



**CONDITIONAL OFFER FOR 390,000,000 ORDINARY SHARES OF 1p EACH
AT A PRICE OF 1.46p PER SHARE IN JUST GROUP PLC**

This offer supersedes all previous conditional offers you may have received from **Just Action Group**.

In accepting this offer, you confirm that you are relying solely on any information contained in this offer document (which expression includes the accompanying letter from **Just Group PLC**). In particular you confirm that you have not relied upon any statements or representations which have been made by or on behalf of the **Just Action Group** or its representatives prior to this offer document. Any liability for misrepresentation contained in this offer document shall be solely the liability of **Just Group PLC**.

Please note that even if the share capital is not subscribed for in full, the amount of capital subscribed for may be allotted in the event that the conditions specified in this offer document are satisfied.

Applications **UNDER SECTION A** must be completed and sent to Mishcon de Reya Solicitors, 12 Red Lion Square, London WC1R 4QD by (see attached letter). This offer closes on (see attached letter), or such later date as the directors decide.

Applications **UNDER SECTION B** together with your cheque made payable to Mishcon de Reya Just Group Share Offer must be completed and sent to Mishcon de Reya Solicitors, 12 Red Lion Square, London WC1R 4QD by (see attached letter). This offer closes on (see attached letter) or such later date as the directors decide.

APPLICATION FORM:

SECTION A

ONLY FOR APPLICANTS WHO HAVE PREVIOUSLY SUBMITTED AN APPLICATION UNDER A PREVIOUS OFFER (to apply for new additional shares please complete section B overleaf)

I have previously submitted the sum of £..... forshares at a price of 1.9p each (to include three bonus shares for every ten shares applied for). I now wish for such sum be used for the purchase of shares at a price of 1.46p each on the terms of this offer.

I accept the terms of offer detailed overleaf

Signed:.....

Full Name:.....

Address:.....

Date:.....

NO FURTHER PAYMENT IS DUE IN RESPECT OF ANY APPLICATION FOR SHARES UNDER THIS SECTION A - SIMPLY COMPLETE AND RETURN THE FORM. IF YOU WISH TO APPLY FOR FURTHER ADDITIONAL SHARES, PLEASE COMPLETE SECTION B.

SEE OVER FOR SECTION 'B' TO APPLY FOR ADDITIONAL SHARES AND FOR TERMS OF OFFER

SECTION B

FOR APPLICANTS WHO WISH TO APPLY FOR ADDITIONAL JUST GROUP PLC SHARES

I wish to apply for.....shares (or additional shares) at a cost of 1.46p each

Total Sum due: £.....

Minimum Quantity: 13,000 shares at 1.46p per share (cost: £190.00), thereafter in 13,000 increments.

Examples:

- 13,000 shares @ 1.46p = £190.00
- 26,000 shares @ 1.46p = £380.00
- 52,000 shares @ 1.46p = £760.00
- 65,000 shares @ 1.46p = £950.00
- 130,000 shares @ 1.46p = £1,900.00
- 325,000 shares @ 1.46p = £4,750.00
- 650,000 shares @ 1.46p = £9,500.00
- 1,300,000 shares @ 1.46p = £19,000.00
- 2,600,000 shares @ 1.46p = £38,000.00

I enclose a cheque herewith in the sum of £..... in payment for the above shares.

I accept the terms of offer detailed below

Signed:.....

Full Name:.....

Address:.....

.....

Date:.....

I have previously applied for additional shares under a Just Action Group Offer Yes/No

Terms of offer:

I understand that I should seek financial advice from an independent financial advisor authorised by the Financial Services Authority.

I accept that it is **Just Group PLC's** intention to issue new shares @1.46p per share (equivalent to 1.9p per share with 3 bonus shares allocated for every purchased).

I accept that this application and payment must be received on or before **(see attached letter)** for **SECTION A** and on or before **(see attached letter)** for **SECTION B**.

I accept that, unless the CVA proposal is approved by the creditors and the shareholders (at EGM) all funds will be returned in full and no shares will be issued.

I accept that this application for shares is subject to the approval of resolutions numbered 1,5 and 6 contained in the Notice of Extraordinary Meeting, a print of which accompanies this application.

I accept that if insufficient funding is obtained under this offer, the CVA proposal may not proceed and the funds will be returned.

I accept that this offer by **Just Group PLC** supersedes all previous offers by the **Just Action Group**.

I agree that my application is irrevocable, subject to the CVA proceeding.

IN THE MATTER OF THE INSOLVENCY ACT 1986
AND IN THE MATTER OF

JUST GROUP PLC – IN ADMINISTRATION

REPORT of David Paul Hudson, a partner in the firm of Messrs. Begbies Traynor, the Old Exchange, 234 Southchurch Road, Southend-on-Sea, Essex SS1 2EG, a licensed Insolvency Practitioner, and the Joint Nominee named in the Proposal presented by the Administrators of Just Group Plc ("the Company"), under Section 2 of the Insolvency Act 1986.

I have considered the proposals of the Administrators for the implementation of a Voluntary Arrangement in respect of the Company.

1. The Administrators of the Company have submitted to me:
 - 1.1 A Proposal for a Voluntary Arrangement for the Company which includes all the matters required by Rule 1.3(c) of the Insolvency Rules 1986 ("the Rules") to be stated therein. A copy of the proposal is attached.
 - 1.2 A Statement of Affairs for the Company as at 13th June 2002 with supporting schedules. A copy of the Statement of Affairs is attached to the proposal. The Statement of Affairs and Schedules include all matters required by Rule 1.5(2) of the Rules to be stated therein.
2. In reaching my opinion, I have taken into consideration the following matters:
 - 2.1 I have reviewed the Company's estimated Statement of Affairs as at 13th June 2002. I have also been provided with a list of creditors, including the Inland Revenue and VAT liabilities. The company was placed into Administration on 9th January 2002 and A. Graham and M. McLoughlin of KPMG were appointed Joint Administrators. I have relied upon information provided by the Administrators and former members of the Company's staff. In the time available, I have not had an opportunity to examine in detail or verify the financial information upon which the Proposal and Statement of Affairs are based. However, Creditors' interests are safeguarded after the commencement of the Voluntary Arrangement. This is because if it is discovered in the course of the Voluntary Arrangement that the financial information provided was misleading to Creditors in a material way, the Supervisor will apply to the Court for a Winding Up Order in relation to the Company.
 - 2.2 It is proposed that all assets of the Company will be excluded from the Voluntary Arrangement, other than the continued trading via the Intellectual Property Rights and Licence Rights. No formal valuation of these assets has been undertaken.
 - 2.3 The Administrators have co-operated entirely in relation to the information which I have requested.
 - 2.4 The performance of the Arrangement does depend upon the response of the secured creditor, Royal Bank of Scotland, who hold a fixed debenture conferring a fixed and floating charge as security. I have spoken to a representative of the Bank who has advised me that the Bank is willing to support the proposal.
 - 2.5 The approval of this Arrangement will not depend upon the response of the preferential creditors, given their estimated claims. In any event, should the Company be placed into liquidation, it is unlikely that any of the unsecured creditors would receive a dividend from the Administration or Liquidation.

- 2.6 The approval of the Arrangement will depend on the approval of the major Creditors, together with the approval of the Shareholders. With representatives of the Shareholders, I have sought to canvass views from a number of Creditors. A majority of these Creditors have indicated that the prospect of receiving a dividend by way of a CVA is preferable to the liquidation of the Company, given that no dividend will be payable to the unsecured Creditors in a Liquidation.
- 2.7 In the event that the Arrangement is approved and implemented successfully, unsecured Creditors will receive redeemable loan notes equal to 40% of their claim. Preferential Creditors will be paid in full. In the event that the Company is placed into liquidation, it is unlikely that there will be a dividend for any ordinary unsecured Creditors.
- 2.8 In the event that the proposal is rejected, it is likely that the Administrators will seek to dispose of the remaining assets of the Company. It is unlikely that realisations would be sufficient to enable a dividend to ordinary unsecured Creditors.
- 2.9 I have been advised by the Administrators that a potential preference has been identified in respect of a payment made by Just Group Plc on or around 6th August 2001, when contractually, this payment was not due until 1st October 2001. The Company was placed into administration on 9th January 2002. In the event that the Voluntary Arrangement is accepted, the Supervisors would be unable to pursue this action.

3. **Opinion**

- 3.1 I agree with the Administrators that a Voluntary Arrangement is desirable and in the interest of the Creditors and Shareholders of the Company. I am satisfied that:-
 - (a) from the information which has been provided to me, the Company's position as to assets and liabilities is not materially different from that which is to be presented to the Creditors and Shareholders.
 - (b) the Administrators' proposals have a real prospect of being implemented in the way it is represented.
- 3.2 There is no manifest or prospective unavoidable unfairness.

I am therefore of the opinion that meetings of the Creditors and Members of the Company should be convened and held on the 2nd day of August 2002 at 11.00am and 2.00 pm respectively.

Signed


David Paul Hudson

Dated this 17th day of June 2002

Just Group Plc.
Just Licensing Limited
Just Entertainment Limited
Proposal for a Company Voluntary Arrangement
under Part I of the Insolvency Act 1986

WE, the Administrators of the Just Group Plc, Just Licensing Limited and Just Entertainment Limited propose a Voluntary Arrangement under Section 1 of the Insolvency Act 1986 in satisfaction of the debts of these companies.

The Proposal consists of eight pages and five Appendices as well as three statements of affairs. For the avoidance of doubt, any other documents sent to you with this Proposal by the Shareholder Action Group, or any other person, does not form part of it and we accept no responsibility for the content thereof.

1. DEFINITIONS

1.1 In this Voluntary Arrangement proposal the following definitions shall apply, unless the context otherwise requires:

"The Act"	The Insolvency Act 1986 and any statutory modification or enactment thereof.
"The Bank"	The Royal Bank of Scotland Plc
"The New Company"	Just Group Plc, Just Licensing Limited and Just Entertainment Limited – all in Company Voluntary Arrangement.
"The Creditors"	The Secured Creditors, the Preferential Creditors and the Unsecured Creditors.
"The Directors"	The Directors of the Group, details of whom are set out in the Statutory Information in "Appendix 1" to these proposals.
"Fixed Date"	The date (if any) of approval of this Voluntary Arrangement.
"The Administrators"	A.W. Graham and M.V. McLoughlin of KPMG.
"The Nominees"	David Paul Hudson and Jamie Taylor of Begbies Traynor.
"Preferential Creditors"	Creditors to the Group whose claims as at the Fixed Date are Preferential under Sections 4 and 386 of the Act.
"The Rules"	The Insolvency Rules 1986, as amended from time to time.
"The Supervisors"	David Paul Hudson and Jamie Taylor or any other person for the time being duly appointed Supervisor of this Voluntary Arrangement.
"Secured Creditors"	The Bank, and those companies listed in paragraph 10.2.1 as having supplied assets to the Group on the terms of hire, hire purchase, lease or similar agreements.
"Group"	Just Group Plc and subsidiary companies.
"Unsecured Creditors"	Creditors of the New Company who would have been entitled to prove in a Liquidation had the New Company gone into Creditors Voluntary Liquidation on the Fixed Date including prospective and contingent Creditors other than: <ul style="list-style-type: none">(i) Secured Creditors to the extent of their security;(ii) Preferential Creditors.
"The Voluntary Arrangement"	This Voluntary Arrangement in its present form or with any modification made at the meetings of the Shareholders or Creditors of the Company summoned under Section 3 of the Act.
The Solicitors	Mischon de Reya who are legal advisors to JAG.
The Shareholders	The registered shareholders Just Group Plc.

2. BACKGROUND INFORMATION

- 2.1 Just Group Plc was incorporated on the 9th November 1993, and on 11th March 1994 acquired the whole of the issued share capital of Just Licensing Ltd, a toy development and licensing business which was founded in 1987.
- 2.2 The business historically traded from Bakewell, Derbyshire.
- 2.3 During May 1996, Just Group Plc was listed on the alternative investment market, since when the Group has expanded rapidly.
- 2.3.1 Investment was made during 1999 to secure merchandising rights in a TV property entitled Jellikins/Jellabies. This was the Group's first entertainment property which was followed by significant investments in Butt-Ugly Martians, McDonalds Farm and Pinky and Perky. The IP rights of Jellikins/Jellabies are still owned by Just Licensing Ltd. The IP rights of Butt Ugly Martians are co-owned by Just Group Plc, Just Licensing Limited and Just Entertainment Limited.
- 2.3.2 During 2000, the Group acquired two further businesses, Optical Image Ltd, a television production, motion & post production house and MediaKey Plc, predominantly a creator and publisher of illustrated reference books and owner of children's Intellectual Properties, including Wide Eye, a pre-school learning range.
- 2.4 The overheads of the Group increased substantially following flotation, particularly from the end of 2000 with the acquisition of MediaKey Plc.
- During 2001, the Group incurred significant additional costs associated with the purchase and refurbishment of a freehold office block in Shepherd's Bush, London and the refurbishment of its offices in Bakewell, Derbyshire.
- 2.5 Early in 2001, the Directors became aware of a significant creditor backlog inherited by the Group following its acquisition of MediaKey Plc. Consequently, there was a need to raise further cash to sustain the Group's growth plans and to assist with working capital.
- 2.6 Delays in the uptake of Butt-Ugly Martians broadcast licences adversely affected the level of licensing and consumer product revenues in the spring of 2001, resulting in further shortfalls in cash generation.
- 2.7 In the summer of 2001, a cease and desist letter was received from Universal in respect of the Butt-Ugly Martians property, preventing the finalisation of a number of licensing contracts, resulting in further significant shortfalls in cash generation. This letter was issued as a result of a dispute concerning the ownership of the rights. This dispute was later resolved.
- 2.8 During this period the Board of Directors reviewed its accounting policies for revenue recognition of licensing income. Whilst its policy of recognising guaranteed licensing income in full in the period in which a contract was signed was acceptable accounting practice, the Board of Directors agreed to change to a more prudent policy and that the new policy should be applied to the April 2001 accounts. The new policy apportioned the guaranteed revenue evenly over the period of the license. We understand from the Directors that non refundable advances were to be included as a creditor and released in line with reported royalties.
- 2.9 The Group's auditors reported to the Directors, during the second half of 2001 that the Group would require circa £7.5 million of additional funding to overcome the creditor pressure that had accumulated.
- 2.10 Despite the Director's efforts to raise additional funds by inviting investment from financial institutions, sufficient funding was not generated.
- 2.11 By the end of 2001, the Group had utilised its available funding and the Directors took legal advice which resulted in the following companies within the Group being placed into Administration on the 9th January 2002.

Just Group Plc.
Just Licensing Limited
Just Group Properties Limited
Just Publishing Limited (formerly Burghley Publishing Limited)
Just Entertainment Limited
Newsstand Publications Limited
Abbey Home Entertainment Group Limited
Monster Innovations Group Limited
MediaKey Plc.
EDI Realisations Limited (formerly known as Marshall Editions Limited)
DEV Realisations Limited (formerly known as Marshall Editions Developments Limited)
PBL Realisations Limited (formerly known as Marshall Publishing Limited)
Marshall Information Limited
Marshall Direct Learning Limited
Marshall Media Limited
eMediaKey.com Ltd

- 2.12 The purpose of the Administration was to enable a more advantageous realisation of the Group's assets than would be effected in a winding up and or the approval of a Voluntary Arrangement under the Insolvency Act 1986.

Company Voluntary Arrangement

- 2.13 It is proposed that three of the Group's companies enter into a Company Voluntary Arrangement. The companies are:-
- Just Group Plc
Just Entertainment Limited
Just Licensing Limited
- 2.14 Just Group Plc was the ultimate parent company and holding company of the Group.
- 2.15 Just Group Plc, Just Entertainment Limited and Just Licensing Limited form the traditional core of the Just business owning rights in Butt-Ugly Martians and Jellikins/Jellabies respectively.

3. CURRENT FINANCIAL POSITION

- 3.1 Attached as 'Appendix 2' is the estimated Statement of Affairs submitted to the Administrators of Just Group Plc, Just Licensing Limited and Just Entertainment Limited as at 27th February 2002.

- 3.2 Attached as 'Appendix 3' is an Estimated Statement of Affairs in respect of Just Group Plc, Just Licensing Limited and Just Entertainment Limited as at 1st June 2002.
- 3.3 It should be noted that following the submission of the Statement of Affairs to the Administrators, assets have been sold and a review of the estimated to realise values of assets has been undertaken accordingly. The Statement of Affairs differ significantly.

4. PROPOSALS

- 4.1 The Voluntary Arrangement is proposed as a means of enabling Just Group Plc and its two subsidiaries, Just Entertainment Limited and Just Licensing Limited to continue to trade (the "New Company"). Continuing to trade will enable the New Company to:-
- Collect royalties from existing signed contracts;
 - Develop the licenses that are held; and
 - Seek new opportunities in the expanding children's entertainment market and media industry.
- By continuing to trade it is anticipated that a greater return will be provided to Creditors and Shareholders than would be available if the three companies were to enter into liquidation. It is anticipated that in the event of liquidation, there is little likelihood of a dividend to Unsecured Creditors.
- 4.2 The principal assets of the three companies relate to the rights in Butt-Ugly Martians and Jellabies/Jellikins. Universal Studios has a significant ownership share of the rights in Butt Ugly Martians and we understand from the "Just Action Group" (JAG – See paragraph 4.3) that Universal Studios is prepared to support the Proposal for a Voluntary Arrangement. **In the event that funds were realised from a sale of the rights, they would be due to the Bank under the terms of its security. There would be little likelihood of a return to Creditors or Shareholders from any sale.**
- 4.3 Following the granting of the Administration Orders, a shareholders action group 'Just Action Group' (JAG) was formed. We understand from members of JAG that it was formed in order to seek to preserve value in the Group for the benefit of Creditors and Shareholders. We understand that substantial funds have been raised by the Shareholders in order to assist in securing the acceptance of the Arrangement and to provide working capital for the New Company. These funds would not of course, be available in the event of a liquidation.
- 4.4 It is proposed that all the Unsecured Creditors between the three companies will be treated equally as creditors of the New Company. Each company is dependent upon the other for support and services to maximise the value of its assets and therefore it is equitable that the claims against the companies should be treated equally.
- 4.5 In consideration of the claims against the New Company, it is proposed that Just Group Plc. will issue redeemable loan notes. These notes will be issued as follows:-
- The loan notes issued by Just Group Plc. to its Creditors will equate to 40% of the agreed unsecured claims of creditors of Just Group Plc, Just Licensing Limited and Just Entertainment Limited.
 - The repayment of these loan notes will equate to 10% of the agreed Unsecured claims after three years, 10% after five years and the balance of 20% of the agreed claim after seven years. The redemption date will be the respective anniversary of the acceptance of the Voluntary Arrangement. Attached as "Appendix 4", is a further explanation of the loan notes.
 - Interest will be payable on the redeemable loan notes at a rate of 3% per annum. This interest will be payable annually in arrears.
 - Creditors will be given the opportunity to transfer the redeemable loan notes into shares in Just Group Plc. during the seven years prior to the final payment under the loan notes. Shares will be issued on the quarter date after the application for transfer and the share price will be calculated at the market value as at the quarter date.
 - Prior to the shares being re-listed on a recognised exchange, the shares will be deemed to have a value of 1.9p. The shares will only become disposable on the same date and in the same proportions as the loan notes. If a Creditor elects to transfer its entire holding of loan notes to shares during the first three years then 25% can be disposed of between years three and five, 50% between years five and seven and 100% after seven years. The commencement of the quarter date for the purposes of the transfer of loan notes will be 1st April.
 - The redemption of the final tranche of redeemable loan notes will be taken as full and final settlement of a Creditors' claim against Just Group Plc, Just Licensing Limited and Just Entertainment Limited.
- 4.6 The estimated shortfall to the Bank after taking into consideration assets to be realised and due to the Bank under its security totals £2.15 million. This figure includes an estimate of the amount required to discharge Administrators' fees and the costs of the Administration. The Bank holds security over the assets of the Group in the form of a debenture comprising a fixed and floating charge. There are cross guarantees throughout the Group with supporting security. The principal remaining assets relate to a free hold property and book debts.
- 4.7 Redeemable loan notes will be issued to the connected companies/associates in respect of any claim that they may have against Just Group Plc, Just Licensing Limited and Just Entertainment Limited. It will be for the Supervisors to adjudicate any claims submitted.
- 4.8 The claims of the Preferential Creditors are estimated at £198,000. The agreed preferential claims will be met in full from funds currently held by Solicitors on behalf of Shareholders. Sufficient funds to meet the estimated Preferential Claims will be passed immediately to the Supervisor.
- 4.9 A Proposal that the Administrators' fees could be drawn on a time cost basis was approved by the Creditors at the Section 23 Insolvency Act 1986 Meeting of Creditors held on 3rd April 2002. It is estimated that the Administrators' time costs will total £1.3m. This liability has been included in the shortfall to the Bank.
- 4.10 The shortfall to the Bank and the Administration will be settled as follows:-
- The sum of £1.3 million will be paid to the Administrators immediately following the agreement of the Voluntary Arrangement. The funds to meet this payment have been raised by Shareholders and are held by Solicitors on behalf of Shareholders. The funds will be used towards discharging the estimated shortfall to the Bank.

- b) A further £322,000, which has been raised by Shareholders, will be held in escrow. These funds will not be utilised until the validity of the Bank's fixed charge on book debts has been agreed. The conduct of this matter will be determined solely by the Bank, but will be in any event settled not more than 24 months from the date of approval of the Arrangement. In the event that the Bank's charge is not valid these funds will be passed to the Bank in reduction of its liability. The funds will be returned to the New Company only if the Bank's fixed charge on book debts is valid and to the extent that there is no remaining shortfall to the Bank. If such a shortfall exists, the funds will be used first to discharge any remaining shortfall to the Bank.
- 4.11 A second further letter from JAG to the Shareholders has been issued inviting further funding. The funds raised as part of this exercise will be used as follows:-
- The first £200,000 will be paid to the Administrators in reduction of any remaining outstanding liability to the Bank and the Administration.
 - The next £700,000 will be paid to Tiger Aspect to allow the New Company to purchase the shareholding Tiger Aspect holds in Target Distribution Limited. The proposed merger with Target Distribution Limited is detailed in paragraph 5.2.
 - The next £364,000 will be retained by the New Company as working capital.
 - In the event that funds in excess of those detailed above are raised from Shareholders, they will be utilised to extinguish any remaining shortfall to the Bank and the Administration.
- 4.12 In the event that more than £1,246,000 of additional funds are raised from Shareholders (following the fund raising exercise in 4.11 above) on or before 28th June 2002 and a shortfall to the Bank still exists, the first £136,000 of any remaining shortfall to the Bank will be repaid by the New Company to the Bank within six months of the date of approval of the Voluntary Arrangement. The repayment will be made in six equal monthly instalments on the last business day of each month. The first instalment will be paid on 31st July 2002. In the event that there is any residual liability to the Bank after the above, the Bank will have the discretion to take an equity stake in the New Company or opt for repayment of the remaining shortfall over a period to be negotiated between the Bank and the Directors of the New Company. It should be noted that the Bank retains its security over all the remaining assets of the Group until it is repaid in full including interest accruing to the date of full repayment.
- 4.13 In the event that less than £1,246,000 of additional funds are raised from Shareholders on or before 28th June 2002 a renegotiation of the terms in 4.12 above will be required. The Bank will have the discretion to take an equity stake in the New Company and/or opt for repayment of the remaining shortfall over a period to be negotiated between the Bank and the Board of the New Company. In the event of either of the aforementioned options being exercised by the Bank, and regardless of the time taken by the Bank to arrive at its decision, this proposal will remain valid and will nevertheless proceed to voting and approval by the Creditors and Shareholders of Just Group Plc., Just Licensing Limited and Just Entertainment Limited. It should be noted that the Bank retains its security over the assets of the New Company until it is repaid in full including interest accruing to the date of full repayment.
- 4.14 It is proposed that Just Group Plc will assume the pre-Arrangement ordinary unsecured liabilities of Just Entertainment Limited and Just Licensing Limited. Loan notes will be issued to the Unsecured Creditors of Just Entertainment Limited and Just Licensing Limited in respect of these liabilities which will equate to 40% of Unsecured Creditors' claims in these companies.
- 4.15 It is proposed that Creditors with specified rights under license agreements will be treated as Unsecured Creditors and receive redeemable loan notes under 4.5. **However**, the proposed Board of Directors of the New Company recognises that these creditors are of strategic importance, without whose support the Arrangement would not be possible, and the Directors will undertake to renegotiate their entitlement once the up to date royalty position has been quantified. We understand from JAG that the strategic creditors include:-
- | | | | |
|------|--------------------------|-----|------------------------|
| i) | Winchester Entertainment | ii) | Trebor Bassett |
| iii) | Universal Studios | iv) | Mike Young Productions |
| v) | DCDC | | |
- 4.16 Prior to the Group being placed into Administration a dispute arose with a firm of accountants regarding due diligence undertaken in anticipation by Just Group Plc of the acquisition of MediaKey Plc. The Directors instructed solicitors to review a claim by the Just Group Plc against the accountants for negligence. The Supervisors will review the merits of this claim. In the event that any claim is successful the funds received by the New Company will go first towards discharging any remaining shortfall to the Bank. Thereafter, 15% of the net proceeds will be used to finance a dividend to Creditors in addition to the redeemable loan stock. The maximum distribution to Creditors will equate to 60p in the £ on the claim agreed by the Supervisors. The balance will be retained by the New Company as working capital and in meeting the costs of agreeing disputed Creditors' claims.

5. FUTURE TRADING

- 5.1 It is proposed that a new Board of Directors will be incorporated. This will provide the New Company with a new board to manage the New Company's activities and the ability to develop the licenses held, and seek new opportunities. A meeting of Shareholders has been convened for the purpose of appointing a new Board of Directors.
- 5.2 Terms have been agreed, conditional upon the acceptance of the Voluntary Arrangement at the Extraordinary General Meeting which has been convened in respect of the Arrangement, for a merger with a private company, Target Distribution Limited. JAG believes that this company is a successful and profitable business, established four years ago. We understand from JAG that the merger will provide the New Company with almost 1,000 hours of television programming and global licensing opportunities, providing the potential to create substantial additional revenue for the New Company.
- 5.3. It is proposed that following the satisfaction of the conditions in 7.1, the Company Voluntary Arrangement will be completed. Following the completion of the Arrangement, the New Company will seek advice from its nominated Brokers and Advisors regarding the timing and other issues in order to seek a re-listing on a recognised Stock Exchange.
- 5.4 Any Creditors whose debts have been incurred by the New Company in the carrying on of the business of the New Company after the fixed date, will be paid from the ongoing trade outside of the Voluntary Arrangement.
- 5.5 Immediately following the Fixed Date:-
- 5.5.1 For the duration of the Voluntary Arrangement and subject to the provisions of paragraph 10.2.1, no Creditors (save for the Bank and the Supervisors) shall have any remedy against the assets or the property of the New Company nor shall any such Creditors proceed with or commence any demand, legal proceeding, execution, judgement, distress or other step whatsoever against the New Company.

- 5.5.2 Creditors who have issued legal proceedings against the Just Group Plc, Just Licensing Limited or Just Entertainment Limited as at the Fixed Date shall only be entitled to continue those proceedings for the purpose of establishing their claim in the Voluntary Arrangement.
- 5.5.3 The New Company shall execute and deliver to the Supervisors powers of attorney in such form as the Supervisors require irrevocably appointing the Supervisors the attorneys of the New Company and in their names and on their behalf and in their acts and deeds or otherwise to seal and deliver and otherwise perfect any deed, assurance, agreement, instrument or right which may be required or may be deemed proper by the Supervisors for any of the purposes of the Voluntary Arrangement.
- 5.6 The New Company shall provide the Supervisors with its management accounts on a six monthly basis, together with any explanatory information which the Supervisors may require. This will enable the Supervisors to monitor the performance of the New Company throughout the duration of the Voluntary Arrangement.
- 5.7 All outstanding Value Added Tax and Corporation Tax returns are to be rendered within six months of the approval of the Voluntary Arrangement with all future returns to be rendered and paid by the due date. In the event that outstanding returns are not lodged within six months, the Supervisors shall review the position and may extend the period to twelve months or eighteen months i.e., the devaluation of the arrangement, if appropriate. The New Company recognises that substantial work will be required to reconcile the Corporation Tax position. In the event that the New Company is unable to agree the position in the timescale detailed the Supervisor/New Company will seek further time from the Inland Revenue.
- 5.8 All tax liabilities not included in the Inland Revenue's final claim to the Supervisors as Creditors of the New Company shall be paid as and when they fall due for payment.

6. THE SUPERVISORS

6.1 PERSONS PROPOSED AS SUPERVISORS

The proposed Supervisors are David Hudson and Jamie Taylor of Messrs. Begbies Traynor, The Old Exchange, 234 Southchurch Road, Southend-on-Sea, Essex SS1 2EG. Both David Hudson and Jamie Taylor are Members of the Insolvency Practitioners Association and are both Licensed Insolvency Practitioners.

6.2 DUTIES AND POWERS OF THE SUPERVISORS

- 6.2.1 The Supervisors their servants or agents shall incur no personal liability in connection with the negotiation or implementation of the Voluntary Arrangement or under any deeds instruments or documents entered into pursuant to or in connection with it.
- 6.2.2 In exercising their powers, the Supervisors are deemed to act at all times as the New Company's agents and without prejudice to the generality of the foregoing the New Company shall keep the Supervisors and each of them indemnified on demand against all actions, claims, proceedings and demands brought or made against them or either of them in respect of the conduct of the business during the period of the Voluntary Arrangement and in respect of all expenses and liabilities properly incurred by them in carrying out their functions.
- 6.2.3 The Supervisors have all powers specified in Schedule 1 of the Act as if they were Administrators of the New Company.
- 6.2.4 Any act to be done in connection with the Voluntary Arrangement may be done by any one of the Supervisors.
- 6.2.5 A person dealing with the Supervisors in good faith and for value is not concerned to enquire whether the Supervisors are acting within their powers.
- 6.2.6 Should this Arrangement be approved by the requisite majority of Creditors and Members, the Supervisors shall within 28 days of the Fixed Date provide all Creditors with a notice of claim form.
- 6.2.7 The Supervisors shall consider the claims of all persons claiming to be Creditors of the New Company. For the purpose of quantifying claims of Creditors, the rules in Part 4, Chapter 9, Section B of the Rules shall apply as if the New Company had gone into Creditors Voluntary Liquidation on the Fixed Date. No Creditors shall be entitled to challenge a decision by the Supervisors to admit the claim of another Creditor unless they can prove bad faith on the part of the Supervisors. The Supervisors shall have power to compromise the claim of any Creditor at their discretion.
- 6.2.8 The Supervisors shall distribute the funds retained in the Voluntary Arrangement in the following order of priority:-
- 6.2.8.1 (a) All fees, costs, charges and expenses of the Administration that have been properly incurred by the Administrators in carrying out their duties.
- (b) In paying or providing for the fees, costs, charges and expenses of the Voluntary Arrangement including:-
- i) The fees, costs and expenses of the Supervisors fixed by reference to the time properly spent by them and their staff in attending to matters arising in the Voluntary Arrangement; and
- ii) The costs and expenses of any agent or Solicitor appointed by the Supervisors to assist or advise in the performance of their duties.
- (c) The New Company will within 28 days from the fixed date and at the end of every calendar month thereafter ensure that sufficient funds are passed to the Supervisor's to meet these liabilities.
- 6.2.8.2 In paying the Preferential Creditors.
- 6.2.9 The Supervisors shall make initial distributions under paragraphs 6.2.8.2 as soon as reasonably practicable after the Fixed Date. Any Preferential Creditors who have not notified the Supervisors of their claims before a dividend is paid, but whose claims are thereafter admitted by the Supervisors, shall be entitled to be paid out of any money or property of the New Company in the Supervisors hands in respect of any dividend which they have failed to receive before that money or property is applied in payment of future dividends, but such Preferential Creditors are not entitled to disturb distributions made before they notified their claim to the Supervisors.

6.3 FUNCTIONS AND ADDITIONAL POWERS OF THE SUPERVISOR

- 6.3.1 The Supervisors will monitor the payment of contributions of funds held by Solicitors on behalf of Shareholders which are payable under the terms of the Voluntary Arrangement.

They will have such access to the books and records of the New Company as they may require. The Supervisors will agree Creditors claims and deal with all queries on behalf of Creditors and make the appropriate distributions. It is expressly noted for the avoidance of doubt that the Supervisors shall not in any circumstances be personally liable for any liabilities incurred in connection with the continued trading of the New Company.

- 6.3.2 It is proposed to give the Supervisors the power to convene and hold further meetings of Creditors and Shareholders at any time throughout the duration of the Voluntary Arrangement. Any decision or resolutions passed by those meetings should be binding on the Supervisors, the New Company and all Creditors.
- 6.3.3 A Meeting of Creditors may be convened at any time throughout the duration of the Voluntary Arrangement on not less than 21 days notice in writing by post to the last business address known to the New Company to consider, and if necessary to vote on, matters of relevance to the Voluntary Arrangement including, without limitation, the variation or termination thereof. Such Creditors Meetings may be called at the request of the Supervisor, or one or more Creditors whose claims in aggregate exceed more than 25% of the total claims at the time.
- 6.3.4 At a Creditors Meeting pursuant to Clause 6.3.3 to consider a matter of relevance to, including a variation in the terms or termination of the Voluntary Arrangement, a majority in value of 75% calculated by reference to the provisions of paragraph 1.17 of the Rules, present and voting in person or by proxy shall be required to approve such variation or termination.
- 6.3.5 The Supervisors will have the power to compel Creditors to lodge with them their claim in the proceedings by serving upon them a notice giving at least 21 days notice of an intention to issue the redeemable loan stock. If any Creditors should fail to submit their claim before expiry of that time then they may be excluded from the distribution. In the event that any of the Creditors claims are disputed, the Supervisors may reject that claim and invite that Creditor to issue legal proceedings against the New Company which will ultimately decide the validity of such claims. The legal costs of defending and any costs awarded against the New Company are to be paid as an expense of the Voluntary Arrangement. If within 28 days of such an invitation being served upon a Creditor no proceedings are received, then the Creditor may be excluded from all distributions by the issue of a notice by the Supervisors on the Creditor.

7. COMPLETION OF THE VOLUNTARY ARRANGEMENT

- 7.1 The Voluntary Arrangement shall finally be completed when:-
- i) The Supervisors have received all payments due from the New Company and Shareholders without needlessly protracting the Voluntary Arrangement and have paid Preferential Creditors in full.
 - ii) The company has issued the redeemable loan stock to Unsecured Creditors.
 - iii) All fees, costs, charges and expenses incurred by the Supervisors have been settled.
 - iv) All fees, costs, charges and expenses incurred in the Administration have been settled.
- 7.2 Once the loan notes have been redeemed and the appropriate distributions made by the Supervisors and the New Company to a Creditor that Creditor shall be deemed to have irrevocably waived and released the New Company from all claims of that Creditor and that Creditor shall have no further additional rights against the New Company in respect of its claims, other than the redemption of the loan notes issued to them.
- 7.3 In the event that the New Company is unable to redeem the loan notes, any Creditor will have the right to pursue the New Company for the amount due to them at the date of the Arrangement, less any funds received from the New Company in respect of that debt.

8. FAILURE OF THE VOLUNTARY ARRANGEMENT

- 8.1 In the event that the New Company fails to pay to the Administrators the shortfall to the Bank and the Administration in accordance with 4.10 and 4.11 within seven days of the date of approval of the Arrangement, the Arrangement will be deemed to have failed.
- 8.2 The Supervisors, in their absolute discretion, will have power to deem that the Voluntary Arrangement has failed and petition for the winding up of the New Company on the following grounds:-
- 8.2.1 In the event that the funds deposited with the Supervisors to meet preferential claims are insufficient, the New Company will have 28 days, or such longer period as determined by the Supervisors, from the date the New Company is notified by the Supervisors of any deficiency. If funds are not received to meet the claims of the Preferential Creditors within that period, the Arrangement will be deemed to have failed.
 - 8.2.2 The New Company fails to issue the redeemable loan notes, as requested by the Supervisor.
 - 8.2.3 Failure to co-operate with the Supervisors to provide information required under the terms of this proposal or requested in connection with the New Company's affairs;
 - 8.2.4 Failure to comply with the requirements of paragraph 10.13;
 - 8.2.5 If the Bank appoint a Receiver under the terms of its security.
- 8.3 The Arrangement will also be deemed to have failed should any post Voluntary Arrangement Creditor successfully petition for a Winding-up Order against the New Company.

9. DESIRABILITY OF A VOLUNTARY ARRANGEMENT

The principal reason why a Voluntary Arrangement is desirable and in the interests of the Creditors is that they can expect to receive a higher return than they would receive in Compulsory or Voluntary Liquidation of Just Group Plc, Just Licensing Limited and/or Just Entertainment Limited.

10. MATTERS REQUIRED BY RULE 1.3 OF THE RULES TO BE STATED OR OTHERWISE DEALT WITH IN THE PROPOSALS

10.1 THE NEW COMPANY'S ASSETS

The assets of the New Company and their estimated realisable values are shown in the Statements of Affairs attached at "Appendix 3".

10.1.1. **CHARGED ASSETS**

The New Company's liability to its Secured Creditors are shown in the Statement of Affairs at "Appendix 3".

The security held by the Secured Creditors is detailed at "Appendix 1".

10.1.2 **EXCLUDED ASSETS**

With the exception of any funds which are payable by the New Company to the Supervisors, all assets of the New Company are to be excluded from the Voluntary Arrangement.

10.2 **THE NEW COMPANY'S LIABILITIES**

The liabilities of the New Company are set out in the Estimated Statement of Affairs at "Appendix 3".

10.2.1 **SECURED CREDITORS**

It is anticipated that where the assets, subject to any charge in favour of Secured Creditors, are required for the ongoing trading purposes of the New Company that the New Company will maintain the payments scheduled under the respective agreements. It should be noted that the Bank retains its security in the form of a debenture dated 18th April 2001 conferring a fixed and floating charge over the assets of the Group. This security will remain until the liability has been settled in full including interest accruing to the date of full repayment.

10.2.2 **PREFERENTIAL CREDITORS**

Preferential Creditors (as defined under Section 4 of 386 of the Act) will receive a dividend out of funds being paid to the Supervisors. Preferential Creditors will be paid in full.

10.2.3 **UNSECURED CREDITORS**

Unsecured Creditors will receive redeemable loan notes in respect of their liability. The value of the loan notes will equate to 40% of the outstanding liability.

10.3 **CONNECTED COMPANIES AND PARTIES**

A list of connected companies and parties is attached as "Appendix 5".

10.4 **GUARANTEES OF THE COMPANY'S DEBTS**

The Bank holds an unlimited guarantee from the Group in respect of the indebtedness owed to it across the Group.

10.5 **CIRCUMSTANCES GIVING RISE TO CLAIMS IN THE EVENT OF LIQUIDATION**

S.238 **Transactions at an undervalue**

We are not aware of any such transactions.

S.239 **Preferences**

A potential preference has been identified in respect of a payment made by Just Group Plc of £68,750 on or around 6th August 2001 when contractually this payment was due on 1st October 2001. Just Group Plc was placed into Administration on 9th January 2002. In the event that the Voluntary Arrangement is accepted the Supervisors would be unable to pursue this action and the Administrators will therefore give consideration to pursuing this alleged preference.

S.244 **Extortionate Credit Transactions**

We are not aware of any such transactions.

S.245 **Invalid Floating Charges**

We are not aware of any such charges having been created.

10.6 **PROPOSED DURATION OF THE VOLUNTARY ARRANGEMENT**

The Voluntary Arrangement is intended to continue for 1 year and 6 months or until:-

- 1) All contributions payable to the Administrators, the Bank and the Supervisors have been received and the appropriate distributions made by the Supervisors to the Preferential Creditors.
- 2) All redeemable loan notes have been issued by the New Company to Unsecured Creditors.
- 3) The Supervisors may alter the duration of the Voluntary Arrangement in their absolute discretion if they consider it appropriate.

10.7 **PROPOSED DISTRIBUTIONS**

Distributions are proposed to be made to the Creditors as indicated in paragraph 6.2.9 above.

10.8 **NOMINEES REMUNERATION**

The Nominees' remuneration will be set at a maximum of £36,000 plus VAT.

10.9 **SUPERVISORS REMUNERATION**

The Supervisors' remuneration is addressed in paragraph 6.2.8.1(c).

10.10 **GUARANTEES**

No guarantees are to be offered by Directors or other persons other than those already in existence.

10.11 **FUNDS FOR PAYMENT TO CREDITORS**

Funds held for the purpose of the Voluntary Arrangement are to be lodged in a recognised Clearing Bank under the control of the Supervisors. Funds held pending distribution should be invested by the Supervisors on deposit or otherwise with a recognised Clearing Bank under the control of the Supervisors.

10.12 **FUNDS ON TERMINATION**

It is proposed that all sums realised will be distributed in accordance with the terms of the Voluntary Arrangement. If, however, upon the termination of the Voluntary Arrangement the Supervisors retain funds for the purpose of payment to the Creditors and such funds have not been so paid, the Supervisors will either return the funds to the New Company or pursuant to Section 7(4) of the Act will seek the directions of the Court or petition to wind up the New Company so that the funds can be dealt with by a Liquidator.

10.13 **FURTHER CREDIT FACILITIES**

The New Company will on normal trade terms incur credit from suppliers for the purpose of carrying on its business under the Voluntary Arrangement. The New Company will continue trading for some or all of the duration of the Voluntary Arrangement meeting its day to day liabilities as and when they fall due. In the event that the New Company fails to meet its day to day liabilities as and when they fall due, the Supervisors will notify the New Company of their intention to fail the arrangement and the New Company will have 14 days in which to respond to this notice prior to the arrangement being failed. Following the expiry of this notice period the Supervisors will have the power to commence winding up proceedings against the New Company.

Signed



Dated 17th June 2002

Joint Administrator