

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FOUR MEDIA CO

CIK: **1023388** | IRS No.: **954599440** | State of Incorporation: **DE** | Fiscal Year End: **0804**
Type: **8-K** | Act: **34** | File No.: **000-21943** | Film No.: **99624075**
SIC: **7819** Allied to motion picture production

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): April 29, 1999

Four Media Company

(Exact name of registrant as specified in its charter)

Delaware

0-21943

95-459940

(State of
Incorporation)

(Commission File Number)

(IRS Employer
Identification No.)

2813 West Alameda Avenue

Burbank, California 91505

(Address of principal executive offices) (Zip Code)

(818) 840-7000

(Registrant's telephone number, including area code)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

Four Media Company (the "Company") issued a press release on April 30, 1999 announcing that it had acquired all of the outstanding shares of TVP Group Plc ("TVP"), a London-based provider of technical and creative services to the entertainment industry, including U.K. and European media companies and the international operations of the U.S. major motion picture and television studios (the "Acquisition"). Pursuant to a share capital sale and purchase agreement with TVP (the "Share Purchase Agreement"), the Company purchased 1,050,000 ordinary shares of TVP for approximately U.S. \$10.0 million in cash, including

the repayment of debt. The Company also agreed to pay the shareholders of TVP and to deposit into an escrow account an additional amount of up to U.S. \$800,000 based upon, among other things, operating results achieved for the twelve months following the Acquisition (the "Deferred Consideration"). Additionally, under the terms of the Share Purchase Agreement, if the Company acquires another U.K. company engaged in a line of business similar to that of TVP within the first twelve months of the Acquisition, then the Company is required to pay approximately U.S. \$400,000 of the Deferred Consideration into the escrow account upon completion of such acquisition. The press release and Share Purchase Agreement are attached hereto as Exhibits 99.1 and 2.1, respectively, and are hereby incorporated by reference.

In connection with the Acquisition, both Simon Paul Kay and Nicholas Paul Pannaman, Co-Managing Directors of TVP, entered into new employment agreements with TVP, dated as of April 29, 1999. Under the terms of the employment agreements, both Mr. Kay and Mr. Pannaman will continue to serve as Co-Managing Directors of TVP for a term of five years commencing as of April 29, 1999 at an annual base salary of (Pounds)130,000. The employment agreements of Mr. Kay and Mr. Pannaman are attached hereto as Exhibits 10.1 and 10.2, respectively, and are hereby incorporated by reference.

The source of the Company's consideration for the Acquisition was working capital.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

7(a) Financial Statements of Business Acquired. It is impractical to

provide the required financial statements for TVP at this time. The Company intends to file the required financial statements as soon as possible, but not later than July 13, 1999.

7(b) Pro Forma Financial Information. It is impractical to provide

the required pro forma financial information at this time. The Company intends to file the required pro forma financial information as soon as possible, but not later than July 13, 1999.

7(c) Exhibits

2.1 Share Capital Sale and Purchase Agreement, dated as of April 29, 1999, by and between Four Media Company (UK) Limited and TVP Group Plc.

10.1 Service Agreement, dated as of April 29, 1999, by and between TVP Group Plc and Simon Paul Kay.

10.2 Service Agreement, dated as of April 29, 1999, by and between TVP Group Plc and Nicholas Paul Pannaman.

99.1 Press Release of Four Media Company, dated April 30, 1999.

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SIGNATURE

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

Dated: May 14, 1999

FOUR MEDIA COMPANY

/s/ Christopher M.R. Phillips

Christopher M.R. Phillips
Executive Vice President and Chief
Financial Officer

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EXHIBIT INDEX

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99.1 Press Release of Four Media Company, dated April 30, 1999.

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DATED 29th April 1999

AGREEMENT
for the sale and purchase of the
share capital of
TVP Group Plc

l-g

190 Strand
London WC2R 1JN
Tel: 0171 379 0000
Fax: 0171 379 6854

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Ref: TJC

DATED: 29th April

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PARTIES:

1. "Vendors": the persons whose names and addresses are set out in Column 1 of

Schedule 1;
2. "Minority Vendors" the persons whose names and addresses are set out in
Column 2 of Schedule 1;
3. "Purchaser": Four Media Company (UK) Limited (registered in England under

no. 3755028) whose registered office is at 190 Strand, London WC2R 1JN

OPERATIVE PROVISIONS

1. DEFINITIONS

1.1 In this agreement, including the Schedules other than Schedule 4, the following words and expressions have the meanings stated, unless they are inconsistent with the context:

"Agreed Form" a form agreed between the parties, a copy of which has been initialled for the purpose of identification by their respective solicitors.

"Associate" (a) (in relation to an individual):

(i) any relative, that is any issue, spouse, brother, sister or parent;

(ii) any company which is, or may be, directly or indirectly controlled

(within the meaning given in ICTA s840) by the individual or

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any relative, or by a any two or more of them;

(b) (in relation to a company) any Subsidiary or holding company of the company, and any other Subsidiary of any holding company of the company, "holding company" having the same meaning as in CA s736;

or this purpose a company is controlled by one or more persons if he or they exercise more than fifty per cent of the voting rights in it.

"Business" the business of the Group being video editing and distribution facilities for the broadcast, commercial, corporate and entertainment industry.

"CA" Companies Act 1985.

"CAA" Capital Allowances Act 1990.

"Companies Acts" CA, the former Companies Acts (within the meaning of CA S735iii) and the Companies Act 1989.

"Company" TVP Group Plc incorporated in England and Wales under number 2448588 whose registered office is at Lynton House, 7-2 Tavistock Square, London WC1H 9LT.

"Company's Auditors" Morley & Scott, Lynton House, 7-12 Tavistock Square, London WC1 H 9LT, .

"Completion" completion of the purchase of the Shares in accordance with clause 7.

"Completion Date" the date of this Agreement.

"Consideration" the aggregate of the Initial Consideration and the Deferred Consideration.

"Debt" the aggregate amount owed by the Group Companies at the date of Completion as set out in Appendix 1 in the Agreed Form.

"Deed of Indemnity" a deed in the form set out in Schedule 4.

"Deferred Consideration" the conditional consideration of up to (Pounds)500,000 as provided in clause 3.6.

"Disclosure Letter" the disclosure letter, of today's date, from the Vendors to the Purchaser.

"Earn-Out Target" an EBITDA of (Pounds)1,596,475 for the 12 month period commencing on the Completion Date subject to alteration as reasonably agreed between the parties in the event of a Third Party Acquisition.

"EBITDA" earnings before interest, taxes, depreciation and amortisation of the Company as reasonably determined by the parties or in the event of any dispute by the Company's accountants.

"Encumbrance" any mortgage, charge (whether fixed or floating), pledge, lien, option, right of pre-emption, right of retention of title or any other form of security interest or any obligation (including any conditional obligation)

to create any of the same.

"Escrow Account" an account to be opened in the joint name of the Purchaser's solicitors and Vendor's solicitors for the benefit of the parties hereto by the Escrow Agent subject to the provisions of clause 3.6 of this Agreement.

"Escrow Agent" Lawrence Graham and Harris Segal jointly.

"Escrow Amount" the amount of Deferred Consideration paid into the Escrow Account (if any) in accordance with clause 3.6 of this Agreement.

"Escrow Instructions" the instructions to the Escrow Agent in the Agreed Form.

"FA" Finance Act.

"FRS" a financial reporting standard issued or adopted by The Accounting Standards Board Limited.

"Group Companies or Group" the Company and its Subsidiaries.

"Guarantee" the deed of guarantee from Four Media Company, a Delaware Corporation to the Vendors in the Agreed Form.

"Guarantor" Four Media Company, a Delaware Corporation.

"ICTA" Income and Corporation Taxes Act 1988.

"Initial Consideration" (Pounds)5,500,000 payable in accordance with clause 3.1 and 3.3.

"Intellectual Property Rights" a patent, patent application, know-how, trade or service mark (whether registered or

unregistered), trade or service mark application, trade name and logo, registered design, design right, copyright or other similar intellectual, industrial or commercial right.

"IHTA" Inheritance Tax Act 1984.

"Last Accounts" the audited balance sheet, as at the Last Accounts Date, and audited profit and loss account for the year ended on the Last Accounts Date of each Group Company, including in the case of the Company the audited consolidated balance sheet as at that date and the audited consolidated profit and loss account for that year, and the directors' report and notes.

"Last Accounts Date" 31 December 1998 (being the date to which the Last Accounts were prepared).

"Planning Acts" as defined in the Town and Country Planning Act 1990, s.336.

"Properties" the properties of the Group Companies shortly described in Schedule 5.

"Purchaser's Accountants" PricewaterhouseCoopers of 1 Embankment Place, London.

"Purchaser's Group" the Purchaser, its subsidiaries and subsidiary undertakings, any holding company of the Purchaser and all other subsidiaries of any such holding company.

"Purchaser's Solicitors" Lawrence Graham of 190 Strand, London WC2R 1JN.

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"Shares" the 1,050,000 issued ordinary shares of (Pounds)1 each of the Company.

"Subsidiary" a subsidiary as defined in CA s736.

"Taxation" the same meaning as in the Deed of Indemnity.

"Third Party Acquisition" means an acquisition by the Purchaser or a member of the Purchaser's Group of a business, firm or company in the United Kingdom which carries on a business which is similar to the Business.

"TCGA" Taxation of Chargeable Gains Act 1992

"TMA" Taxes Management Act 1970.

"VATA" Value Added Tax Act 1994.

"Vendors' Accountants" Morley & Scott, Lynton House, 7-12 Tavistock Square, London WC1H 9LT.

"Vendors' Solicitors" Harris Segal of Lynton House, 7-12 Tavistock Square, London WC1H 9LT

"Warranties" the agreements, obligations, warranties, representations and undertakings of the Vendors contained in this agreement including the warranties set out in Schedule 3.

"Warranty Claim" a claim made by the Purchaser in writing for breach of any of the Warranties or a claim made by the Purchaser or a Group Company under the Deed of Indemnity.

1.2 Unless it is inconsistent with the context a reference to a statutory provision includes a reference to:

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1.2.1 (any statutory amendment, modification, consolidation or re-enactment (whether before or after the date of this agreement);

1.2.2 any statutory instruments or subordinate legislation or orders made pursuant to the statutory provision;

1.2.3 statutory provisions of which the statutory provision is an amendment, modification, consolidation or re-enactment;

but does not include a substituted provision.

1.3 A reference to the Vendors includes, where appropriate, their personal representatives.

1.4 A reference to an SSAP is a reference to a statement of standard accounting practice adopted by The Accounting Standards Board Limited.

1.5 Words denoting the singular include the plural and vice versa; words denoting one gender include all genders; words denoting persons include corporations and vice versa.

1.6 Unless otherwise stated, a reference to a clause, sub-clause or Schedule is a reference to a clause or sub-clause of, or Schedule to, this agreement.

1.7 Clause headings in this agreement and in the Schedules are for ease of reference only and do not affect the construction of any provision.

1.8 Where clauses or paragraphs in this Agreement and the Schedules contain the expression "so far as the Vendors are aware" or "to the best of the Vendors' knowledge" or a phrase having a similar meaning or effect, they shall be deemed to be followed by the words "having made due and careful enquiry in every case".

2. AGREEMENT FOR SALE

2.1 Subject to the terms and conditions of this agreement, the Vendors and the

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Minority Vendors shall sell with full title guarantee and the Purchaser shall purchase the Shares free from all claims or Encumbrances with all rights attaching to them, with effect from the date of this agreement.

2.2 The Vendors and the Minority Vendors waive any pre-emption rights they may have in relation to any of the Shares, whether under the articles of

association of the Company or otherwise.

3. purchase consideration

- 3.1 The Initial Consideration for the Shares shall be paid in cash to the Vendors or as they shall direct at Completion in accordance with clause 4.7.
- 3.2 The sum of (Pounds)1 shall be paid into the Escrow Account at Completion in accordance with clause 4.6.
- 3.3 Subject to clause 3.5 and 3.6 below the Purchaser shall pay the Deferred Consideration into the Escrow Account.
- 3.4 The Vendors shall receive the Consideration in proportion to their holdings of the Shares.
- 3.5 If, prior to settlement of any part of the Deferred Consideration, the Purchaser makes a Warranty Claim, it may set off the aggregate amount claimed against the Deferred Consideration. A set-off in or towards satisfaction of a claim made by the Purchaser shall not prejudice or affect any other rights or remedies for the purpose of recovering any amount due to it from the Vendors.
- 3.6 Subject to Completion, the Deferred Consideration shall be payable by the Purchaser into the Escrow Account as follows:

3.6.1 In the event of the Purchaser or a member of the Purchaser's Group acquiring a Third Party Acquisition prior to the expiry of the 12 month period from completion the Purchaser shall forthwith pay (Pounds)250,000 into

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the Escrow Account as part of the Deferred Consideration on completion of such Third Party Acquisition.

3.6.2 The Purchaser shall pay the balance of the Deferred Consideration taking into account of the payment, if any, referred to in clause 3.6.1 above, and conditional upon the Company achieving in the 12 month period after Completion the Earn Out Target as soon as practicable after such 12 month period into the Escrow Account provided that the Company may at its absolute discretion (and for the avoidance of doubt the Vendors hereby acknowledge that the Purchaser has no legal obligation whatsoever so to do if the Earn Out Target is not achieved in accordance with this clause) pay a part or all of the Deferred Consideration into the Escrow Account if the Earn Out Target is not achieved.

3.6.3 Subject to sub-clauses 3.6.4 and 3.6.5 below, in the event that

the Deferred Consideration is paid by the Purchaser pursuant to the provisions of sub-clauses 3.6.1 and 3.6.2 above the Purchaser undertakes to procure that the Escrow Agents shall pay to the Vendor the Escrow Amount and any interest accrued thereon (less any tax that may be deducted therefrom) to the Vendor on the date being 24 months after the Completion Date.

3.6.4 In the event of a Warranty Claim being made against the Vendors within 24 months of the date of Completion an amount which is equivalent to the value of such claim (together with such further reasonable sum to cover costs estimated by the Purchaser to be properly incurred in relation to such claim and the interest which may accrue upon such retention) shall be retained in the Escrow Account until such claim is settled or lapses in accordance with the provisions of clause 5.8.

3.6.5 If an amount becomes payable by the Vendors in respect of a Warranty Claim which has not been fully satisfied by the Vendors the Escrow

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Agents shall pay the Purchaser the amount of such claim or the outstanding balance from the Escrow Account together with any interest which has arisen on such balance.

3.6.6 Sub-Clauses 3.6.4 and 3.6.5 shall not prejudice or affect any other rights or remedies of the Purchaser for the purpose of recovering any amount due to it from the Vendors.

4. completion

4.1 Completion shall take place at the offices of the Vendor's Solicitors immediately following execution of this agreement when, subject to clause 4.7, all the transactions mentioned in sub-clauses 4.2 to 4.5 shall take place.

4.2 The Vendors shall deliver to the Purchaser:

4.2.1 duly completed and signed transfers in favour of the Purchaser, or as it directs of the Shares, together with the relative share certificates;

4.2.2 duly completed and signed transfers in favour of the Purchaser, or as it directs, of all shares of the Subsidiaries of the Company not registered in the name of a Group Company, together with the relative share certificates;

4.2.3 the Deed of Indemnity duly executed by the Vendors;

4.2.4 the resignations of those directors notified by the Purchaser to the Vendors and the secretary from their respective offices in each Group Company, with a written acknowledgement from each of them, executed as a deed in such form as the Purchaser requires, that he has no claim against the Group Companies in respect of breach of contract, compensation for loss of office, redundancy or unfair dismissal or on any other grounds;

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4.2.5 the resignation of the auditors of each Group Company confirming that they have no outstanding claims and containing a statement under CA s394 (1) that there are no such circumstances as are mentioned in that section;

4.2.6 if the Purchaser so requires, a power of attorney executed by each of the Vendors in favour of the Purchaser empowering the Purchaser to exercise the Vendors' rights as shareholders of the Company pending the stamping and registration of the transfers referred to in clause 4.2.1;

4.2.7 duly executed service agreement between the Vendors and the Company in Agreed Form;

4.2.8 duly executed Escrow Instructions;

4.3 There shall be delivered or made available to the Purchaser:

4.3.1 the statutory books, books of account and documents of record of each Group Company, complete and up-to-date, and their certificates of incorporation and common seals;

4.3.2 the title deeds relating to each of the Properties;

4.3.3 all documents of title relating to investments owned by each Group Company;

4.3.4 all the current cheque books of each Group Company, together with current statements of all its bank accounts with a reconciliation to Completion, and the appropriate forms to amend, in such manner as the Purchaser requires, the mandates given to the relevant bank;

4.3.5 written confirmation from each of the Vendors that there are no subsisting guarantees given by a Group Company in favour of such Vendors or any of their Associates and that, after compliance with clause

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4.4, none of the Vendor or their Associates will be indebted to a Group Company; and

4.3.6 the Guarantee duly executed by the Guarantor.

4.4 Each Vendor shall repay, or procure to be repaid, all monies owing at Completion to the Group Companies from the directors of any Group Company and their Associates and from the Vendors and their Associates, whether due for payment or not.

4.5 Meetings of each Group Company shall be held at which:

4.5.1 such persons as the Purchaser nominates are appointed additional directors;

4.5.2 (in the case of the Company) the transfers referred to in clause 4.2.1 are approved (subject to stamping);

4.5.3 (in the case of the Subsidiaries of the Company) the transfers referred to in clause 4.2.2 are approved (subject to stamping); and

4.5.4 the resignations referred to in clauses 4.2.4 and 4.2.5 are submitted and accepted

4.6 Upon completion of the matters referred to in clauses 4.2 to 4.5:

4.6.1 the Purchaser shall:

4.6.1.1 deliver to the Purchaser a duly completed copy of the Escrow Instructions;

4.6.1.2 transfer or procure the transfer by way of electronic funds transfer to such account as the Vendor's Solicitors may direct the Initial Consideration and the sum of (Pounds)1 (in cash) into the Escrow Account.

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4.6.2 On receipt by the Company of sufficient funds from the Purchaser to repay the Debt, the Vendors shall procure the delivery to the Purchaser of duly executed releases or discharges by any chargee in the Agreed Form discharging all mortgages, debentures or charges entered into by any Group Company and/or affecting its property, undertakings, assets and goodwill.

4.8 The Purchaser shall not be obliged to complete the purchase of any of the Shares unless the purchase of all the Shares is completed in accordance with this agreement.

4.9 The Purchaser may, in its absolute discretion, waive any requirement contained in clauses 4.2 to 4.6, or may waive any requirement on condition that all or any of the Vendors give, on Completion, a written undertaking to the Purchaser in form and substance as it requires. The Vendors shall duly and punctually comply with any undertaking given by them.

5. WARRANTIES AND INDEMNITY BY THE VENDORS

5.1 The Vendors jointly and severally warrant to the Purchaser that:

5.1.1 each Vendor and Minority Vendor has full power and authority to enter into and perform this agreement and the Deed of Indemnity which constitute, or when executed will constitute, binding obligations on him in accordance with their respective terms;

5.1.2 the Shares constitute the whole of the issued and allotted share capital of the Company;

5.1.3 no change will be made prior to Completion to any of the rights attached to the Shares;

5.1.4 there is no pledge, lien or other encumbrance on, over or affecting the Shares and there is no agreement or arrangement to give or create any

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such encumbrance and no claim has been made by any person to be entitled to any of the foregoing;

5.1.5 the Vendors and the Minority Vendors will be entitled to transfer the full legal and beneficial ownership of the Shares to the Purchaser on the terms of this agreement without the consent of a third party;

5.1.6 the Subsidiaries listed in Schedule 2 are all of the trading Subsidiaries of the Company;

5.1.7 the information in Schedule 2 relating to the Group Companies is true and accurate;

5.1.8 the Company or (where specified) a Subsidiary of the Company is the sole beneficial owner of the shares in the Subsidiaries of the Company listed in the last column of Part 2 of Schedule 2, free from encumbrance;

5.1.9 save as fully and fairly set out in the Disclosure Letter, the Warranties are true and accurate in all respects;

5.1.10 the contents of the Disclosure Letter, and of all accompanying

documents, are accurate in all respects and fully and clearly disclose every matter to which they relate.

- 5.2 The Minority Vendors severally warrant to the Purchaser in the terms of clauses 5.1.1, 5.1.2, 5.1.4 and 5.1.5 above, in respect of the number of the Shares set opposite their respective names in Column 3 of Schedule 1 provided that in no event will their respective liabilities exceed the sum of (Pounds)1 in relation to any claim made pursuant to this clause 5.2.
- 5.3 Each of the Warranties is without prejudice to any other Warranty and, except where expressly stated otherwise, no warranty governs or limits the extent or application of any other warranty.

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- 5.4 The rights and remedies of the Purchaser in respect of a breach of the Warranties shall not be affected by Completion, by investigations made by or on behalf of the Purchaser into the affairs of any Group Company, by the Purchaser rescinding, or failing to rescind, this agreement, or failing to exercise or delaying the exercise of any right or remedy, or by any other event or matter, except a specific and duly authorised written waiver or release, and no single or partial exercise of any right or remedy shall preclude any further or other exercise.
- 5.5 None of the information supplied by a Group Company or its professional advisers to the Vendors, or their agents, representatives or advisers, in connection with the Warranties and the contents of the Disclosure Letter, or otherwise in relation to the business or affairs of a Group Company, shall be deemed a representation, warranty or guarantee of its accuracy by the Group Company to the Vendors, and the Vendors waive any claims against the Group Company which they might otherwise have in respect of it.
- 5.6 The Vendors jointly and severally undertake to the Purchaser (for itself and as trustee for each Group Member) to indemnify it and each Group Company against diminution in the value of the assets of, and payment necessarily made or required to be made by, a Group Company or the Purchaser as a result of or in connection with, a breach of the Warranties, or required to put the Group Company in the position in which it would have been had there been no breach of the Warranties and against any resulting costs and expenses reasonably incurred by it. This indemnity shall be without prejudice to other rights and remedies of the Purchaser in relation to the breach.
- 5.7 Each of the Vendors undertakes, in relation to any Warranty which refers to the knowledge, information or belief of the Vendors, that he has made fully enquiry into the subject matter of that Warranty and that he does not have the knowledge, information or belief in question.
- 5.8 Notwithstanding any rule of law or equity to the contrary, any release, waiver or

compromise or other arrangement which the Purchaser agrees to or effects in relation to one of the Vendors in connection with this agreement, and in particular the Warranties, shall not affect the rights and remedies of the Purchaser as regards any other of the Vendors.

5.9 The provisions of this sub-clause shall operate to limit the liability of the Vendors under or in connection with the Warranties the said liability of the Vendors being hereinafter referred to as "such liabilities".

5.9.1 No claim in respect of any such liabilities shall be made by the Purchaser in the absence of fraud after expiration of a period of 2 years from the date hereof (or in the case of such liabilities arising under the covenants of taxation and the warranties set out in clauses 5.1.1, 5.1.2, 5.1.4 and 5.1.5 above for a period of 7 years from the date hereof) unless during the said respective period 7 years and 2 years the Vendors give prior written notice to the Purchaser identifying the nature and substance of the claim.

5.9.2 The Vendors shall not be liable for any claim in respect of any such liabilities unless the amount of each and every claim exceeds (Pounds)10,000 in which case the Vendors shall be liable for the entire amount and not just the excess.

5.9.3 The aggregate amount of such liabilities shall not exceed the Consideration together with all costs and expenses incurred by or on behalf of the Purchaser in relation to any claims made by it.

5.9.4 If either the Purchaser or the Company recovers any sum from any third party (whether by payment discount set-off or otherwise) as a direct result of a claim having been made in respect of such liabilities and the sums so recovered would not have been paid by the third party to the Purchaser and/or the Company then the liability of the Vendors shall be reduced by the full amount of the funds so recovered.

5.9.5 If the Purchaser and/or the Company makes a warranty claim in respect of such liabilities the parties shall use all reasonable endeavours to settle any claim within a period of 15 months of making such claim. If during the period of 15 months the claim has neither been agreed, settled or withdrawn and no Court proceedings have been issued and served on the Vendors then the claim shall be deemed to have lapsed.

5.9.6 If the Purchaser shall become aware of any claim in respect of

such liabilities it shall use all reasonable endeavours to give written notice thereof as soon as reasonably practicable and in any event, within 45 days of becoming so aware, to the Vendors and shall (provided that the Vendors shall indemnify and secure the Purchaser and/or the Company to the Purchaser's satisfaction against any liability for costs damages or expenses which may be incurred thereby) take such action as the Vendors may reasonably request to avoid, resist, mitigate or compromise the claim and provided further that subject to Clause 5.9.1 above, failure to give notice in accordance with this clause will not preclude the Purchaser's right to bring a Warranty Claim.

5.9.7 No claim in respect of such liability shall be made to the extent that the amount of such liabilities in respect of which the claim is made has been caused or increased by a voluntary omission or transaction entered into after Completion by the Company at the direction of the Purchaser or the Purchaser's Group otherwise than in the ordinary course of business (and without limitation those matters referred to in clause 5.2 of the Deed of Indemnity shall not be regarded as being in the ordinary course of the business) and which such transaction could have reasonably been avoided and which the Purchaser knew or ought reasonably to have known would have caused or increased such liabilities.

5.9.8 Without prejudice to the rights and remedies available to the related insurers no claim in respect of such liability shall be made to the extent

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that the amount of such claim is fully recovered by the policy of insurance effected by or for the benefit of the Company net of expenses and any increase in the insurance premium of the Company as a result of such claim.

5.9.9 The Purchaser shall not be entitled to recover damages more than once in respect of any breach of the Warranties provided such damages are recovered in full.

5.9.10 The Vendors shall not be liable in respect of a claim in respect of such liabilities:

- (a) to the extent that it arises or to the extent that it is increased as a result of any change in the basis or method of application or calculation of, or any increase in rates of taxation after the date of this Agreement or the passing of any legislation or making or any subordinate legislation or any change of accounting practise or principles coming into force after the date of this Agreement in all cases without retrospective effect;

- (b) to the extent that it is provided for and included as a liability or otherwise disclosed in the Last Accounts;
- (c) to the extent that it relates to any liability to taxation arising in the normal and ordinary course of the business of the Company since the Last Accounts Date.
- (d) to the extent that such liability arises by a change in the law after the date of this Agreement whether with or without retrospective effect.

6. assignment and successions

6.1 If any of the Shares are sold or transferred to any member of the Purchaser's

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Group, the benefit of each of the Warranties may be assigned to the purchaser or transferee who shall accordingly be entitled to enforce each of the Warranties against the Vendors as if he were named in this agreement as the Purchaser.

6.2 This agreement binds each party's successors and assigns and personal representative (as the case may be).

6.3 The Purchaser shall be entitled to assign the benefits of this Agreement to any member of the Purchaser's Group.

6.4 Except as expressly provided above, none of the rights of the parties under this agreement or the Warranties may be assigned or transferred.

7. restrictive agreement

7.1 To assure to the Purchaser the full benefit of the business and goodwill of the Group Companies, each of the Vendors undertakes by way of further consideration for the obligations of the Purchaser under this agreement, as separate and independent agreements, that he will not:

7.1.1 disclose to any person, or himself use for any purpose, and shall use all reasonable endeavours to prevent the publication or disclosure of, information concerning the businesses, accounts or finances of the Group Companies, or their clients' or customers' transactions or affairs, of which he has knowledge;

7.1.2 for four years after Completion, either on his own account or for another person, directly or indirectly solicit, interfere with or endeavour to entice away from a Group Company a person who, to his knowledge, is, or has during the past two years been, a client,

customer or employee of, or in the habit of dealing with, a Group Company;

- 7.1.3 for four years after Completion, either alone or jointly with, or as manager, agent for or employee of, another person, directly or indirectly

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carry on or be engaged, concerned or interested within 100 miles of the Company (a) in the business of the provision of post-production services to the television, film and video industries; or (b) in any other business similar to any business now carried on by a Group Company.

- 7.2 As regards those of the Vendors who are to enter into service agreements with the Company (the "Service Agreements"), the provisions of clauses 7.1.2 and 7.1.3 shall continue in force for the period of four years as stated therein or until the expiry or termination of the restrictions imposed on such Vendor by the Service Agreements (as extended or varied from time to time), whichever is the longer.
- 7.3 The Vendors agree that the covenants and undertakings contained in clause 7.1 are reasonable and are entered into for the purpose of protecting the goodwill of the business of the Group Companies and that accordingly the benefit of the covenants and undertakings may be assigned by the Purchaser and its successors in title without the consent of the Vendors.
- 7.4 Each covenant and/or undertaking contained in clause 7.1 shall be construed as a separate covenant or undertaking. If one or more of the covenants and/or undertakings is held to be against the public interest or unlawful or in any way an unreasonable restraint of trade, the remaining covenants and undertakings shall continue to bind the Vendors.
- 7.5 If any covenant or undertaking contained in clause 7.1 were void but would be valid if the period of application were reduced or if some part of the covenant or undertaking were deleted, the covenant or undertaking in question shall apply with such modification as is necessary to make it valid.
- 8. release of the vendors as personal guarantors
- 8.1 The Purchaser undertakes to use its reasonable endeavours to do all such acts following Completion as shall be reasonably necessary to release the Vendors from their current personal guarantees in respect of the leases of the Properties which the

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Vendors have given prior to the Completion Date for the benefit of the

Company and notified to the Purchaser in the Agreed Form and the Purchaser hereby covenants and undertakes that it shall indemnify each of the Vendors in respect of any claim, costs, damages and penalties which may arise as a result of such personal guarantees continuing after Completion and under which a claim is made as a result of the default of the Company or any Group Company.

9. VEndor's undertaking

9.1 The Vendors shall at their own cost procure that application is made within 14 days from the date of this Agreement for the registration at H.M. Land Registry of TVP Videodubbing Limited as the registered proprietor of the leasehold estate created by the lease of premises at 91/101 Oxford Street described in Schedule 5 and shall use all reasonable endeavours to complete such registration as soon as shall be practicable.

9.2 The Vendors undertake to indemnify and keep the Purchaser indemnified in respect of any liability incurred by the Company or the Purchaser which arises out of:

9.2.1 any alteration to the share capital of the Company within one month prior to the Completion Date whether such alteration was by way of an increase of the authorised and issued share capital of the Company or the issue of shares of the Company by dividend or otherwise; and

9.2.2 any of the Vendors or Minority Vendors being in breach of any or all of the Warranties set out in clauses 5.1.1, 5.1.3, 5.1.4 and 5.1.5 of this Agreement.

10. ANNOUNCEMENTS

No announcement shall be made in respect of the subject matter of this agreement, except as specifically agreed between the parties, unless an announcement is required by law or the Stock Exchange. An announcement by the Purchaser shall in any event be issued only after prior consultation with the Vendors.

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11. Costs

11.1 Subject to clause 11.2, all expenses incurred by or on behalf of the parties, including all fees of agents, representatives, solicitors, accountants and actuaries employed by any of them in connection with the negotiation, preparation or execution of this agreement, shall be borne solely by the party who incurred the liability, and no Group Company shall have any liability in respect of them and the Vendors undertake to indemnify the Purchaser for any such costs incurred by the Company on their behalf.

12. communications

12.1 All communications between the parties with respect to this agreement shall:

12.1.1 be delivered by hand, or sent by post to, the address of the addressee as set out in this agreement or to such other address (being in Great Britain) as the addressee notifies for the purpose of this clause; or

12.1.2 be sent by facsimile transmission or by electronic mail at such numbers and addresses as notified for the purpose of this clause.

12.2 Communications shall be deemed to have been received as follows:

12.2.1 if sent by post - 3 business days in the country of receipt after posting;

12.2.2 if delivered by hand - on the day of delivery, if delivered at least 2 hours before the close of business hours on a business day, and otherwise on the next business day;

12.2.3 if sent by facsimile transmission or electronic mail - at the time of transmission, if received at least 2 hours before the close of business hours on a business day, and otherwise on the next business day.

For this purpose, a "business day" means a day on which the clearing banks in the City of London are open or, where relevant clearing banks in the United States of

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America are open for business and "business hours" mean between the hours of 09.00 and 18.00 inclusively local time.

13. INVALIDITY

13.1 If a term in or provision of this agreement is held to be illegal or unenforceable, in whole or in part, under an enactment or rule of law, it shall to that extent be deemed not to form part of this agreement and the enforceability of the remainder of this agreement shall not be affected.

14. COUNTERPARTS

14.1 This agreement may be executed in any number of separate counterparts, each of which when executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument.

15. PROPER LAW

15.1 The construction, validity and performance of this agreement shall be governed by the laws of England and the parties submit to the non-exclusive jurisdiction of the English Courts.

Signed by the parties as a deed on the date of this agreement.

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IN WITNESS whereof this Agreement has been entered into the day and year first above written.

SIGNED by Jess A. Brown)
)
for and on)
behalf of Four Media Company)
(UK) Limited)

SIGNED by)
NICHOLAS PAUL PANNAMAN)
)
in the presence of:)

SIGNED by)
SIMON PAUL KAY)
)
in the presence of:)

SIGNED by)
SUSAN PANNAMAN)
)
in the presence of:)

SIGNED by)
JACQUELINE MARY WINSTON)
)
in the presence of:)

SIGNED by NICK PANNAMAN)

as Sole Trustee)
of NP PANNAMAN ACCUMULATION)
AND MAINTENANCE SETTLEMENT)
in the presence of:-)

SIGNED by NICK PANNAMAN)
as Sole Trustee)
of SP PANNAMAN ACCUMULATION)
AND MAINTENANCE SETTLEMENT)
in the presence of:-)

DATED this 29th day of April 1999

BETWEEN

TVP GROUP PLC

AND

SIMON PAUL KAY

SERVICE AGREEMENT

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SERVICE AGREEMENT

DATED this 29th day of April 1999

PARTIES:

1. TVP GROUP PLC whose registered office is at Lynton House, 7-12 Tavistock Square, London WC1H 9LT ("the Company") and
2. SIMON PAUL KAY of 3, Little Orchard Close, Abbots Langley, Watford, Hertfordshire WD5 0LQ ("the Executive")

OPERATIVE PROVISIONS:

1. DEFINITIONS

1.1 In this agreement unless the context otherwise requires:

"Appointment" means the engagement of the Executive by the Company under the terms of this agreement;

"Board" means the board of directors of the Company and includes any duly appointed committee thereof;

"Group Company" means any subsidiary or holding company of the Company and any other subsidiary of any holding company of the Company, "subsidiary" and "holding company" having the same meaning as in Section 736 of The Companies Act 1985;

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"Head Office" means the main place of business of the Company and its subsidiaries in the U.K.

1.2 The headings and marginal headings to the clauses are for convenience only and have no legal effect.

1.3 Words denoting the singular include the plural and vice versa; words denoting one gender, include all genders; words denoting persons include corporations, unincorporated associations and partnerships.

1.4 All references to statutory provisions or enactments shall include references to any consolidating legislation involving the provisions, enactments and regulations referred to and any amendment, modification or re-enactment of any such provision or enactment (whether on or before the date of this agreement) to any previous enactment which has been replaced or amended, and to any regulation or order made under such provision or enactment.

2. APPOINTMENT AND DUTIES OF THE EXECUTIVE

2.1 The Company appoints the Executive and the Executive agrees to serve as Co-Managing Director. The Executive will be specifically responsible for reporting to the Board of the Company.

2.2 The Appointment shall commence on the _____ day of April 1999 and will continue for a period of five (5) years PROVIDED ALWAYS that the Company shall be entitled to give the Executive not less than six (6) months notice in writing such notice period to expire at any time on or after the third anniversary of the date of this Agreement. In the event of the Company not serving such notice this Agreement shall continue for the said period of five (5) years until terminated by either party giving to

the other not less than six (6) months notice in writing.

2.3 The Executive shall during normal working hours and such additional hours as are necessary for the proper performance of his duties:

2.3.1 devote the whole of his time, attention and ability as the Board consider necessary to the duties of the Appointment;

2.3.2 faithfully and diligently perform those duties and exercise such powers consistent with them which are from time to time assigned to or vested in the Executive;

2.3.3 obey all lawful and reasonable directions of the Board or the chairman of the Board (from time to time);

2.3.4 use his best endeavours to promote the interests of the Company;

2.3.5 keep the Board promptly and fully informed (in writing if so requested) of his conduct of the business or affairs of the Company and/or any Group Company and provide such explanations in respect of all matters as the Board may reasonably require;

2.3.6 not at any time make any untrue or misleading statement relating to the Company or any Group Company or omit to bring to the Company's attention any matter relevant to or that in any material way may affect the business or commercial operation of the Company or any Group Company.

2.4 The Executive shall (without further remuneration, except as otherwise agreed) during the Appointment act as a director of the Company or such other Group Company as the Board may direct, and travel to such places whether inside or outside the United Kingdom as his duties may require but shall not be obliged to reside or spend more than 28 consecutive days outside the United Kingdom.

2.5 Notwithstanding Clause 2.4 above the Company shall not be obliged to appoint the Executive to any office in the company or any Group Company or to retain him in any such office or to vest in him any powers

not to appoint him or nominate him to represent the Company in any circumstances.

2.6 The Executive shall not during the continuance of the Appointment, except with the written consent of the Board or as a holder (by way of investment only) of no more than 1% of the total amount of the stocks shares or debentures of any company which are for the time being quoted on a Recognised Investment Exchange, be:-

2.6.1 directly or indirectly engaged or concerned in any other trade or business whatsoever other than with the written consent of the Board; nor

2.6.2 in any manner interested in any company or firm carrying on any business which is in competition with any of the business or businesses for the time being of the Company and/or any Group Company.

3. PLACE OF WORK

The Executive shall perform his duties at the Head Office and/or such other place of business of the Company from time to time as the Board requires within the UK.

4. SALARY AND BONUS

4.1 Subject to Clause 4.2 and the annual salary reviews referred to below during his Appointment the Company shall pay the Executive a remuneration package of (Pounds)130,000 per annum (for which the Company's national insurance contribution shall be met by the Company) ("the Remuneration Package") which shall subject to the provisions of Clause

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4.2 accrue from day to day and be payable by bank credit transfer in equal monthly instalments in arrears on or before the last Friday of each month or in the event of the last Friday of any month being a Bank Holiday, the working day immediately prior to such Friday. The salary shall be deemed to include any fees receivable by the Executive as a director of the Company or the Group Company or of any other company or unincorporated body in which he holds office as nominee or representative of the company or any group company. The Company shall review the Executive's salary in December of each year and any increase by the Board will take effect from the 1st January in the following year.

4.2 The Executive may by giving written notice to the Company receive in lieu of salary any element of his Remuneration Package by way of:-

(i) payment of a salary payable in accordance with the provisions of Clause 4.1; or

(ii) payment of any part of the Remuneration Package into a pension fund nominated by the Executive (such payment to be payments referred to

in Clause 9.1 of this Agreement); or

- (iii) payment of any part of the Remuneration package for the costs of any vehicle provided by the Company pursuant to Clause 7.1 (other than expenses paid by the Company as a result of using the vehicle for business use in accordance with Clause 10); or
- (iv) payment of any part of the Remuneration Package for the cost of providing private health insurance pursuant to Clause 5; or

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- (v) payment of any part of the Remuneration Package for the cost of death in service life assurance cover pursuant to Clause 6;

or any combination of such methods of receiving the Remuneration Package PROVIDED THAT the total cost to the Company does not exceed the amount the Company would have paid (including employers National Insurance) if the Executive had received all of the Remuneration Package by way of salary.

- 4.3 In addition to his other remuneration under this Agreement the Executive shall be eligible to participate in the Company's bonus arrangements under which he may receive a discretionary bonus which if the discretion to pay the bonus is exercised will be based primarily on individual and Company performance.
- 4.4 For the avoidance of doubt all compensation payable under this Agreement (whether in the form of base salary or incentive compensation) shall be subject to payroll deductions (i.e. tax and national insurance) as may be lawful or customary in respect of salaried personnel of the Company.

5. PRIVATE MEDICAL INSURANCE

Subject to the provisions of Clause 4.2 you and your immediate family will be eligible to participate in the Private Health Insurance Scheme operated by the Company. For the purposes of this clause "immediate family" means the spouse and children of the Executive.

This is provided you are acceptable to the insurance company and subject to such conditions as the insurance company may impose and may be agreed between you and the Company. Cover will only be effective after

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you have been accepted by the insurer. The Company will provide all reasonable assistance, if required, in this regard.

6. DEATH IN SERVICE

Subject to the provisions of Clause 4.2 the Executive will be eligible for

life assurance cover to the amount of four times the Executive's annual salary, at the relevant time for the benefit of the Executive's named beneficiary.

7. CAR

7.1 Subject to the provisions to Clause 4.2 the Company shall provide and maintain (including the costs of the road licence and insurance) a car equivalent to that now provided to the Executive (or other car as approved by the Board) for the use of the Executive in the performance of his duties and shall pay the vehicle leasing costs including VAT (where this is not ordinarily recoverable), together with all running expenses, including maintenance, repairs and petrol. The Company shall change the car for a new car (but otherwise equivalent to the Executive's previous car) every three (3) years.

7.2 the Executive will comply with all reasonable directions from time to time given by the Company with regard to motor vehicles provided by the Company for the use of its staff;

7.3 it is the Executive's responsibility to ensure that the car is regularly maintained and serviced in accordance with the manufacturer's recommendations. Costs for any additional repairs must be approved by the Board. The car should at all times be maintained in a roadworthy condition and in good order so that it will bring the maximum resale price on replacement.

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7.4 the Executive will return the car, along with all keys and all relevant supporting documents to the Company at its head office immediately upon the determination of the Appointment. The car should be returned in good order and repair and in accordance with the Executive's obligations under 7.2 above.

8. MOBILE TELEPHONE

The Company will provide the Executive with a mobile telephone suitable for his duties and will be responsible for connection, rental and call costs (other than costs in connection with non-business telephone calls).

9. PENSION

Subject to the provisions of Clause 4.2, the Company will contribute an amount of the Remuneration Package to the Executive's personal pension scheme.

10. EXPENSES

The Company shall reimburse to the Executive on a monthly basis all

travelling, hotel, entertainment and other expenses reasonably incurred by him in the proper performance of his duties (including, without limitation, expenses for the use by the Executive of his car for business travel at such rate per mile as the Board shall specify from time to time and business telephone calls made on the mobile telephone provided above) subject always to the Executive complying with such guidelines or regulations issued by the Company in this respect and to the production to the Company of such vouchers or other evidence of actual payment of the expenses as the Company may reasonably require.

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11. HOLIDAY

11.1 In addition to English public holidays, the Executive is entitled to 25 working days paid holiday in each holiday year to be taken at such time or times as may be agreed with the Board. The Executive is not permitted, without the consent of the Board, to carry forward any unused part of his holiday entitlement to a subsequent holiday year.

11.2 On the termination of the Appointment for whatever reason, the Executive shall either be entitled to pay in lieu of outstanding holiday entitlement or be required to repay to the Company (or the Company shall be entitled to make a deduction from the Executive's remuneration and by executing this Agreement the Executive consents to any such deduction) any salary received for holiday taken in excess of his actual entitlement. The basis for payment and repayment shall be in the case of accrued holiday entitlement:

11.2.1 2 days holiday for each completed calendar month of service;

11.2.2 in the case of payment in lieu or deduction 1/260 of the Executive's annual salary for each day's holiday not taken or taken in excess of the accrued entitlement.

11.2.3 The Company and the Executive agree that for the purposes of calculating the Executive's holiday entitlement under this Clause 11 the "holiday year" means the period from 1 January to 31 December.

12. SICKNESS

12.1 If the Executive is absent because of sickness (including mental disorder)

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or injury he shall report this fact forthwith to the Head Office. If the Executive returns to work after a period of absence due to sickness of seven days or less he will complete a self-certification form which will be retained in the Company's records. If the Executive is absent for more than seven days he shall provide a medical practitioner's certificate on the

eighth day and thereafter so that his whole period of absence is certified by such certificates.

12.2 If the Executive shall be absent due to sickness (including mental disorder) or injury and such incapacity is duly certified in accordance with the provisions of Clause 12.1, he shall during such incapacity not exceeding a continuous period of 90 calendar days be entitled to receive his full remuneration less the amount of any benefit which the Executive is entitled to claim under any Statutory Sick Pay or Social Security Sickness Benefit or other benefits recoverable by the Executive (whether or not recovered) may be deducted therefrom.

13. RESTRICTIVE COVENANTS AND CONFIDENTIAL INFORMATION

13.1 Restrictive Covenants

13.1.1 The Executive covenants that he shall not at any time during his employment or for the period of 12 months from the date on which his employment with the Company ceases (hereinafter referred to as "the Termination Date") without the prior written consent of the Company either alone or jointly with or as agent, director, manager, consultant, contractor, employee or partner of any other person, firm, company or organisation directly or indirectly:

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13.1.1.1 be engaged or concerned in any business or activity within 100 miles of any place of business of the Company or any Group Company which competes directly with any business carried on by the Company and/or by any Group Company at the Termination Date and with which business the Executive had been concerned in the performance of his duties under this Agreement during the 12 months immediately preceding the Termination Date;

13.1.1.2 in relation to any business carried on by the Company and/or any Group Company and in competition with the Company and/or any Group Company canvass, solicit or endeavour to take away from the Company and/or any Group Company the business or custom of any person, firm, company or organisation who or which was, at the Termination Date or at any time during the 12 months immediately preceding the Termination Date, a customer or client of the Company and/or any Group Company and with whom or which the Executive shall have come into contact in the performance of his duties under this Agreement during the 12 months immediately preceding the Termination Date;

13.1.1.3 in competition with the Company and/or any Group Company solicit the services of any person, firm, company or

organisation who or which at the Termination Date or during the 12 months

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immediately preceding the Termination Date was a supplier, agent or distributor of or did business for the Company or any Group Company with whom or which the Executive had come into contact in the performance of his duties under this Agreement during the 12 months immediately preceding the Termination Date; nor

13.1.1.4 solicit or endeavour to entice away from the Company and/or any Group Company any person who was on the Termination Date a director or a senior employee of the Company and/or of any Group Company.

13.1.2 Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit the Executive from acquiring as an investment not more than one per cent (1%) of the capital stock of a competing business whose stock is listed or traded on any recognised investment exchange (as defined in Section 207 of The Financial Services Act 1986).

13.2 Confidential Information

13.2.1 The Executive shall not at any time whether before or after the termination of this Appointment with the Company disclose to any person firm company or organisation whatsoever nor print or publish or in any manner use any secret or confidential information matter or thing relating to the Company and/or any Group Company or the business thereof except in the proper performance of his duties hereunder or with the prior written consent of the Company or as required by law.

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13.2.1 For the purposes of this clause information shall be secret and/or confidential if it affects or relates to the business of the Company and/or its Group Companies, including without limitation, financial data, customer lists, and data, licensing arrangements, business strategies, pricing information, product development, intellectual, artistic, literary, dramatic or musical rights, works or other materials of any kind or nature (whether or not entitled to protection under applicable copyright laws, or reduced to or embodied in any medium or tangible form), including without limitation, any copyrights, patents, trademarks, service marks, trade secrets, contract rights, titles, themes, stories, treatments, idea, concepts, technologies, art work, logos, hardware, software,

and may be embodied in any and all computer programs, tapes, diskettes, disks, mailing lists, lists of actual, or prospective customers and/or suppliers, notebooks, documents, memoranda, reports, files, correspondence, charts, lists and all other written, printed or otherwise recorded material or any kind whatsoever and any other information, whether or not reduced to writing, including "know-how", ideas, concepts, research, processes, and plans but shall not include information that is in the public domain, information that is generally known in the trade, or information that you can prove you acquired wholly independently of your employment with the Company.

13.3 Non-disparagement

The Executive will not, at any time during the Appointment or thereafter, disrupt, disparage, impair or interfere with the business of the Company or any Group Company whether by way of disrupting its relationship with customers, agents or representatives, disparaging or diminishing the

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reputation of the Company or any Group Company or otherwise.

13.4 General

Because of the difficulty of measuring economic losses to the Company or any Group Company which may arise as a result of a breach or breaches of the foregoing covenants in this clause 13 and because of the immediate and irreparable damage that could be caused to the Company or any Group Company for which there would be no adequate remedy in monetary damages, the Executive acknowledges that the foregoing covenants may be enforced by the Company in the event of breach by the Executive, by injunctions. Nothing in this Agreement shall be construed as prohibiting the Company or any Group Company from pursuing any other available remedy for any such breach or threatened breach.

13.5 It is agreed by the parties that the foregoing covenants in this clause 13 impose a reasonable restraint on the Executive in light of the activities and business of the Company and the Group Companies on the date of the execution of this Agreement and the current plans of the Company and the Group Companies.

13.6 The covenants in this clause 13 are severable and separate, and the unenforceability of any specific covenant shall not affect the validity or enforceability of any other covenant. Moreover, in the event any court of competent jurisdiction determines that the scope time or territorial restrictions set out unenforceable, but would be enforceable if some of the relevant wording were deleted, it shall apply with such deletions as are necessary to make it enforceable.

13.7 All of the covenants in this clause 13 shall be construed as an agreement

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independent of any other provision in this agreement, and the existence of any claim or cause of action by the Executive against the Company or any Group Company, whether predicated on this agreement or otherwise, shall not constitute a defence to the enforcement by the Company of such covenants. The covenants contained in this clause 14 shall not be affected by any breach of any other provisions of this agreement by any of the parties.

13.8 The obligations of the parties under this clause 13 shall survive the termination of this Agreement.

13.9 The Executive confirms that he has received independent legal advice in respect of the effect of and potential liability attaching to the restrictions and obligations contained in this Clause 13.

14. PAYMENT IN LIEU OF NOTICE

The Company may elect in its absolute discretion to terminate the Executive's employment without notice on payment to the Executive of an amount equal to the Executive's basic salary for the notice period (at the rate payable when the Company makes its election). The Executive will not be entitled to this payment if the Company does not elect to make a payment in lieu of notice.

15. SUSPENSION AND TERMINATION

15.1 In order to investigate a complaint against the Executive of misconduct, the Company is entitled to suspend the Executive on full pay for a period of up to 14 days.

15.2 The Company may by notice terminate this Agreement with immediate

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effect if the Executive commits an act or acts of gross misconduct. Gross misconduct includes but is not limited to the following where the Executive:

15.2.1 in the opinion of the Board seriously neglects or refuses to carry out the duties required of him hereunder or is guilty of any other wilful breach or non-observance of any of the terms and conditions of this Agreement;

15.2.2 is guilty of any conduct which in the reasonable opinion of the Board tends to bring himself, the Company or a Group Company into disrepute; or

- 15.2.3 is convicted of any criminal offence (excluding an offence under road traffic legislation in the United Kingdom or elsewhere for which he is not sentenced to any term of imprisonment whether immediate or suspended); or
- 15.2.4 commits any act of dishonesty whether relating to the Company, any Group Company, any employees of any such company or otherwise; or
- 15.2.5 becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- 15.2.6 is in the reasonable opinion of the Board incompetent in the performance of his duties; or
- 15.2.7 is found liable following a full investigation by the Company, of any serious act of race, sex or disability discrimination whether such act or acts results in legal proceedings being brought against the

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Company or not.

- 15.3 The Company may formally terminate the Agreement by notice in writing at any time whilst the Executive is incapacitated by reason of ill health or accident from performing his duties hereunder and shall have been so incapacitated for a period of 60 working days or more in aggregate or a continuous period of 90 calendar days in any calendar year at the time of giving such notice.
- 15.4 Any delay by the Company in exercising any right to termination shall not constitute a waiver of such right.
- 15.5 On the termination of this agreement for whatever reason, the Executive shall at the request of the Company resign (without prejudice to any claims which the Executive may have against any company arising out of this agreement or the termination of his employment) from all and any offices which he may hold as a director of the Company or any Group Company and from all other appointments or offices which he holds as nominees or representatives of the Company. The Executive irrevocably authorises any director or of the Company to do any act or sign any document on his behalf as the Company requires in relation to any such resignation.
- 15.6 Where disciplinary action has to be taken in respect of the Executive, the Company's disciplinary procedure and rules will apply. A copy of such procedures and rules is available from the Head Office.
- 15.7 If the Executive has any grievance relating to his employment or if he is

dissatisfied with any decision affecting him, he should first attempt to resolve the issue or issues by discussing matters with the Group

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Managing Director. Failing a satisfactory resolution he may refer matters in writing to the Group Chairman.

16. GARDEN LEAVE

16.1 If either the Executive or the Company serves notice on the other to terminate this employment the Company may require the Executive to take "garden leave" for all or part of his notice period.

16.2 If the Executive is asked to take garden leave he:

16.2.1 will not be required to attend his place of work or any other premises of the Company or any Group Company; or

16.2.2 may be asked to resign immediately from any offices he holds in the Company or any Group Company;

16.2.3 may not be required to carry out any duties during the remaining period of his employment;

16.2.4 must return to the Company on request all documents and other materials (including copies) belonging to the Company including but not limited to documents and other materials containing confidential information;

16.2.5 may not without the prior written permission of the Company contact or attempt to contact any employee of the Company or contact or attempt to contact any client, customer, supplier, agent, professional adviser or any other person connected with the Company in a commercial capacity; and

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16.2.6 may not be employed by or work for any other person, firm, company or organisation except with the written permission of the Board.

16.3 During any period of garden leave the Executive will continue to receive his full salary and benefits.

17. INVENTIONS

17.1. For the purpose of this Clause:-

"Inventions" means any inventions, developments, secret formula, process or improvement, trade mark or name, copyright, design, plan, drawing, computer program, compilation, reports, information, databases, specification or device of whatever nature which relates to the business and/or products of THE Company and/or any Group Company, and is invented, developed, created, devised or otherwise acquired by the Executive (whether alone or jointly with any other person) during the continuance of this Agreement on whatever media PROVIDED THAT any invention to which Section 39, Patents Act 1977 applies shall only be an invention within this definition if the same:

17.1.1 was made in the course of the normal duties of the Executive, or in the course of duties falling outside his normal duties, but specifically assigned to him, and in either case it was reasonable to expect that the same might

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reasonably be expected to result from the execution by the Executive of his duties; or

17.1.2 was made in the course of the Executive's duties and at the time of making the same, because of the nature of his duties and the particular responsibilities arising from the nature of his duties, he had a special obligation to further the interests of the Company.

"Registrable Rights" means patents, service marks, registrable designs, trade marks, utility models or similar commercial monopoly rights created by registration (whether in the United Kingdom or elsewhere in the world).

17.2 During the continuance of the Appointment:-

17.2.1 the whole interest of the Executive in any Inventions shall become the absolute beneficial property of the Company without any payment to the Employee (except to the extent provided in Section 40 of the Patents Act 1977) other than reimbursement of out-of-pocket expenses and (except in so far as they are deemed vested in the Company under the provisions of any statute) the Executive hereby assigns by way of future assignment to the Company the whole of his interest in any Inventions and in any intellectual property rights (including without limitation copyright, design right, trade and service mark rights, database rights and semi-conductor topography rights) in any such Inventions throughout the world including any extensions, renewals or revivals and the right to sue for damages;

- 17.2.2 the Executive shall promptly communicate to the Company full particulars of all Inventions and, if any of the Inventions is capable of being protected by any Registrable Rights, the Company shall decide whether and where applications shall be made for such Registrable Rights in respect of the same and the Executive shall until such rights shall be fully and absolutely vested in the Company hold the Inventions in trust for the Company;
- 17.2.3 all such Registrable Rights shall be applied for and taken out at the Company's expense and in the name of the Company or if the Company shall require in the joint names of the Executive and the Company and the Executive shall concur in applying for the same and shall at the Company's expense prepare all such drawings and specifications models and designs as may be necessary and give every assistance in his power to procure the grant of such Registrable Rights to the Company;
- 17.2.4 the interest (if any) of the Executive in such Registrable Rights shall be unconditionally assigned by him to the Company or as the Company may direct and any renewal fees payable in respect thereof shall be paid by the Company;
- 17.2.5 the Executive will, at the request and expense of the Company, do all acts and execute all documents which may be necessary to give effect to this Clause 17 including, without limitation, entering into any action, claim or proceeding; and
- 17.2.6 the Executive waives all moral rights arising from any Inventions, so far as the Executive may lawfully do so, in favour of the

Company.

18. GENERAL

- 18.1 The Executive notes that the Company operates a no-smoking policy within its operating premises and agrees to adhere to this policy.
- 18.2 The Executive agrees that he has a duty to take reasonable care for his health and safety and other persons who may be affected and to co-operate with the Company to enable the duties and requirements of the Health and Safety at Work Act 1974 to be carried out.
- 18.3 The expiration or termination of this agreement shall not operate to affect such of the provisions of this agreement as are expressed to operate or have effect after then and shall be without prejudice to any accrued

rights or remedies of the parties.

18.4 The validity, construction and performance of this agreement shall be governed by English law. All disputes claims or proceedings between the parties relating to the validity, construction or performance of this agreement shall be subject to the non-exclusive jurisdiction of the High Court of Justice in England and Wales to which the parties irrevocably submit.

18.5 Any notice to be given by a party under this agreement must be in writing and must be given by delivery at or by sending first class post or other faster postal service, or telex, facsimile transmission or other means of telecommunication in permanent written form (provided the addressee has his own facilities for receiving such transmissions) to the last known postal address or relevant telecommunications number of the other party.

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Where notice is given by sending in a prescribed manner it shall be deemed to have been received at the time at which the letter was delivered personally or transmitted or if sent by post, 48 hours after posting. To prove the giving of a notice it shall be sufficient to show it was despatched.

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18.6 Any benefits provided by the Company to the Executive or his family which are not expressly referred to in this agreement shall be regarded as ex-gratia and at the entire discretion of the Company and shall not form part of the Executive's contract of employment.

18.7 This agreement constitutes the entire agreement of the parties in relation to the Executive's employment and all other agreements or arrangements, whether written or oral, express or implied, between the Executive and the Company relating to the services of the Executive save as referred to in this agreement shall be deemed to have been cancelled and no longer in effect.

18.8 A contracting-out certificate pursuant to the Pension Schemes Act 1993 is in force

18.9 The terms and conditions of employment set out in this Agreement satisfy the requirements of section 1 of the Employment Rights Act 1996.

IN WITNESS whereof the Executive has signed as a deed and the Company has signed the date and year first before written.

SIGNED and DELIVERED)
as a DEED by the said)
SIMON PAUL KAY)

in the presence of:)

Witness:

Address:

.....

.....

Occupation:

SIGNED and delivered as a Deed) Robert.Walston
for and on behalf of) Director
TVP GROUP PLC)
) Jess.Brown
) Director

DATED this 29th day of April 1999

BETWEEN

TVP GROUP PLC

AND

NICHOLAS PAUL PANNAMAN

SERVICE AGREEMENT

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SERVICE AGREEMENT

DATED this 29th day of April 1999

PARTIES:

1. TVP GROUP PLC whose registered office is at Lynton House, 7-12 Tavistock Square, London WC1H 9LT ("the Company") and
2. NICHOLAS PAUL PANNAMAN of South Cottage, The Green, Harefield, Middlesex UB9 6NP ("the Executive")

OPERATIVE PROVISIONS:

1. DEFINITIONS

1.1 In this agreement unless the context otherwise requires:

"Appointment" means the engagement of the Executive by the Company under the terms of this agreement;

"Board" means the board of directors of the Company and includes any duly appointed committee thereof;

"Group Company" means any subsidiary or holding company of the Company and any other subsidiary of any holding company of the Company, "subsidiary" and "holding company" having the same meaning as in Section 736 of The Companies Act 1985;

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"Head Office" means the main place of business of the Company and its subsidiaries in the U.K.

1.2 The headings and marginal headings to the clauses are for convenience only and have no legal effect.

1.3 Words denoting the singular include the plural and vice versa; words denoting one gender, include all genders; words denoting persons include corporations, unincorporated associations and partnerships.

1.4 All references to statutory provisions or enactments shall include references to any consolidating legislation involving the provisions, enactments and regulations referred to and any amendment, modification or re-enactment of any such provision or enactment (whether on or before the date of this agreement) to any previous enactment which has been replaced or amended, and to any regulation or order made under such provision or enactment.

2. APPOINTMENT AND DUTIES OF THE EXECUTIVE

2.1 The Company appoints the Executive and the Executive agrees to serve as Co-Managing Director. The Executive will be specifically responsible for reporting to the Board of the Company.

2.2 The Appointment shall commence on the _____ day of April 1999 and will continue for a period of five (5) years PROVIDED ALWAYS that the Company

shall be entitled to give the Executive not less than six (6) months notice in writing such notice period to expire at any time on or after the third anniversary of the date of this Agreement. In the event of the Company not serving such notice this Agreement shall continue for the said period of five (5) years until terminated by either party giving to

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the other not less than six (6) months notice in writing.

2.3 The Executive shall during normal working hours and such additional hours as are necessary for the proper performance of his duties:

2.3.1 devote the whole of his time, attention and ability as the Board consider necessary to the duties of the Appointment;

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2.3.2 faithfully and diligently perform those duties and exercise such powers consistent with them which are from time to time assigned to or vested in the Executive;

2.3.3 obey all lawful and reasonable directions of the Board or the chairman of the Board (from time to time);

2.3.4 use his best endeavours to promote the interests of the Company;

2.3.5 keep the Board promptly and fully informed (in writing if so requested) of his conduct of the business or affairs of the Company and/or any Group Company and provide such explanations in respect of all matters as the Board may reasonably require;

2.3.6 not at any time make any untrue or misleading statement relating to the Company or any Group Company or omit to bring to the Company's attention any matter relevant to or that in any material way may affect the business or commercial operation of the Company or any Group Company.

2.4 The Executive shall (without further remuneration, except as otherwise agreed) during the Appointment act as a director of the Company or such other Group Company as the Board may direct, and travel to such places whether inside or outside the United Kingdom as his duties may require but shall not be obliged to reside or spend more than 28 consecutive days outside the United Kingdom.

2.5 Notwithstanding Clause 2.4 above the Company shall not be obliged to appoint the Executive to any office in the company or any Group Company or to retain him in any such office or to vest in him any powers

not to appoint him or nominate him to represent the Company in any circumstances.

2.6 The Executive shall not during the continuance of the Appointment, except with the written consent of the Board or as a holder (by way of investment only) of no more than 1% of the total amount of the stocks shares or debentures of any company which are for the time being quoted on a Recognised Investment Exchange, be:-

2.6.1 directly or indirectly engaged or concerned in any other trade or business whatsoever other than with the written consent of the Board; nor

2.6.2 in any manner interested in any company or firm carrying on any business which is in competition with any of the business or businesses for the time being of the Company and/or any Group Company.

3. PLACE OF WORK

The Executive shall perform his duties at the Head Office and/or such other place of business of the Company from time to time as the Board requires within the UK.

4. SALARY AND BONUS

4.1 Subject to Clause 4.2 and the annual salary reviews referred to below during his Appointment the Company shall pay the Executive a remuneration package of (Pounds)130,000 per annum (for which employers national insurance contribution shall be met by the Company) ("the Remuneration Package") which shall subject to the provisions of Clause

4.2 accrue from day to day and be payable by bank credit transfer in equal monthly instalments in arrears on or before the last Friday of each month or in the event of the last Friday of any month being a Bank Holiday, the working day immediately prior to such Friday. The salary shall be deemed to include any fees receivable by the Executive as a director of the Company or the Group Company or of any other company or unincorporated body in which he holds office as nominee or representative of the company or any group company. The Company shall review the Executive's salary in December

of each year and any increase by the Board will take effect from the 1st January in the following year.

4.2 The Executive may by giving written notice to the Company receive in lieu of salary any element of his Remuneration Package by way of:-

(i) payment of a salary payable in accordance with the provisions of Clause 4.1; or

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(ii) payment of any part of the Remuneration Package into a pension fund nominated by the Executive (such payment to be payments referred to in Clause 9.1 of this Agreement); or

(iii) payment of any part of the Remuneration package for the costs of any vehicle provided by the Company pursuant to Clause 7.1 (other than expenses paid by the Company as a result of using the vehicle for business use in accordance with Clause 10); or

(iv) payment of any part of the Remuneration Package for the cost of providing private health insurance pursuant to Clause 5; or

(v) payment of any part of the Remuneration Package for the cost of death in service life assurance cover pursuant to Clause 6;

or any combination of such methods of receiving the Remuneration Package PROVIDED THAT the total cost to the Company does not exceed the amount the Company would have paid (including employers National Insurance) if the Executive had received all of the Remuneration Package by way of salary.

4.3 In addition to his other remuneration under this Agreement the Executive shall be eligible to participate in the Company's bonus arrangements under which he may receive a discretionary bonus which if the discretion to pay the bonus is exercised will be based primarily on individual and Company performance.

4.4 For the avoidance of doubt all compensation payable under this Agreement (whether in the form of base salary or incentive compensation) shall be subject to payroll deductions (i.e. tax and national insurance) as may be lawful or customary in respect of salaried personnel of the Company.

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5. PRIVATE MEDICAL INSURANCE

Subject to the provisions of Clause 4.2 you and your immediate family will be eligible to participate in the Private Health Insurance Scheme operated by the Company. For the purposes of this clause "immediate family" means the spouse and children of the Executive.

This is provided you are acceptable to the insurance company and subject to such conditions as the insurance company may impose and may be agreed between you and the Company. Cover will only be effective after you have been accepted by the insurer. The Company will provide all reasonable assistance, if required, in this regard.

6 DEATH IN SERVICE

Subject to the provisions of Clause 4.2 the Executive will be eligible for life assurance cover to the amount of four times the Executive's annual salary, at the relevant time for the benefit of the Executive's named beneficiary.

7. CAR

7.1 Subject to the provisions to Clause 4.2 the Company shall provide and maintain (including the costs of the road licence and insurance) a car equivalent to that now provided to the Executive (or other car as approved by the Board) for the use of the Executive in the performance of his duties and shall pay the vehicle leasing costs including VAT (where this is not ordinarily recoverable), together with all running expenses, including maintenance, repairs and petrol. The Company shall change the car for a new car (but otherwise equivalent to the Executive's previous car) every three (3) years.

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7.2 the Executive will comply with all reasonable directions from time to time given by the Company with regard to motor vehicles provided by the Company for the use of its staff;

7.3 it is the Executive's responsibility to ensure that the car is regularly maintained and serviced in accordance with the manufacturer's recommendations. Costs for any additional repairs must be approved by the Board. The car should at all times be maintained in a roadworthy condition and in good order so that it will bring the maximum resale price on replacement.

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7.4 the Executive will return the car, along with all keys and all relevant supporting documents to the Company at its head office immediately upon the determination of the Appointment. The car should be returned in good order and repair and in accordance with the Executive's obligations under 7.2 above.

8. MOBILE TELEPHONE

The Company will provide the Executive with a mobile telephone suitable for his duties and will be responsible for connection, rental and call costs (other than costs in connection with non-business telephone calls).

9. PENSION

Subject to the provisions of Clause 4.2, the Company will contribute an amount of the Remuneration Package to the Executive's personal pension scheme.

10. EXPENSES

The Company shall reimburse to the Executive on a monthly basis all travelling, hotel, entertainment and other expenses reasonably incurred by him in the proper performance of his duties (including, without limitation, expenses for the use by the Executive of his car for business travel at such rate per mile as the Board shall specify from time to time and business telephone calls made on the mobile telephone provided above) subject always to the Executive complying with such guidelines or regulations issued by the Company in this respect and to the production to the Company of such vouchers or other evidence of actual payment of the expenses as the Company may reasonably require.

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11. HOLIDAY

11.1 In addition to English public holidays, the Executive is entitled to 25 working days paid holiday in each holiday year to be taken at such time or times as may be agreed with the Board. The Executive is not permitted, without the consent of the Board, to carry forward any unused part of his holiday entitlement to a subsequent holiday year.

11.2 On the termination of the Appointment for whatever reason, the Executive

shall either be entitled to pay in lieu of outstanding holiday entitlement or be required to repay to the Company (or the Company shall be entitled to make a deduction from the Executive's remuneration and by executing this Agreement the Executive consents to any such deduction) any salary received for holiday taken in excess of his actual entitlement. The basis for payment and repayment shall be in the case of accrued holiday entitlement:

11.2.1 2 days holiday for each completed calendar month of service;

11.2.2 in the case of payment in lieu or deduction 1/260 of the Executive's annual salary for each day's holiday not taken or taken in excess of the accrued entitlement.

11.2.3 The Company and the Executive agree that for the purposes of calculating the Executive's holiday entitlement under this Clause 11 the "holiday year" means the period from 1 January to 31 December.

12. SICKNESS

12.1 If the Executive is absent because of sickness (including mental disorder)

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or injury he shall report this fact forthwith to the Head Office. If the Executive returns to work after a period of absence due to sickness of seven days or less he will complete a self-certification form which will be retained in the Company's records. If the Executive is absent for more than seven days he shall provide a medical practitioner's certificate on the eighth day and thereafter so that his whole period of absence is certified by such certificates.

12.2 If the Executive shall be absent due to sickness (including mental disorder) or injury and such incapacity is duly certified in accordance with the provisions of Clause 12.1, he shall during such incapacity not exceeding a continuous period of 90 calendar days be entitled to receive his full remuneration less the amount of any benefit which the Executive is entitled to claim under any Statutory Sick Pay or Social Security Sickness Benefit or other benefits recoverable by the Executive (whether or not recovered) may be deducted therefrom.

13. RESTRICTIVE COVENANTS AND CONFIDENTIAL INFORMATION

13.1 Restrictive Covenants

13.1.1 The Executive covenants that he shall not at any time during his employment or for the period of 12 months from the date on which his employment with the Company ceases (hereinafter referred to as "the Termination Date") without the prior written consent of the Company either alone or jointly with or as agent, director, manager, consultant, contractor, employee or partner of any other person, firm, company or organisation directly or indirectly:

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13.1.1.1 be engaged or concerned in any business or activity within 100 miles of any place of business of the Company or any Group Company which competes directly with any business carried on by the Company and/or by any Group Company at the Termination Date and with which business the Executive had been concerned in the performance of his duties under this Agreement during the 12 months immediately preceding the Termination Date;

13.1.1.2 in relation to any business carried on by the Company and/or any Group Company and in competition with the Company and/or any Group Company canvass, solicit or endeavour to take away from the Company and/or any Group Company the business or custom of any person, firm, company or organisation who or which was, at the Termination Date or at any time during the 12 months immediately preceding the Termination Date, a customer or client of the Company and/or any Group Company and with whom or which the Executive shall have come into contact in the performance of his duties under this Agreement during the 12 months immediately preceding the Termination Date;

13.1.1.3 in competition with the Company and/or any Group Company solicit the services of any person, firm, company or organisation who or which at the Termination Date or during the 12 months

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immediately preceding the Termination Date was a supplier, agent or distributor of or did business for the Company or any Group Company with whom or which the Executive had come into contact in the performance of his duties under this Agreement during the 12 months immediately preceding the Termination Date; nor

13.1.1.4 solicit or endeavour to entice away from the Company and/or any Group Company any person who was on the

Termination Date a director or a senior employee of the Company and/or of any Group Company.

13.1.2 Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit the Executive from acquiring as an investment not more than one per cent (1%) of the capital stock of a competing business whose stock is listed or traded on any recognised investment exchange (as defined in Section 207 of The Financial Services Act 1986).

13.2 Confidential Information

13.2.1 The Executive shall not at any time whether before or after the termination of this Appointment with the Company disclose to any person firm company or organisation whatsoever nor print or publish or in any manner use any secret or confidential information matter or thing relating to the Company and/or any Group Company or the business thereof except in the proper performance of his duties hereunder or with the prior written consent of the Company or as required by law.

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13.2.1 For the purposes of this clause information shall be secret and/or confidential if it affects or relates to the business of the Company and/or its Group Companies, including without limitation, financial data, customer lists, and data, licensing arrangements, business strategies, pricing information, product development, intellectual, artistic, literary, dramatic or musical rights, works or other materials of any kind or nature (whether or not entitled to protection under applicable copyright laws, or reduced to or embodied in any medium or tangible form), including without limitation, any copyrights, patents, trademarks, service marks, trade secrets, contract rights, titles, themes, stories, treatments, idea, concepts, technologies, art work, logos, hardware, software, and may be embodied in any and all computer programs, tapes, diskettes, disks, mailing lists, lists of actual, or prospective customers and/or suppliers, notebooks, documents, memoranda, reports, files, correspondence, charts, lists and all other written, printed or otherwise recorded material or any kind whatsoever and any other information, whether or not reduced to writing, including "know-how", ideas, concepts, research, processes, and plans but shall not include information that is in the public domain, information that is generally known in the trade, or information that you can prove you acquired wholly independently of your employment with the Company.

13.3 Non-disparagement

The Executive will not, at any time during the Appointment or thereafter, disrupt, disparage, impair or interfere with the business of the Company or any Group Company whether by way of disrupting its relationship with customers, agents or representatives, disparaging or diminishing the

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reputation of the Company or any Group Company or otherwise.

13.4 General

Because of the difficulty of measuring economic losses to the Company or any Group Company which may arise as a result of a breach or breaches of the foregoing covenants in this clause 13 and because of the immediate and irreparable damage that could be caused to the Company or any Group Company for which there would be no adequate remedy in monetary damages, the Executive acknowledges that the foregoing covenants may be enforced by the Company in the event of breach by the Executive, by injunctions. Nothing in this Agreement shall be construed as prohibiting the Company or any Group Company from pursuing any other available remedy for any such breach or threatened breach.

13.5 It is agreed by the parties that the foregoing covenants in this clause 13 impose a reasonable restraint on the Executive in light of the activities and business of the Company and the Group Companies on the date of the execution of this Agreement and the current plans of the Company and the Group Companies.

13.6 The covenants in this clause 13 are severable and separate, and the unenforceability of any specific covenant shall not affect the validity or enforceability of any other covenant. Moreover, in the event any court of competent jurisdiction determines that the scope time or territorial restrictions set out unenforceable, but would be enforceable if some of the relevant wording were deleted, it shall apply with such deletions as are necessary to make it enforceable.

13.7 All of the covenants in this clause 13 shall be construed as an agreement

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independent of any other provision in this agreement, and the existence of any claim or cause of action by the Executive against the Company or any

Group Company, whether predicated on this agreement or otherwise, shall not constitute a defence to the enforcement by the Company of such covenants. The covenants contained in this clause 14 shall not be affected by any breach of any other provisions of this agreement by any of the parties.

13.8 The obligations of the parties under this clause 13 shall survive the termination of this Agreement.

13.9 The Executive confirms that he has received independent legal advice in respect of the effect of and potential liability attaching to the restrictions and obligations contained in this Clause 13.

14. PAYMENT IN LIEU OF NOTICE

The Company may elect in its absolute discretion to terminate the Executive's employment without notice on payment to the Executive of an amount equal to the Executive's basic salary for the notice period (at the rate payable when the Company makes its election). The Executive will not be entitled to this payment if the Company does not elect to make a payment in lieu of notice.

15. SUSPENSION AND TERMINATION

15.1 In order to investigate a complaint against the Executive of misconduct, the Company is entitled to suspend the Executive on full pay for a period of up to 14 days.

15.2 The Company may by notice terminate this Agreement with immediate

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effect if the Executive commits an act or acts of gross misconduct. Gross misconduct includes but is not limited to the following where the Executive:

15.2.1 in the opinion of the Board seriously neglects or refuses to carry out the duties required of him hereunder or is guilty of any other wilful breach or non-observance of any of the terms and conditions of this Agreement;

15.2.2 is guilty of any conduct which in the reasonable opinion of the Board tends to bring himself, the Company or a Group Company into disrepute; or

15.2.3 is convicted of any criminal offence (excluding an offence under

road traffic legislation in the United Kingdom or elsewhere for which he is not sentenced to any term of imprisonment whether immediate or suspended); or

- 15.2.4 commits any act of dishonesty whether relating to the Company, any Group Company, any employees of any such company or otherwise; or
- 15.2.5 becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- 15.2.6 is in the reasonable opinion of the Board incompetent in the performance of his duties; or
- 15.2.7 is found liable following a full investigation by the Company, of any serious act of race, sex or disability discrimination whether such act or acts results in legal proceedings being brought against the

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Company or not.

- 15.3 The Company may formally terminate the Agreement by notice in writing at any time whilst the Executive is incapacitated by reason of ill health or accident from performing his duties hereunder and shall have been so incapacitated for a period of 60 working days or more in aggregate or a continuous period of 90 calendar days in any calendar year at the time of giving such notice.
- 15.4 Any delay by the Company in exercising any right to termination shall not constitute a waiver of such right.
- 15.5 On the termination of this agreement for whatever reason, the Executive shall at the request of the Company resign (without prejudice to any claims which the Executive may have against any company arising out of this agreement or the termination of his employment) from all and any offices which he may hold as a director of the Company or any Group Company and from all other appointments or offices which he holds as nominees or representatives of the Company. The Executive irrevocably authorises any director or of the Company to do any act or sign any document on his behalf as the Company requires in relation to any such resignation.
- 15.6 Where disciplinary action has to be taken in respect of the Executive, the Company's disciplinary procedure and rules will apply. A copy of such procedures and rules is available from the Head Office.
- 15.7 If the Executive has any grievance relating to his employment or if he is

dissatisfied with any decision affecting him, he should first attempt to resolve the issue or issues by discussing matters with the Group

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Managing Director. Failing a satisfactory resolution he may refer matters in writing to the Group Chairman.

16. GARDEN LEAVE

16.1 If either the Executive or the Company serves notice on the other to terminate this employment the Company may require the Executive to take "garden leave" for all or part of his notice period.

16.2 If the Executive is asked to take garden leave he:

16.2.1 will not be required to attend his place of work or any other premises of the Company or any Group Company; or

16.2.2 may be asked to resign immediately from any offices he holds in the Company or any Group Company;

16.2.3 may not be required to carry out any duties during the remaining period of his employment;

16.2.4 must return to the Company on request all documents and other materials (including copies) belonging to the Company including but not limited to documents and other materials containing confidential information;

16.2.5 may not without the prior written permission of the Company contact or attempt to contact any employee of the Company or contact or attempt to contact any client, customer, supplier, agent, professional adviser or any other person connected with the Company in a commercial capacity; and

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16.2.6 may not be employed by or work for any other person, firm, company or organisation except with the written permission of the Board.

16.3 During any period of garden leave the Executive will continue to receive his full salary and benefits.

17. INVENTIONS

17.1. For the purpose of this Clause:-

"Inventions" means any inventions, developments, secret formula, process or improvement, trade mark or name, copyright, design, plan, drawing, computer program, compilation, reports, information, databases, specification or device of whatever nature which relates to the business and/or products of THE Company and/or any Group Company, and is invented, developed, created, devised or otherwise acquired by the Executive (whether alone or jointly with any other person) during the continuance of this Agreement on whatever media PROVIDED THAT any invention to which Section 39, Patents Act 1977 applies shall only be an invention within this definition if the same:

17.1.1 was made in the course of the normal duties of the Executive, or in the course of duties falling outside his normal duties, but specifically assigned to him, and in either case it was reasonable to expect that the same might

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reasonably be expected to result from the execution by the Executive of his duties; or

17.1.2 was made in the course of the Executive's duties and at the time of making the same, because of the nature of his duties and the particular responsibilities arising from the nature of his duties, he had a special obligation to further the interests of the Company.

"Registrable Rights" means patents, service marks, registrable designs, trade marks, utility models or similar commercial monopoly rights created by registration (whether in the United Kingdom or elsewhere in the world).

17.2 During the continuance of the Appointment:-

17.2.1 the whole interest of the Executive in any Inventions shall become the absolute beneficial property of the Company without any payment to the Employee (except to the extent provided in Section 40 of the Patents Act 1977) other than reimbursement of out-of-pocket

expenses and (except in so far as they are deemed vested in the Company under the provisions of any statute) the Executive hereby assigns by way of future assignment to the Company the whole of his interest in any Inventions and in any intellectual property rights (including without limitation copyright, design right, trade and service mark rights, database rights and semi-conductor topography rights) in any such Inventions throughout the world including any extensions, renewals or revivals and the right to sue for damages;

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- 17.2.2 the Executive shall promptly communicate to the Company full particulars of all Inventions and, if any of the Inventions is capable of being protected by any Registrable Rights, the Company shall decide whether and where applications shall be made for such Registrable Rights in respect of the same and the Executive shall until such rights shall be fully and absolutely vested in the Company hold the Inventions in trust for the Company;
- 17.2.3 all such Registrable Rights shall be applied for and taken out at the Company's expense and in the name of the Company or if the Company shall require in the joint names of the Executive and the Company and the Executive shall concur in applying for the same and shall at the Company's expense prepare all such drawings and specifications models and designs as may be necessary and give every assistance in his power to procure the grant of such Registrable Rights to the Company;
- 17.2.4 the interest (if any) of the Executive in such Registrable Rights shall be unconditionally assigned by him to the Company or as the Company may direct and any renewal fees payable in respect thereof shall be paid by the Company;
- 17.2.5 the Executive will, at the request and expense of the Company, do all acts and execute all documents which may be necessary to give effect to this Clause 17 including, without limitation, entering into any action, claim or proceeding; and
- 17.2.6 the Executive waives all moral rights arising from any Inventions, so far as the Executive may lawfully do so, in favour of the

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Company.

18. GENERAL

18.1 The Executive notes that the Company operates a no-smoking policy within

its operating premises and agrees to adhere to this policy.

- 18.2 The Executive agrees that he has a duty to take reasonable care for his health and safety and other persons who may be affected and to co-operate with the Company to enable the duties and requirements of the Health and Safety at Work Act 1974 to be carried out.
- 18.3 The expiration or termination of this agreement shall not operate to affect such of the provisions of this agreement as are expressed to operate or have effect after then and shall be without prejudice to any accrued rights or remedies of the parties.
- 18.4 The validity, construction and performance of this agreement shall be governed by English law. All disputes claims or proceedings between the parties relating to the validity, construction or performance of this agreement shall be subject to the non-exclusive jurisdiction of the High Court of Justice in England and Wales to which the parties irrevocably submit.
- 18.5 Any notice to be given by a party under this agreement must be in writing and must be given by delivery at or by sending first class post or other faster postal service, or telex, facsimile transmission or other means of telecommunication in permanent written form (provided the addressee has his own facilities for receiving such transmissions) to the last known postal address or relevant telecommunications number of the other party.

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Where notice is given by sending in a prescribed manner it shall be deemed to have been received at the time at which the letter was delivered personally or transmitted or if sent by post, 48 hours after posting. To prove the giving of a notice it shall be sufficient to show it was despatched.

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- 18.6 Any benefits provided by the Company to the Executive or his family which are not expressly referred to in this agreement shall be regarded as ex-gratia and at the entire discretion of the Company and shall not form part of the Executive's contract of employment.
- 18.7 This agreement constitutes the entire agreement of the parties in relation to the Executive's employment and all other agreements or arrangements, whether written or oral, express or implied, between the Executive and the Company relating to the services of the Executive save as referred to in this agreement shall be deemed to have been cancelled and no longer in effect.
- 18.8 A contracting-out certificate pursuant to the Pension Schemes Act 1993 is in force

18.9 The terms and conditions of employment set out in this Agreement satisfy the requirements of section 1 of the Employment Rights Act 1996.

IN WITNESS whereof the Executive has signed as a deed and the Company has signed the date and year first before written.

SIGNED and DELIVERED)
as a DEED by the said)
NICHOLAS PAUL PANNAMAN)
in the presence of:)

Witness:

Address:

.....

.....

27

Occupation:

28

SIGNED and delivered as a Deed) Robert.Walston.
for and on behalf of) Director
TVP GROUP PLC)
) Jess.Brown
) Director

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Friday April 30, 8:01 am Eastern Time

Company Press Release

SOURCE: Four Media Company

Four Media Company Completes Acquisition
of TVP Group Plc

- Expands Geographic Reach to Strategic UK Market - - Broadens Client Base and
Increases Service Capabilities

BURBANK, Calif., April 30/PRNewswire/ -- Four Media Company (Nasdaq: FOUR -

news) today announced that it has acquired all of the outstanding shares of TVP Group Plc ("TVP"), a London-based provider of technical and creative services to the entertainment industry, including U.K. and European media companies and the international operations of the U.S. major motion picture and television studios. The purchase price consists of approximately \$10.0 million in cash, including the repayment of debt, plus an additional amount of up to \$800,000 in the form of a contingent payment based upon, among other things, operating results achieved for the twelve months following the acquisition.

Commenting on the transactions, Robert T. Walston, Chairman and Chief Executive Officer of Four Media Company stated, "The acquisition of TVP represents a significant step in the globalization of our business. TVP was formed 16 years ago by Simon Kay and Nick Panaman. They have demonstrated their ability to build and sustain a profitable business and we welcome them to our senior management team. The addition of TVP to the Four Media family will enable us to service the global needs of our existing client base, while establishing a substantial presence in the expanding U.K. and European markets."

Simon Kay, Co-Managing Director of TVP added, "The combination of Four Media Company and TVP creates a formidable presence in the U.K. market. With their support, we will now be able to grow more rapidly to meet our clients' expanding service needs. We look forward to leveraging Four Media's experience in the U.S. and Asia as well as working together to grow the combined group's U.K. and European business."

TVP provides an extensive array of services including professional duplication, telecine, standards conversion, editing and DVD mastering and authoring to a broad range of studio clients through its TVP Videodubbing and Post Box operating units. Existing management will remain in place and have entered into long-term employment agreements concurrent with the closing of the acquisition.

Four Media Company is a leading provider of technical and creative services to owners, producers and distributors of television programming, feature films and other entertainment

product both domestically and internationally. The Company's services integrate a variety of systems and processes to enhance the creation and distribution of entertainment content. Four Media's client base includes the world's largest entertainment companies. As a result of its investments and acquisitions, Four Media Company is one of the largest and most diversified providers of technical and creative services to the entertainment industry, which enables the Company to offer its customers a single source for such services.

This press release contains forward-looking statements which are made pursuant to the Safe-Harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as "intends", "believes" and similar expressions reflecting something other than historical fact are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. These forward-looking statements involve a number of risks and uncertainties, including the timely development and market acceptance of products and technologies, successful integration of acquisitions, the ability to secure additional sources of financing, the ability to reduce operating expenses and other factors described in the Company's filings with the Securities and Exchange Commission. The actual results that the Company achieves may differ materially from any forward-looking statement due to such risks and uncertainties. The Company undertakes no obligations to revise or update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this release.

SOURCE: Four Media Company

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