

DATED

21

June

2004

- (1) NEWSCREEN MEDIA GROUP PLC
- (2) NSMG (2004) PLC
- (3) THE LIQUIDATORS

RECONSTRUCTION AGREEMENT

pursuant to section 110 Insolvency Act 1986



EVERSHEDS

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THIS AGREEMENT is made on

21 June

2004

BETWEEN

- (1) NEWSCREEN MEDIA GROUP PLC (registered number 02870308) (in members' voluntary liquidation) whose registered office is at Suite 4, Burlington House, Burlington Street, Chesterfield, Derbyshire S40 1RS ("the Company") acting by its liquidators GEOFFREY MARTIN AND JOHN TWIZELL of Geoffrey Martin & Co, 28 Park Place, Leeds LS1 2SP ("the Liquidators");
- (2) NSMG (2004) PLC (registered number 05121390) whose registered office is at Suite 4, Burlington House, Burlington Street, Chesterfield, Derbyshire S40 1RS ("NSMG");
- (3) THE LIQUIDATORS.

BACKGROUND

- (A) By a resolution of the directors of the Company passed at a duly convened board meeting held on 20 May 2004 it was resolved that the directors execute a Statutory Declaration of Solvency pursuant to section 89 of the Insolvency Act 1986.
- (B) By a special resolution of the Company passed on 21 May 2004 the members resolved, inter alia, that the Company be placed into members voluntary liquidation and that the Liquidators be appointed as joint liquidators for the purposes of such liquidation and that the Liquidators be authorised pursuant to section 110(3) of the Insolvency Act 1986 to enter into and give effect to this Agreement.
- (C) It is proposed that the whole of the Company's property undertaking and assets be transferred to NSMG in consideration for the issue of NSMG Shares to the Shareholders in the same proportions as they hold shares in the Company by way of distribution by the Liquidators pursuant to section 110 of the Insolvency Act 1986 in accordance with and subject to the terms of this Agreement.

OPERATIVE PROVISIONS

1. INTERPRETATION

In this Agreement:

- 1.1 Unless the context otherwise requires, the following expressions shall bear the following respective meanings:

"Assumed Obligations"	all the debts and other obligations incurred in the ordinary course of the Business existing at the date of this Agreement and incurred since the approval of the CVA of the Company together with the liabilities under or in respect of the certificates issued or to be issued pursuant to the Loan Note
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“Business”	the business of ownership, development and exploitation of intellectual property rights (including the Character Rights) carried on by the Company (together with the Subsidiaries)
“the Business Assets”	the whole of the Company’s present and future property, undertaking and assets in respect of the Business including whatever right, title and interest the Company has in and to the Shares, the Character Rights and the Intellectual Property including those more particularly described in the Schedule hereto
“Character Rights”	all rights legally or beneficially held or enjoyed by the Company (whether as owner, co-owner, licensor, licensee, distributor, joint venturer, trustee or otherwise) to produce, distribute, exploit or develop or to procure the production, distribution, exploitation or development in any form of media or by way of merchandising, licensing, promotion, or other form of commercial exploitation in any real or fictional characters including (but not limited to) the characters or groups of characters known under the names Jellies, Jellabies, Jellikins or Butt Ugly Martians or any television programmes associated therewith
“Completion”	the completion of the transfers under this Agreement pursuant to clause 10
“Contracts”	all orders, contracts, agreements and engagements entered into prior to Completion by or on behalf of the Company in connection with the Business which will continue to be performed or which remain (in whole or in part) to be performed including agreements relating to the Character Rights to which the Company is a party or counterparty
“Conversion Rights”	the entitlement conferred by clause 4 of the Loan Note
“CVA”	the voluntary arrangement in respect of the Company and the Subsidiaries pursuant to Part 1 of the Insolvency Act 1986 approved on 2 August 2002 as amended on 5 November 2003
“Dissenting Member”	has the meaning set out in clause 7

"Intellectual Property"

in addition to the Character Rights, any patents, inventions, know-how, trade secrets and other confidential information, registered designs, copyrights, data rights affording equivalent protection to copyright, database rights, design rights, logos, domain names, moral rights and all registrations or applications to register any of the aforesaid items, rights in the nature of any of the aforesaid items in any country or jurisdiction, rights in the nature of unfair competition rights and rights to sue for passing off held and used by the Company in connection with the Business as at Completion, whether held by the Company legally or beneficially and such of those rights (if any) as the Company holds on behalf of the Subsidiaries

"Loan Note"

the Loan Note instrument dated 5 April 2004 constituting up to £3,500,000 convertible loan notes 2005-2009 of the Company

"NSMG Shares"

an equivalent number of ordinary shares of 0.1 pence each in the capital of NSMG to the number of ordinary shares of 1 pence each in the capital of the Company issued or remaining to be issued to the Shareholders which are to be allotted credited as fully paid to the Shareholders (as appropriate) in accordance with the terms of this Agreement with the rights attaching thereto in terms of the Articles of Association of NSMG

"Reconstruction Circular"

the circular for the proposed reconstruction of the Company issued to Shareholders and dated 27 April 2004

"Shares"

the entire issued capital in each of the Subsidiaries as at Completion

"Shareholders"

the members of the Company registered as such as at the date of the resolution in recital B (and any other person entitled to be so registered)

"Subsidiaries"

Newscreen Licensing Limited, Newscreen Entertainment Limited and Lime Television Limited, all being wholly owned subsidiaries of the Company

- 1.2 References to this Agreement include all the schedules and recitals and each of the Schedules shall have effect as if set out in this Agreement.

- 1.3 References to clauses and Schedules are references to clauses and Schedules of this Agreement and references to clauses are unless otherwise stated, references to clauses of the clause or Schedule in which the reference appears, and references to this Agreement include the Schedules and any document in agreed terms.
- 1.4 References to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other provisions from time to time and shall include references to any provisions of which they are re enactments (whether with or without modification).
- 1.5 References to the Liquidators includes references to their personal representatives and estate and to the partners and employees of Geoffrey Martin & Co.
- 1.6 References to documents "in the agreed form" shall mean that such document has been either initialled by or on behalf of the parties hereto in contemplation of this Agreement or incorporated into this Agreement as a Schedule.
- 1.7 The headings and sub-headings are inserted for convenience only and shall not affect the construction of this Agreement.

2. **CONDITION PRECEDENT**

This Agreement is conditional upon the number and value of the shares in the capital of the Company held by the Dissenting Members (if any) not exceeding an amount which, in the opinion of the Company's directors and the Liquidators, would prejudice the Company's ability to comply with the declaration referred to in recital A.

3. **TRANSFER OF THE ASSETS, ASSUMED LIABILITIES AND LOAN NOTE**

3.1 On the date of this Agreement, the Company acting by its Liquidators shall, insofar as it is competent and able so to do, transfer to NSMG and NSMG shall acquire the Business and the Business Assets.

3.2 In consideration of the said transfer:

3.2.1 subject to clause 7, NSMG shall allot and issue, credited as fully paid, free from all liens, charges and encumbrances the NSMG Shares by way of distribution to the Shareholders in like proportion to their holdings of the issued capital in the Company;

3.2.2 NSMG shall with effect from Completion assume responsibility for the payment, discharge or satisfaction of the Assumed Obligations and shall indemnify and keep indemnified the Company and the Liquidators fully and effectively indemnified against any claim or loss howsoever arising in respect of the Assumed Obligations (or any of them) or in respect of any omission on the part of NSMG to discharge or satisfy the same; and

3.2.3 subject to clause 8, NSMG shall with effect from Completion assume responsibility for all liabilities of the Company arising under the Loan Note (whether such liabilities have arisen prior to or arise following the date hereof) so that all references in the Loan Note to the Company shall be read

as references to NSMG and NSMG covenants to indemnify and keep indemnified the Company and the Liquidators in respect of all amounts paid or payable by the Company and all costs incurred by it in relation to the Loan Note.

3.3 The Company (acting by the Liquidators) shall transfer to NSMG and NSMG shall assume and hereby does assume responsibility for the payment and discharge of the fees, costs and expenses incurred or to be incurred by the Company in respect of the reorganisation of the Company.

3.4 NSMG hereby indemnifies the Company and the Liquidators in respect of all liabilities assumed by NSMG pursuant to clause 3.3.

4. TITLE TO THE ASSETS

4.1 NSMG hereby accepts without investigation such title as the Company has to the Business Assets being transferred to it and shall not raise any objection or requisition in respect thereof.

4.2 Subject to clause 5 no representation, warranty, undertaking or condition is given, nor is any to be implied on the part of the Liquidators in their personal capacity as liquidators, as to the right, title or interest of the Company in or to the Business Assets or that the Business Assets are free from mortgages, charges, liens and encumbrances.

5. TRANSFER OF LEGAL TITLE

5.1 Until legal title to any part of the Business Assets to be transferred hereunder shall have effectively transferred to NSMG, the Company shall hold such part of the Business Assets on trust for NSMG pursuant to this Agreement but for its full risk and benefit subject only to the transfer of legal ownership of the Business Assets hereunder.

5.2 The Company and the Liquidators, insofar as they are respectively able to do so by law, shall at the cost of NSMG comply with all reasonable and proper requests made by NSMG in respect of the Business Assets or any part thereof, provided that NSMG shall be responsible for the costs associated with any requests it makes in relation to the assets to which it is entitled under this Agreement and all income, dividends, distributions, interest and other rights and benefits received after the date of this Agreement.

6. THE CONTRACTS

6.1 NSMG shall take over, adopt and accept responsibility for (whether by assignment, novation or otherwise) the completion of the Contracts and NSMG shall indemnify and keep the Company and the Liquidators and each of them fully indemnified against any claim or loss in respect of the performance or non-performance of the Contracts by NSMG.

6.2 Insofar as any of the Contracts cannot effectively be assigned to NSMG without the consent of a third party or except by an agreement of novation:

- 6.2.1 the Company and NSMG shall (at NSMG's expense) co-operate (so far as is reasonable and practicable) to procure that such consent is obtained and NSMG shall enter into such form of novation as the Company shall reasonably require;
- 6.2.2 unless and until such consent is obtained or any such Contract is novated, NSMG shall, for its own benefit and to the extent that such Contract permits, perform on behalf of the Company or the Liquidators (as the case may be) (but at NSMG's expense) all the obligations of the Company and the Liquidators thereunder and shall indemnify and keep the Company and the Liquidators and each of them fully indemnified against any claim or loss arising as a result of any act, neglect, default or omission on the part of NSMG to perform or comply with any such obligation of the Company or the Liquidators.
- 6.3 Any failure to assign or to novate any Contract shall not entitle NSMG to claim compensation or damages or entitle NSMG to rescind this agreement all rights to which are hereby expressly waived and released by NSMG.

7. DISSENTIENTS

If the Liquidators shall, in order to carry the said transfers into effect, have occasion to purchase the interest in the Company of any Shareholder who effectively dissents from the special resolution set out in recital (B) in accordance with the provisions of section 111 of the Insolvency Act 1986 ("a Dissenting Member"), NSMG shall on demand by the Liquidators provide to the Liquidators, as further consideration for the transfers contemplated by this Agreement and instead of the issue of any NSMG Shares which would otherwise be issued to the Liquidators for distribution to the Dissenting Member, amounts sufficient to purchase the said interest from the Dissenting Member in accordance with the provisions of the said section 111.

- 7.1 Any such Dissenting Member whose interest is purchased as aforesaid shall not be entitled to receive NSMG Shares as otherwise contemplated by this Agreement.
- 7.2 NSMG shall not be obliged to allot shares to the Liquidators in respect of the interests of the Dissenting Member, but, if they do or have done, such shares shall be applied by the Liquidators to all Shareholders (other than any Dissenting Member) as nearly as practicable in the circumstances pro rata to their holdings of ordinary shares in the Company (disregarding for this purpose the holding of any Dissenting Member).

8. CONVERSION RIGHTS

To the intent that the Conversion Rights conferred on the holders of the Loan Notes shall confer an equivalent entitlement if exercised in relation to NSMG instead of the Company, the said Conversion Rights will, if exercised, entitle a noteholder to such equivalent proportion of the NSMG Shares as would have been allotted in the capital of the Company having regard to the par value of the shares in the capital of NSMG and of the Company at the date of conversion.

9. EXCLUSION OF LIQUIDATORS' PERSONAL LIABILITY

It is hereby agreed and declared that the Liquidators are entering into this Agreement solely in their capacity as Liquidators on behalf of the Company and accordingly they shall only be obliged to perform any obligations hereunder to the extent they are able so to do in such capacity and they shall incur no personal liability in relation to this Agreement (or in relation to anything done pursuant to this Agreement).

10. COMPLETION

10.1 Completion of the disposal and acquisition in terms of clause 3.1 of this Agreement shall take place forthwith after the execution of this Agreement.

10.2 Upon completion of the disposal and acquisition in terms of clause 3.1 of this Agreement the Company acting by its Liquidators shall deliver to NSMG a duly executed stock transfer form in respect of the Shares.

10.3 Upon completion of the disposal and acquisition of the Business and Business Assets, NSMG shall allot the NSMG Shares to the Shareholders in accordance with clause 3.2.1 and shall deliver to the Company for distribution by or upon the direction of the Liquidators to the Shareholders the relevant share certificates (or other sufficient evidence of title to the NSMG Shares) and shall take all steps as are necessary to ensure that the Shareholders are entered in the registers of members of NSMG as the holders of the relevant number of NSMG Shares.

11. FURTHER ASSURANCE

Each of the parties shall (and shall use its reasonable endeavours to procure that any other necessary person shall) at the request and expense of any other execute all such deeds, documents and instruments and perform all such acts and things as may be necessary following Completion for the complete performance of the obligations of each of the parties under this Agreement.

12. SATISFACTION OF INTERESTS IN HOLDINGS

The allotment and issue of the NSMG Shares to the Shareholders in accordance with this Agreement is and is intended to be in full satisfaction and discharge of the Shareholders' entitlements and interests as members of and arising pursuant to the liquidation of the Company.

13. LIABILITIES OF THE COMPANY.

The parties expressly acknowledge and agree that all obligations and liabilities of the Company under or arising in connection with this Agreement shall cease absolutely upon and with effect from the Company's dissolution and no party shall take any step to oppose such dissolution, or the release of the Liquidators, on the grounds that any such obligation or liability remains outstanding at that time.

14. COUNTERPARTS

This Agreement may be executed in any number of counterparts all of which taken together, shall constitute one and the same Agreement. Any party may enter into this agreement by executing a counterpart.

15. GENERAL

15.1 Successors

This Agreement shall be binding upon and enure for the benefit of the parties and their successors and assignees (as the case may be) provided that no party shall assign the benefit of this Agreement without the consent of all the other parties.

15.2 Whole agreement

This Agreement (together with any documents referred to herein) constitutes the entire agreement between the parties relating to its subject matter and no variations shall be effective unless made in writing and signed on behalf of the parties.

15.3 Agreement survives completion

This Agreement shall, insofar as it remains to be performed, continue in full force and effect notwithstanding completion, the termination of the liquidation and the dissolution of the Company.

15.4 Notices

Any notice required to be given hereunder shall be in writing and shall be served by sending the same by pre paid first class post or by delivering the same by hand to the registered office for the time being of the relevant party or to such other address as the parties may notify to the other for the purposes of this agreement. Any notice sent by post, in accordance with this clause, shall be deemed to have been served 48 hours after despatch and in proving the service of the same, it will be sufficient to prove, in the case of a letter sent by post, that such letter was properly stamped, addressed and placed in the post, and in the case of a letter delivered by hand, that the same was actually delivered to or left at the address in question.

15.5 Enforcement by Third Parties

Save as set out in clauses 1.5, 8 and 15.1 of this Agreement, the parties to this Agreement do not intend that any of its terms will be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person not a party to it.

15.6 Announcements

~~No announcement concerning the transactions contemplated by this Agreement or any matter ancillary to it and no disclosure of the terms of this Agreement will (save as required by law) be made by any of the parties except with the prior written approval of the other parties to this Agreement.~~

16. **GOVERNING LAW**

This agreement shall be governed and construed in accordance with English law and the parties hereto submit to the jurisdiction of the courts of England and Wales.

AS WITNESS the parties hereto have executed this Agreement on the date shown on the first page.

SCHEDULE

Business Assets

1. the Shares (being 100 ordinary shares of £1 in the capital of Newscreen Licensing Limited (CRN 02186267); 2 ordinary shares of £1 each in the capital of Newscreen Entertainment Limited (CRN 03341698) and 2 ordinary shares of £1 each in the capital of Lime Television Limited (CRN 04620963));
2. the Character Rights;
3. any cash at bank in excess of amounts required for the restructuring and winding up of the Company;
4. the goodwill of the Company in connection with the Business;
5. all plant, machinery, tools, equipment, chattels, furniture, fixtures and fittings and any stock in trade used in the Business as at Completion;
6. the Company's receivables (including inter-company receivables payable by any of the Subsidiaries) and royalty rights as at Completion;

SCHEDULE

Business Assets

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5. all plant, machinery, tools, equipment, chattels, furniture, fixtures and fittings and any stock in trade used in the Business as at Completion;
6. the Company's receivables (including inter-company receivables payable by any of the Subsidiaries) and royalty rights as at Completion;

SIGNED by GEOFFREY MARTIN/JOHN)
TWIZELL as joint Liquidator for and on)
behalf of NEWSCREEN MEDIA)
GROUP PLC in the presence of:)

Witness signature:

Name:

Address:

Occupation:

SIGNED by)
duly authorised to sign for and on behalf of)
NSMG (2004) PLC)
in the presence of:)


H.D. CLEMENT.

Witness signature:



Name: ROBERT SELDON

Address: SUNRISE MAIN STREET
WALTON L22 3TJ

Occupation: CHARTERED ACCOUNTANT

SIGNED by GEOFFREY MARTIN/)
JOHN TWIZELL one of the joint)
Liquidators on behalf of himself and his Joint)
Liquidator in the presence of:)

Witness signature:

Name:

Address:

Occupation:

SIGNED by GEOFFREY MARTIN/JOHN)
TWIZELL as joint Liquidator for and on)
behalf of NEWSCREEN MEDIA)
GROUP PLC in the presence of:)

Witness signature:

Name: M. GLEDHILL

Address: 28 PARK PLACE, LEEDS

Occupation: ACCOUNTANT

SIGNED by)
duly authorised to sign for and on behalf of)
NSMG (2004) PLC)
in the presence of:)

Witness signature:

Name:

Address:

Occupation:

SIGNED by GEOFFREY MARTIN/)
JOHN TWIZELL one of the joint)
Liquidators on behalf of himself and his Joint)
Liquidator in the presence of:)

Witness signature:

Name: M GLEDHILL

Address: 28 PARK PLACE, LEEDS

Occupation: ACCOUNTANT