Think Entertainment plc

M.V. McLoughlin Esq. and A.W. Graham Esq.
Joint Administrators –
Just Group PLC and its subsidiaries (including EDI Realisations Ltd.)
c/o KPMG
ST NICHOLAS HOUSE
PARK ROW
NOTTINGHAM
NG1 6FQ

cc: Messrs D. Hudson & J. Taylor (Supervisors of the CVA of Just Group plc, Just Entertainment Ltd. and Just Licensing Ltd.)
c/o Begbies Traynor, The Old Exchange, 234 Southchurch Road, Southend SS1 2EG

Messrs G. Martin and J. Twizell (Joint liquidators of Newscreen Media plc)
c/o Geoffrey Martin & Co., St. James's House, 28 Park Place, Leeds LS1 2SP

Saturday, 30 April 2005

Gentlemen,

You are no doubt aware that, acting under an irrevocable power of attorney dated 25 January 2005, I have been liasing with Alison Timperley of your offices concerning the excess funds held in EDI Realisations Ltd. Alison has now gone on extended leave of absence, and I am concerned to resolve all outstanding matters as soon as possible, and particularly in the light of a letter that I received on Friday 29 April 2005 from the liquidators of Newscreen Media Group plc (formerly Just Group plc), a copy of which is enclosed herewith.

I have only recently become involved in the JUST scene, and I ask for your understanding if I am ill informed in some areas and in relation to some of the details.

Alison kindly liased with Mark Gledhill at Geoffrey Martin & Co. in order that we could all achieve a better understanding of the reasons for the delay in releasing the EDI monies, but despite Mark and Alison's explanations, I still have a conceptual problem in understanding why new shareholder monies contributed for a CVA for only three of the JUST companies ended up in another entirely different entity – EDI – that was not apparently part of the CVA. Further, if that was indeed the correct application of new shareholder money, then I still cannot comprehend why the Re: Spectrum decision is in the slightest bit relevant to the

dispersal of only the surplus monies above the preferential Inland Revenue claims in that unrelated entity in any event.

Hopefully we have already clarified that the money came from, and is therefore subrogated to, the new shareholder monies and is therefore due for repayment to the company.

John Twizell's letter clearly shows you that we are coming up against some extremely serious deadlines, and I believe that at this time it is incumbent upon me to provide you with detailed explanations of likely events so that you can consider what actions we all must take over the next few weeks.

You will be aware and/or recall that this company, Think Entertainment plc, came into existence as part of a S110 re-organisation in May 2004; and I would ask you to at all times to remember that there are more than 55,000 shareholders of this company who believe that there was a more than £5,000,000 rescue pot that has apparently been 'frittered away' on daft schemes and professional fees for which they have never had any accounting. My job is a mix of salvage and explanation, not least as the FourPoint asset acquisition made in August 2004 has proved to be a disaster and the declared value of the assets on the statutory statement of solvency has proved to be largely illusory, such that Think itself is teetering on the brink of insolvency.

You should be aware that in relation to the S110 reorganisation and FourPoint acquisition I have asserted claims for damages from the then directors of Think (Messrs Clements, Downs, Proctor) and Graham Calderbank who in my opinion was clearly a shadow director at all relevant times. I have also asserted claims for damages (including exemplary damages) as a result of gross professional negligence, against Cobbetts, the solicitors advising Think in the FourPoint matter, in relation to condition precedent and other documents that have now been admitted to be forged – that matter has already been reported to NCIS.

The principal matter in relation to the S110 reorganisation that brought Think into existence as a separate legal personae, is that it was entitled to rely on the sworn declaration of solvency of Newscreen Media Group plc as representing the true financial status at the time. The reorganisation circular did not contain a copy of the solvency statement, but the acquisition circular did; I enclose copies of both for your ease of reference.

The principal assets, as you will note, were stated to be debtors.

£315,000 of company own, which included an estimated £300,000 receivable from EDI, an amount the documents show was reached after discussions with yourselves.

The other amounts were stated as recoverable from the two subsidiary companies, but I find it difficult to reconcile this with your own estimated realisable amounts of Nil shown on the CVA, which has indeed turned out as you projected to be as near the actual outturn as one can get.

Therefore I am claiming against the directors the value of the debtors that have not been recovered within the statutory 12-month period expiring on May 21st 2005. That claim will include the estimated EDI monies, unless they have been received from you before then.

The intercompany debts are quite clearly irrecoverable, and in my judgment were known to be so at the time, not least because the audited accounts for those two companies to July 31st 2003, included post balance sheet event disclosures that any and all rights to repayment would not be enforced for at least 12 months after the accounts were signed off, viz July 2005.

The phrase that springs to mind is “own goal”, not least as the Deloittes drafts of those accounts anticipated the non-collection of the monies, and it would seem to me that “receivables” were demonstrably calculated as being such amount as would enable a declaration of solvency to be produced.

It is thus my further and inevitable contention that the assumption of the CVA loan note obligations by way of indemnity, and subsequently reissuance of notes in the name of Think, was as a consequence of wilful and fraudulent misrepresentation by Newscreen Media Group plc and its then directors. Therefore Think is entitled, and presently intends, to deny any and all liability to pay any monies due on the loan notes, including the first payment of 25% of the principal amount due on 2 August 2005, and further will seek to recover monies paid in August 2004 and the costs of the reorganisation that should never have happened.

Reversal of the reorganisation is clearly not an option, not least as Think entered into the FourPoint transaction in reliance upon the declaration of solvency – a point forcefully made by the principals of FourPoint when I met with them in Athens last week. Indeed I suspect it would have been even more forceful if they had been aware of the discrepancy between the contract which stated that Think had enough working capital for the next twelve months, yet a

letter from Deloittes stated that the directors had told them that they had not been able to satisfy themselves there was adequate working capital for twelve months.

Think's denial of liability will then place the burden of repayment back upon the liquidators of Newscreen Media Group plc who, once that company's liquidation automatically converts to an insolvent creditors voluntary liquidation on 21 May 2005, are entitled to claim indemnity from the directors as the debts will be considered to be the joint and several liability of those who swore the declaration of solvency.

My research indicates that Mr. Proctor is sufficiently wealthy to pay the claims asserted, and Mr. Downs has notified his professional indemnity insurers, Zurich, with whom I have already had some correspondence.

What a can of worms, but as you can see there is clearly commonality of interest and a strong case for resolving the entire EDI position before 13 May 2005 if at all possible. I suggest that the possibility of assertion of counterclaims by the former directors in relation to the non-recovered EDI element of Think's claims will not suit any of the parties.

I would welcome your urgent consideration of the matters, and please feel free to discuss them amongst yourselves. I do not propose to instruct solicitors to act for the company as most of you are aware that I do have some familiarity with the UK insolvency laws; but if it should become necessary to have a solicitor act on the record, then I would propose instructing Stephen Heffer who is, I believe, known to all of you, and whom I have found excellent in previous unrelated matters, but I would anticipate only seeking formal advice on an agreed final draft scenario in order to keep costs to a minimum.

Yours sincerely

Mark G. Hardy
For and on behalf of Think Entertainment plc
By power of attorney dated January 25th 2005.