

Witness Statement 15/12/2006

Action Group IN THE HIGH COURT OF JUSTICE NO 146 OF 2002

CHANCERY DIVISION COMPANIES COURT

IN THE MATTER OF EDI REALISATIONS LIMITED (FORMERLY MARSHALL EDITIONS LIMITED)
(IN ADMINISTRATION)

AND IN THE MATTER OF THE INSOLVENCY ACT 1986

BETWEEN

MICHAEL VINCENT M'CLOUGHLIN AND ALLAN WATSON GRAHAM THE JOINT ADMINISTRATORS OF
EDI REALISATIONS LIMITED

Applicants

-and-

- (1) H.M. REVENUE AND CUSTOMS
- (2) NEWSCREEN MEDIA GROUP PLC (IN LIQUIDATION)
- (3) THINK ENTERTAINMENT PLC
- (4) MR CHRISTOPHER JONES (SHAREHOLDERS)

Respondents

FIRST WITNESS STATEMENT OF CHRISTOPHER ANDREW JONES

I, CHRISTOPHER ANDREW JONES, of Broadway House, Broadway, Maidenhead, Berkshire, SL6 1NJ will say as follows:

1. Introduction

1.1 I am former shareholder of Newscreen Media Group plc (in liquidation), formerly named Just Group plc ("the Group") and a present shareholder of over 1.5 million shares in Think Entertainment plc, by virtue of the "restructuring"/section 110 agreement completed on the 24th June 2004, referred to in paragraph 23 of the first witness statement of Allan Watson Graham, dated "March 2006" ("Mr Graham's first statement").

1.2 I am a businessman, managing director of three companies and a partner of a business, none of which have business associations with the applicants or KPMG LLP or their advisors.

1.3 I make this witness statement as a Respondent on behalf of former shareholders of the Group and members of the Just Action Group ("JAG"), referred to in Mr Graham's first statement.

1.4 I have extensive first hand knowledge of facts and matters pertaining to the funds raised from shareholders in 2002, given that:

(a) I worked in a full time capacity for JAG due to the complexities surrounding the collapse of the Group leading to the appointment of administrators; the extensive day to day demands of, at that time, in excess of 55,000 shareholders and the magnitude of the rescue of the Group via the CVAs.

(b) I was appointed as vice chairman of JAG by the co-founders. During the period 18th December 2001 to the Group EGM held on the 2nd August 2002, I had a substantial number of meetings, discussions and correspondence with, inter alia, the administrators/KPMG, Mishcon de Reya solicitors, Sprecher Grier Halberstam solicitors, Gordons Solicitors (who all represented JAG members), Begbies Traynor (CVA Supervisors), Universal Studios, various major banks, business

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associates/partners of the Group, former employees of the Group, former directors and, in 2001/02, serving directors of the Group ("former directors").

(c) On the 1st July 2002, I was appointed a director of the Group by the then joint administrators, Michael Vincent McLoughlin and Allan Watson Graham, partners of KPMG LLP.

1.5 On the 20th March 2006, I attended the directions hearing in this matter, of my own volition, on behalf of the shareholders who contributed to the Share Offer in 2002 (referred to in paragraphs 9 and 10 of Mr Graham's first statement) due to extremely serious issues which had come to my attention pertaining to the Group and subsidiary companies, in particular, since October 2005.

1.6 I informed Chief Registrar Baister at the said hearing that I had clear evidence that the funds were obtained from myself and then fellow shareholders of the Group in 2002 by deception. Chief Registrar Baister informed me that the deception was not an issue on which he could decide. I was asked by Chief Registrar Baister if I would represent the shareholders in the application of the administrators of EDI Realisations Limited [dated the 11th January 2006] ("the Application"). I agreed to do so, in order to assist the shareholders and the Court.

1.7 This statement is not intended to provide a comprehensive history of the rescue process of the Group in 2002. It is envisaged that a second statement would be provided together with further documents in evidence, in the event that the court considers that evidence of fraud pertaining to the Funds, which are the subject matter of the Application, are relevant to the Application. I would not have supported the funding in 2002 or agreed to join the Group board if I had been made aware of the false accounting and deception of shareholders .

1.8 Save as otherwise stated, all facts and matters set out in this witness statement are within my own knowledge and are true. Where any facts and matters deposed to herein are not within my own personal knowledge, they are true to the best of my information and belief.

1.9 There is now produced and shown to me marked "CAJ1", a paginated bundle of true copy documents. References to the page numbers in this witness statement are to the corresponding page of Exhibit "CAJ1" or, where indicated, to the pages of the Exhibit of Mr Allan Graham, "AWG2".

2. Background

2.1 In 2001, I and many shareholders invested in the Group following positive RNS statements issued by the London Stock Exchange (LSE) and were led to believe by the board that the Group was profitable. Annual Accounts in July 2000 declared a profit of £1.2 million. A very positive RNS issued by the board of the Group on the 29th May 2001, claimed that the Company was, "trading ahead of expectations". The RNS referred, inter alia, to a major licensing agreement with Gosh International plc.

2.2 JAG was formed in November 2001 before the Group obtained Administrative Orders (contrary to Mr Graham's first statement at paragraph 8), due to shareholder concerns pertaining to the dismissal of the founder and CEO of the Group, Wilfred Shorrocks and his wife, Paula, the commercial director of the Group, and subsequent suspension of trading of the Group's shares on the Alternative Investment Market (AIM).

2.3 On the 9th January 2002, Administrative Orders in respect of the Group and subsidiary companies were granted by the High Court as a result of the witness statement of David Newcombe, then Group financial director, prepared by Messrs Eversheds.

2.4 Messrs Eversheds represented the Joint Administrators at all material times and acted for the former board of directors of the Group ("the directors") from at least 2000, leading to the appointment of administrators.

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2.5 Following the granting of the Administration Orders, a Data Room was set up by the Group's administrators/KPMG LLP and Messrs Eversheds. Selective records of the Group were made available, but for a limited period of time only, to anyone approved by Messrs KPMG. I attended the Data Room on various occasions in January and February 2002, together with other JAG members John Cotter and David Rose.

2.6 Following the closure of the 'Data Room', information was provided to me and statements were made to me by the directors, the Administrators and partners/employees of KPMG LLP, which secured the support of myself and JAG members and resulted in funds being raised from January to April 2002, in the sum of £1.85 million. Paragraph 13 of Mr Graham's first statement states:

"The source of the Funds is the payment in the sum of £1,850,000 made by JAG to Mishcons on 23rd August 2002".

2.7 On the 15th February 2002 (at page 1-3 of "CAJ1") in response to my enquiries on behalf of JAG members, Ian Miles, executive chairman of the Group as at the 8th January 2002, wrote to me by email and stated, inter alia,

"It is certainly the Boards view that no information was withheld that materially effected Just's share price or caused investors to be misled. [in 2001]"

2.8 JAG members were unable to proceed to help obtain funding to help implement the CVAs for the Group without up to date financial information. Graham Calderbank, former financial director of the Group from 1995 to June 2001, and financial consultant to the Group thereafter, agreed to produce fundamental financial projections ("the projections") based on Group records, in particular royalties due to the Group in respect of 100 license agreements pertaining to the Group's key intellectual property ("IP"), the Butt-Ugly Martians. Mr Calderbank had been involved in negotiating and concluding major contracts for the Group.

2.9 The projections and other Group records in the possession of the Administrators/KPMG were plainly approved in order to propose the CVA's. Mr Calderbank met with and liaised extensively with KPMG/the administrators.

2.10 On the 11th April 2002, Mr Calderbank wrote to me and provided a fundamental financial summary for release, verbatim, to JAG members (at page 4 of "CAJ1"). The information therein resulted in my on going commitment to JAG and, ultimately, the Group, and received the extensive support of JAG members and shareholders in respect of the funding.

2.11 On or around the 29th April 2002, a creditors committee of the Group met and were given three options to consider by KPMG as a way forward:

- (a) the outright sale of the Butt-Ugly Martians IP;
- (b) collection of royalties by KPMG; or
- (c) implementation of a CVA which would necessitate installation of a new board to manage and develop the Company

The chairperson of the creditors committee was Barbara Marshall.

2.12 Immediately following the creditors meeting, on the same day, Alison Lord then a director or partner of KPMG and extensively involved in the Administration of the Group, telephoned me to inform me that the creditors committee had elected to proceed with the CVA.

2.13 On the 30th April, 2002, I received a telephone call from Mrs Marshall and was informed that Mrs Lord had influenced the creditors to proceed with the CVA.

2.14 The CVAs were subsequently implemented as referred to in Mr Graham's first statement.

3.0 Admissions of false accounting by former directors

3.1 I conducted further enquiries into the affairs of the Group and the

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restructuring /section 110 Agreement following the resignations of all but one director of Think Entertainment Plc (Think) between September and December 2004; the resignation of Graham Calderbank, company secretary in November 2004; the provision of power of attorney ("POA") to one individual, Mark Hardy, without a board of directors to conduct Think's affairs and maintain corporate governance, which I found most irregular.

3.2 My extensive efforts resulted in admissions of major false accounting (and thus deception of shareholders) ("the admissions") in detailed telephone discussions which took place between November 2005 and February 2006 with former directors of the Group, Ian Miles (former executive chairman), David Newcombe (former Group financial director), Ronald Lagden (former chairman and non executive director) and Nicholas Underwood (former director of marketing and subsequently chief executive officer) and, in October 2005, from Paul Beverley and Barry Groves, Chief Executive Officer and former Managing Director respectively of Gosh International plc, a former major Licensee of the Group, which was one of the parties to the false accounting. Particulars are in my email to Mr Graham dated the 17th March 2006 at pages 5 - 9 of "CAJ1".

3.3 The admissions of false accounting by David Newcombe and Ian Miles are particularly relevant to the funds due to the fact that following the Administration Orders granted on the 9th January 2002, the directors continued to work at the Group and attended various meetings with and/or on behalf of the Administrators, Mr Newcombe attended a meeting specifically to discuss the accounts of the Group. The meeting was attended by Alison Lord of KPMG and a representative of JAG, David Rose, a chartered accountant.

3.4 The admissions conclusively evidence the following:

(i) the deliberate deception of myself and fellow JAG members and shareholders at the time funds were raised from shareholders, following the granting of Administration Orders on the 9th January 2002;

(ii) a clear conspiracy by former directors of the Group and other parties to conceal the false accounting and deception of shareholders which had taken place in 2001/2002 and prior years;

(iii) that false and misleading RNS statements were issued in 2000 and 2001, creating a false market in the shares on the Alternative Investment Market;

(iv) the dismissal of the founder and then CEO of the Group Wilfred Shorrocks and other directors in August 2001 was due to the falsification of invoices up to £10 million in value with, inter alia, Gosh International plc, and falsification of the Group profits;

(v) incomplete and misleading statements were made by David Newcombe in his witness statement dated the 9th January 2002, submitted to the High Court to obtain the Administrative Orders.

(vi) if the Group had pursued an alleged legal claim against their former auditors Andersen and/or partners (who were subsequently employed by Deloitte and Touche), the false accounting would have been exposed, in particular, the involvement of Graham Calderbank. The claim was dispensed with by the directors allegedly due to claims of "lost accounting records" during the period of administration.

3.5 Eversheds were the solicitors to the Group in 2001 to 2002 at the material time of the false accounting, admitted by the directors, and at the time that the LSE and shareholders were not properly informed with regard to the dismissals of key executive directors. The admissions evidence the dismissals were due to the false accounting. Eversheds also advised the administrators of the Group pertaining to the CVA which failed due to the false accounting and false revenues; and advised the Liquidators pertaining to the restructuring/section 110 agreement in 2004, which has also failed.

3.6 A duty of care was owed to shareholders by the Administrators when the Group was in administration and when the funding was conducted.

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3.7 I have repeatedly requested confirmation of the position with regard to the knowledge of Messrs Graham, McLoughlin, KPMG LLP and Eversheds of the false accounting and advised that in the event that the aforesaid were aware of the false accounting in 2001/2, as plainly appears to be the case, then both firms have a serious conflict of interest. The assurances sought in this respect have not been received (see my email to Eversheds at pages 135-136 of "AWG2").

3.8 On the 26th January 2006, I reported the admissions and deception of shareholders to the Criminal Investigation Department ("CID"). DC Amanda Winterbourne believed that the admissions evidenced major fraud and that the case should be transferred to the Economic Crime Unit ("ECU").

3.9 On the 15th May 2006, I attended the second directions hearing in this matter, to receive the further directions of the Court, which were duly provided.

3.10 In accordance with the directions, I subsequently prepared my witness statement. The following delayed submission of my statement:

(i) I informed the CID of my intention to submit my statement, however, DC Winterbourne advised that my statement would most likely compromise a fraud investigation and asked me to seriously consider my position (see pages 192-194 of "AWG2"). In view of the magnitude of the admissions and the apparent conflict of interest of the Administrators and Eversheds solicitors, I believed that it would not best serve the interests of justice if I were to compromise an investigation.

(ii) I have not received a reply to enquiries I made to Mr Graham on the 1st March 2006 by email at 16.32 hours in respect of the administration of the share offer in 2002 (at page 10 of "CAJ1").

(iii) I believed that provision of the full transcripts would compromise a claim by the shareholders against KPMG.

3.11 I believed that I would be able to rely on the first witness statement of Mr Graham, moreover, the witness statements of the Liquidators of the Group and Mark Hardy (purportedly representing Think Entertainment plc), two other respondents in this matter. However, no witness statements were filed.

3.12 I must impress upon the court that my aforesaid decision was made in the interests of justice, in wholly exceptional circumstances and not out of any disrespect for the court.

3.13 On the 18th October 2006, I attended a meeting with the ECU and CID pertaining to my allegations of fraud. I provided my complete transcripts of recorded conversations with former directors of the Group and Gosh International plc referred to in paragraph 2.1 above. The three hour meeting concluded with DS Etheridge of the ECU informing me that he would refer the case to the Serious Fraud Office, as the SFO had internal accountants and would have the necessary resources to undertake a major fraud investigation given the number of shareholder and sums involved.

3.14 On the 30th October 2006, DS Etheridge advised me that he had consulted the SFO and that it was instructed upon the liquidators to investigate allegations of fraud and file a report to the DTI.

3.15 On the 28th October, 2005, a year previous, I telephoned Mr John Twizell, Joint Liquidator of the Group (and a respondent in this matter) to report the admissions of Paul Beverley and Barry Groves. Mr Twizell informed me that he was unable to take any action as the Liquidators did not have funds to meet the fees of the Liquidators, in addition, Mr Twizell stated that all records of the Group were withheld by Mark Hardy, preventing an investigation in any event.

3.16 On the 7th February 2006, I telephoned Mr Twizell to report further substantive admissions of the Group directors and to ascertain the position with regard to a potential investigation and the Group records being withheld. Mr Twizell informed me that the position had not altered.

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3.17 On the 11th December 2006 (at page 11-14 of CAJ1”), I wrote to Mr Twizell/the Liquidators and copied Eversheds solicitors to conduct further enquiries on behalf of shareholders pertaining to the funds and further issues which includes, inter alia, a Declaration of Solvency signed by former directors in order to place the Group into members voluntary liquidation on the 21st May 2004. The liquidation facilitated a “restructuring” of the Group, pursuant to section 110 of the Insolvency Act 1986, on the 24th June 2004. The Declaration of Solvency has subsequently been deemed to be fraudulent, resulting in the members voluntary liquidation reverting to a creditors voluntary liquidation, on the 8th June 2005, further substantiating the false accounting. The Declaration was prepared by Graham Calderbank.

3.18 Notwithstanding the issue of fraud, two further significant issues would need to be addressed by the Liquidators of the Group (subject to all original records being in their possession), as stated in my aforesaid email to Mr Twizell of the 11th December 2006 pertaining to:

(a) possible over subscription of shares in 2002. The apparent sums raised exceeded £5.6million. The increase in the authorised share capital passed at the EGM was 500m new ordinary shares of 1p each, totalling £5 million.

(b) incomplete accounting records preventing refunds to certain shareholders.

4.0 Mr Graham’s Second Witness Statement

4.1 At paragraph 6.1 of Mr Graham’s second statement, Mr Graham states:

“Mr Jones maintains that the Funds should be paid to the shareholders of Newscreen/Just Action Group because they contributed the money or to the Joint Liquidators of Newscreen and Think (no reason is given for this assertion in Mr Jones’ email dated the 2nd July 2006) (pages 239 to 243 of “AWG2”).

In fact, the date of the email at the aforesaid pages is the 12th July 2006, not the 2nd July 2006; secondly, it will be noted that I do not make the assertion that the Funds should be paid to the Joint Liquidators of Newscreen and Think, contrary to Mr Graham’s assertion.

4.2 In paragraph 6.3 of Mr Graham’s second witness statement of the 8th December 2006, Mr Graham states that I have refused to submit copies of the statements made to me by former directors of the Group. I believe that Mr Graham is referring to copies of complete transcripts of recorded conversations. In my email to Mr Graham of KPMG of the 17th March 2006 at 18:19 GMT (see pages 5-9 of “CAJ1”), I have provided particulars of the admissions and specific quotes of the directors to enable the former administrators and KPMG to consider their position and to enable them to confirm or deny their knowledge of the false accounting at the time the CVA was proposed and shareholder funding obtained. Mr Graham, Messrs KPMG and Eversheds acting on behalf of the former administrators and/or KPMG LLP have continuously failed to do so.

5.0 Alleged fees and costs of the Administrators of EDI / the applicants

5.1 Following the admissions of false accounting to me, I made numerous telephone calls to Allan Graham and left voice mail messages for the specific purpose of re-establishing contact in order to discuss the admissions of fraudulent conduct pertaining to the Group and the funding obtained from shareholders.

5.2 On the 8th February 2006, I received a return call from Nicola Twidale of KPMG on my office voice mail. I duly telephoned Ms Twidale the same day and discussed the admissions of false accounting in some detail. I was advised that Mr Graham was unavailable. I stressed the magnitude of the admissions to the fundraising for the Group in 2002. Ms Twidale asked me to confirm the position in writing to KPMG. There was no mention of EDI.

5.3 On the 9th February 2006, I wrote to Allan Graham, specifically and only in his capacity as former administrator of the Group. The subject heading of my

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email is "Just Group plc and the Just Action Group". A copy is at page 15 of "CAJ1". I stated to Mr Graham,

"I would further confirm that I have recently spoken to various former directors of Just Group plc and obtained admission of false accounting at Just Group from 1999/2000 and 2001. David Newcombe, financial director from June 2001 to January 2002, has stated that the false accounting was "going on for two to three years".

I would also be grateful if you could advise, therefore, whether you were made aware of the position by former directors of Just Group upon your appointment or, in the alternative, whether you uncovered the fraudulent activity after our appointment".

5.4 On the 10th February, I received an acknowledgment from Ms Twidale, informing me that Mr Graham would reply "comprehensively" during the week commencing 20th February 2006 (page 16 of "CAJ1").

5.5 On the 24th February 2006, in the absence a reply, I wrote again to Mr Graham (page 16 -18 of "CAJ1")

5.6 On the 28th February 2006, I received a reply by email, sent by Nicola Twidale at 16.18 GMT but evidently dictated by Allan Graham, which failed to address the fundamental issue of the false accounting. Mr Graham evaded the issue by referring to a "change in accounting policy" at the Group. The alleged change was reported in an RNS issued on the 31st August 2001 and it is now evident was used as a smokescreen to conceal the false accounting and real reasons for the dismissals of Mr and Mrs Shorrocks, reported in the same RNS. A copy of the email is at pages 19-20 of "CAJ1". Mr Calderbank had already resigned in June 2001. Mr Newcombe has now stated the resignation was due to Mr Calderbank's involvement in the false accounting, although this was concealed from myself and fellow JAG members in 2002.

5.7 On the 28th February 2006, I wrote an email at 16.56 GMT to Mr Graham in reply to his aforesaid email and stated as follows:

"in relation to false accounting at Just Group Plc, you only refer in your comments today to a "change in accounting policy". Of course this is an entirely different matter to the issue of false accounting as David Newcombe has recently admitted to me. I provide a copy of the relevant extract below from my email. I would be grateful for your response to the question previously asked."

A copy of my email to Mr Graham is at page 19 of "CAJ1".

5.8 On the 1st March 2006, I wrote to Mr Graham by email and stated:

"I understand that you and/or KPMG were aware of the false accounting, either prior to or shortly following your appointment on the 9th January 2002. I would appreciate confirmation of the position as previously requested."

A copy of my email to Mr Graham is at page 21 of "CAJ1".

5.9 On the 7th March 2006, I wrote to Mr Graham by email headed "Just Group" and stated, inter alia "I await your reply to my emails regarding the false accounting at Just Group plc."

A copy of my email to Mr Graham is at page 22-23 of "CAJ1".

5.10 On the 9th March 2006, I wrote to Mr Graham by email headed

"Just Group plc - False accounting".

I refer therein to the absence of replies to the issue of the false accounting in the aforesaid emails and telephone call. I also refer to the extensive role of Graham Calderbank, whom KPMG reappointed as a director on the 1st July 2002 to help finalise the shareholder funding and implement the CVA's. I stated in my email:

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"The statements which I have obtained from former directors in recent months substantiate that a cover up of the false accounting and market abuse has taken place.

Please therefore advise by return when you and/or KPMG became aware of the false accounting. I would request your urgent reply on the matter..."

A copy of my email to Mr Graham is at page 24 of "CAJ1".

5.11 On the 10th March 2006 Nicola Twidale of KPMG replied:- "I confirm that we met with our lawyers on Monday in regard to this matter generally."

Ms Twidale copied the email to Mr Graham and Eversheds solicitors.

5.12 On the 21st September 2006 I wrote an email to Eversheds (see pages 219-220 of "AWG2") headed:

Former Administration of Newscreen Media Group plc (in liquidation) formerly Just Group plc ("the Group"), false accounting and deception of shareholders and JAG members.

I stated:

"I would point out that this communication and issues herein do not relate to the current EDI Application pending in the High Court, save for the fact that you have made an inaccurate and unfounded assertion which has resulted in unnecessary additional correspondence. This matter will be brought to the attention of the Court at the appropriate time in relation to costs, pursuant to the costs order obtained by your client on the 20th March 2006."

5.13 The absence of replies or evasive replies to questions I have asked on behalf of shareholders to establish the true facts pertaining to the false accounting have generated additional and unnecessary correspondence between the parties and caused substantial delays.

5.14 It will be apparent from the foregoing that knowledge of the false accounting by Messrs Graham, McLoughlin and/or other partners or employees of KPMG LLP would be fundamental to the costs Order made at the directions hearing on the 20th March 2006.

In summary on the matter of the applicants alleged costs in this matter to the 1st December 2006:

(a) Messrs Graham and McLoughlin are no longer administrators of the Group and the two subsidiary companies which were subject to the CVAs in 2002.

(b) Fees of the administrators of EDI and legal costs incurred pertaining to the conduct of KPMG partners and employees and issues pertaining to the false accounting cannot be properly charged to the Administration of EDI.

(c) The Applicants have included substantial correspondence in the Exhibit "AWG1" and "AWG" which plainly relates to the former administration of the Group and not EDI.

(d) The Applicants' have advantaged themselves with regard to their fees in refusing to answer questions pertaining to their actions as former administrators of the Group, for which they are fully accountable and have then charged considerable time costs and legal fees to the EDI Application.

I accordingly and respectfully request the court to consider:

(a) the manner in which the costs Order was obtained by the Applicants on the 20th March 2006; and

(b) the manner in which the Applicants have deducted substantial sums from the EDI Funds.

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Statement of Truth

I believe that the facts stated in this witness statement are true.

Signed _____

Full Name: CHRISTOPHER ANDREW JONES
Date: 15th of December 2006

Date: Fri, 17 Mar 2006 13:19:28 EST
Subject: Just Group plc - false accounting and deception of shareholders

Mr A. Graham
Joint Administrator of EDI Realisations Limited, Partner KPMG Former Joint
Administrator of Just Group plc,

Dear Mr Graham,

I refer to the email of the 10th March 2006 from your colleague Nicola Twidale, which I note is copied to yourself and Eversheds.

With regard to Ms Twidale's request in her email for copy statements of the former directors of Just Group plc which I have obtained in recent months, it would be inappropriate to disclose the full statements if it is the case, as has recently been indicated by David Newcombe (former Just Group plc Group Finance Director), that KPMG were aware of the false accounting prior to the Just Group plc EGM on the 2nd August 2002.

Given the events in 2002 and funding obtained from shareholders, if it is the case that you and/or KPMG partners were aware of the false accounting, referred to in my telephone discussion with Nicola Twidale on the 8th February 2006 and in my email to yourself of the 1st March 2006, in my considered opinion, KPMG partners, including yourself, would now have a conflict of interest,

I have been in communication with yourself and Ms Twidale since the 8th February 2006, in an attempt to confirm, without success, if you and KPMG were aware of the false accounting at Just Group plc prior to or following your appointment. I would confirm the current position and provide further particulars below, to enable you to consider and advise me of your and KPMG's position accordingly.

1. I would confirm that I have had a number of detailed discussions with, and have obtained substantive statements from David Newcombe, Ian Miles, Ronald Lagden, Keith Gutteridge and Nicholas Underwood, all former directors of Just Group plc, in addition, to Paul Beverley and Barry Groves, the chairman and managing director respectively of Gosh International plc. The latter, as you will be aware, was a former major licensee of Just Group plc for several years pre-2002. All conversations were recorded due to the severity of the issue and previous inconsistencies which had arisen in September 2002, to which I refer herein. The transcripts of conversations exceed 180 pages.

2. The statements obtained confirm, unequivocally, that Wilfred Shorrocks, Graham Calderbank and Phillip Ogden were responsible for false invoicing and/or contracts and the production of side letters which negated the invoices and/or contracts. I refer you to my email of the 1st March, 2006. The false invoices and contracts were included in the Just Group plc annual accounts in 2000 and 2001 (and possibly 1999) to grossly inflate the sales and produce falsified "paper" profits in 2000 and 2001.

3. The false invoices included, inter alia, a £10 million invoice to Gosh International plc, in April 2001. Messrs Beverley and Groves have both confirmed that "many side letters" were produced between Just Group plc and Gosh International plc to negate false invoices and contracts, for a period of two to three years. It has been clearly established that the aforesaid invoice was

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falsified.

4. The falsified £10 million invoice resulted in a false and deceptive RNS No 2611E of the 29th May 2001, in which it was falsely claimed that the Company was "trading ahead of expectations". Gosh International plc is referred to in the RNS. It is now clear that the misleading statement resulted in the deception of shareholders and potential investors.

5. David Newcombe informed me on the 20th January, 2006 that he was aware, in 2001, of the falsification of invoices and production of "side letters" to negate the false invoices.

6. Mr Newcombe further confirmed that Wilfred Shorrocks was dismissed from his position as CEO, in August 2001, due to false invoicing and claimed that Graham Calderbank resigned his position as finance director due to his involvement in the false accounting. This fundamental information was withheld from shareholders and the stock market in 2001, creating a false market in the shares. Furthermore, the information was, most critically, withheld from myself and fellow members of the Just Action Group ("JAG") in 2002.

7. Mr Newcombe further informed me that he had completed and filed a report to KPMG/the Administrators prior to his resignation as a director from Just Group (believed to be in or around March 2002), to enable you to submit a report to the DTI.

8. I have attempted to contact you at the beginning of February 2006, to no avail. I left numerous voice mail messages at your office in which I referred to a 'serious and delicate matter' regarding Just Group plc. My calls were not returned. After leaving several messages, Nicola Twidale telephoned myself on your behalf, on the 8th February, 2006.

9. In my telephone discussion on or around the 7th February 2006, with the former KPMG director, Alison Lord, whom you are aware had an extensive role in the administration of Just Group in 2002, I asked Ms Lord if she

"was aware of the side letters which negated contracts and invoices at Just Group pre 2002".

Ms Lord replied that she "could not remember"; she then immediately referred me to yourself. Given the severity of the matter and her extensive role in the administration, I believe that Ms Lord would have been able to recall if false invoices and side letters had not been produced. Ms Lord did not refer to the change in accounting policy and did not seek any clarification whatsoever of the issue.

10. Ms Twidale advised me on conclusion of our discussion on the 8th February 2006 that she had made copious notes during my discussion with her. I would be most surprised if the salient points of my discussion, outlined above, were not brought immediately to your attention by Ms Twidale on the conclusion of my discussion with her.

11. In my subsequent email to you of the 9th February 2006, I referred to "admissions of false accounting" by various former directors of Just Group, in addition to "fraudulent activity".

12. On the 10th February, 2006, I received an acknowledgement and notification from Ms Twidale that I would receive a comprehensive reply from you week commencing the 20th February 2006.

13. In the subsequent email sent to me of the 28th February 2006, issued again by Ms Twidale on your behalf, you only referred to the "change to the [Just Group] accounting policy". Significantly, I had not referred to the said policy. I replied on the same date as follows:

I note your comments. However, with regard to the second and more significant point raised in my email of the 9th February, in relation to false accounting at Just Group plc, you only refer in your comments today to a "change in accounting policy". Of course, this is an entirely different matter to the issue of false

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accounting, as David Newcombe has recently admitted to me.

I provide a copy of the relevant extract below from my email. I would be grateful for your response to the question previously asked, highlighted in bold.

"2. I would further confirm that I have recently spoken to various former directors of Just Group plc and obtained admissions of false accounting at Just Group from 1999/2000 and 2001. David Newcombe, financial director from June 2001 to January 2002, has stated that the false accounting was "going on for two to three years."

I would also be grateful if you could advise, therefore, whether you were made aware of the position by former directors of Just Group upon your appointment or, in the alternative, whether you uncovered the fraudulent activity after your appointment."

14. In my subsequent email to you dated the 1st March, 2006, I stated as follows:

"Further to my email of yesterday's date, for avoidance of any doubt, the false accounting to which I refer is that mentioned to your assistant Nicola, in our telephone discussion on the 8th February 2006, that is:

* the falsification of invoices and/or contracts by Just Group plc directors, which were then immediately negated by "side letters" for the 'protection' of the licensee, with whom the fraudulent agreement was made.

I understand that you and/or KPMG were aware of the false accounting, either prior to or shortly following your appointment on the 9th January 2002. I would appreciate confirmation of the position as previously requested.

I look forward to your prompt reply."

15. I have not received a reply to date to the pertinent paragraph in my emails of the 9th and 28th February, and the 1st March, detailed above, despite the severity of the issue.

16. I confronted Miles with the issue of the false accounting in a telephone discussion on the 8th February 2006. Miles admitted that Just Group plc "was run crookedly" and confirmed that the false accounting had taken place. Shorrocks, Calderbank and Ogden were considered by Miles to be responsible for the false invoicing and side letters.

17. Newcombe has admitted that the false accounting and the change in accounting policy are two wholly different issues, which has serious implications with regard to the conduct of the board and trading statements issued in 2000 and 2001, including, inter alia:

- o RNS No. 7177X issued on the 24th January 2001
- o RNS No 2611E, referred to above, issued on the 29th May 2001
- o RNS No. 3117J issued on the 31st August 2001

and with regard to Newcombe's Witness Statement, signed in January 2002, in order to obtain the Administration Order.

18. I confronted Nicholas Underwood with the admissions obtained last month. Underwood was Just Group 'director of marketing' from 1999 to October 2001 (although not a main board director at that time) and was involved in the funding obtained in 2002, after having been proposed and recommended by Calderbank. You will be aware that Underwood was appointed to the main board by the Joint Administrators/KPMG on the 1st July 2002. Underwood has now provided corroborating information relating to the production of "side letters", and further claimed that a falsified Just Group plc invoice, in the sum of over £1.5 million, was issued to Hasbro, in order for Just Group to "meet the numbers at the year end in April 2001". This information was also withheld from myself and fellow shareholders in 2001 and, again, critically, in 2002.

Untitled

19. I obtained a substantive statement on the 19th November, 2005 from Ronald Lagden, former chairman and a non executive director of Just Group at the time the Company was placed into administration. Mr Lagden has now admitted that one of the reasons Shorrocks was dismissed from the Company in 2001 was due to false invoicing at the year end.

20. It is now evident that the witness Statement signed by Newcombe in January 2002, by his own admissions, misled the Court (and, subsequently, myself and fellow JAG members) in several respects, including the manner in which the change in accounting policy is relied upon, a failure to refer to the false accounting and regarding the reason for the dismissal of Wilfred Shorrocks.

21. I have now established that the dismissal in September 2002 of two key executives at Just Group, Phillip Ogden director of sales and Alan Shorrocks, director of licensing and brother of Wilfred Shorrocks, was due to the false accounting. It is also clear that this critical information was withheld from the market and shareholders in 2001, presumably in order to prevent the public exposure of the false accounting and market abuse.

22. On the 29th April 2002, Alison Lord recommended the "rescue" of Just Group plc from administration and implementation of a CVA to a Just Group Plc Creditors Committee as the preferred option to selling the Butt-Ugly Martians IP, or to the Company remaining in administration for KPMG to collect outstanding royalties. The Creditors Committee supported the proposal. Considerable correspondence subsequently took place between Calderbank and employees of KPMG, in particular Alison Lord and Craig Johannsen, acting on behalf of the Joint Administrators, pertaining to the collection of outstanding royalties on the intellectual properties and the projections produced by Calderbank, used as the foundation for the rescue process and subsequent funding. The projections produced by Calderbank were founded on one hundred "signed" licence agreements in respect of the Butt-Ugly Martians IP. A summary was provided by Calderbank for distribution by to all JAG members in April 2002 to obtain shareholder support.

23. On the 18th September 2002, at a board meeting, Calderbank issued a financial report, without my prior knowledge or approval, in an irregular manner, in which he substantially reduced alleged royalties due in respect of the Butt-Ugly Martians.

24 (a) A significant aspect of the rescue of Just Group in 2002, as you are aware, was the alleged substantial legal claim against the former partners of Arthur Andersen Audit, for the alleged failure of due diligence in the purchase of Mediakey plc by Just Group plc in 2000. The claim was evaluated and fully supported during the rescue process by former Just Group directors, including the Shorrocks', Calderbank and Lagden.

(b) Calderbank claimed to have extensive knowledge of the claim and was consulted by Eversheds to prepare their Preliminary Legal Report of May 2001. Calderbank was naturally best placed, as former financial director at the time of the acquisition and in the following six months, to determine and assess the losses and costs incurred as a result of the alleged negligence.

(c) At a board meeting on the 25th September 2002, Calderbank provided an ultimatum to the newly appointed board, including myself, that the legal claim would have to be dispensed with due to the alleged "loss" of Just Group plc accounting records during the period of administration. The ultimatum was made that the board would have to "co-operate" with former partners of Andersen, the former Just Group auditors, to obtain accounting records. The partners had since joined Deloitte and Touche. There had been no prior indication whatsoever, despite the significance of the legal claim and Calderbank's approval of Just Group plc letters issued in 2002 (pre August EGM), that the claim may not be pursued and/or "co-operation" with former Andersen partners may prove necessary.

(d) The Just Group plc accounts were never signed off, despite the boards and Calderbank's "co-operation" with Deloitte and Touche and, more specifically, the former partners of Andersen, which allegedly resulted in the legal claim not being pursued.

Untitled

25. In a Just Group plc letter written by other directors and issued on the 12th November 2002, Calderbank and Underwood incorrectly asserted that I had valued the legal claim against Andersen. The letter also implied that Calderbank and Underwood had not supported the claim and/or valuation during the rescue period. It is now clearly evident, that Calderbank would not, under any circumstances, have wanted to expose himself to the serious repercussions of his involvement in the false accounting, which would have undoubtedly been revealed if legal action had been pursued by former Andersen partners.

In summary, the statements recently obtained substantiate:-

A. False accounting at Just Group plc in 2000 and 2001.

B. Deceptive trading statements were issued by the Just Group plc board to deceive shareholders and the market as to the true financial position and the trading position of the Company in 2000 and 2001.

C. The "change in accounting policy" was used by the board of directors in August 2001 and thereafter as a 'smokescreen' to conceal the false invoicing, side letters, deceptive trading statements and market abuse.

D. The former directors of Just Group were involved in a conspiracy to deceive shareholders, members of the Just Action Group and myself in 2002.

I would therefore request urgent confirmation of your position as former Joint Administrator and that of KPMG, in accordance with my previous email requests outlined above, to enable me to give due consideration to the full disclosure of the statements and further appropriate action.

With regard to your instructing Eversheds' solicitors in this matter, the firm were the legal advisors to Just Group plc in 2000 and 2001 during the period of fraudulent activity and appointment of the Joint Administrators by means of Newcombe's misleading witness Statement. I am obliged to raise this issue in order to ensure that the position of members of the Just Action Group and former shareholders is not further compromised.

Please note that I have not referred to all issues of concern and/or all information in my possession. On behalf of the JAG members, I reserve the members position generally.

I await to hear from you.

Yours sincerely

Christopher Jones
For members of the Just Action Group