question, the Purchaser shall account to the Warrantors for either:
- (a) a sum equal to such amount so recovered by the relevant Group Company or the Purchaser in respect of that liability to Taxation less any Taxation chargeable on the amount of such recovery and less any costs and expenses not previously recovered from the Warrantors and less the amount of such recovery which has previously been set against any liability under the Warranties or this Tax Covenant; or
 - (b) if lesser a sum equal to the Tax Claim paid by the Warrantors to the Purchaser.
- 7.2 This paragraph 7.2 applies where there is a liability for any income tax and employee national insurance contributions which is chargeable on any assessable income deriving from the grant or exercise of, or other dealing in, any employee share options which were exercised by any Vendor to a Minority SPA in order to acquire the Ordinary Shares. Where this paragraph applies, paragraph 7.1 shall apply (subject to the amendments expressly stated therein regarding paragraph 7.2) and the Purchaser shall procure that the Company shall take all reasonable steps to collect such income tax and employee national insurance contributions from the relevant Vendors pursuant to the terms of Schedule 5 of the relevant Minority SPA or otherwise.
- 7.3 Where under the option agreement in question the employee is responsible for any employer's national insurance contributions, references in paragraph 7.2 to employee national insurance contributions shall be treated as including employer's national insurance contributions.

8. Reliefs

8.1 If any Liability to Taxation (or Transaction giving rise to that Liability to Taxation) has resulted in a payment having been made or becoming due from the Warrantors under the Tax Covenant gives rise to a Relief for the relevant Group Company (other than a Purchaser's Relief) which would not otherwise have arisen and which has not previously been set against any liability of the Warrantors under the Warranties or this Tax Covenant, then the Purchaser shall give the Warrantors' Representative full details of the entitlement as soon as practicable and in any event within 14 days of the Purchaser or the relevant Group Company becoming aware of the entitlement arising and the Purchaser shall at the request of the Warrantors' Representative and at the Warrantors' expense take all reasonable steps to procure that the Relief shall be obtained, keeping the Warrantors' Representative informed of the progress of any action taken. As and when such Relief reduces a liability to make an actual payment of Tax (other than a liability for which the Purchaser would be entitled to bring a Tax Claim), the amount of that reduction shall be dealt with in accordance with paragraph 8.2 below.

8.2 Where it is provided under paragraph 8.1 that any amount (the "**relevant amount**") is to be dealt with in accordance with this sub-clause:

- (a) the relevant amount shall first be set-off against any payment then due from the Warrantors under the Tax Covenant;
- (b) to the extent that there is an excess, a refund shall be made to the Warrantors of any previous payment made by the Warrantors under the Tax Covenant (to the extent not previously refunded under this paragraph 8) up to the amount of such excess; and
- (c) to the extent that the excess referred to in paragraph 8.2(b) above is not exhausted under that paragraph, the remainder of the excess shall be carried forward and set off against any future payment or payments which become due from the Warrantors under the Tax Covenant.

9. Claims Procedure

9.1 Upon the Purchaser or any Group Company becoming aware of a Claim for Taxation which may result in a Tax Claim the Purchaser shall:

- (a) as soon as reasonably practicable (but not as a condition precedent to the making of a Tax Claim) give written notice of that Claim for Taxation to the Warrantors' Representative or, as the case may be, shall procure that the Group Company forthwith give written notice of that Claim for Taxation to the Warrantors' Representative;
- (b) subject to the Warrantors agreeing to indemnify the Purchaser and/or the relevant Group Company to its reasonable satisfaction against all losses, costs, damages and expenses, including interest on overdue Tax, which may be incurred, further

procure that the Group Company take such action and give such information and assistance in connection with the affairs of the relevant Group Company as the Warrantors may reasonably and promptly by written notice request to avoid, resist, appeal or compromise the Claim for Taxation; and

- (c) procure that the Warrantors' representative is promptly provided with copies of any material correspondence with the Tax Authority.
- 9.2 The Purchaser shall not be obliged to procure that the Group Company appeals against any tax assessment if, the Warrantors' Representative having been given written notice of the receipt of that Claim for Taxation in accordance with paragraph 9.1 above, the Group Company has not within 28 days (or, if there is a statutory time limit of not more than 30 days, within 10 Business Days before the expiry of such limit) thereafter received instructions in writing from the Warrantors, in accordance with the preceding provisions of this paragraph 9, to make that appeal.
- 9.3 The Purchaser shall not be obliged to procure that any Group Company take any action under paragraph 9.1 above which involves contesting any matter before any court, appellate body or judicial authority (including, the High Court of Justice or any superior court) unless the Warrantors furnish the Group Company with the written opinion of tax counsel of at least 7 years call to the effect that it is reasonable in all circumstances to take the appeal. Such tax counsel shall be instructed by the Warrantors and at the Warrantors' expense but the Warrantors shall promptly provide the Purchaser with a copy of such instructions and give the Purchaser or its representative a reasonable opportunity to attend any conference with Counsel.
- 9.4 The Warrantors acknowledge that neither the Purchaser nor any Group Company shall be obliged to comply with any request made by the Warrantors pursuant to paragraph 9.1 if in the Purchaser's reasonable opinion any such compliance would materially adversely affect the future liability of any Group Company to Taxation without the approval of the Purchaser or the relevant Group Company such approval not to be unreasonably withheld or delayed.
- 9.5 The Purchaser or the relevant Group Company shall, without reference to the Warrantors, be entitled to admit, compromise, settle, discharge or otherwise deal with a Claim for Taxation on such terms as it thinks fit and without prejudice to any right or remedy under this schedule if:
 - (a) the Warrantors have not made the request referred to in paragraph 9.1 by the earlier of the following dates:
 - (i) the date occurring 28 days after the date on which notice of that Claim for Taxation was given in accordance with paragraph 9.1; and
 - (ii) the date occurring two clear Business Days prior to the last date on which an appeal may be made against the Liability to Taxation to which the

Claim for Taxation relates (provided that the Purchaser complied with the terms of paragraph 9.1(a));

- (b) the Purchaser or the relevant Group Company shall not at any time be indemnified as provided in paragraph 9.1;
- (c) Counsel shall advise (pursuant to paragraph 9.3) that it is not reasonable in the circumstances to make an appeal against the relevant Claim for Taxation;
- (d) the Warrantors shall have made the request referred to in paragraph 9.1, but shall subsequently fail to make a further request or requests within 21 days of the Purchaser requesting the same in writing from the Warrantors; or
- (e) a Tax Authority has made substantial allegations that while any Group Company was under the control of the Vendors there was any act or failure to act by any Group Company or the Vendors which constituted fraud in relation to any Liability to Taxation.

10. Tax Returns

10.1 The Purchaser, the relevant Group Company or their duly authorised agent shall at the sole expense of the relevant Group Company prepare:

- (a) the corporation tax returns of each Group Company for all accounting periods ended on or before the Accounts Date to the extent that they have not been prepared prior to Completion; and
- (b) the corporation tax returns of each Group Company for the accounting period current at Completion.

10.2 The Purchaser shall provide the Warrantors with a copy of the corporation tax returns referred to in paragraph 10.1 (and any relevant supporting computations) at least 28 days prior to the date for submission of those corporation tax returns. The Purchaser shall give the Warrantors a reasonable opportunity to comment on such returns (such comments not to be unreasonably withheld or delayed) prior to their submission to the relevant Tax Authority and shall not unreasonably refuse to take into account the Warrantors' reasonable comments provided that, in relation to the period current at Completion, the Purchaser shall only be obliged to take into account such comments to the extent that such comments relate to matters which could give rise to a liability for the Warrantors under this Schedule.

10.3 The Purchaser, the relevant Group Company or their duly authorised agent shall at the sole expense of the relevant Group Company prepare all documentation and deal with all matters relating to the tax returns mentioned in paragraph 10.1 and the Purchaser shall provide the Warrantors with copies of any material correspondence relating to such tax returns prior to their submission and copies of any material correspondence from the relevant Tax Authority. The Purchaser shall give the Warrantors a reasonable opportunity

to comment on such correspondence (such comments not to be unreasonably withheld or delayed) prior to submission and shall take account of the Warrantors' reasonable comments.

- 10.4 The Purchaser shall procure that the relevant Group Company shall at the request of the Warrantors do all such things which may be reasonably necessary to ensure that full effect is given to any claim, surrender or election made to or by the relevant Group Company and which is reflected in the Accounts including for the avoidance of doubt signing and submitting any revised claim, election or surrender and progressing any such claim, surrender or election or revised claim surrender or election with the relevant Tax Authority.
- 10.5 For the avoidance of doubt, any act or omission of any Group Company or the Purchaser carried out at the request of the Warrantors in accordance with this paragraph 10 shall not constitute a voluntary act or omission of the Purchaser or any Group Company for the purposes of paragraph 6.2(d).

Schedule 6

(Completion requirements)

- A. The Vendors shall deliver to the Purchaser at Completion:
1. stock transfer forms, duly completed and executed by the registered holders, in favour of the Purchaser (or as it may direct) in respect of the Shares together with the relevant share certificates or an indemnity for lost share certificate in the agreed form;
 2. the certificate of incorporation, any certificates of incorporation on change of name or re-registration, the statutory books written up to date, share certificate books, minute books, all unused cheque books and the common seal of each Group Company;
 3. all other papers and documents relating to the Group which are in the possession of or under the control of any of the Vendors;
 4. proxies and powers of attorney in the agreed form duly executed by each of them authorising the Purchaser to exercise 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 from Completion to the day on which the Purchaser or its nominee is entered in the register of members of the Company as the holder of the Shares;
 5. notices in the agreed form to the Company duly executed by each of them authorising the Company to send any notice in respect of their respective shareholdings to the Purchaser;
 6. the Disclosure Letter duly signed;
 7. minutes in the agreed form of a duly held meeting of the board of directors of the Company at which, amongst other things:
 - (a) the stock transfer forms referred to in (1) above are approved and (subject to them being appropriately stamped) registered in the Company's books;
 - (b) those persons nominated by the Purchaser are appointed as directors of the Company effective on receipt of approval by the FSA to their appointment;
 - (c) resignation of Anthony Roger Moore as a director of the Company;
 - (d) resignation of the auditors of the Company and appointment of new auditors of the Company effective as soon as practicable following Completion;
 - (e) the execution and completion of the other documents to be entered into by the Company under this Agreement is approved as appropriate;

-
8. Acknowledgements in the agreed form from each of the Vendors confirming, inter alia, that at and immediately after Completion nothing is owed by them to any Group Company.
 9. The Service Agreements duly executed by each party to them.
 10. All documents in the possession or control of the Company relating to the Properties.
 11. Minutes in the agreed form of a duly held meeting of the board of directors of each Group Company at which, amongst other things:
 - (a) those persons nominated by the Purchaser are appointed as directors of the Group Company; and
 - (b) resignation of the auditors of the Group Company and appointment of new auditors of the Group Company effective as soon as practicable following Completion.

Schedule 7

(Intellectual Property)

The company agrees to furnish supplementally a copy of this schedule to the Commission upon request.

Schedule 8

(Disbursement Certificate)

The company agrees to furnish supplementally a copy of this schedule to the Commission upon request.

Schedule 9

Completion Accounts

Part 1: Accounting Instructions

1 Accounting policies

The Completion Accounts are to be prepared in the form set out in paragraph 5 of Part 1 of this Schedule and are to be prepared as follows:

- (a) in accordance with the specific accounting treatments set out in paragraph 3 of Part 1 of this Schedule; and subject thereto
- (b) by adopting the same accounting policies and estimation techniques (each as defined in FRS 18) as were applied in the preparation of the Accounts, including in relation to the exercise of accounting discretion and judgement; and subject thereto
- (c) in accordance with UK GAAP at the Accounts Date.

For the avoidance of doubt paragraph (a) takes precedence over paragraphs (b) and (c) and paragraph (b) takes precedence over paragraph (c).

2 General

The Completion Accounts are to be expressed in £ Sterling.

3 Specific accounting policies

Post Completion events

- 3.1 Adjusting events as defined in FRS 21 (Events after the Balance Sheet Date) occurring after Completion Date shall be taken into account in the Completion Accounts up until the date of delivery of the draft Completion Accounts to the Vendors.

Accounting Standards

- 3.2 The Completion Accounts shall be prepared under the historical cost convention.

Liabilities

- 3.3 Full provision or accrual shall be made in the Completion Accounts for all goods and services received prior to or on Completion Date which have yet to be invoiced.
- 3.4 Full provision or accrual shall be made for all amounts due to employees (including, without limitation but subject to paragraph 3.6 below, salaries, bonuses, and related social security and other taxes) in respect of the period up to Completion Date to the extent not paid at the Completion Date provided that no provision, expense or accrual shall be made

with respect to the provision of any benefit relating to the issue of the B Shares and C Shares of £0.001 each in the capital of the Company together with the B Bonus .

Transaction Costs

- 3.5 All unpaid expenses of the Group Companies incurred in connection with the transactions contemplated by this Agreement shall be accrued in the Completion Accounts.

Taxation

- 3.6 Taxation (as defined in the Tax Covenant) for the period from the day after the Accounts Date to the Completion Date is to be provided for in the Completion Accounts by adopting the same accounting policies and practices that were used in calculating the provision for Taxation in the Accounts provided that no liability to pay Taxation arising in relation to the issue of 5,000,000 'B and C' shares of £0.001 of each in the capital of the Company in the capital of the Company (or any related bonus or indemnity arrangements) on or around 12 March 2006, including income tax, employees national insurance contributions and employers national insurance contributions, shall be accrued in the Completion Accounts.
- 3.7 All unpaid Taxation arising prior to the Accounts Date will also be provided, in full, in the Completion Accounts.
- 3.8 A tax asset shall be recognised in the Completion Accounts in respect of the corporation tax deduction arising on exercise of the Share Options.

Prepayments

- 3.9 Only those prepayments having genuine value to the Purchaser post Completion Date will be included in the Completion Accounts.
- 3.10 All marketing and advertising costs shall be expensed as incurred other than the prepaid amount in respect of advertising costs as at 31 December 2005 which have not been utilised by 14 March 2006 .

Accrued Income

- 3.11 Provision shall be made in the Completion Accounts in respect of end users cancelling contracts entered into by such end user as a consequence of switching service provider in accordance with the normal accounting policy and estimation techniques of the Company consistently applied.

No reclassification and double counting

- 3.12 There shall be no reclassification of any fixed assets, intangible assets and investments to current assets.

3.13 No capitalised costs (including but not limited to, website development, employee and agency staff costs, and research and development project costs) shall be included in current assets.

3.14 No item may be included more than once in the Completion Accounts.

4 Procedure relating to the Completion Accounts

4.1 The Purchaser shall, or shall procure that the Company shall, as soon as practicable, and in any event within 120 Business Days, after the Completion Date (the “First Period”) prepare and deliver to the Vendors’ Representative and the Purchaser a draft of the Completion Accounts which shall be prepared in accordance with the Accounting Instructions. In the period prior to Completion, the Vendors will procure that the Company maintains accurate and complete accounting records in accordance with the Accounting Instructions to ensure that the Purchaser or the Company can prepare the Completion Accounts.

4.2 The Vendors’ Representative and the Purchaser shall attempt to agree the draft Completion Accounts as soon as possible and, in any event, within 30 Business Days (or such longer period as the parties may agree) (the “Second Period”) after their delivery in accordance with paragraph 4.1.

4.3 Unless before the end of the Second Period the Vendors’ Representative serves a written notice of objection on the Purchaser stating that they disagree with the draft Completion Accounts and setting out in reasonable detail the adjustments, if any, which they propose should be made to the draft Completion Accounts, the draft Completion Accounts are deemed to be agreed and, except in the event of manifest error, are final and binding on the Vendors and the Purchaser for all purposes of this Agreement.

4.4 If before the end of the Second Period, a notice of objection has been served by the Vendors’ Representative pursuant to paragraph 4.3, the parties shall attempt to resolve in good faith any matters in dispute within a period of 20 Business Days after the service of the notice of objection (or such longer period as the parties may agree) (the “Third Period”). During the Third Period the Purchaser may, by written notice to the Vendors’ Representative, propose additional adjustments and notify the Vendors’ Representative of additional matters in dispute, but only if those additional adjustments or matters arise out of the notice of objection served by the Vendors’ Representative pursuant to paragraph 4.3.

4.5 If at the end of the Third Period there are no matters remaining in dispute, the Purchaser shall procure that the Company finalises the draft Completion Accounts by amending them to reflect the adjustments agreed by the parties and, within 10 Business Days after the end of the Third Period, deliver to the Vendors’ Representative and to the Purchaser the final form of the Completion Accounts.

4.6 If after the end of the Third Period any matters remain in dispute (the “Disputed Matters”) and the aggregate amount of the Disputed Matters is greater than £250,000, either the

Purchaser or the Vendors' Representative may refer the Disputed Matters to the Independent Accountants for determination. If the aggregate amount of the Disputed Matters is less than £250,000, the draft Completion Accounts are deemed to be agreed and, except in the event of manifest error, are final and binding on the Vendors and the Purchaser for all purposes of this Agreement.

- 4.7 The Vendors' Representative and the Purchaser shall act in good faith towards each other regarding the referral to the Independent Accountants and shall use reasonable endeavours to agree with the Independent Accountants the precise terms of reference to apply to its role under this Agreement as soon as reasonably practicable after that referral to the Independent Accountants pursuant to paragraph 4.6. Those terms of reference shall include the general terms of reference set out in Part 2 of this Schedule 9.
- 4.8 The Independent Accountants shall determine the Completion Accounts in accordance with the Accounting Instructions and shall take account of any items from any notice of objection served pursuant to paragraph 4.3 and any further adjustments proposed by the Purchaser pursuant to paragraph 4.4 insofar as not otherwise agreed by the parties. The Independent Accountants may call for and inspect such documents as they reasonably consider necessary.
- 4.9 After agreement or determination of the Disputed Matters, the Purchaser shall procure that the Company finalises the draft Completion Accounts by amending them in accordance with any determination made by the Independent Accountants and, within 10 Business Days after that agreement or determination, deliver to the Vendors' Representative and to the Purchaser the final form of the Completion Accounts.
- 4.10 The Vendors shall pay the costs of the Vendor's Accountants in respect of any work carried out pursuant to this paragraph 4. The Purchaser shall pay the costs of the Purchaser's Accountants in respect of any work carried out pursuant to this paragraph 4. The costs of the Independent Accountants (if appointed) are to be borne equally between the Vendors and the Purchaser.
- 4.11 The Vendors and the Purchaser shall each procure, so far as they are able, that at all times between the date of delivery of the draft Completion Accounts to the Vendors' Representative and to the Purchaser in accordance with paragraph 4.1 and the Determination Date, the Company gives each of the Vendors' Representative and the Purchaser and the Independent Accountants access to all of their working papers used as a basis for preparing the Completion Accounts and access to personnel as may reasonably be required for the purposes of considering and agreeing the Completion Accounts.
- 4.12 Upon the Completion Accounts becoming final and binding pursuant to this paragraph 4 (except in respect of manifest error), no right of appeal is competent with regard to them and neither the Vendors nor the Purchaser nor the Independent Accountants may appeal or state a case either on a point of law or fact with regard to them, to any court.

5 **Form of Completion Accounts**

5.1 The Completion Accounts are to be in the following form:

	£	
FIXED ASSETS		
Intangible Fixed Assets	A	
Tangible Fixed Assets	B	
Investments	C	
TOTAL	D = sum A to C	
CURRENT ASSETS		
Debtors due within one year		
Trade Debtors		E
Amounts owed by Group undertakings		F
Other Debtors		G
Prepayments and accrued income		H
Debtors due After one year		
Amounts owed by Group undertakings		I
Other Debtors		J
Cash at bank and in hand		K
TOTAL		L = sum E to K
CREDITORS		
Creditors due within one year		
Trade Creditors		M
Amounts owed to group undertakings		N
Corporation Tax		O
Taxation and social security		P
Other creditors		Q
Accruals and deferred income		R
Creditors due after one year		
Amounts owed to group undertakings		S
TOTAL		T = sum M to S
PROVISIONS FOR LIABILITIES		
Deferred taxation		U

CAPITAL AND RESERVES

Called up equity and share capital

Share premium account

Profit and loss account

Total

V

W

X

Y = sum V to X

5.2 The Consideration Adjustment Statement

The Consideration Adjustment Statement is to be in the following form:

	£	£
Actual Non-Cash NCA		X
(as extracted from the Target Non-Cash NCA Statement)	[]	
Less Target Non-Cash NCA Amount	<u>([])</u>	
		X
Actual Cash Amount (as extracted from the Cash Statement)	[]	
Less Cash Target	<u>([])</u>	X
Adjustment pursuant to clause 6.2 payable to/(payable by) the Purchaser		X(X)

5.3 The Target NCA Statement

TARGET NCA AMOUNT

	<u>Agreed uSwitch position Forecast 14-Mar-06</u>	<u>Agreed Scripps position Forecast 14-Mar-06</u>
1 The Working Capital Statement		
Current Assets		
Trade Debtors	X	
Prepayments	X	
Accrued Income	X	
Other Debtors	X	
	<hr/>	
Current Liabilities		
Trade Creditors	(X)	
VAT	(X)	
PAYE	(X)	
Accruals	(X)	
Other Creditors	(X)	
	<hr/>	
	()	<hr/>
Working Capital Target	A	X

2 The Corporation Tax Statement

Corporation Tax Liability

Corporation Tax Asset

Corporation Tax Asset / (liability)

(X)

X

50%

B

X

(X)

C

3 Corporation Tax Asset on Option exercise

X

X

D

4 Total

X = A+B

Y = C+D

5 Difference between the NCA positions

Z = (X+Y) / 2

Z

6 Target Non-Cash NCA Amount

Z+D+C

2 Cash and Third Party Debt Statement

Cash at Bank and in hand

Short term investments

Short term borrowings

Long term borrowings

Third Party Debt

Cash and Third party debt

Part 2: Independent Accountants' terms of reference

- 1 The Vendors and the Purchaser shall each prepare (or cause to be prepared by their respective accountants) a written statement on the Disputed Matters, two copies of each of which (and the relevant supporting documents) shall be submitted to the Independent Accountants for determination within 15 Business Days of the formal appointment of the Independent Accountants. The matters in dispute are to be limited to the Disputed Matters.
- 2 Once the Vendors' Representative and the Purchaser have each submitted two copies of their respective written statements to the Independent Accountants for determination pursuant to paragraph 1 of Part 2 of this Schedule, the Independent Accountants shall deliver immediately to the other party a copy of their submissions (and the relevant supporting documents).
- 3 After delivery of their respective submissions pursuant to paragraph 2 of Part 2 of this Schedule, the Vendors' Representative and the Purchaser may comment once only on the other party's submissions by written comment and shall deliver to the Independent Accountants not later than 10 Business Days after the written statement was first submitted to the Independent Accountants and copied to the other party pursuant to paragraphs 1 and 2 of Part 2 of this Schedule.
- 4 Any response to a subsequent request by the Independent Accountants for information from either the Vendors' Representative or the Purchaser (or their respective accountants) shall be delivered to the Independent Accountants who following receipt of responses from both parties shall copy those responses to the other party. Unless otherwise directed by the Independent Accountants, the party receiving a copy of the information may, within 10 Business Days after receipt of the information, comment once only on the other party's submission, and shall deliver two copies of those comments to the Independent Accountants who, after receipt of comments from both parties, shall copy those comments to the other party. After that, neither the Purchaser nor the Vendors' Representative nor their respective accountants may make further statements or submissions except insofar as the Independent Accountants so request (in which case it shall, on each occasion, give the other party (unless otherwise directed) 10 Business Days to respond to any statements or submission so made).
- 5 The determination of the Independent Accountants shall be in writing and shall be delivered to the Vendors' Representative and the Purchaser. In giving its determination, the Independent Accountants shall state what adjustments (if any) are necessary, solely for the purposes of this Agreement, to the draft Actual Non-Cash NCA Statement and to draft the Cash Statement in respect of the Disputed Matters to comply with the requirements of this Agreement and to determine finally the Completion Accounts.

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- 6 The Independent Accountants shall determine (using their own legal advice as appropriate) any question of the legal construction of this Agreement insofar as it is relevant to the determination of the Completion Accounts. If the Independent Accountants obtain legal advice, a copy of the advice and any instructions on which it is based shall be delivered to the Vendors' Representative and to the Purchaser.
 - 7 The Independent Accountants shall act as an expert (and not as an arbitrator) in making any determination which shall (in the absence of manifest error) be final and binding on the parties. In particular, without limitation, its determination of any fact which it has found it necessary to determine for the purposes of its determination pursuant to this Schedule 9 is binding on the parties for all purposes.
 - 8 The parties expressly waive, to the extent permitted by law, any rights of recourse to the courts they may otherwise have to challenge the Independent Accountants' determination, including any determination under this Schedule 9.

Part 3: Illustrative Example

The company agrees to furnish supplementally a copy of this schedule to the Commission upon request.

Executed by MCC Group Enterprise)
Limited acting by its attorney) /s/ Matthew Darling
100 Fetter Lane
London EC4A 1BN

Executed by Raybridge Services)
Limited acting by its attorney) /s/ Matthew Darling
100 Fetter Lane
London EC4A 1BN

Executed by Velocity Investments)
Limited acting by its attorney) /s/ Matthew Darling
100 Fetter Lane
London, EC4A 1BN

Executed by FIRSTCORNER Limited)
acting by) /s/ Tim Peterman
Director
/s/ Sameer Deen
Director/Secretary

Executed by:

/s/ G. Milford Haven
Lord Milford Haven

in the presence of:

/s/ Sadia Salam
signature of witness

Sadia Salam
print name of witness

Address
One London Wall
London

Occupation
Solicitor

Minority (1) Share Sale Agreement

relating to the sale and purchase of a minority part of the issued share capital of uSwitch Limited

- (1) The person named in Schedule 1
- (2) FIRSTCORNER LIMITED
- (3) The EW SCRIPPS COMPANY

Osborne Clarke

One London Wall

London

EC2Y 5EB

Telephone +44 (0)20 7105 7000

Fax +44 (0) 20 7105 7005

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	Document in agreed form:	
	Loan Note Instrument	
	B Loan Note Instrument	

This Agreement is made on 15 March 2006

Between:

- (1) **The person whose name and address is set out in Part 1 of Schedule 1 to this Agreement (the “Vendor”);**
- (2) **FIRSTCORNER LIMITED** (registered in England and Wales with company number: **5651121**) whose registered office is at **10th Floor, Portland House, Stag Place, London SW1E 5BH** (the “Purchaser”); and
- (3) **The EW SCRIPPS COMPANY** a corporation duly incorporated under the laws of the State of Ohio and whose principal place of business is **312 Walnut Street, Suite 2800, Cincinnati, Ohio, OH 45202, United States of America** (the “Guarantor”).

Background:

The Vendor has agreed to sell and the Purchaser has agreed to purchase the Shares on the terms and conditions set out in this Agreement.

This Agreement witnesses as follows:

1. Definitions and interpretation

1.1 In this Agreement, unless the context otherwise requires, the following definitions shall apply:

“Act”	means the Companies Act 1985;
“Additional Deferred Consideration”	means the price to be paid by the Purchaser for the B Shares and the C Shares pursuant to this Agreement as provided in Clause 4 and to be calculated and payable as set out in Schedule 4;
“Adjustment Account”	has the meaning given to it in the Principal SPA;
“Affiliates”	means in relation to any body corporate (whether or not registered in the United Kingdom), any holding company or subsidiary or subsidiary undertaking of a holding company of such body corporate as defined in sections 736, 736A, 258 and 259 of the Act;
“Agreement”	means this agreement executed as a deed (including any schedule or annexure to it which shall have the same force and effect as if set out in the body of this Agreement);

“Applicable Law”	means any law or regulation, order, decree or other provision having the force of law in any jurisdiction anywhere in the world and which is applicable to any Group Company by reason of its presence or activities in any such jurisdiction;
“B Shares”	means issued B shares of £0.001p in the capital of the Company held by the Vendor as at Completion, as set out in Column 3 of Part 2 of Schedule 1;
“B Loan Note Consideration”	means the amount of the Additional Deferred Consideration to be paid and satisfied by the issue to the Vendors of B Loan Notes in accordance with Clause 4 and Schedule 4;
“B Loan Note Instrument”	means the B Loan Note Instrument in the agreed form proposed to be entered into by the Purchaser and the Guarantor to satisfy the B Loan Note Consideration and creating guaranteed loan notes 2013 of the Purchaser
“B Loan Notes”	means the B Loan Notes constituted by the B Loan Note Instrument to be issued as the B Loan Note Consideration
“Board”	means the board of directors of the Company;
“Business Day”	means a day (other than a Saturday, a Sunday or a bank or public holiday) on which clearing banks are open for normal banking business in the City of London;
“Cash Consideration”	means the cash amount due to the Vendor at Completion pursuant to clause 4.1(a) and as set out in column 5 of Schedule 1;
“Company”	means uSwitch Limited, details of which are set out in Schedule 2;
“Completion”	means the completion of the sale and purchase of the Shares under this Agreement;
“Conditions”	means those matters set out in clause 2.1 and, if more than one, “Condition” shall mean any of them;
“Consideration”	means the aggregate consideration payable by the Purchaser to the Vendor for the Shares under Clause 4 represented by the Cash Consideration, the Loan Note Consideration and/or the B Loan Note Consideration, as specified in that Clause;

“C Shares”	means the issued C Shares of £0.001p each in the capital of the Company and held by the Vendor as at Completion (if any) as set out in Column 4 of Part 2 of Schedule 1;
“Encumbrance”	means any interest or equity of any person (including any right to acquire, option or right of pre-emption or conversion) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention, or any other security agreement or arrangement, or any agreement to create any of the above;
“Group Companies” or “Group”	means the Company and any holding company or any parent company or any subsidiary or subsidiary undertaking of the Company or such companies as defined in sections 736, 736A, 258 and 259 of the Act and “Group Company” means any of them;
“Guarantee”	the guarantee given in clause 12.1(a) (and, where applicable, includes the indemnity given in clause 12.1(b)).
“Guaranteed Obligations”	has the meaning given in clause 12.1.
“Initial Consideration”	means the Cash Consideration and the Loan Note Consideration, to the extent the Vendor is entitled to the same (if at all) as shown in Part 2 of Schedule 1;
“Key Employees”	means Andrew Salmon, Vipul Amin, Jon Miller, Barry Holloway, Susie Bruck, Alan Tattersall, Nick White and Narisa Wild;
“Loan Note Consideration”	means the amount due to the Vendor at Completion (if any) pursuant to clause 4.1(b) and as set out in column 6 of Part 2 of Schedule 1
“Loan Note Instrument”	means the loan note instrument in the agreed form proposed to be entered into by the Purchaser on or before Completion and creating up to £14,610,645 secured loan notes 2008 of the Purchaser;
“Loan Notes”	means the secured loan notes to be constituted and issued in accordance with the terms of the Loan Note Instrument by the Purchaser to the Vendor as part of the Consideration;

“Majority Shares”	means the remaining shares in the issued share capital of the company as at Completion which when aggregated with the Shares will constitute the entire issued share capital of the Company as at Completion;
“Majority SPAs”	means, together, the Principal SPA and the other agreements of the same date as this Agreement each between the Purchaser and certain holders of the Majority Shares, all such agreements together providing for the sale and purchase of the Majority Shares;
“notice”	includes any notice, demand, consent or other communication;
“Ordinary Shares”	means issued Ordinary Shares of £0.001p in the capital of the Company held by the Vendor as at Completion as set out in column 3 of Schedule 1;
“Principal SPA”	means the agreement of the same date as this Agreement between the Purchaser and the holders of approximately 90 per cent. (in aggregate) of the Majority Shares;
“Purchaser’s Accountants”	means Deloitte & Touche LLP;
“Purchaser Group Company” or “Purchaser Group”	means the Purchaser and its Affiliates;
“Restricted Business”	means the business of the Group Companies as carried on at Completion including but limited to: <ul style="list-style-type: none"> (i) the provision to consumers (whether business or non-business) of on-line comparison and switching services in relation to energy, water, heating, insurance, telephony products, broadband, digital TV, all types of personal finance including without limitation credit accounts, credit cards, unsecured loans, secured loans and mortgages, current accounts, cheque accounts, interest bearing accounts, investment accounts, savings accounts, directories, mobile phones and car and home insurance; and

(ii) the provision to consumers of on-line local residential information based on postcode or other selected address criteria, in relation to property and moving services, property prices, valuation reports, property finding, buying and selling and renting, local area person profiling, local area reporting and location services including without limitation in relation to education, neighbours, policing and crime, transport, council, leisure, and redirection services for domestic product and service price comparison and switching;

including any planned activities and activities under development at Completion.;

“Restricted Period”

means the period commencing on Completion and ending two years thereafter;

“Shares”

means the Ordinary shares and the B Shares or (if any) the C Shares at Completion, held by the Vendor as set out in Part 2 of Schedule 1;

“Territory”

means the entire world;

“Vendor’s Accountant”

means Grant Thornton UK LLP, Churchill House, Chalvey Road East, Slough, Berkshire, SL1 2LS;

“Vendor’s Group”

means the Vendor and any of their Affiliates and excluding any Group Company;

“the Vendor’s Representative”

means Andrew Salmon of 8a Maunsel Road, London SW1P 2QL; and

“Vendor’s Solicitors”

means Osborne Clarke of One London Wall, London EC2Y 5EB.

1.2 In this Agreement, unless the context otherwise requires:

- (a) words in the singular include the plural and vice versa and words in one gender include any other gender;
- (b) a reference to a statute or statutory provision includes:
 - (i) any subordinate legislation (as defined in section 21(1) of the Interpretation Act 1978) made under it;

-
- (ii) any repealed statute or statutory provision which it re-enacts (with or without modification); and
 - (iii) any statute or statutory provision which modifies, consolidates, re-enacts or supersedes it except to the extent that it would create or increase the liability of any party under this Agreement;
- (c) a reference to:
- (i) any **“party”** means any party to this Agreement as set out at the head of page 1 (and **“parties”** means all of the parties to this Agreement) and includes its successors in title and permitted assigns;
 - (ii) a **“person”** includes any individual, firm, corporation, body corporate, association or partnership, trust, unincorporated organisation, employee representative body, government or state or agency or department thereof, executors administrators or successors in title (whether or not having a separate legal personality);
 - (iii) clauses and schedules and annexures are to clauses and schedules and annexures of this Agreement and references to sub-clauses and paragraphs are references to sub-clauses and paragraphs of the clause or schedule in which they appear;
 - (iv) any provision of this Agreement is to that provision as amended in accordance with the terms of this Agreement;
 - (v) any document being **“in the agreed form”** means in a form which has been agreed by the parties on or before the date of this Agreement and for identification purposes signed by them or on their behalf by their solicitors;
 - (vi) **“writing”** shall not, for the avoidance of doubt, include e-mail or any other form of electronic communication, other than facsimile where explicitly stated;
- (d) except as set out in clauses 1.1 and 1.2, terms defined in the Act have the meanings attributed to them by that Act;
- (e) **“sterling”** and the sign **“£”** means pounds sterling in the currency of the United Kingdom save that if, pounds sterling ceases to exist as the currency of the United Kingdom, then all references in this Agreement to pounds sterling shall be construed as references to such currency as shall be introduced in substitution therefor at the conversion rate applicable;
- (f) the table of contents and headings are for convenience only and shall not affect the interpretation of this Agreement;

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- (g) general words shall not be given a restrictive meaning:
- (i) if they are introduced by the word “other” or “including” or similar words by reason of the fact that they are preceded by words indicating a particular class of act, matter or thing; and
 - (ii) by reason of the fact that they are followed by particular examples intended to be embraced by those general words.

2. Conditions precedent

- 2.1 Except for the obligations set out in this clause 2, clause 8.10 (Confidentiality), clause 9 (Announcements), clause 10 (Costs and expenses), clause 11 (Notices) and clause 13 (Governing law and jurisdiction) which shall be effective from the date of this Agreement notwithstanding this clause 2.1, all other obligations of the parties under this Agreement notwithstanding this clause 2.1, all other obligations of the parties under this Agreement and Completion are in all respects conditional upon the sale and purchase of the Majority Shares having been completed in accordance with the provisions of the Majority SPAs in all respects subject only to the extent to which such completion is itself conditional upon completion occurring in accordance with the terms of this Agreement.
- 2.2 The parties acknowledge that the Condition set out in clause 2.1 above is for the benefit of the Vendor and the Purchaser and accordingly such Condition shall be capable of waiver with the consent of the Vendor and Purchaser but not otherwise.
- 2.3 If the Principal SPA lapses, or is terminated or rescinded pursuant to clause 2.5 of that agreement or otherwise, this Agreement shall then lapse automatically (other than clauses 9 (Announcements), 8.10 (Confidentiality), 10 (Costs and expenses), 13 (Governing law and jurisdiction) which shall remain in full force and effect) and no party to this Agreement shall have any liability to any other party under this Agreement or in respect of the subject matter of this Agreement save in respect of any liabilities which have accrued prior to the Agreement lapsing or in relation to the clauses of this Agreement which remain in force.
- 2.4 On satisfaction of the Conditions, the provisions of clause 5 shall apply.
- 2.5 The Purchaser and the Vendor shall do all required of them, prior to Completion, to complete the Majority SPAs in accordance with their respective terms.

3. Sale and purchase

- 3.1 Subject to the terms and conditions of this Agreement, the Vendor shall sell and the Purchaser shall purchase the Shares with effect from Completion.
- 3.2 The Shares shall be sold with full title guarantee with effect from Completion and with the benefit of all rights attaching to or accruing to them as at the date of Completion including

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- all dividends and distributions declared, paid or made by the Company on or after the date of Completion.
- 3.3 The Purchaser shall not be obliged to complete the purchase unless the sale and purchase of all the Shares and the Majority Shares is completed simultaneously.
- 3.4 The Vendor hereby irrevocably and unconditionally:
- (a) waives all rights of pre-emption or similar rights over any of the Shares and the Majority Shares conferred on him by either the articles of association of the Company or in any other way; and
 - (b) consents to the transfer of the Shares and Majority Shares to the Purchaser.
- 3.5 The Vendor warrants and covenants at Completion that:
- (a) the Shares set out opposite that Vendor's name Schedule 1 are fully paid up (or credited as fully paid);
 - (b) he is the sole legal and beneficial owner of such Shares and that he has the right to transfer such Shares on the terms of this Agreement and without the consent of any third party save as specified in this Agreement and that they will be transferred free from any Encumbrance;
 - (c) he has the full power and authority to enter into and perform this Agreement and each of the documents to be executed by him and delivered pursuant to this Agreement, each of which will constitute valid and binding obligations on him; and
 - (d) he is not the subject of any insolvency proceedings under any Applicable Law, he has not proposed a voluntary arrangement or made or proposed any arrangement or composition with its creditors or any class of its creditors.
- 3.6 None of the covenants set out in clause 3.5 are subject to any qualification whatsoever.
- 3.7 The Vendor covenants to the Purchaser in the terms of the covenant for taxation as set out in Schedule 5.
- 3.8 LPMPA applies to any disposition of property made under or pursuant to this Agreement as though such disposition were expressed to be made with full title guarantee, save that:
- (a) the word "reasonably" shall be deleted from the covenant set out in section 2(1)(b) LPMPA;
 - (b) the covenant set out in section 3(1) LPMPA shall not be qualified by the words "other than any charges, encumbrances or rights which that person does not and could not reasonably be expected to know about"; and

Section 6(2) LPMPA shall not apply to any of the covenants (express or implied) deemed to be given in respect of such dispositions.

3.9 Each party warrants to the other that:

- (a) it:
 - (i) has the requisite power and authority to enter into and to perform this Agreement; and
 - (ii) has obtained or satisfied all corporate, regulatory and other approvals, or any other conditions, necessary to execute this Agreement; and
 - (iii) is not the subject of any insolvency proceedings under any Applicable Law, has not proposed a voluntary arrangement or has not made or proposed any arrangement or composition with his creditors or any class of its creditors.
- (b) each of this Agreement and the agreements to be entered into pursuant to this Agreement to which it is a party constitute its binding obligations and will be enforceable in accordance with its terms;
- (c) compliance with the terms of this Agreement will not constitute a default or breach under any provisions of:
 - (i) its memorandum or articles of association or other constitutional documents (if a body corporate); or
 - (ii) any order, judgment, decree or regulation or any other restriction of any kind by which it is bound; or
 - (iii) any agreement or contract to which it is a party or by which it is bound; and
- (d) no consents, approvals, regulations, filings, authorisations or permit are required to be obtained by the Purchaser from any member of the Purchaser's Group or the Vendor from any member of the Vendor's Group in connection with the execution or performance of this Agreement.

4. **Consideration**

4.1 The Consideration for the sale of the Shares shall comprise the aggregate of:

- (a) the payment by the Purchaser to the Vendor of the Cash Consideration (if any), as adjusted pursuant to sub-clause 6.2 of the Principal SPA and payment shall be made in accordance with sub-clause 5.3; and
- (b) the issue by the Purchaser to the Vendor of that amount of Loan Notes to satisfy the Loan Note Consideration in respect of the Ordinary Shares (if any); and

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- (c) the Additional Deferred Consideration.
- 4.2 The Initial Consideration due under Clause 4.1 shall be satisfied by payment of the Cash Consideration and the delivery on Completion of relevant Loan Note Certificates to the Vendor's Solicitors whose receipt on behalf of the Vendor shall be good discharge of the obligation to make the relevant payment.
- 4.3 The Additional Deferred Consideration shall be satisfied by delivery of relevant B Loan Note certificates in such amount and at such times as are required pursuant to Schedule 4.
- 4.4 The Vendor is entitled based on his pro rata holding of ordinary shares of £0.001p each in the capital of the Company to any payment calculated under clauses 6.5 and 6.6 of the Principal SPA and the Vendor hereby irrevocably authorises the Vendors' Representative to receive such payment on his behalf from the Purchaser in accordance with the terms of the Principal SPA.
- 4.5 The Vendor acknowledges and agrees that only the Vendors' Representative will be involved in the agreement and determination of any amounts due or payable pursuant clause 6 of the Principal SPA.
5. **Completion**
- 5.1 Completion shall take place at the offices of the Vendor's Solicitors on such date as is required under clause 5.1 of the Principal SPA and shall occur simultaneously with completion of the sale and purchase of the Majority Shares in accordance with the provisions of the Majority SPAs in all respects.
- 5.2 At Completion, the Vendor shall perform those of his respective obligations under this Agreement which are required to be complied with at Completion and shall deliver to the Purchaser (conditionally upon the Purchaser performing on its obligations referred to in clause 5.3) each of the documents as set out in Schedule 3.
- 5.3 When the Vendor has complied with the provisions of sub-clause 5.2, the Purchaser shall:
- (a) pay the Cash Consideration to the Vendor in sterling by telegraphic transfer to the client account of the Vendor's Solicitors at National Westminster Bank plc, account number 00708542, sort code 56-00-05 (the "**Nominated Account**") for value on the date of this Agreement. The Vendor hereby irrevocably authorises the Vendor's Solicitors to receive all sums due to him under this Agreement and on his behalf to distribute the sums payable to the Adjustment Account and in respect of payment of professional fees payable to the Vendor's Solicitors and other professional advisers. The Vendor hereby authorises the Vendor's Solicitors to pay the Vendor's proportion of all professional fees payable by the Vendor in respect of the sale of the Shares;

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- (b) to the extent the Vendor is entitled to the same, as set out in Schedule 1, issue the Loan Notes and Loan Note certificates in the agreed form duly executed by the Purchaser representing the Loan Note Consideration to the Vendor;
 - (c) deliver to the Vendor's Solicitors a certified copy of the Loan Note Instrument duly executed by the Purchaser and of the legal charge in respect of the cash deposit securing payments due under the Loan Notes; and
 - (d) deliver to the Vendor's Solicitors a certified copy of an extract of the board minutes of the Purchaser approving this Agreement and all documents in the agreed form to which it is a party, duly executed by it, including without limitation the Loan Note Instrument.

6. Post completion matters

6.1 The Vendor declares that for as long as he remains the registered holder of the Shares after Completion he 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 after Completion in trust for the Purchaser; and
- (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 or its nominee is entered in the register of members of the Company as the holder of the Shares.

6.2 The Vendor irrevocably appoints the Purchaser as his 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 from Completion to the day on which the Purchaser or its nominee is entered in the register of members of the Company as the holder of the Shares.

6.3 For the purpose of sub-clause 6.2, the Vendor authorises:

- (a) the Company to send any notices in respect of his shareholdings to the Purchaser;
- (b) the Purchaser to complete and return forms of proxy, consents to short notice, written resolutions and any other document required to be signed by the Purchaser as a member of the Company.

7. Protection of Goodwill

7.1 In order to assure to the Purchaser the full benefit of the business and goodwill of the Group, but only if the Vendor is a Key Employee (and so that if he is not this Clause shall not apply to him), the Vendor undertakes on its own behalf that it shall not and it shall procure that its Affiliates shall not, directly or indirectly (whether as principal,

shareholder, partner, employee, agent or otherwise), whether on their own account or in conjunction with or on behalf of any other person, do any of the following things without the prior written consent of the Purchaser (such consent not to be unreasonably withheld):

- (a) during the Restricted Period carry on or be engaged, concerned or interested in (except as the holder of shares in a company whose shares are listed on a recognised investment exchange or overseas investment exchange (as such terms are defined in sections 285 and 313 of the Financial Services and Markets Act 2000) which confer not more than five per cent. of the votes which could normally be cast at a general meeting of that company) any business which competes to any material extent with any material part of the Restricted Business within the Territory; or
- (b) during the Restricted Period endeavour to entice away from any Group Company or encourage to terminate his employment with any Group Company (whether or not such termination would be a breach of his contract of employment) any Key Employee; or
- (c) during the Restricted Period have any dealings with, canvass, solicit or approach or cause to be canvassed, solicited or approached (in relation to a business which competes with all or a material part of the Restricted Business) any person who at any time during the 12 months prior to Completion shall have been a client, customer, supplier, distributor or agent of or to any Group Company; or
- (d) during the Restricted Period interfere, seek to interfere or take such steps as may interfere with or adversely affect or influence supplies to any of the Group Companies from any suppliers who have supplied goods or services to any of the Group Companies for use in connection with the Restricted Business at any time during the 12 months prior to Completion; or
- (e) save in the circumstances referred to in clause 8.10(b) (Confidentiality), disclose to any other person any information which is secret or confidential to the business or affairs of the Group or use any such information to the detriment of the business of the Group for so long as that information remains secret or confidential; or
- (f) hold itself out as being interested in or in any way connected (other than as a matter of historic fact) with the Group Companies or any of them or permit any person to hold out the Vendor as being so interested; or
- (g) in relation to a business which is competitive or likely to be competitive with the Restricted Business, use any trade or business name or distinctive mark, style or logo used by or in the business of any Group Company or anything intended or likely to be confused with it.

7.2 Each undertaking contained in clause 7.1 shall be construed as a separate and independent undertaking and while the restrictions set out in this clause are considered by the parties to

be reasonable in all the circumstances it is agreed that if any one or more of such restrictions shall either be taken by itself or themselves together be adjudged to go beyond what is reasonable in all the circumstances for the protection of the Purchaser's legitimate interests but would be adjudged reasonable if any particular restriction or restrictions were deleted or in any part or parts of the wording thereof were deleted, restricted or limited in any particular manner (including without limitation any reduction in their duration or geographical scope) then the said restrictions shall apply with such deletions, restrictions or limitation as the case may be.

7.3 The Vendor agrees that, having regard to the facts and matters set out above and having taken professional advice, the restrictions contained in this clause 7 are reasonable and necessary for the protection of the legitimate business interests of the Purchaser.

8. **General**

8.1 ***Entire Agreement***

- (a) This Agreement together with the Majority SPAs and all of the documents in the agreed form or to be entered into pursuant to the terms of this Agreement set out the entire agreement and understanding between the parties and supersede all prior agreements, understandings or arrangements (oral or written) in respect of the subject matter of this Agreement.
- (b) The Purchaser acknowledges that it has entered into this Agreement in reliance only upon the, warranties, promises and terms specifically contained or incorporated in this Agreement and, save as expressly set out in this Agreement, the Vendor shall have no liability in respect of any other warranty, promise or other assurance made prior to the date of this Agreement, unless it was made fraudulently.

8.2 ***Contracts (Rights of Third Parties) Act 1999***

Unless expressly provided in this Agreement, no term of this Agreement is enforceable pursuant to the Contracts (Rights of Third Parties) Act 1999 by any person who is not a party to it.

8.3 ***Assignment***

- (a) This Agreement shall be binding upon and enure for the benefit of the successors in title of the parties but, except as set out in sub-clause (b), shall not be assignable by any party without the prior written consent of the others. In addition, no party to this Agreement may hold the benefit of this Agreement or any rights under it on trust for any third party or parties without the prior written consent of the others.
- (b) The Purchaser shall not be entitled to assign the benefit of this Agreement or any of its rights hereunder other than to another member of the Purchaser's Group.

Any such assignment shall be on terms that if such assignee shall cease to be a member of the Purchaser's Group it shall re-assign such benefits and rights to another member of the Purchaser's Group or the Purchaser before ceasing to be a member of the Purchaser's Group.

8.4 Variation

No purported variation of this Agreement shall be effective unless it is in writing and executed as a deed by or on behalf of each of the parties affected by such variation.

8.5 Effect of Completion

Except to the extent already performed, all the provisions of this Agreement shall, so far as they are capable of being performed or observed, continue in full force and effect notwithstanding Completion.

8.6 Invalidity

If any part of this Agreement is found by any court or competent authority to be invalid, unlawful or unenforceable in any jurisdiction, then that provision shall be deemed not to be a part of this Agreement, and it shall not affect the enforceability of the remainder of this Agreement nor shall it affect the validity, lawfulness or enforceability of that provision in any other jurisdiction.

8.7 Releases and waivers

- (a) The rights, powers and remedies conferred on any party by this Agreement and remedies available to any party are cumulative and are additional to any right, power or remedy which it may have under general law or otherwise.
- (b) Any party may, in whole or in part, release, compound, compromise, waive or postpone, in its absolute discretion, any liability owed to it or right granted to it in this Agreement by any other party or parties without in any way prejudicing or affecting its rights in respect of that or any other liability or right not so released, compounded, compromised, waived or postponed.
- (c) No single or partial exercise, or failure or delay in exercising any right, power or remedy by any party shall constitute a waiver by that party of, or impair or preclude any further exercise of, that or any right, power or remedy arising under this Agreement or otherwise.

8.8 Further assurance

After Completion, the Vendor shall at its own expense execute such documents and take such steps as the Purchaser may reasonably require to vest the full title to the Shares in the Purchaser.

8.9 **Counterparts**

- (a) This Agreement may be executed in any number of counterparts and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart.
- (b) Each counterpart, when executed, shall be an original of this Agreement and all counterparts shall together constitute one instrument.

8.10 **Confidentiality**

- (a) Except as referred to in sub-clause (b), each party shall treat as strictly confidential all information received or obtained as a result of entering into or performing this Agreement which relates to the provisions or subject matter of this Agreement, to any other party to this Agreement or the negotiations relating to this Agreement.
- (b) The Purchaser may disclose information which would otherwise be confidential if and to the extent:
 - (i) it is required to do so by law or any securities exchange or regulatory or governmental body to which it is subject wherever situated;
 - (ii) it considers it necessary to disclose the information to its professional advisers, auditors and bankers provided that it does so on a confidential basis;
 - (iii) the information has come into the public domain through no fault of that party; or
 - (iv) each party to whom it relates has given its consent in writing.

8.11 **Default Interest**

If any party defaults in the payment when due of any sum payable under this Agreement (whether payable by agreement or by an order of a court or otherwise), the liability of that party shall be increased to include interest on that sum from the date when such payment was due until the date of actual payment at a rate per annum of 2 per cent. above the base rate from time to time of National Westminster Bank PLC. Such interest shall accrue from day to day and shall be compounded annually.

9. **Announcements**

- 9.1 Except as referred to in clause 9.2, and save as provided in clause 9.3, no announcement concerning the terms of or the parties to this Agreement shall be made by or on behalf of any of the parties without the prior written consent of the others in their absolute discretion.

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- 9.2 Any announcement or circular required to be made or issued by any party by law or under the regulations of the UK Listing Authority, the London Stock Exchange or the City Code on Takeovers and Mergers issued by the Panel on Takeovers and Mergers may be made or issued by that party without consent if it has first sought consent and given the other parties a reasonable opportunity to comment on and propose amendments (which the first party shall not unreasonably refuse or fail to incorporate) to the subject matter and form of the announcement or circular (given the time scale within which it is required to be released or despatched).
- 9.3 The parties agree that the Purchaser will make a public filing with the Securities and Exchange Commission and an announcement on the New York Stock Exchange on signing this Agreement but only in such form as has been agreed in accordance with clause 15.3 of the Principal SPA.
10. **Costs and expenses**
- 10.1 Except as otherwise expressly provided, as between the Vendor and the Purchaser each party shall bear its own costs and expenses incurred in the preparation, execution and implementation of this Agreement.
- 10.2 The Purchaser shall pay all stamp and other transfer duties and registration fees applicable to any document to which it is a party and which arise as a result of or in consequence of this Agreement.
11. **Notices**
- 11.1 Any notice to a party under this Agreement shall be in writing signed by or on behalf of the party giving it and shall, unless delivered to a party personally, be left at, or sent by prepaid first class post, prepaid recorded delivery or facsimile to the address of the party as set out on page 1 or in schedule 1 of this Agreement or as otherwise notified in writing from time to time.
- 11.2 Except as referred to in clauses 11.3 and 11.4, a notice shall be deemed to have been served:
- (a) at the time of delivery if delivered personally;
 - (b) 48 hours after posting in the case of an address in the United Kingdom and 96 hours after posting for any other address; and
 - (c) 2 hours after transmission if served by facsimile on a Business Day prior to 3pm local time in the country of the addressee of the transmission or in any other case at 10 am local time in the country of the addressee of the transmission on the Business Day after the date of despatch.

11.3 If the deemed time of service is not during normal business hours in the country of receipt, the notice shall be deemed served at or, in the case of faxes, two hours after the opening of business on the next Business Day of that country.

11.4 The deemed service provisions set out in sub-clause 11.2 shall not apply to:

- (a) a notice served by post, if there is a national or local suspension, curtailment or disruption of postal services which affects the collection of the notice or is such that the notice cannot reasonably be expected to be delivered within 48 hours or 96 hours (as appropriate) after posting; and
- (b) a notice served by facsimile, if, before the time at which the notice would otherwise be deemed to have been served, the receiving party informs the sending party that the notice has been received in a form which is unclear in any material respect, and, if it informs the sending party by telephone, it also despatches a confirmatory facsimile within two hours.

11.5 In proving service it will be sufficient to prove:

- (a) in the case of personal service, that it was handed to the party or delivered to or left in an appropriate place for receipt of letters at its address;
- (b) in the case of a letter sent by post, that the letter was properly addressed, stamped and posted; and
- (c) in the case of facsimile, that it was properly addressed and despatched to the number of the party.

11.6 A party shall not attempt to prevent or delay the service on it of a notice connected with this Agreement

12. **Guarantee and indemnity**

12.1. In consideration of the Vendor entering into this Agreement, the Guarantor irrevocably and unconditionally:

- (a) guarantees to the Vendor, the due and timely performance and observance by the Purchaser of all the provisions of this Agreement and all documents referred to in it so far as the same relate to the Purchaser (including but without limitation the obligation to create, execute, deliver and enter into the B Loan Note Instrument and to issue B Loan Notes in respect thereof in accordance with the terms of this Agreement and as regards redemption of such B Loan Notes) (the "Guaranteed Obligations") and agrees to pay on demand from time to time each sum which the Purchaser is liable to pay under this Agreement; and
- (b) agrees, as an additional and independent obligation, that if any of the Guaranteed Obligations are not recoverable from the Guarantor under the

guarantee in clause 12.1(a) for any reason the Guarantor will be liable to the Vendor as a principal debtor by way of indemnity for the same amount as that for which it would have been liable had those Guaranteed Obligations been recoverable and further agrees to discharge that liability on demand from time to time.

12.2 This Guarantee shall be a continuing security until the performance and discharge in full of the Guaranteed Obligations.

12.3 The Guarantor's obligations to the Vendor shall not be reduced, discharged, impaired or adversely affected by reason of:

- (a) any time, indulgence, waiver or other concession which the Vendor may grant to the Purchaser or any other person;
- (b) the insolvency, incapacity or lack of authority, of the Purchaser or the Guarantor or of any person purporting to act on behalf of either of them;
- (c) any termination, amendment, variation, release, novation or supplement of or to this Agreement or the terms of any of the Guaranteed Obligations;
- (d) any variation, extension, discharge or compromise of any right or remedy which the Vendor may now or hereafter have from or against the Purchaser and any other person in respect of any of the obligations and liabilities of the Purchaser and any other person under and in respect of this Agreement;
- (e) any act or omission by the Vendor or any other person in perfecting or enforcing any security, guarantee, assurance against loss or indemnity present or future from or against the Purchaser and any other person or any such security, guarantee, assurance against loss or indemnity being defective, void or unenforceable;
- (f) any claim or enforcement of payment from the Purchaser and any other person;
- (g) any defect, irregularity, unenforceability, invalidity, illegality, frustration or discharge by operation of law of any of the obligations of the Vendor or the Guarantor;
- (h) any security given or payment made to the Vendor by the Purchaser or any other person being avoided or reduced under any law (whether English or foreign) relating to bankruptcy, liquidation or analogous circumstances in force from time to time;
- (i) any change in the Purchaser's or the Guarantor's constitution or any statutory or other compromise or arrangement with creditors affecting the Purchaser; or

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- (j) any act or omission which would not have discharged or affected the obligations of the Guarantor had it been a principal debtor instead of a guarantor.
- 12.4 The obligations and liabilities expressed to be undertaken by the Guarantor under this Guarantee are those of primary obligor and not merely as a surety.
- 12.5 The Vendor shall not be obliged before taking steps to enforce any of his/her rights and remedies under this Guarantee:
- (a) to take action or obtain judgment in any court against the Purchaser and any other person;
 - (b) to make or file any claim in a bankruptcy, liquidation, administration or insolvency of the Purchaser and any other person; or
 - (c) to make demand, enforce or seek to enforce any claim, right or remedy against the Purchaser and any other person
- Provided that the Guarantor shall be entitled to bring on its own behalf or in the name of the Purchaser any claim, counterclaim, defence or proceeding that the Purchaser is entitled to as against any person.
- 12.6 This Guarantee shall be in addition to any other security, guarantee, assurance against loss or indemnity held by the Vendor at any time from the Purchaser or any other person and shall not merge with or prejudice or be prejudiced by any security, guarantee, assurance against loss or indemnity or any other contractual or legal rights of the Vendor.
- 12.7 Any settlement or discharge in whole or in part by the Vendor of the Guaranteed Obligations shall be deemed to be given or made on condition that it shall be of no effect as a settlement or discharge if the assurance, security or payment on the faith of which it was made shall afterwards be avoided, set aside or ordered to be refunded by virtue of any law (whether English or foreign) relating to bankruptcy, liquidation or analogous circumstances in force from time to time or for any other reason so that at any time after such avoidance, setting aside or order for refund the Vendor shall be entitled to exercise its rights under this Guarantee as if no such settlement or discharge had been made.
- 12.8 The obligations of the Guarantor under this guarantee shall terminate (but without prejudice to any antecedent claims or liabilities arising under this guarantee) if and to the extent that, following a Change in Control (as defined in Part 1 of Schedule 4), the party acquiring such control assumes the obligations pursuant to paragraph 9(c) of Part 2 of Schedule 4 to make payments of Additional Deferred Consideration.

13. **Governing law and jurisdiction**

13.1 This Agreement shall be governed by and construed in accordance with English law.

13.2 Each of the parties irrevocably submits for all purposes in connection with this Agreement to the exclusive jurisdiction of the courts of England. For this purpose, any party not ordinarily resident in the United Kingdom shall irrevocably appoint an agent for service within the United Kingdom.

In witness whereof the parties or their duly authorised representatives have executed this Agreement as a deed and delivered it at the date first appearing at the head of this Agreement.

Schedule 1

Part 1

The Vendor's details

(1)	(2)	(3)	(4)	(5)	(6)
<u>Name</u>	<u>No. of Ordinary Shares held</u>	<u>No. of B Shares held</u>	<u>No. of C Shares held</u>	<u>Amount of Cash Consideration</u> £	<u>Amount of Loan Note Consideration</u> £

The company agrees to furnish supplementally a copy of this schedule to the Commission upon request.

Schedule 2

The Company

The company agrees to furnish supplementally a copy of this schedule to the Commission upon request.

Schedule 3

(Completion requirements)

The Vendor shall deliver to the Purchaser at Completion:

1. stock transfer forms, duly completed and executed by the registered holder, in favour of the Purchaser (or as it may direct) in respect of the Shares together with the relevant share certificates or an indemnity for lost share certificate in the agreed form.
2. all other papers and documents belonging to the Group which are in the possession of or under the control of the Vendor.

Schedule 4

Additional Deferred Consideration

The company agrees to furnish supplementally a copy of this schedule to the Commission upon request.

Schedule 5

Tax Covenant

1. The Vendor shall be accountable for any income tax and employee national insurance liability which is chargeable on any assessable income deriving from the grant or exercise of, or other dealing in, any employee share options which were exercised in order to acquire the Ordinary Shares. In respect of such assessable income the Vendor covenants with the Purchaser that he shall indemnify the Company in respect of the following (together, “**the Tax Liabilities**”):
 - (a) any income tax liability which falls to be paid to HM Revenue and Customs (“**HMRC**”) by the Company under the PAYE system as it applies to income tax and the PAYE regulations; and
 - (b) any national insurance liability which falls to be paid to HMRC by the Company under the modified PAYE system as it applies for national insurance purposes and the relevant regulations being all the employee’s primary national insurance contribution.
- 1.2 Pursuant to the indemnity referred to in paragraph 1.1, the Vendor shall make such arrangements as the Company requires to meet the cost of the Tax Liabilities, including at the direction of the Company any of the following:
 - (a) making a cash payment of an appropriate amount to the Company; or
 - (b) appointing the Company as agent and/or attorney for the sale or redemption of any Loan Notes and authorising the payment to the Company of the appropriate amount out of the net proceeds of sale or redemption.
- 1.3 The Vendor shall, if so requested by the Company, enter into an election under the provisions of section 431, Income Tax Earnings and Pensions Act 2003 in a form approved by HM Revenue & Customs in respect of any securities acquired by him under this Agreement for full disapplication of Chapter 2 of Part 7 ITEPA.

Executed as a Deed by)
Andrew Salmon)
as attorney for **the Vendor**)
)
in the presence of:)

/s/ Andrew Salmon

Signature of witness: /s/ Edward Savory

Name: Edward Savory
Address: 100 Fetter Lane
London EC4A 1BN
Occupation: Trainee Solicitor

Executed as a Deed (but not)
delivered until the date)
appearing at the head of)
page 1) by FIRSTCORNER LIMITED)
acting by:)

/s/ Tim Peterman
Director

/s/ Sameer Deen
Director/Secretary

Executed as a Deed (but not)
delivered until the date)
appearing at the head of)
page 1) by The EW SCRIPPS)
COMPANY acting by:)

/s/ Tim Peterman
Director

/s/ Sameer Deen
Director/Secretary

Minority (2) Share Sale Agreement

relating to the sale and purchase of a minority part of the issued share capital of uSwitch Limited

(1) The person named in Schedule 1

(2) Firstcorner Limited

Dated 15 March 2006

Osborne Clarke

One London Wall

London

EC2Y 5EB

Telephone +44 (0) 20 7105 7000

Fax +44 (0) 20 7105 7005

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This Agreement is made on 15 March 2006

Between:

- (1) **The person whose name and address is set out in Schedule 1** (the “**Vendor**”); and
- (2) Firstcomer Limited (registered in England and Wales with company number: 5651121) whose registered office is at 10th Floor, Portland House, Stag Place, London SW1E 5BH (the “**Purchaser**”).

Background:

The Vendor has agreed to sell and the Purchaser has agreed to purchase the Shares on the terms and conditions set out in this Agreement.

This Agreement witnesses as follows:

1. Definitions and interpretation

1.1 In this Agreement, unless the context otherwise requires, the following definitions shall apply:

“ Act ”	means the Companies Act 1985;
“ Adjustment Account ”	has the meaning given to it in the Principal SPA;
“ Affiliates ”	means in relation to a body corporate (whether or not registered in the United Kingdom), any holding company or subsidiary of such body corporate or any subsidiary of a holding company of such body corporate;
“ Agreement ”	means this agreement executed as a deed (including any schedule or annexure to it which shall have the same force and effect as if set out in the body of this Agreement);
“ Applicable Law ”	means any law or regulation, order, decree or other provision having the force of law in any jurisdiction anywhere in the world and which is applicable to any Group Company by reason of its presence or activities in any such jurisdiction;
“ Business Day ”	means a day (other than a Saturday, a Sunday or a bank or public holiday) on which clearing banks are open for normal banking business in the City of London;

“Company”	means uSwitch Limited, details of which are set out in Schedule 2;
“Completion”	means the completion of the sale and purchase of the Shares under this Agreement;
“Conditions”	means those matters set out in clause 2.1 and “Condition” shall mean any of them;
“Consideration”	means the aggregate sum of £• due to the Vendor at Completion;
“Encumbrance”	means any interest or equity of any person (including any right to acquire, option or right of pre-emption or conversion) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention, or any other security agreement or arrangement, or any agreement to create any of the above;
“Group Companies” or “Group”	means the Company and any holding company or any parent company or any subsidiary or subsidiary undertaking of the Company or such companies as defined in sections 736, 736A, 258 and 259 of the Act and “Group Company” means any of them;
“Majority Shares”	means the remaining shares in the issued share capital of the company as at Completion which when aggregated with the Shares will constitute the entire issued share capital of the Company as at Completion;
“Majority SPAs”	means, together, the Principal SPA and the other agreements of the same date as this Agreement each between the Purchaser and certain holders of the Majority Shares, all such agreements together providing for the sale and purchase of the Majority Shares;
“notice”	includes any notice, demand, consent or other communication;
“Ordinary Shares”	means the ordinary shares of £0.001 each in the capital of the Company;
“Principal SPA”	means the agreement of the same date as this Agreement between the Purchaser and the holders of approximately 90 per cent. (in aggregate) of the Majority Shares;
“Purchaser Group Company” or “Purchaser Group”	means the Purchaser and any holding company or parent company or any subsidiary or subsidiary undertaking of the Purchaser or such companies as defined in sections 736, 736A, 258 and 259 of the Act;

“Shares”	means the [●] issued shares of the Company at Completion, held by the Vendor as set out in Schedule 1;
“Vendor’s Group”	means the Vendor and any of their Affiliates and excluding any Group Company;
“Vendors’ Representative”	Andrew Salmon of 8a Maunsel Road, London SW1P 2QL; and
“Vendor’s Solicitors”	means Osborne Clarke of One London Wall, London EC2Y 5EB.

1.2 In this Agreement, unless the context otherwise requires:

- (a) words in the singular include the plural and vice versa and words in one gender include any other gender;
- (b) a reference to a statute or statutory provision includes:
 - (i) any subordinate legislation (as defined in section 21(1) of the Interpretation Act 1978) made under it;
 - (ii) any repealed statute or statutory provision which it re-enacts (with or without modification); and
 - (iii) any statute or statutory provision which modifies, consolidates, re-enacts or supersedes it except to the extent that it would create or increase the liability of any party under this Agreement;
- (c) a reference to:
 - (i) any **“party”** means any party to this Agreement as set out at the head of page 1 (and **“parties”** means all of the parties to this Agreement) and includes its successors in title and permitted assigns;
 - (ii) a **“person”** includes any individual, firm, corporation, body corporate, association or partnership, trust, unincorporated organisation, employee representative body, government or state or agency or department thereof, executors administrators or successors in title (whether or not having a separate legal personality);

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- (iii) clauses and schedules and annexures are to clauses and schedules and annexures of this Agreement and references to sub-clauses and paragraphs are references to sub-clauses and paragraphs of the clause or schedule in which they appear;
 - (iv) any provision of this Agreement is to that provision as amended in accordance with the terms of this Agreement;
 - (v) any document being “**in the agreed form**” means in a form which has been agreed by the parties on or before the date of this Agreement and for identification purposes signed by them or on their behalf by their solicitors;
 - (vi) “**writing**” shall not, for the avoidance of doubt, include e-mail or any other form of electronic communication, other than facsimile where explicitly stated.
- (d) except as set out in clauses 1.1 and 1.2, terms defined in the Act have the meanings attributed to them by that Act;
 - (e) “**sterling**” and the sign “**£**” means pounds sterling in the currency of the United Kingdom save that if, pounds sterling ceases to exist as the currency of the United Kingdom, then all references in this Agreement to pounds sterling shall be construed as references to such currency as shall be introduced in substitution therefor at the conversion rate applicable;
 - (f) the table of contents and headings are for convenience only and shall not affect the interpretation of this Agreement;
 - (g) general words shall not be given a restrictive meaning:
 - (i) if they are introduced by the word “other” or “including” or similar words by reason of the fact that they are preceded by words indicating a particular class of act, matter or thing; and
 - (ii) by reason of the fact that they are followed by particular examples intended to be embraced by those general words.

2. **Conditions precedent**

- 2.1 Except for the obligations set out in this clause 2, clause 7.10 (Confidentiality), clause 8 (Announcements), clause 9 (Costs and expenses), clause 10 (Notices) and clause 11 (Governing law and jurisdiction) which shall be effective from the date of this Agreement notwithstanding this clause 2.1, all other obligations of the parties under this Agreement and Completion are in all respects conditional upon the sale and purchase of the Majority Shares having been completed in accordance with the provisions of the Majority SPAs in all respects subject only to the extent to which such satisfaction or completion is itself conditional upon completion occurring in accordance with the terms of this Agreement.

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- 2.2 The parties acknowledge that the Condition set out in clause 2.1 above is for the benefit of the Vendor and the Purchaser and accordingly such Condition shall be capable of waiver with the consent of the Vendor and Purchaser but not otherwise.
- 2.3 If the Principal SPA lapses, or is terminated or rescinded pursuant to clause 2.5 of that agreement or otherwise, this Agreement shall then lapse (other than clauses 8 (Announcements), 7.10 (Confidentiality), 9 (Costs and expenses), 11 (Governing law and jurisdiction) which shall remain in full force and effect) and no party to this Agreement shall have any liability to any other party under this Agreement or in respect of the subject matter of this Agreement save in respect of any liabilities which have accrued prior to the Agreement lapsing or in relation to the clauses of this Agreement which remain in force.
- 2.4 On satisfaction of the Conditions, the provisions of clause 5 shall apply.
- 2.5 The Purchaser and the Vendor shall do all required of them, prior to Completion, to complete the Majority SPAs in accordance with their respective terms.
3. **Sale and purchase**
- 3.1 Subject to the terms and conditions of this Agreement, the Vendor shall sell and the Purchaser shall purchase the Shares with effect from Completion.
- 3.2 The Shares shall be sold with full title guarantee with effect from Completion and with the benefit of all rights attaching to or accruing to them as at the date of Completion including all dividends and distributions declared, paid or made by the Company on or after the date of Completion.
- 3.3 The Purchaser shall not be obliged to complete the purchase unless the sale and purchase of all the Shares and the Majority Shares is completed simultaneously.
- 3.4 The Vendor hereby irrevocably and unconditionally:
- (a) waives all rights of pre-emption or similar rights over any of the Shares and the Majority Shares conferred on him by either the articles of association of the Company or in any other way; and
 - (b) consents to the transfer of the Shares and Majority Shares to the Purchaser.
- 3.5 The Vendor warrants and covenants at Completion that:
- (a) the Shares set out opposite the Vendor's name in Schedule 1 are fully paid up (or credited as fully paid);
 - (b) he is the sole legal and beneficial owner of such Shares and that he has the right to transfer such Shares on the terms of this Agreement and without the consent of any third party save as specified in this Agreement and that they will be transferred free from any Encumbrance;

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- (c) he has the full power and authority to enter into and perform this Agreement and each of the documents to be executed by him and delivered pursuant to this Agreement, each of which will constitute valid and binding obligations on him; and
 - (d) he is not the subject of any insolvency proceedings under any Applicable Law, he has not proposed a voluntary arrangement or made or proposed any arrangement or composition with his creditors or any class of his creditors.
- 3.6 None of the covenants set out in clause 3.5 is subject to any qualification whatsoever.
- 3.7 LPMPA applies to any disposition of property made under or pursuant to this Agreement as though such disposition were expressed to be made with full title guarantee, save that:
- (a) the word “reasonably” shall be deleted from the covenant set out in section 2(1)(b) LPMPA;
 - (b) the covenant set out in section 3(1) LPMPA shall not be qualified by the words “other than any charges, encumbrances or rights which that person does not and could not reasonably be expected to know about”; and
- Section 6(2) LPMPA shall not apply to any of the covenants (express or implied) deemed to be given in respect of such dispositions.
- 3.8 Each Party warrants to the other that:
- (a) it:
 - (i) has the requisite power and authority to enter into and to perform this Agreement;
 - (ii) has obtained or satisfied all corporate, regulatory and other approvals, or any other conditions, necessary to execute this Agreement; and
 - (iii) is not the subject of any insolvency proceedings under any Applicable Law, has not proposed a voluntary arrangement or has not made or proposed any arrangement or composition with his creditors or any class of its creditors.
 - (b) each of this Agreement and the agreements to be entered into pursuant to this Agreement to which it is a party constitute its binding obligations and will be enforceable in accordance with its terms;
 - (c) compliance with the terms of this Agreement will not constitute a default or breach under any provisions of:
 - (i) its memorandum or articles of association or other constitutional documents (if a body corporate); or

-
- (ii) any order, judgment, decree or regulation or any other restriction of any kind by which it is bound; or
 - (iii) any agreement or contract to which it is a party or by which it is bound; and
- (d) no consents, approvals, regulations, filings, authorisations or permit are required to be obtained by the Purchaser from any member of the Purchaser's Group or the Vendor from any member of the Vendor's Group in connection with the execution or performance of this Agreement.

4. Consideration

- 4.1 In consideration of the sale of the Shares in accordance with the terms of this Agreement, the Purchaser shall pay to the Vendor the Consideration as adjusted pursuant to sub-clause 6.2 of the Principal SPA and payment shall be made in accordance with sub-clause 5.3.
- 4.2 The Consideration shall be satisfied by payment in accordance with sub-clause 5.3 to the Vendor's Solicitors whose receipt on behalf of the Vendor shall be good discharge of the obligation to make the relevant payment.
- 4.3 The Vendor is entitled based on his pro rata holding of Ordinary Shares to any payment calculated under clauses 6.5 and 6.6 of the Principal SPA and the Vendor hereby irrevocably authorises the Vendors' Representative to receive such payment on his behalf from the Purchaser in accordance with the terms of the Principal SPA.
- 4.4 The Vendor acknowledges and agrees that only the Vendors' Representative will be involved in the agreement and determination of any amounts due or payable pursuant clause 6 of the Principal SPA.

5. Completion

- 5.1 Completion shall take place at the offices of the Vendor's Solicitors on such date as is required under clause 5.1 of the Principal SPA and shall occur simultaneously with completion of the sale and purchase of the Majority Shares in accordance with the provisions of the Majority SPAs in all respects.
- 5.2 At Completion, the Vendor shall perform those of his respective obligations under this Agreement which are required to be complied with at Completion and shall deliver to the Purchaser (conditionally upon the Purchaser performing on its obligations referred to in clause 5.3) each of the documents as set out in Schedule 3.
- 5.3 When the Vendor has complied with the provisions of sub-clause 5.2, the Purchaser shall:
- (a) pay £[•] of the Consideration to the Vendor in sterling by telegraphic transfer to the client account of the Vendor's Solicitors at National Westminster Bank plc, account number 00708542, sort code 56-00-05 (the "**Nominated Account**") for value on the date of this Agreement. The Vendor hereby irrevocably authorises the Vendor's Solicitors to receive all sums due to him under this Agreement;

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- (b) pay the remainder of the Consideration due to the Vendor in sterling by telegraphic transfer to the Nominated Account, to be distributed by the Vendor's Solicitors in respect of the sums payable to the Adjustment Account and in respect of payment of professional fees payable to the Vendor's Solicitors and other professional advisers. The Vendor hereby authorises the Vendor's Solicitors to pay the Vendor's proportion of all professional fees payable by the Vendor in respect of the Sale of the Shares; and
 - (c) deliver to the Vendor's Solicitors a certified copy of an extract of the board minutes of the Purchaser approving this Agreement and all documents in the agreed form to which it is a party, duly executed by it.

6. Post completion matters

6.1 The Vendor declares that for as long as he remains the registered holder of the Shares after Completion he 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 after Completion in trust for the Purchaser; and
- (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 or its nominee is entered in the register of members of the Company as the holder of the Shares.

6.2 The Vendor irrevocably appoints the Purchaser as his 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 from Completion to the day on which the Purchaser or its nominee is entered in the register of members of the Company as the holder of the Shares.

6.3 For the purpose of sub-clause 6.2, the Vendor authorises:

- (a) the Company to send any notices in respect of his shareholdings to the Purchaser; and
- (b) the Purchaser to complete and return forms of proxy, consents to short notice, written resolutions and any other document required to be signed by the Purchaser as a member of the Company.

7. **General**

7.1 ***Entire Agreement***

- (a) This Agreement together with the Majority SPAs and all of the documents in the agreed form or to be entered into pursuant to the terms of this Agreement set out the entire agreement and understanding between the parties and supersede all prior agreements, understandings or arrangements (oral or written) in respect of the subject matter of this Agreement.
- (b) The Purchaser acknowledges that it has entered into this Agreement in reliance only upon the, warranties, promises and terms specifically contained or incorporated in this Agreement and, save as expressly set out in this Agreement, the Vendor shall have no liability in respect of any other warranty, promise or other assurance made prior to the date of this Agreement unless it was made fraudulently.

7.2 ***Contracts (Rights of Third Parties) Act 1999***

Unless expressly provided in this Agreement, no term of this Agreement is enforceable pursuant to the Contracts (Rights of Third Parties) Act 1999 by any person who is not a party to it.

7.3 ***Assignment***

- (a) This Agreement shall be binding upon and enure for the benefit of the successors in title of the parties but, except as set out in sub-clause (b), shall not be assignable by any party without the prior written consent of the others. In addition, no party to this Agreement may hold the benefit of this Agreement or any rights under it on trust for any third party or parties without the prior written consent of the others.
- (b) The Purchaser shall not be entitled to assign the benefit of this Agreement or any of its rights hereunder other than to another member of the Purchaser's Group. Any such assignment shall be on terms that if such assignee shall cease to be a member of the Purchaser's Group it shall re-assign such benefits and rights to another member of the Purchaser's Group or the Purchaser before ceasing to be a member of the Purchaser's Group.

7.4 ***Variation***

No purported variation of this Agreement shall be effective unless it is in writing and executed as a deed by or on behalf of each of the parties affected by such variations.

7.5 ***Effect of Completion***

Except to the extent already performed, all the provisions of this Agreement shall, so far as they are capable of being performed or observed, continue in full force and effect notwithstanding Completion.

7.6 ***Invalidity***

If any part of this Agreement is found by any court or competent authority to be invalid, unlawful or unenforceable in any jurisdiction, then that provision shall be deemed not to be a part of this Agreement, and it shall not affect the enforceability of the remainder of this Agreement nor shall it affect the validity, lawfulness or enforceability of that provision in any other jurisdiction.

7.7 ***Releases and waivers***

- (a) The rights, powers and remedies conferred on any party by this Agreement and remedies available to any party are cumulative and are additional to any right, power or remedy which it may have under general law or otherwise.
- (b) Any party may, in whole or in part, release, compound, compromise, waive or postpone, in its absolute discretion, any liability owed to it or right granted to it in this Agreement by any other party or parties without in any way prejudicing or affecting its rights in respect of that or any other liability or right not so released, compounded, compromised, waived or postponed.
- (c) No single or partial exercise, or failure or delay in exercising any right, power or remedy by any party shall constitute a waiver by that party of, or impair or preclude any further exercise of, that or any right, power or remedy arising under this Agreement or otherwise.

7.8 ***Further assurance***

After Completion, the Vendor shall at its own expense execute such documents and take such steps as the Purchaser may reasonably require to vest the full title to the Shares in the Purchaser.

7.9 ***Counterparts***

- (a) This Agreement may be executed in any number of counterparts and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart.
- (b) Each counterpart, when executed, shall be an original of this Agreement and all counterparts shall together constitute one instrument.

7.10 Confidentiality

- (a) Except as referred to in sub-clause (b), each party shall treat as strictly confidential all information received or obtained as a result of entering into or performing this Agreement which relates to the provisions or subject matter of this Agreement, to any other party to this Agreement or the negotiations relating to this Agreement.
- (b) The Purchaser may disclose information which would otherwise be confidential if and to the extent:
 - (i) it is required to do so by law or any securities exchange or regulatory or governmental body to which it is subject wherever situated;
 - (ii) it considers it necessary to disclose the information to its professional advisers, auditors and bankers provided that it does so on a confidential basis;
 - (iii) the information has come into the public domain through no fault of that party; or
 - (iv) each party to whom it relates has given its consent in writing.

7.11 Default Interest

If any party defaults in the payment when due of any sum payable under this Agreement (whether payable by agreement or by an order of a court or otherwise), the liability of that party shall be increased to include interest on that sum from the date when such payment was due until the date of actual payment at a rate per annum of 2 per cent. above the base rate from time to time of National Westminster Bank PLC. Such interest shall accrue from day to day and shall be compounded annually.

8. Announcements

- 8.1 Except as referred to in clause 8.2, and save as provided in clause 8.3, no announcement concerning the terms of or the parties to this Agreement shall be made by or on behalf of any of the parties without the prior written consent of the others in their absolute discretion.
- 8.2 Any announcement or circular required to be made or issued by any party by law or under the regulations of the UK Listing Authority, the London Stock Exchange or the City Code on Takeovers and Mergers issued by the Panel on Takeovers and Mergers may be made or issued by that party without consent if it has first sought consent and given the other parties a reasonable opportunity to comment and propose amendments on (which the first party shall not unreasonably refuse or fail to incorporate) to the subject matter and form of the announcement or circular (given the time scale within which it is required to be released or despatched).

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- 8.3 The parties agree that the Purchaser will make a public filing with the Securities and Exchange Commission and an announcement on the New York Stock Exchange on signing this Agreement but only in such form as has been agreed in accordance with clause 15.3 of the Principal SPA.
9. **Costs and expenses**
- 9.1 Except as otherwise expressly provided, as between the Vendor and the Purchaser each party shall bear its own costs and expenses incurred in the preparation, execution and implementation of this Agreement.
- 9.2 The Purchaser shall pay all stamp and other transfer duties and registration fees applicable to any document to which it is a party and which arise as a result of or in consequence of this Agreement.
10. **Notices**
- 10.1 Any notice to a party under this Agreement shall be in writing signed by or on behalf of the party giving it and shall, unless delivered to a party personally, be left at, or sent by prepaid first class post, prepaid recorded delivery or facsimile to the address of the party as set out on page 1 or in schedule 1 of this Agreement or as otherwise notified in writing from time to time.
- 10.2 Except as referred to in clauses 10.3 and 10.4, a notice shall be deemed to have been served:
- (a) at the time of delivery if delivered personally;
 - (b) 48 hours after posting in the case of an address in the United Kingdom and 96 hours after posting for any other address; and
 - (c) 2 hours after transmission if served by facsimile on a Business Day prior to 3pm local time in the country of the addressee of the transmission or in any other case at 10 am local time in the country of the addressee of the transmission on the Business Day after the date of despatch.
- 10.3 If the deemed time of service is not during normal business hours in the country of receipt, the notice shall be deemed served at or, in the case of faxes, two hours after the opening of business on the next Business Day of that country.
- 10.4 The deemed service provisions set out in sub-clause 10.2 shall not apply to:
- (a) a notice served by post, if there is a national or local suspension, curtailment or disruption of postal services which affects the collection of the notice or is such that the notice cannot reasonably be expected to be delivered within 48 hours or 96 hours (as appropriate) after posting; and

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- (b) a notice served by facsimile, if, before the time at which the notice would otherwise be deemed to have been served, the receiving party informs the sending party that the notice has been received in a form which is unclear in any material respect, and, if it informs the sending party by telephone, it also despatches a confirmatory facsimile within two hours.

10.5 In proving service it will be sufficient to prove:

- (a) in the case of personal service, that it was handed to the party or delivered to or left in an appropriate place for receipt of letters at its address;
- (b) in the case of a letter sent by post, that the letter was properly addressed, stamped and posted; and
- (c) in the case of facsimile, that it was properly addressed and despatched to the number of the party.

10.6 A party shall not attempt to prevent or delay the service on it of a notice connected with this Agreement.

11. **Governing law and jurisdiction**

11.1 This Agreement shall be governed by and construed in accordance with English law.

11.2 Each of the parties irrevocably submits for all purposes in connection with this Agreement to the exclusive jurisdiction of the courts of England. For this purpose, any party not ordinarily resident in the United Kingdom shall irrevocably appoint an agent for service within the United Kingdom.

In witness whereof the parties or their duly authorised representatives have executed this Agreement as a deed and delivered it at the date first appearing at the head of this Agreement.

Schedule 1
(The Vendor)

<u>Name</u>	<u>Address</u>	<u>No. of Ordinary Shares</u>	<u>Consideration</u> £
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The company agrees to furnish supplementally a copy of this schedule to the Commission upon request.

Schedule 2

The Company

The company agrees to furnish supplementally a copy of this schedule to the Commission upon request.

Schedule 3

(Completion requirements)

The Vendor shall deliver to the Purchaser at Completion:

1. stock transfer forms, duly completed and executed by the registered holder, in favour of the Purchaser (or as it may direct) in respect of the Shares together with the relevant share certificates (or indemnity for lost share certificate in the agreed form); and
2. all other papers and documents relating to the Group which are in the possession of or under the control of the Vendor.

Executed as a Deed by)
Andrew Salmon/Vipul Amin)
as attorney for **the Vendor**) /s/ Vipul Amin
in the presence of:)

Signature of witness: /s/ Lucy Lee _____

Name: Lucy Lee
Address: 100 Fetter Lane
London, EC4A 1BN

Occupation: Paralegal

Executed as a Deed (but not)
delivered until the date)
appearing at the head of)
page 1) by **Firstcorner Limited**)
acting by:)

/s/ Tim Peterman *Director*

/s/ Sameer Deen *Director/Secretary*

RATIO OF EARNINGS TO FIXED CHARGES

<i>(in thousands)</i>	Three months ended March 31,	
	2006	2005
EARNINGS AS DEFINED:		
Earnings from operations before income taxes after eliminating undistributed earnings of 20%- to 50%-owned affiliates	\$152,807	\$130,096
Fixed charges excluding capitalized interest and preferred stock dividends of majority-owned subsidiary companies	14,289	9,375
Earnings as defined	\$167,096	\$139,471
FIXED CHARGES AS DEFINED:		
Interest expense, including amortization of debt issue costs	\$ 12,153	\$ 7,372
Interest capitalized		
Portion of rental expense representative of the interest factor	2,136	2,003
Preferred stock dividends of majority-owned subsidiary companies	20	20
Fixed charges as defined	\$ 14,309	\$ 9,395
RATIO OF EARNINGS TO FIXED CHARGES	11.68	14.85

CERTIFICATIONS

I, Kenneth W. Lowe, certify that:

1. I have reviewed this report on Form 10-Q/A of The E.W. Scripps Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-1(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: September 1, 2006

BY: /s/ Kenneth W. Lowe

Kenneth W. Lowe
President and Chief Executive Officer

CERTIFICATIONS

I, Joseph G. NeCastro, certify that:

1. I have reviewed this report on Form 10-Q/A of The E.W. Scripps Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-1(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: September 1, 2006

BY: /s/ Joseph G. NeCastro

Joseph G. NeCastro
Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth W. Lowe, President and Chief Executive Officer of The E. W. Scripps Company (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q/A of the Company for the period ended March 31, 2006 (the "Report"), which this certification accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kenneth W. Lowe

Kenneth W. Lowe
President and Chief Executive Officer

September 1, 2006

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph G. NeCastro, Executive Vice President and Chief Financial Officer of The E. W. Scripps Company (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q/A of the Company for the period ended March 31, 2006 (the "Report"), which this certification accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph G. NeCastro

Joseph G. NeCastro
Executive Vice President and Chief Financial Officer

September 1, 2006